

# MALAYSIA WEEKLY ECONOMIC NEWS

(22 August 2016 – 26 August 2016)

Topics	Highlights
<p><b>FMM: Positive outlook, businesses picking up this year after challenging 2015</b></p>	<p>Based on the findings of the FMM-MIER Business Conditions Index, Malaysian manufacturers noted business conditions in the first half of 2016 have improved and the outlook for the rest of the year is more positive. Tan Sri Saw Choo Boon (Federation of Malaysian Manufacturers (FMM)'s President) said after a challenging 2015, capital investment and business activities have picked up in the first half of 2016. FFM members started to become more productive in terms of digital technology usage, outsource of non-core activities and efficiency in energy usage. The manufacturers are hiring more and this will translate to rising export sales for the rest of the year. Despite improvement of business sentiment, manufacturers continue to be concerned about longer term challenges. These include export barriers, rising regulatory costs and uncertain government policy on foreign workers. Manufacturers highlighted pricing, standards and rules of origin as damaging barriers to exports. Other limitation include labour shortage and restriction on the recruitment of skilled labour. Some members have had to turn away orders as they do not have enough workers to make and deliver on promises. In facilitating automation, there has to be a parallel push in tax incentives for more talent retention and enhancement among engineers and researchers. FMM had forwarded proposals to the government to extend reinvestment allowance to all companies and extend the duration beyond the current three years that will expire in 2018. FMM had also proposed to the government to extend double tax deduction incentives for research and development (R&amp;D) that is currently only available to SMEs to all companies.</p> <p style="text-align: right;">(Source: NST, 23 August 2016)</p>
<p><b>Malaysia has not spent enough on R&amp;D activities: MIDA</b></p>	<p>Malaysia's research and development intensity is relatively low at 1.13% when compared to the top five research-intensive countries, namely South Korea, Israel, Japan, Sweden and Finland. Malaysia has not spent enough for R&amp;D activities, said Datuk Azman Mahmud (CEO of MIDA). Towards an improved national innovation ecosystem, MIDA offers R&amp;D incentive programmes that can be enjoyed by manufacturers with in-house R&amp;D facility or research service providers. To date (since the mid-1990s), MIDA has approved 167 R&amp;D projects with total investments of RM2.27 billion. These comprise 72 contract R&amp;D, 54 in-house R&amp;D, 26 approved R&amp;D companies and 15 R&amp;D status companies. They are mainly in pharmaceutical, chemical, healthcare, machinery, electrical and electronics, automotive, energy, medical devices, palm oil and food production industries. These projects have created about 5,355 quality job opportunities which are mostly in the science and technical fields. Under the 2016 Budget, the Government has introduced a new incentive to broaden the manufacturing ecosystem sector towards producing more high-value, diverse and complex products.</p> <p style="text-align: right;">(Source: NST, 24 August 2016)</p>
<p><b>Malaysia's July inflation slowest in 16 months</b></p>	<p>According to the Department of Statistics, Malaysia's headline inflation rate eased for the fifth consecutive month in July 2016 to 1.1% year-on-year (y-o-y), the slowest pace in 16 months, prompting some economists to raise concerns about the weakening of domestic demand. The reading came in slightly below consensus expectations of a 1.2% increase. Consumer Price Index (CPI) for the January-to-July 2016 period rose 2.4% from a year earlier, led by increases in food and non-alcoholic beverages (4.3%) and housing, water, electricity, gas and other fuels (2.7%). On a month-on-month basis, the index rose 0.3% compared with a 0.2% increase in June. Meanwhile, the slowdown in July inflation was led</p>

	<p>by lower readings for food and non-alcoholic beverages, which dropped to 3.8% y-o-y in July from 4.2% y-o-y in June, and transport that fell to 9.9% y-o-y in July from 8.5% y-o-y in June. Dr Zakariah Abdul Rashid (Executive Director of MIER) explained that the gap between headline inflation and food and non-alcoholic beverages remained high, and that the drop in food prices was not expected, and now its reading is even triple that of the headline inflation. He opined that Malaysia may be heading into deflation like some developed countries, where governments need to have negative interest rates to encourage spending. Meanwhile, MIDF Research concurred that there are signs of more deterioration in domestic demand as reflected by lower prices of housing rental and food away from home and this could suggest a worsening consumer finances, forcing consumers to cut their spending on eating out.</p> <p>(Source: The Edge Financial Daily, 25 August 2016)</p>
<p><b>TalentCorp: Malaysian's abroad look at job opportunities when considering returning</b></p>	<p>Malaysian talents abroad focussed more on job opportunities available in the country rather than the socioeconomic situation when considering returning to Malaysia, said Talent Corp Malaysia Bhd. TalentCorp is looking at how it can match the supply and demand of opportunities provided by corporations and Malaysian talents abroad. TalentCorp will bring along the companies when they speak to Malaysians abroad. The companies will talk to the talents directly on their opportunities and growth plan. This will make it clearer and easier for talents when they make decisions.</p> <p>(Source: The Edge Financial Daily, 25 August 2016)</p>
<p><b>Malaysia-GCC to expedite FTA framework</b></p>	<p>Both Malaysia and the Gulf Cooperation Council (GCC) have yet to come up with a framework outlining a free trade agreement. The soft economic growth in the region following the global crisis as well as conflicts in other countries in the region namely Syria were among other reasons for both parties to place the talks back on the back burner. MITI said there has been no movements since the signing of the MOU in 2011 to mark the intention to pursue an FTA. Malaysia is keen to have a FTA covering goods, services and investments with the GCC countries comprising Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates. Since the global crisis, investment activities have been slowing although trade to western Asia and north Africa rose.</p> <p>(Source: The NST, 26 August 2016)</p>

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