

MALAYSIA WEEKLY ECONOMIC NEWS

(29 August 2016 – 2 September 2016)

Topics	Highlights
<p>Malaysian household income improving</p>	<p>Malaysian households appeared to be doing better in 2014 compared to two years before that. According to Khazanah Research Institute, household income has improved by an average of RM1,141 monthly from 2012 to 2014. Compared to 2012, households in 2014 have a higher median of RM4,585 and an average income of RM6,141 compared to RM3,626 and RM5,000 respectively. Gaps between urban and rural households, and between different ethnic groups are closing with the Gini coefficient (a common measure of inequality) improving to 0.401. However, disparities in wealth (measured by EPF and ASB savings) are more pronounced than that of income and there is concern that many will not be able to save enough for retirement. It was noted that growth in household income is not driven by expansion in salaries and wages as nominal salaries and wages grew at a much slower pace of 3.3%, reflecting a lower labour productivity growth. It was also stated that the source of income for the top 60% of households which have become slightly more reliant on current transfers as well as property and investments.</p> <p style="text-align: right;">(Source: NST, 29 August 2016)</p>
<p>July producer price index down 2.1%</p>	<p>Malaysia's producer price index (PPI) for July 2016 fell 2.1% to 99 said Department of Statistics, Malaysia. The highest drop was recorded by the mining index (-17.5%) followed by the manufacturing sector (- 2%). The index for agriculture, forestry and fishing; water supply; and electricity and gas showed increases of 10.7%, 2.9% and 0.6%, respectively. The PPI for local production declined 0.9% in July 2016 compared with June 2016. This was due to decrease in electricity and gas (- 0.3%), water supply (-1%), mining (-8.5%), agriculture, forestry and fishing (-2.8%) and manufacturing (-0.1%).</p> <p style="text-align: right;">(Source: Bernama, 30 August 2016)</p>
<p>M3 grows 2.3% in July 2016, BNM</p>	<p>According to Bank Negara Malaysia (BNM), the annual growth in broad money (M3) grew by 2.3% in July 2016, compared with 1.9% in the previous month. The expansion in M3 was driven mainly by the continued extension of credit to the private sector by the banking system and the increase in net foreign assets amid net portfolio inflows for the month as a whole. The expansion, however, was partially offset by other influences, reflecting the continued issuance of equity by banks and the reclassification of Islamic Investment Accounts. On exchange rates, the ringgit depreciated in July 2016 against the currencies of Malaysia's major trade partners. The depreciation of the ringgit was due to portfolio outflows towards the end of the month, which mainly reflected the decline in global crude oil prices following signs of recovery in shale production in the US and an increase in US crude and gasoline inventories.</p> <p style="text-align: right;">(Source: Bernama, 30 August 2016)</p>
<p>Retail industry records 7.5% sales growth in Q2 2016</p>	<p>The Malaysian retail industry recorded lower-than-expected growth rate of 7.5% in retail sales in the second quarter of 2016 (Q2 2016), according to Retail Group Malaysia (RGM). The members of Malaysian Retailers Association (MRA) had expected a 9.9% growth in 2Q 2016. For the first six months of 2016, the retail sale growth rate was 0.5%, as compared to the same period a year ago, adding that sales of all retail sub-sectors rebounded from GST during the second quarter of 2016. However, the extent of recovery varied greatly from one sub-sector to another sub-sector. Department store cum supermarket sub-sector recovered from poor performance during the first three months of 2016 with a growth of 3.9% during the 2Q 2016. RGM foresees members of the retailers' association estimated an average growth rate of 5.9% in the 3Q 2016 whereby the</p>

	<p>department store cum supermarket operators are expecting a moderate growth rate of 2.7% for that period.</p> <p style="text-align: right;">(Source: The Star, 30 August 2016)</p>
<p>Malaysian PMI records 47.4 in August 2016</p>	<p>The Nikkei Malaysia Manufacturing Purchasing Managers' Index recorded 47.4 in August 2016 from 48.1 in July 2016, signaling a deterioration in operating conditions. Sharper declines in output, new orders, employment and an improvement in suppliers' delivery times all contributed to the lower figure. The latest reading was lower than the average over the current 17-month period of figures below the crucial 50.0 no-change mark. A fall in production was matched by a quicker decline in total new orders and subdued demand conditions was commonly cited as the key factor. Data also suggested that a fall in international demand contributed to a decrease in total incoming new orders. The headline PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of sector operating conditions.</p> <p style="text-align: right;">(Source NST, 1 September 2016)</p>
<p>Fitch affirms sukuk trust certificates with A- stable outlook</p>	<p>Fitch Ratings, which affirmed Malaysia with an A- stable outlook recently, has also affirmed Malaysia's global sukuk trust certificates with the same outlook. The trust certificates are issued by Malaysia Sukuk Global Bhd. Last month the rating agency said Malaysia's rating of 'A-' reflects its strong net external creditor position, real GDP growth that remains stronger than the median of 'A' rated peers and a current account that is still in surplus although it has been narrowing. According to Fitch, Malaysia's economy has been slowing, but real GDP growth on average is still stronger than the 'A' median which include countries like Poland and Israel. The rating remains constrained by structural indicators that are weaker than the 'A' median, and federal government debt and deficit levels that are larger than some of its peers in the 'A' rating category. It expects the Malaysian economy to grow by 4% in 2016 from 5% in 2015.</p> <p style="text-align: right;">(Source: NST, 1 September 2016)</p>
<p>Bursa Malaysia plans new market for SMEs</p>	<p>Bursa Malaysia Bhd released a consultation paper on the proposed establishment of a new market for small and medium companies (SMEs) on the exchange today (2 Sept 2016). Datuk Seri Tajuddin Atan (CEO of Bursa Malaysia) said the new market hopes to facilitate greater access to capital market financing for SMEs to support their developmental and lifecycle needs. This new market is premised on three key guiding principles which are cost efficient, appropriate regulations and a qualified market for sophisticated investors. Thus, he look forward to obtain insights and inputs from the potential companies, advisers, investors and the general public particularly in the following areas: Listing framework, Listing process, Adviser framework, Post listing disclosures, Graduation facilitation, Post listing disclosures, Investors, and Trading, clearing, settlement & depository framework. Interested parties and the public are invited to submit their comments and feedback before the closing date of 2 October 2016. The paper remains subject to Bursa Malaysia and Securities Commission Malaysia's assessment, and no position on the feedback will necessarily be taken. The consultation paper is available at http://www.bursamalaysia.com/market/regulation/rules/public-consultation.</p> <p style="text-align: right;">(Source: NST, 2 September 2016)</p>