MALAYSIA WEEKLY ECONOMIC NEWS

(9 May 2016 – 13 May 2016)

Topics	Highlights
Malaysia's 2015 property market records decline in transaction value and volume	According to the National Property Information Centre (NAPIC), Malaysia's property market recorded an 8% decline in transaction value and 5.7% contraction in the number of transactions in 2015. This was the second-sharpest decline since 2002, after an 8.3% decline in 2009. In terms of transaction volume by state, Johor led the decline (-19%), followed by Penang (-16%), Kuala Lumpur (-10%) and Selangor (-6%). In 2015, new launches (in unit) dropped 19% as developers delayed their launches after a fall in take-up rate from 45% to 41%. Despite the rise in number and value of unsold units (which increased 16% and 56% respectively), it still remains manageable as the total of unsold units only represents about 1.6% of existing housing stock. Based on the supply and demand analysis, Johor remains oversupplied, while Kuala Lumpur and Selangor were more balanced in terms of supply and demand dynamics. (Source: The Edge Financial Daily, 9 May 2016)
Japanese firms still drawn to Malaysia	Malaysia remains on the radar of Japanese firms keen to do precision parts and high-end manufacturing. The E&E and aviation industries are two key areas which require highly-skilled labour and Malaysia has the capacity to undertake such jobs. According to 2016 survey conducted by Japanese Chamber of Trade and Industry Malaysia (JACTIM), Malaysia ranked high in terms of meeting the Tier 1 and Tier 2 demands of the Japanese supply chain especially since investments in China are currently facing the challenges of rising labour costs. However, Japanese investors in Malaysia were concerned with the foreign labour shortage and customs clearance in Malaysia. Meanwhile, 78.5% of the enterprises surveyed cited forex fluctuations in the beginning of 2016 as a factor affecting their business. (Source: NST, 10 May 2016)
Fintech will be a game changer for Islamic finance	The Islamic finance sector must embrace the financial technological revolution, which will be the next game-changer for the industry, said Bank Negara Malaysia (BNM) Governor Datuk Muhammad Ibrahim. Fintech is challenging the status quo of the financial industry and the potential impact of fintech could be significant, with 10% - 40% of banking revenue possibly at risk by 2025 due to innovations outside banking institutions that are able to offer a significant pricing advantage. There are many opportunities in the revolution, such as the Malaysian initiative to launch the Investment Account Platform (IAP) in February 2016. It was the first Islamic banking-intermediated internet-based platform that combines the expertise of Islamic banks and efficiency of technology to channel funds from investors to viable economic ventures. BNM is reviewing the changes needed to its regulatory framework to ensure that it remained appropriate to manage the risks involved while encouraging productive innovation. (Source: The Star, 11 May 2016)
Four sectors allowed to hire foreign workers	The Government is lifting the freeze on hiring foreign workers for four sectors. The decision was made in light of appeals from the manufacturing, construction, plantation and furniture-making industries, which are facing a major shortage of workers. The Government will improve the system for hiring foreign workers and gradually lift the hiring freeze for other sectors. However, it would take time for the Government to engage with the various industries to better understand the situations that each sector faced. (Source: The Star, 12 May 2016)

El Nino drying out	The bullish crude palm oil (CPO) price projections of between RM2,800 and RM3,000 per tonne in the next two months may be short-lived as the production in most plantations recovers with the El Nino dry weather drawing to an end. Plantation analysts, however, said the average CPO price in 2016 will remain at comfortable levels of RM2,400-RM2,700 per tonne against 2015 average of about RM2,153 per tonne. Year-to-date, CPO price has averaged at RM2,485 per tonne on the back of local planters' average cost of production at RM1,400-RM1,500 per tonne. However, analysts are expecting top plantation companies to post weaker earnings in first quarter of 2016 despite the higher CPO selling prices. This is because the rise in CPO price was not sufficient to offset lower output due to competition from other edible oils and weaker demand from China. (Source: The Star, 12 May 2016)
Malaysia's industrial output rises 2.8% in March 2016	Malaysia's Industrial Production Index (IPI) rose 2.8% in March 2016 from a year ago, supported by 4.4% growth in the manufacturing index and 7.7% increase in the electricity index. However, the mining index recorded a decrease of 2.5%. The major sub-sectors which recorded an expansion in March 2016 were the electrical and electronics products (5.5%), petroleum, chemical, rubber and plastic products (3.3%) and food, beverages and tobacco (6.7%). For the first quarter of 2016, Malaysia IPI expanded by 3.3% from a year ago supported by growth in the manufacturing index (4.3%) and electricity index (8.5%). The mining index, however, posted a decrease of 0.3%. (Source: The Star, 13 May 2016)
Q1 2016 GDP grows by 4.2%	The economy grew by 4.2% in the first quarter of 2016 said Bank Negara Malaysia Governor Datuk Muhammad Ibrahim. The moderation is temporary and was due to external shocks to the economy and cautious spending by the private sector. Growth will be supported by the improvement in private sector spending as the impact of GST and price adjustments lapse. Growth is expected to improve in the second half of 2016, driven by higher production in the manufacturing sector from added capacity. It will also be supported by improved commodities production from the diminishing effect of El Nino and higher wages for civil servants. Stronger and resilient macro fundamentals accords Malaysia the ability to manage current challenges through diversified sources of growth, low inflation and favourable external position (Source: NST, 13 May 2016)

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