



# MONTHLY NEWS SCAN

## Tinjauan Berita Bulanan

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1 – 28 February 2019

### HIGHLIGHTS FOCUS

- **Global slowdown leaves growth weakest since financial crisis**
- **US-China trade war: UN warns of ‘massive’ impact of tariff hike**
- **Malaysian economic growth beats forecasts**
- **Malaysia-China bilateral trade up 13% in 2018**
- **Strategic Kudat could become a successful regional port – Shafie**
- **Record RM8.3 bln from Sabah tourism in 2018**

### INTERNATIONAL ANTARABANGSA

**Global slowdown leaves growth weakest since financial crisis:** The global economy’s loss of momentum has left expansion now looking like its weakest since the global financial crisis, a development that’s already sparked a dramatic shift among central banks. A UBS model suggests world growth slowed to a 2.1 percent annualized pace at the end of 2018, which it says would be the weakest since 2008-2009. An early reading for this quarter shows a slight improvement, but the numbers still mean there’ll need to be a dramatic improvement to reach the 3.2 percent pace UBS has forecast for the three months as a whole. (18 February, Bloomberg)

**US-China trade war: UN warns of ‘massive’ impact of tariff hike:** A UN trade official has warned a US plan to raise tariffs on Chinese goods next month would have “massive” implications for the global economy. The US plans to increase tariffs on Chinese goods if the two sides fail to make progress on a trade deal by 1 March. The comments followed a report by a UN trade agency on the impact of the US-China trade war. It said Asian countries are likely to suffer most from protectionism. (5 February, BBC News)

**New Zealand’s Central Bank could be the next to turn dovish:** New Zealand’s central bank may

acknowledge the rising risk of an interest-rate cut when it delivers its first policy decision of the year. While Governor Adrian Orr is expected to hold the official cash rate at a record-low 1.75 percent on Wednesday and signal no change for some time, he could concede there’s an increasing possibility of looser policy as global growth concerns mount. Traders have ramped up bets on a rate cut and are now pricing a 90 percent chance of one by November, swaps data show. (12 February, Bloomberg)

**German economy narrowly avoids recession:** Germany’s economy just about avoided falling into recession during the final three months of last year. Europe’s largest economy registered zero growth during the fourth quarter of 2018, the country’s Federal Statistics Office said. That means it avoided two consecutive quarters of contraction, which is the usual definition of a recession. A weak trade performance dragged on the economy, and consumer spending remained subdued. (14 February, BBC News)

**Euro weakens as slowdown fears grow:** The euro fell on Tuesday as investors shifted their focus from progress in U.S.-China trade talks to an economic slowdown in the eurozone. The single currency was buoyed on Monday as expectations grew for an easing of the U.S.-China trade conflict. But euro zone bond yields, notably those of German bunds, fell amid the cloudy European economic outlook, and that weighed on the euro. (19 February, Reuters)

**Russia’s growth expectations fall back to earth:** Whether or not you believe the Russian Economy grew 2.3 percent last year, beating the most optimistic expectations, the Russian Economy Ministry doesn’t want anyone to expect a repeat in 2019. That doesn’t mean there will be no baffling statistical anomalies this year, only that, realistically, there’s no reason for a rapid economic expansion. Russia’s official statistical agency, Rosstat, where a new boss took over in December, reported the surprising growth

number earlier this month. It was in large part the result of a big upward revision of construction data for the remote Yamal region, where a large liquefied natural gas facility was finished last year. (13 February, Bloomberg)

**US economic growth continues to slow:** US economic growth slowed to an annualised rate of 2.6% in the final three months of 2018, figures show. However, the reading was ahead of expectations for a rate of between 1.8% and 2%. The pace of growth was below the 3.4% rate seen in the third quarter thanks to a slowdown in consumer spending. The growth figures had originally been due to be released in January, but were delayed because of the 35-day US government shutdown. (28 February, BBC News)

**Australian construction work digs a hole for the economy in fourth quarter:** Construction spending in Australia took a surprise spill last quarter as infrastructure came off the boil and home building hit a one-year low, a disappointing result that adds to signs of a struggling economy. It was the second straight quarter of sharp falls and challenges the dogged optimism of the Reserve Bank of Australia (RBA) that growth will pick up this year. The value of construction work done slid 3.1 percent in the December quarter, data from the Australian Bureau of Statistics showed. (27 February, Reuters)

**Sterling slips ahead of UK GDP, manufacturing data:** Sterling fell towards \$1.29 on Monday as traders trimmed their positions before the release of a batch of economic data following signs the British economy is slowing down in the face of Brexit uncertainty. Manufacturing output for December, as well as GDP data for the last three months of 2018, will be released at 0930 GMT. Analysts polled by Reuters are expecting quarter-on-quarter economic growth of 0.2 percent against 0.6 percent for the previous quarter. (11 February, Reuters)

## NATIONAL NASIONAL

**Malaysia-China bilateral trade up 13% in 2018:** Bilateral trade between Malaysia and China climbed to an all-new high in 2018, rising 13% to US\$108.6bil (RM443bil) from US\$96bil (RM392bil) in 2017, with the number of Chinese visitors into Malaysia increasing 29% to 2.94 million last year. Malaysia-China Business Council chairman Tan Kok Wai said overall relations between Malaysia and China remain on the right track despite the controversies regarding some local large scale projects in the country. "Today, under the circumstances of the ceaseless China-US trade war and the uncertainty of the global economic outlook, we must remain cautious yet optimistic and work diligently in a practical and realistic spirit," he said in his speech at a Chinese New Year luncheon yesterday. (19 February, The Star)

**Malaysian economic growth beats forecasts:** Malaysia's economic growth in the fourth quarter of 2018 (4Q18) has surpassed expectations, as the country's gross domestic product (GDP) grew 4.7% year-on-year (y-o-y). This marks the economy's first acceleration in growth over the last one year, following the continued slowdown in GDP growth after 3Q17 where it registered a 6.2% growth. In 4Q17, it grew by 5.9%. An earlier Bloomberg survey had predicted a median GDP growth of 4.5% in 4Q18, marginally higher than the 4.4% growth registered in 3Q18. (15 February, The Star)

**Consumer confidence dips in Q4 2018:** Malaysia has posted the biggest year-on-year gain in Nielsen's consumer confidence survey in 64 countries. The 24-point gain for an index score of 118 points in the fourth quarter of 2018 puts it seventh in the Conference Board Global Consumer Confidence Survey, highlighting Malaysians' optimism on the country's economic outlook. Nielsen said while there was a nine-point decrease from the previous quarter, the country has still posted the biggest year-on-year gain among the 64 countries measured in the Consumer Confidence Index (CCI). (15 February, Business Times)

**High IPI hints to firmer economy in Q4:** The higher-than-expected

industrial production growth in December 2018 hints at a stronger economic expansion for Malaysia in the fourth quarter of 2018, according to MIDF Research. Led by stronger manufacturing sector performance, the country's industrial production index (IPI) for December 2018 rose by 3.4%, beating a *Bloomberg* survey of 2.7%. In November 2018, the IPI increased at a slower pace of 2.6%. MIDF Research expects Malaysia's gross domestic product (GDP) to expand at a stronger pace of 5% in the fourth quarter of 2018, "given that overall IPI growth averaged at 3.5% year-on-year, the fastest since second-quarter 2018". (12 February, The Star)

**Guan Eng upbeat on economy after January CPI data, more jobs created:** Finance Minister Lim Guan Eng expects the country to grow a further 4.9% this year amid a decline in inflationary pressure while an additional 41,000 quality manufacturing jobs are expected to be created in the next two years. In a statement released on Sunday, he said the January 2019 Consumer Price Index (CPI) – which fell to the lowest in nearly 10 years – did not arise from any weakening of demand or economic growth. "Instead, the price decline was largely caused by supply factors in the form of cheaper input cost, specifically cheaper fuel prices," he said. (24 February, The Star)

**Malaysia's inflation to average between 1.6% to 2% in 2019:** Finance Minister Lim Guan Eng expects the country's inflation rate to average between 1.6 per cent and 2.0 per cent this year due to global uncertainties caused by the trade war between the United States and China. "We are projecting the inflation rate to be around 1.6 per cent for 2019...if the US-China trade escalates then it could go up to 2.0 per cent, but, we are still finalising the final figure," he told a press conference here in Georgetown today. However, he said the 2.0 per cent inflation rate was still considered very low compared with 2017 and the country's inflation rate for 2019 would depend on the global scenario. (1 February, The Star)

**Manufacturing sector in fourth month of contraction:** The Malaysian manufacturing sector began 2019 with a fourth successive monthly deterioration in operating conditions, with output and new business both declining during

January. The headline Nikkei Malaysia Manufacturing Purchasing Managers' Index (PMI), a composite single-figure indicator of manufacturing performance, registered 47.9 in January, up from 46.8 in December, extending the current period of contraction to four months. Export sales also declined, while easing demand pressures enabled firms to reduce backlogs of work. IHS Market said in a statement that "Although there was a marginal up-tick in employment, costs were cut elsewhere as input buying decreased and stocks were scaled back". (5 February, The Star)

**December industrial output up 3.4%, exceeds forecast:** Stronger manufacturing growth enabled the industrial production index (IPI) for December, 2018 to increase by 3.4%, exceeding a Bloomberg survey of a 2.7%. Chief Statistician Datuk Seri Dr Mohd Uzir Mahidin said on Monday the growth in December 2018 was driven by the increase in manufacturing index (4.4%), electricity index (2.7%) and the mining index (1.0%). Manufacturing sector output increased by 4.4% in December 2018 after expanding by 3.7% in November 2018. Underpinning manufacturing's growth in December were electrical and electronic equipment products (7.2%), transport equipment and other manufactures products (7.0%) and petroleum, chemical, rubber and plastic products (3.6%). (11 February, The Star)

**Malaysia Jan CPI slips 0.7% on lower fuel prices:** Malaysia's Consumer Price Index (CPI) decreased 0.7% year-on-year in January to 120.5, underpinned by lower fuel prices in the transport sector. According to Reuters, the decline in Malaysia's CPI was the first in over a decade. The Department of Statistics Malaysia said that on a month-on-month basis, the index also decreased 0.5% as compared to December 2018. The decrease in the overall index was attributed to the transport index, which fell 7.8% due to the lower average price of RON95 during the month, which recorded RM1.98 per litre as compared to RM2.28 a year ago. RON97 meanwhile fell to RM2.28 per litre versus RM2.55 while diesel was RM2.12 per litre from RM2.31 in January 2018. (22 February, The Star)

## LOCAL TEMPATAN

### **Strategic Kudat could become a successful regional port – Shafie:**

Kudat with its strategic location has all the characters to become a successful port that can serve the region. The Sabah government hopes to turn it into a reality, with a study being carried out to look into the full potential of Kudat port, which will have railway links, says Chief Minister Datuk Seri Mohd Shafie Apdal. Speaking to reporters after launching the Sandakan port jetty extension on Thursday, Shafie said the Kudat undertaking would be capital intensive, but it would not only serve the shipping industry but also commodity and tourism industries. (22 February, New Sabah Times)

### **Record RM8.3 bln from Sabah tourism in 2018:**

The Sabah tourism industry's 2018 report card recorded its highest receipts in history at RM8.342 billion and a record-high 3.879 million arrivals. Quoting statistics compiled by the Sabah Tourism Board (STB) under the Ministry of Tourism, Culture and Environment, its minister Datuk Christina Liew said the figures showed that the January to December overall arrivals grew by 5.3 per cent while tourism receipts increased by 6.6 per cent compared with 2017 (RM7.83 billion). Overall gross international arrivals recorded a double-digit increase of 10.2 per cent while domestic arrivals increased by 2.8 per cent. Liew, who is also Deputy Chief Minister, said the top market source China surpassed its half million mark when a total of 593,623 Chinese visitors came to Sabah in 2018. (20 February, The Borneo Post)

### **38 elected Sabah reps receive RM100,000 each to help the needy:**

A total of 38 Sabah state assemblymen received an allocation of RM100,000 each to help the underprivileged in their respective areas through the Special Assistance for the Needy 2019 programme. State Health and People's Wellbeing Minister Datuk Stephen Wong Tien Fatt said the special aid, which was considered an outright grant, could be used to reduce the people's burden, including victims of disasters or accidents, deaths, chronic patients and to repair damaged homes. He said the RM3.8 million total allocation, approved by the Finance Ministry, would be credited into the

account of every state assemblyman after the signing of the Letter of Pledge to ensure that the elected representatives distributed the aid directly to the targeted groups according to criteria and in compliance with the stipulated procedures. (13 February, New Sabah Times)

### **New rural devt strategy being drawn up – Ewon:**

The State Rural Development Ministry is in the midst of drafting a new strategy in its quest to revamp the development of the rural areas in Sabah, said its minister Datuk Ewon Benedick. He said such move was vital in improving the current rural development plan that was drafted 21 years ago. Once the new strategy had been drafted, the State's rural development plan would meet the needs of the people of the day, said Ewon, who was speaking at his ministry's *Bengkel Hala Tuju* (Roadmap Workshop) closing ceremony yesterday. He said such workshop would further spark more new ideas and strategies for Sabah. (20 February, The Borneo Post)

### **K'jaan peruntuk insentif MSPO RM130 juta ringankan beban pekebun kecil:**

Kerajaan memperuntukkan insentif Skim Pensijilan Minyak Sawit Mampan Malaysia (MSPO) sebanyak RM130 juta kepada pekebun kecil bagi meringankan beban yang ditanggung untuk pelaksanaan mandatori skim pensijilan MSPO. Ahli Parlimen Tenom, Noorita Sual berkata, industri sawit pada masa kini menghadapi pelbagai cabaran, sama ada dari dalam mahupun luar negara terutamanya berkaitan isu kemapanan. Katanya, minyak sawit dilabelkan sebagai penyumbang kepada penyahutanan, kemusnahan alam sekitar dan mengancam habitat hidupan liar yang menjejaskan imej minyak sawit Malaysia. (15 Februari, New Sabah Times)

### **New plan aims to have all villages equipped with water and electricity:**

The new Rural Development Plan, which has been revised and updated after 21 years, targets to have all rural villages throughout Sabah enjoy water and electricity facilities by 2035. In the conjunction with the new plan, the state government has launched 10 key areas of expertise and 316 keys of performance indicators (KPIs). "Among the guidelines that touches on Sabah's infrastructure development in 2035, which the government targets for rural villages are to get the necessary water and

electricity facilities, getting on the target of increasing the construction of Projek Perumahan Rakyat Termiskin (PPRT) homes, as well as new bridges and upgrading rural roads that are still in poor condition. (25 February, New Sabah Times)

### **Landasan kereta api dari Tenom-Melalap akan dibina semula:**

Peter: Landasan kereta api dari pekan Tenom ke Melalap akan dibina semula kata Menteri Pembangunan Infrastruktur Datuk Peter Anthony. Katanya, pelancarannya akan disempurnakan Ketua Menteri Datuk Seri Panglima Mohd Shafie Apdal pada 31 Mac depan. Peter yang juga Ahli Dewan Undangan Negeri (Adun) Melalap berkata, pembinaan semula landasan kereta api yang telah wujud sejak pemerintahan British lagi bukan sahaja dapat menghubungkan Tenom ke Melalap tetapi sekali gus dapat menghubungkan Melalap ke Beaufort dan seterusnya ke Kota Kinabalu. (22 Februari, New Sabah Times)

### **Increased trade to boost S'kan economy – Tangau:**

The State Government is committed to improving its trade relations with the Philippines and Indonesia in an effort to revamp the economy of Sandakan. Deputy Chief Minister cum Trade and Industry Minister Datuk Seri Panglima Wilfred Madius Tangau said the State Government was determined to redevelop Sandakan's economy by exploring and improving the district's existing resources and opportunities. "Among the measures to be taken is to increase trade relations between Sandakan and its neighbouring countries – the Philippines and Indonesia, especially in the industrial, manufacturing, processing and tourism sectors," said Tangau. (23 February, The Borneo Post)

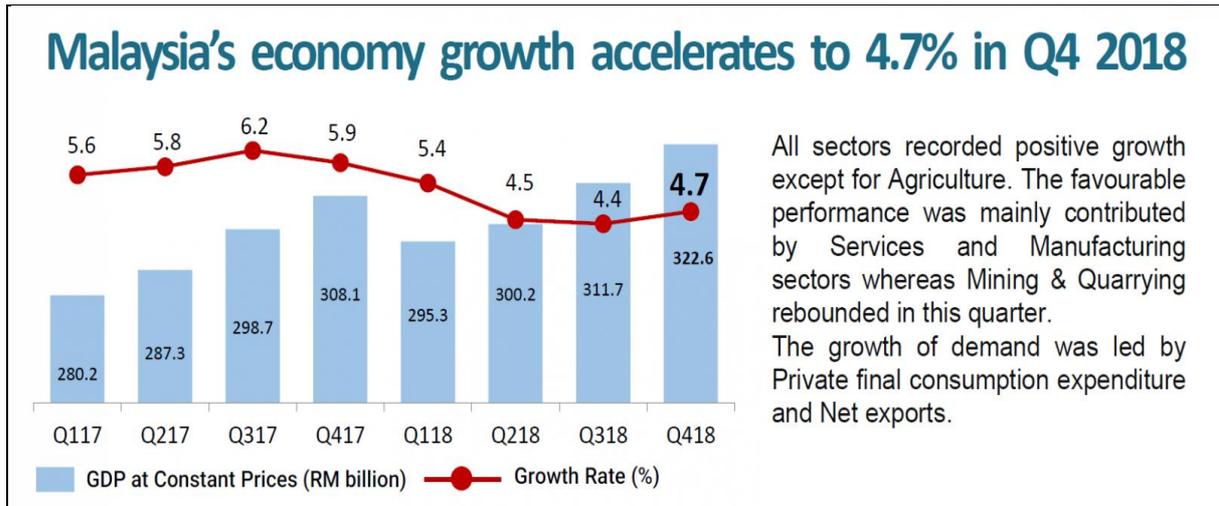
### **Sabah akan pelbagaikan industri sebagai sumber ekonomi baharu:**

Kerajaan Sabah merancang untuk mempelbagaikan industri termasuk membuka peluang kepada sektor automotif berkembang di negeri itu bagi menjadikan ia sebagai sumber pendapatan baharu ke arah merencanakan lagi pembangunan ekonomi negeri. Timbalan Naib Presiden Pihak Berkuasa Pembangunan Ekonomi dan Pelaburan Sabah (SEDIA) Iwan Masrul berkata langkah itu juga bertujuan membuka lebih banyak peluang pekerjaan kepada rakyat di negeri itu terutama dalam kalangan graduan bidang teknikal, kejuruteraan dan vokasional. (28 Februari, Utusan Borneo)

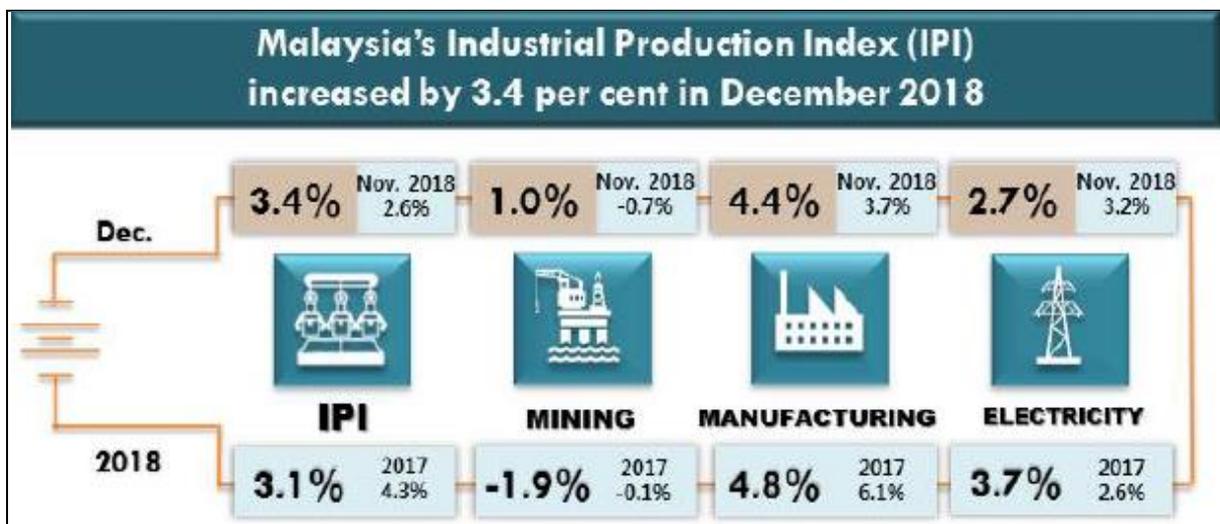
# SELECTED FACTS AND FIGURES

## FAKTA MUTAKHIR

### MALAYSIA'S ECONOMIC PERFORMANCE FOURTH QUARTER 2018



(Source: 14 February, Department of Statistics Malaysia)

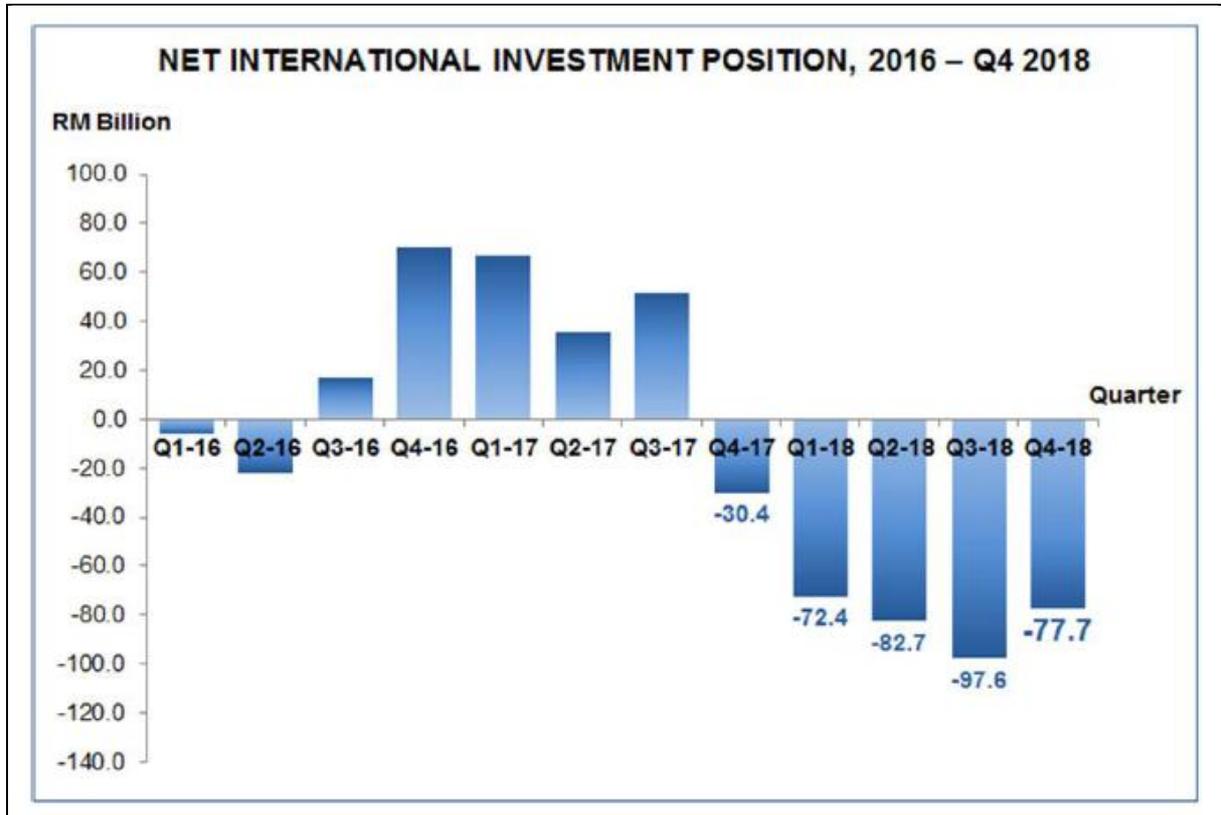


(Source: 11 February, Department of Statistics Malaysia)



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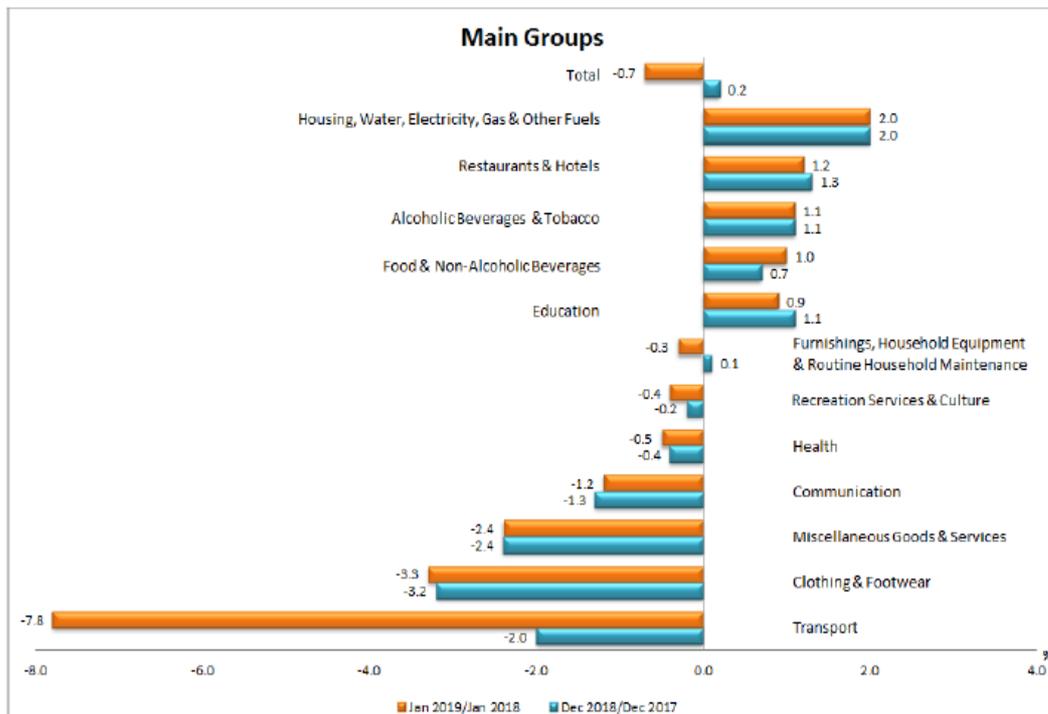
MALAYSIA'S INTERNATIONAL INVESTMENT POSITION, FOURTH QUARTER 2018



(Source: 14 February, Department of Statistics Malaysia)

MALAYSIA'S CONSUMER PRICE INDEX, JANUARY 2019

Chart 1: Consumer Price Index (2010=100): Percentage Change by Main Groups, Malaysia, January 2019/January 2018



(Source: 22 February, Department of Statistics Malaysia)