

# MALAYSIA WEEKLY ECONOMIC NEWS

(12 July 2021 – 16 July 2021)

Topics	Highlights
<p><b>Retail group: More than 50,000 workers terminated so far</b></p>	<p>A survey by the Malaysia Retail Chain Association (MRCA) on the impact of current restrictions has shown that 91% of retail businesses reported a decline in sales for the period of January to June 2021. It said about 45% of the respondents said they experienced more than 30% reduction in sales while 55% said they had downsized their retail operations while 21% had closed up to six outlets and branches. Around 40% reported that they had terminated more than 10 employees or probably more than 50,000 from overall retail employees had been terminated so far. MRCA also noted that 97% of the retail respondents reported that they only have 4.5 months worth of cash flow to sustain their operations as a result of the declining sales.</p> <p style="text-align: right;"><i>(Source: The Star, 16 July 2021)</i></p>
<p><b>Unexpected turn in fight against Covid could hurt economy</b></p>	<p>The sharp resurgence of COVID-19 cases could hurt Malaysia's economic fundamentals, especially when currency movement is sensitive to negative news flows, said Public Investment Bank. The investment bank said the headwind is expected to persist in the third quarter (Q3 2021) before receding in Q4 2021 as the region achieves herd immunity after doubling its efforts to inoculate the population. The downside risks to regional currencies may be offset by the strong turnaround in exports, thanks to the revival in global demand for regional goods such as manufacturing, agriculture and mining. Bank Negara Malaysia's foreign exchange reserves (FX reserves) in Q2 2021 jumped by US\$7.7 billion (US\$1=RM4.20) year-on-year to US\$111.1 billion, a rise that is consistent with regional peers and is sufficient to finance 8.2 months of retained imports and 1.1x of short-term external debt.</p> <p style="text-align: right;"><i>(Source: The Star, 16 July 2021)</i></p>
<p><b>Average monthly wages down 9% in 2020</b></p>	<p>Average monthly salaries and wages fell 9% to RM2, 933 in 2020 from RM3,224 in 2019 due to the fallout from the Covid-19 pandemic, strict restrictions and health crisis, the Statistics Department said. In its Statistics of Salaries and Wages, Malaysia, 2020 Report, the department said the decline was the first since the series began in 2010, as the labour market experienced uneven momentum following the health crisis and economic consequences. This had caused job losses as well as cancellation or freezing of new hires and subsequently resulting in a decline to total employment. Besides, strict Covid-19 containment measures adopted in the country also had limited the business operation hours and led to the reduction in working hours.</p> <p style="text-align: right;"><i>(Source: The Star, 15 July 2021)</i></p>
<p><b>Malaysia's May Industrial Production Index still strong</b></p>	<p>Malaysia's industrial production remained strong in May 2021 but the robust growth may not be sustainable, according to AmBank Research. It noted that the Industrial Production Index (IPI) growth slowed down during the month with a smaller increase of 26% year-on-year (y-o-y) compared with the 50.1% y-o-y growth seen in April. The performance of the retail and wholesale sectors also showed a similar trend, improving by 28.3% y-o-y in May 2021, down from a 66.2% growth in April 2021. The research house said the continued robust growth in both indicators were due to a low base during the first year of the pandemic and some flexibilities imposed during movement control order in May 2021.</p> <p style="text-align: right;"><i>(Source: The Star, 14 July 2021)</i></p>