

# MALAYSIA WEEKLY ECONOMIC NEWS

(29 October 2018 – 2 November 2018)

Topics	Highlights
<p><b>Budget 2019 Highlights</b></p>	<p>The Budget 2019 carries the theme "Credible Malaysia, Dynamic Economy, Prosperous Rakyat". It focuses on institutional reforms, the people's wellbeing and promotion of entrepreneurial culture to recapture Malaysia's "Economic Tiger" status. Among the key highlights were:</p> <ul style="list-style-type: none"> <li>• Government expects GDP to grow 4.9% in 2019 despite uncertainties in the global economy.</li> <li>• Fiscal deficit in 2018 to reach 3.7%. Government is committed to reduce deficit to 3.4% of GDP in 2019, 3% by 2020 and 2.8% in 2021.</li> <li>• Minimum wage to increase to RM1,100 nationwide starting Jan 1, 2019.</li> <li>• Labour laws to be reviewed to improve labour market, ensure workers' well-being and prevent discrimination by employers.</li> <li>• To promote digital economy, the government will implement the National Fiber Optic and Connectivity Plan (NFCP) with an allocation of RM1bil.</li> <li>• The government will freeze toll charges on all highways in the city in 2019 with an estimated budget RM700mil.</li> </ul> <p style="text-align: right;"><i>(Source: The Star, 2 November 2018)</i></p>
<p><b>Malaysia moves up World Bank business index</b></p>	<p>Malaysia moved up nine places to secure a global ranking of 15<sup>th</sup> in World Bank's Doing Business 2019 Report, after carrying out six business reforms in the past year. The reforms carried out over the past year covered areas of starting a business, dealing with construction permits, getting electricity, registering property, trading across borders and resolving insolvency. Among the reforms carried out was streamlining the process of obtaining a building permit, reducing the time needed to complete all required procedures to build a warehouse from 78 days to 54 days. In the area of Getting Electricity, Malaysia ranks 4<sup>th</sup> globally. Getting electricity was made easier by eliminating site visit for new commercial electricity connections, reducing by seven days the time that it takes for a business to obtain a permanent electricity connection and supply. Also, the country has introduced an online registration system for GST, reducing the time to register a new business from 23.5 days to 13.5 days. However, Malaysia continued to underperform in this area of starting a business, as compared with its global peers. Despite reform measures carried out over the years, it takes 9.5 procedures and 13.5 days to register a new business in Malaysia, compared with two procedures and 1.5 days in Singapore and 3.5 procedures and 5.5 days in Brunei.</p> <p style="text-align: right;"><i>(Source: The Star, 1 November 2018)</i></p>
<p><b>Malaysia's October Manufacturing PMI drops to 49.2</b></p>	<p>The headline Nikkei Malaysia Manufacturing Purchasing Managers' (PMI) dipped below the 50.0 no-change mark in October to 49.2 (Sept'18: 51.5) for the first time since July, signalling worse business conditions than in the previous month. The latest survey data pointed to a deterioration in the health of Malaysia's goods-producing economy at the start of the fourth quarter, largely driven by a marked reduction in total new sales. It pointed out that although output was only slightly lower than in September, inflows of new work fell markedly at the fastest pace in five months. There was also a notable slowing of employment growth amid reports of cost-cutting initiatives. According to the survey, detrimental exchange rate movements, rising raw material prices and SST were cited as sources of cost pressures in October. Nonetheless, export sales registered an increase at the fastest pace in nine months, with neighbouring countries across South East Asia supporting international demand for Malaysian goods. And despite the negative start to the fourth quarter, firms expect output levels to lift over the coming 12 months, with planned expansion into new markets and stronger sales forecasts supporting business confidence.</p> <p style="text-align: right;"><i>(Source: The Edge Markets, 1 November 2018)</i></p>

**Nearly 90% of  
Malaysian  
businesses  
optimistic about  
trade outlook**

About nine out of 10 (89%) of Malaysian companies are generally positive on the outlook for international trade, significantly higher than the global average of 78%, according to HSBC survey. The annual survey covered 8,650 companies across 34 countries, including 200 Malaysian firms, to gauge business sentiment and expectations on trade. The optimistic outlook follows the general boost to confidence due to the election victory of the coalition led by Tun Dr Mahathir Mohamad in May. About 91% are confident that their companies will succeed in the current international trading environment, with consumer confidence being a key factor behind their positive outlook (39%). Countries such as China, Singapore and Indonesia were most frequently cited by respondents as markets where they were looking to expand.

On policy development, about 25% of the respondents viewed the US-China trade frictions as hindrance to their businesses. Nonetheless, 48% viewed these trade frictions as being helpful, suggesting that firms see some opportunities arising from possible changes to regional supply chain patterns. CEO of HSBC Bank Malaysia Bhd said although Malaysia's market openness can create trade and economic vulnerabilities from the US-China trade dispute, firms generally believe the current environment can present opportunities to capture market share. The survey also showed that Malaysian firms are generally optimistic that regional policy initiatives will help their businesses, particularly ASEAN (74%) and the ASEAN 2025 Initiative (63%). While the new government is undertaking a major review of Chinese infrastructure projects, around 62% of the respondents believe that China's Belt and Road Initiative will be positive for business.

*(Source: The Edge Markets, 1 November 2018)*

Economics and Policy Division  
SME Corp. Malaysia  
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