

MALAYSIA WEEKLY ECONOMIC NEWS

(16 July 2018 – 20 July 2018)

Topics	Highlights
<p>Inflation falls to below 1% in June, first time in 40 months</p>	<p>Malaysia's inflation rate fell below 1% in June, which was the first time in 40 months following the zero-rated Goods and Services Tax (GST), discounted prices by retailers in conjunction with Aidilfitri, Hari Gawai Dayak: Gaya Guru Gerai Nyamai and the implementation of the Price Control Scheme for 22 selected items in conjunction with Hari Raya Aidilfitri. On a yearly basis, the Consumer Price Index (CPI) was 0.8% in June 2018 from a year ago (May'18: 1.8%). Meanwhile, on a monthly basis, the CPI fell 1.2% as compared to May 2018 due to the decrease in all main groups. The CPI fell in June from May due to the decrease in all main groups. They were miscellaneous goods & services (-3.1%); communication (-3%); recreation & culture services(-2.9%); clothing & footwear (-2.6%); furnishings, household equipment & routine household maintenance (-2.4%) and food & non-alcoholic beverages (-1%). For January-June, the CPI rose 1.6% from the previous corresponding period.</p> <p><i>(Source: The Star Online, 18 July 2018)</i></p>
<p>MIER consumer sentiment index hits 21-year high, businesses also upbeat</p>	<p>Malaysian Institute of Economic Research (MIER) Consumer Sentiments Index (CSI) has breached the 100-point optimism threshold to soar to 132.9 in 2Q18. The biggest increase stemmed from the expectations component, boosted by recent change in the political landscape and the zero-rated goods and services tax. An all-time high of 39% respondents were hopeful that their income will improve in the second half of 2018. Consumers were also excited about the near-term labour market with majority of 41% believed that more jobs will be available soon, the highest since 1Q13. The report concluded that a record high of 43% of the respondents were of the opinion that 2Q18 was a good time to buy or invest in major consumer durables.</p> <p>However, MIER cautioned that much will depend on the Sales And Services Tax (SST) that will be implemented in September, with goods will be levied a 10% tax and services a 6% tax. Meanwhile, businesses also shared this upbeat outlook in the second quarter as MIER's business conditions index hit a three-year high at 116.3 points. This had been driven primarily by new domestic orders, higher investments and higher expected production and export sales in the next quarter. Both domestic and export orders inched up, production accelerated, investment spending rose and the rate of capacity utilisation increased over the quarter, MIER's survey showed.</p> <p><i>(Source: The Edge Markets, 19 July 2018)</i></p>
<p>Business optimism in Malaysia jumps 24 percentage points in Q2</p>	<p>Business optimism in Malaysia leapt to 52 percentage points (pp) in second quarter (Q2) of this year (Q1 2018: 28 pp) mainly due to the election of the Pakatan Harapan government. International Business Report (IBR) revealed that the new-found business confidence was due to the government's emphasis on accountability and transparency. The IBR highlighted that business owners are confident about their performance over the next year, with many having positive outlooks for revenue, employment and also investments. About 56% of businesses are expecting an increase in revenue over the next 12 months, while 26% of businesses owners are expecting to hire more employees. On investments, the IBR cited that 66% up of businesses are expecting to increase their investment in technology. However, there are growing concern on the lack of skilled workers, energy costs and exchange rate fluctuations.</p> <p><i>(Source: The Star Online, 19 July 2018)</i></p>