

MALAYSIA WEEKLY ECONOMIC NEWS

(6 June 2016 – 10 June 2016)

Topics	Highlights
<p>Malaysia clinches 3rd position in 2016 Global Retail Development Index</p>	<p>Malaysia has jumped six spots to the third position in the A.T. Kearney 2016 Global Retail Development Index (GRDI) – the highest since the index started in 2001. Increased investment from regional and international retailers coupled with a booming market for small-format grocers and hypermarkets has helped boost the sector's growth in the country. The GRDI ranks the top 30 developing countries for retail investment worldwide. The Index analyses 25 macroeconomic and retail-specific variables to help retailers devise successful global strategies to identify emerging market investment opportunities. On the traditional retail front, Kuala Lumpur is saturated with modern retail space, prompting modern development in other spots. In Kuching, on-going development plans include the six storey Emporium at Jalan Tun Jugah and the Moyan Square Shopping Mall. In the internet space, e-commerce players are expanding aggressively with promotional campaigns commonplace. Online fashion retailer Zalora has offered to absorb the 6% GST and local online marketplace 11street plans to launch a new mobile shopping app.</p> <p style="text-align: right;">(Source: NST, 6 June 2016)</p>
<p>7% domestic lending growth seen</p>	<p>Domestic lending is expected to grow 7% in 2016 (2015: 2.9%) or to about 1.59% of the projected national gross domestic product by year-end. The MIDF analyst said this was expected on the back of a slower loan growth from corporate and household segments. He said this was in line with the volatile economic condition, with big companies across all industries cutting their expenses and amid the prolonged effects of the GST and heightened inflation. However, the analyst said MIDF expected growth in household loans to pick up in the second half of 2016 following the Government's move to increase disposable household income. On the bright side, MIDF said the banking industry would continue to see strong demand from SMEs in line with the Government's direction under the 2016 Budget to support SME growth.</p> <p style="text-align: right;">(Source: NST, 6 June 2016)</p>
<p>Stronger but not robust export growth this year</p>	<p>Exports are likely to see stronger growth in 2016, according to economists, but the pace would not be robust amid the gloomy global economic outlook. Malaysia seems to have outperformed others in the region, where a number of countries have seen a contraction in exports in April. The country's exports were up barely 1.6% year-on-year in April 2016 to RM61.3 billion. For the period between January and April, it expanded slower at 1.2%. RHB Research economist Vincent Loo Yeong Hong forecasts a 3.6% growth in gross exports, compared with 1.9% in 2015. He commented that the export growth was considered an improving phenomenon, compared with 0.2% in March. Nevertheless, some of other analysts warned that downside pressure remains on Malaysian exports, especially in the second half of 2016, due to the high base effect resulted from an abrupt depreciation of the ringgit against the US dollar in 2015, which led to a sudden hike in export values.</p> <p style="text-align: right;">(Source: The Edge Financial Daily, 7 June 2016)</p>
<p>Demand for banking professionals in Malaysia continues to decline</p>	<p>Demand for banking and finance professionals in Malaysia continued to decline, dropping 22% year-on-year (y-o-y) in April 2016, according to employment website monster.com. This is the sixth consecutive month that the Monster Employment Index (MEI) has recorded a decline in online hiring of banking, financial services and insurance (BFSI) professionals in Malaysia. Malaysia's online recruitment activity of BFSI professionals declined 29% y-o-y in December 2016. Sanjay Modi (Monster.com's managing director) said the weaker hiring activity in the first quarter of 2016 was in part due to the volatile markets, which</p>

	<p>have impacted banks' earnings. MEI measures online job hiring activity monthly, recording the industries and occupations that show the highest and lowest growth in recruitment activity. The index is based on a real-time review of millions of employer job opportunities culled from a large representative selection of career websites and online job listings.</p> <p>(Source: The Edge Financial Daily, 7 June 2016)</p>
<p>RM to trade below 4 against USD in second half of 2016, says RHB</p>	<p>The ringgit is projected to stay below the 4.00 level against the US dollar in the second half of 2016 said RHB Research. The ringgit is expected to remain volatile in the near term, given the uncertainty of the US monetary policy, challenging global economic environment, possibility of further Chinese Yuan devaluation and the vulnerability of large foreign holdings of fixed income instruments in the country. The volatility, however, is seen to be reduced compared with 2015 given the stabilisation of oil prices as well as diminishing domestic political uncertainties. RHB Research said the stronger ringgit in early June was mainly driven by weak US employment data that led to rising expectations for the Federal Reserve to delay increasing the interest rate in June 2016. This was supported further by the stabilisation of global crude oil prices at around US\$50 per barrel.</p> <p>(Source: NST, 8 June 2016)</p>
<p>World Bank keeps Malaysia's 2016 growth outlook at 4.4%</p>	<p>According to the latest Global Economic Prospects, the World Bank has maintained Malaysia's growth outlook at 4.4% for 2016 (Jan'16 projection: 4.5%), against a backdrop of a slowing global economy. It has projected the economy to grow marginally at 4.5% in 2017 (Jan'16 projection: 4.5%) and 4.7% in 2018. Growth in the East Asia and Pacific region would remain slow at 6.3% for 2016 (unchanged from January projection). This is because China's slower growth in 2016 was already factored in previous projections. Malaysia, Indonesia and Thailand would enjoy growth with the support of rising investments. Growth in Thailand, Philippines and Vietnam will be supported by low commodity prices. State-owned enterprise reforms, including measures to strengthen transparency and governance would reduce contingent fiscal risks in China, Thailand and Vietnam. New partnerships including the TPPA, AEC and the proposed Regional Comprehensive Economic Partnership (RCEP) should all help anchor structural reforms, lift trade and raise potential growth in the region.</p> <p>(Source: NST, 9 June 2016)</p>
<p>Malaysian retail industry sales falls 4.4% in Q1</p>	<p>Malaysian retail industry recorded a 4.4% contraction in sales in the first quarter of 2016 compared with a 4.6% growth in 2015, according to Retail Group Malaysia. The fall was attributed to higher pre-GST sales in 2015, as well as the weak Chinese New Year sales in February 2016. The report was based on interviews with members of the Malaysian Retailers Association on their retail sales performances. Consumers' spending rose sharply during the last few weeks before the implementation of the GST (1 April 2015). Consumers took advantage of the retail offers in anticipation of price increases after the implementation of the tax. It added that prices of retail goods and services had been increasing gradually since early 2016, partly due to the weak ringgit. Thus, this had further deteriorated the spending power of consumers. Retailers continued to depend on heavy discounts to attract consumers which resulted in their profits to be affected. The supermarket and hypermarket sub-sector reported a weaker-than-expected growth of -4.2%, its fourth conservative negative quarterly growth rate. The members of the retailers' association expected their businesses to improve in the second quarter of 2016 with an average growth rate of 9.9%, third quarter (5.0%) and fourth quarter (5.5%).</p> <p>(Source: The Star, 10 June 2016)</p>