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HIGHLIGHTS FOCUS

- **U.N. members sign mediation convention to settle trade disputes**
- **Euro zone factory sickness infecting services growth: PMI**
- **Escalated China-US trade war add more risks to Malaysia's economy**
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- **Sabah's gas, oil boost the GDP**
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INTERNATIONAL ANTARABANGSA

U.N. members sign mediation convention to settle trade disputes: Members of the United Nations signed the Singapore Convention on Mediation, an agreement it hopes will make it easier to settle cross-border commercial disputes and stabilise trade relationships. The U.N. Convention on International Settlement Agreements Resulting from Mediation, its official title, was signed in Singapore by 46 U.N. members, including the United States and China. U.N. conventions are often named after the country or city where they are signed. (7 August, Reuters)

Euro zone factory sickness infecting services growth: PMI: Euro zone business growth hit a wall in July as demand crumbled, according to a survey which showed a deepening downturn in manufacturing is increasingly affecting the bloc's dominant services industry. In July, the European Central Bank all but promised to ease policy further as the bloc's growth outlook deteriorates and the recent survey will do little to sway market expectations for loosening. (5 August, Reuters)

Singapore slashes 2019 growth forecast stoking recession fears: Singapore slashed its full-year economic growth forecast on Tuesday as global conditions were seen worsening and data confirmed the slowest growth rate in a decade amid mounting fears of recession in the city-state. The government cut its forecast range for gross domestic

product in Singapore - often seen as a bellwether for global growth because international trade dwarfs its domestic economy - to zero to 1% from its previous 1.5%-2.5% projection. Singapore's downgrade adds to concerns globally about the effect of increasing protectionism on exports and production. (13 August, Reuters)

German economy could continue to shrink: Bundesbank: The German economy could have continued to shrink over the summer as industrial production drops amid a dearth of orders, the Bundesbank suggested that the euro zone's biggest economy is now in a recession. German growth contracted in the second quarter on slumping exports as a global trade war, China's own slowdown and Brexit uncertainty sapped confidence, dealing a blow to an export-focused economy. "Overall economic performance could again decline slightly," the Bundesbank said in a monthly report. (19 August, Reuters)

China's economy worsens in July, industrial growth at 17-year low as trade war escalates: China's economy stumbled more sharply than expected in July, with industrial output growth cooling to a more than 17-year low, as the intensifying U.S. trade war took a heavier toll on businesses and consumers. Activity in China has continued to cool despite a flurry of growth steps over the past year, raising questions over whether more rapid and forceful stimulus may be needed, even if it risks racking up more debt. (14 August, Reuters)

U.S. economy slowing, but consumers limiting downside: U.S. economic growth slowed in the second quarter, the government confirmed, but the strongest consumer spending in 4-1/2 years amid a solid labor market threw cold water on financial market expectations of a recession. Signs that the economy was growing at a moderate pace and not slowing rapidly were underscored by other data showing a narrowing in the goods trade deficit in July as exports rebounded. Businesses stepped up inventory accumulation in July,

likely in anticipation that demand would remain strong. (29 August, Reuters)

French economy shrugs off euro zone slowdown in second quarter: France's economy expanded faster than expected in the second quarter, proving - for now - to be impervious to the slowdown taking hold of the broader euro zone, official data showed. The euro zone's second biggest economy grew 0.3% in the quarter, unchanged from the previous three months, the INSEE statistics agency said, revising the figure up from a provisional estimate of 0.2%. The revision means that France outpaced the broader euro zone where the economic output of the overall bloc slowed to 0.2% from 0.3% three months earlier. (29 August, Reuters)

Russian economy ministry lowers 2020 inflation, GDP growth forecasts: The Russian economy ministry has revised a set of key economic forecasts, lowering its economic growth and inflation projections for 2020, the ministry's data showed. The revision came hours after President Vladimir Putin described Russia's economic growth as insufficient, telling the head of the central bank and top government officials to come up with ways to boost growth in real incomes. The economy ministry kept its 2019 gross domestic product growth forecast at 1.3% but lowered its 2020 forecast to 1.7% growth from 2.0%. (27 August, Reuters)

South Korea proposes aggressive spending as economy faces growing risks: South Korea has drafted the most aggressive budget spending plan since the 2008-2009 global financial crisis for 2020 as its trade-reliant economy is buffeted by growing economic threats both at home and from abroad. The finance ministry said it would propose to parliament a budget bill of 513.5 trillion won (\$423.45 billion) for next year, up 8.0% from this year when including the extra budget for 2019, and up 9.3% excluding it. (29 August, Reuters)

NATIONAL NASIONAL

Escalated China-US trade war add more risks to Malaysia's economy:

The escalation of the US-China trade war could add more risks to the global economy, including Malaysia, due to supply chain factor, said analysts. Abrupt decisions by the US president Donald Trump recently include imposing a 10 per cent tariff on a further US\$300 billion worth of imports from China. This means that all US\$550 billion of US' imports from China are subjected to new taxes. MIDF Research said Malaysia's exports performance was expected to be quite vulnerable in the current third quarter. (7 August, Business Times)

Guan Eng: Malaysia's sustained economic growth continues to attract FDI:

Malaysia's total stock of foreign direct investment (FDI) rose 10.3 per cent to RM667.5 billion in the second-quarter (Q2) of 2019, from RM605.1 billion a year ago, according to Department of Statistics Malaysia (DOSM). Finance Minister Lim Guan Eng said the steady rise in total FDI stock showed continuing attractiveness of Malaysia as an international investment destination amid rising trade tensions across the world. "Sustained economic growth is one of the reasons behind rising FDI stock. The Malaysian gross domestic product (GDP) during the same quarter expanded 4.9 per cent year-on-year (YoY), an acceleration from 4.5 per cent growth in the first quarter of 2019, at a time when various regional economies are experiencing synchronised growth slowdown," he said in a recent statement. (20 August, Business Times)

July CPI up 1.4%, slightly below forecast:

Malaysia's consumer price index rose 1.4% in July from a year earlier, a bit slower than the previous month, government data showed. Economists surveyed by Reuters had forecast for the index to climb 1.5% year-on-year in July, matching the pace in June. June's annual inflation rate was the fastest in more than a year, as the effects of tax policy changes introduced last year faded. Inflation has been mild since an unpopular consumption tax was scrapped in June 2018, while transport costs have fallen amid a government effort to cap domestic fuel prices. (15 August, The Star)

Financing continues to support economic activity in July:

Financing has continued to support the economic activity in the country in July 2019, said Bank Negara Malaysia (BNM). In its monthly highlights for July 2019, BNM said net financing expanded by 5.6 per cent in July (June: 5.9 per cent), while outstanding corporate bond growth was sustained at 10.3 per cent (June: 10.6 per cent). Outstanding household loans grew by 4.7 per cent (June: 4.9 per cent) while outstanding business loan growth moderated to 2.5 per cent (June: 3.4 per cent). Net financing refers to outstanding loans of the banking system (excluding development financial institutions) and outstanding corporate bonds. (30 August, Bernama)

Joint-ministerial committee approves three investments worth RM2.2 bln:

The government, through the recently established joint-ministerial committee, has approved three investments worth RM2.2 billion. Finance Minister Lim Guan Eng said, of the three investors, two were local-based companies, while the third was an international company. However, the minister declined to provide further details on the investments, saying that it would not be fair to the respective investors. "I believe we should respect the investors, let them announce (the details) themselves. The important thing is that we have established the joint-ministerial committee co-chaired by me and Datuk Darell Leiking which allows us to make decisions quickly,". (29 August, Bernama)

PPI for local production falls 2.2 pct in July 2019:

The Producer Price Index (PPI) for local production decreased 2.2 per cent in July 2019 compared with the same month of the preceding year, said Chief Statistician Malaysia Datuk Seri Dr Mohd Uzir Mahidin. He said the mining index showed the highest decline at 9.9 per cent, followed by agriculture, forestry and fishing (-6.5 per cent), water supply (-2.8 per cent), and manufacturing (-0.9 per cent) indices. "However, the index of electricity and gas supply edged up by 1.5 per cent," he said in a statement. He said the PPI for local production declined 0.1 per cent in July 2019 compared with the previous month. The index of mining registered the highest rate of decline at 1.2 per cent, followed by water supply (-0.4 per cent) and manufacturing (-0.1 per cent) indices. (29 August, Bernama)

Malaysia aims to be preferred destination for high-tech investment:

Malaysia aims to become the preferred destination for high-tech investment through Industry4WRD, says Deputy International Trade and Industry Minister Dr Ong Kian Ming. He said the government also aims to be a comprehensive total solutions provider for advanced technology in the region. "With proper implementation, the government is confident that by 2025, we will be able to achieve improved labour productivity, increase manufacturing's contribution to gross domestic product (GDP), enhance innovation capacity and create more high-skilled jobs," he said in his speech at the launch of the Smart Manufacturing Expo 2019 (SMEX 2019). (28 August, Bernama)

Malaysia looking at reducing Vietnam-Malaysia trade imbalance:

Malaysia is looking at reducing its trade imbalance with Vietnam, said Prime Minister Tun Dr Mahathir Mohamad. "Malaysia would like to see the trade grow in size but with more imports by Malaysia from Vietnam in order to reduce the imbalance of trade between our two countries," he said at a joint press conference with Vietnam's Prime Minister Nguyen Xuan Phuc in Hanoi. Dr Mahathir arrived in Hanoi for a three-day official visit to the socialist republic at the invitation of his counterpart. Dr Mahathir said during the visit, the leaders of both countries have agreed to make use of ASEAN's strength to grow their economies and also to tackle problems facing the region and the world. (27 August, Bernama)

Tourism contributes RM42bil to economy:

Malaysia welcomed 13.35 million international tourists and recorded a 6.8% growth in tourist receipts, contributing RM41.69bil to the country's revenue during the first half of 2019. The first half of 2018 saw 12,730,368 visitors who brought in contributions totaling RM39bil. It was reported in late May that Malaysian tourism is the third largest foreign income earner, after manufacturing and palm oil industry. Tourism accounts for over 7% of the country economy. Over the first six months of 2019, tourism performance grew in terms of per capita expenditure, rising by 1.9% to RM3,121.6 while the average length of stay climbed by 0.4 nights to 6.2 nights. (24 August, The Star)

LOCAL TEMPATAN

Sabah's gas, oil boost the GDP:

Production from natural gas fields mostly off East Malaysia and the East Coast of West Malaysia is boosting the country's GDP into the second quarter of 2019. Stronger mining output came mainly from higher natural gas production which rose 13pc year-on-year in June, 2019, being the end point of the first quarter of 2019 (+7.6pc year-on-year in May). This compensated for the poor output in crude oil which dropped -3.7pc year-on-year in June, (-2pc year-on-year in May). Natural gas output has been in the positive since March while mining crude oil production has been in the negative growth trajectory since January 2019. (15 August, Daily Express)

Sabah looking forward to closer economic ties with Thailand:

The Sabah Government is fostering closer ties with Thailand in terms of trade and investment activities that would boost economic growth and diversify industries in the State. Chief Minister Datuk Seri Mohd Shafie Apdal said Sabah is looking forward to welcoming more investors from Thailand in light of numerous industries and business sectors in Sabah where further partnerships with Thailand can be developed. He said this in his speech read by Sabah Assistant Finance Minister Kenny Chua at the "Bridging Trade and Investment Relations between Thailand and East Malaysia (Sabah)" trade forum. (22 August, Daily Express)

Sabah, S'pore looking into areas of collaboration:

Sabah and Singapore are looking into areas of collaboration that will spur economic growth for both sides. Chief Minister Datuk Seri Mohd Shafie Apdal said the services industry, tourism and the industrial sector can be tapped into in order to strengthen relations with Singapore. "The tourism sector holds great potential which we need to develop. This was one of the topics of discussion on ways we can foster closer ties between Malaysia and Singapore through Sabah," he said, at a press conference during a courtesy call by Singapore Trade and Industry State Senior Minister Chee Hong Tat to the Chief Minister's office. Chee expressed keen interest in win-win opportunities for Singapore to work with Sabah, which include collaborations in education,

enhancing interactions between young people (in Sabah and Singapore) as well as tourism. (28 August, Daily Express)

Huge potential to develop halal products and services industry in Sabah:

Sabah has huge potential to develop halal products and services industry. "The state has the advantage. Sabah is known as one of the major tourist destinations and agriculture sector, especially palm oil-based products," said Trade and Industry Assistant Minister, Azhar Matussin. Speaking at the launching of the Malaysian Halal Outreach Program 2019, Azhar said the halal industry could boost productivity, enhance the socio-economic well-being of the people and contribute to the country's growth through trade, investment and job opportunities. (21 August, New Sabah Times)

RM200,000 for 20 Kadamaian villages:

The federal Ministry of Rural Development (KPLB) has approved a RM200,000 grant for the Village Community Management Councils (MPKKs) which will be distributed to 20 villages in the Kadamaian state constituency. State Minister of Rural Development, Datuk Ewon Benedick, said all the villages through the council will receive RM10,000 to finance various village development programmes. He said, for the first phase, the Federal Government channelled a total of RM 3 million grant for the MPKKs across the state and the 20 villages in the Kadamaian constituency are the first batch to receive such grant. "There are 2,853 MPKKs in Sabah with 74 of them are located in the Kadamaian constituency." "Only 20 MPKKs here get their applications approved while the other 273 MPKKs in the state are still waiting for the approval as the government has to rectify the applications," he said. (30 August, Daily Express)

Sabah eyes stingless bee industry as new income source:

The State Government will look into developing the stingless bee industry to make it a new alternative source of income for the State. Chief Minister Datuk Seri Mohd Shafie Apdal said the effort was also in line with the transformation of the agricultural sector through modernisation and commercialisation of the industry which involved the entire supply and value chain. "Demand for honey and its products and services from stingless bee breeding activities are to be explored and linked to the supply

chain concept of management. (2 August, Daily Express)

RM1.3 million allocated for five mini projects in Kota Kinabalu:

The Kota Kinabalu parliamentary office has allocated RM1.3 million for five mini projects including upgrading some of the public facilities including school and a church. Its Member of Parliament, Chan Foong Hin, said the allocation will be used to upgrade and resurface the road near the fountain in Jalan Gaya, improving the concrete floors at the fish market, building traffic barriers along Coastal Road, a roofed pedestrian walkway at SMK Tun Fuad and roof structure in Kampung Kopungit, Luyang. He said these projects are expected to be completed before the end of 2019 as the allocation for the parliament has one year deadline, which cannot be carried forward to next year. (19 August, New Sabah Times)

Minerals and Geoscience Department roped in to build tube wells:

With many villages still without piped water, the Rural Development Ministry has pulled in the Minerals and Geoscience Department (JMG) to build tube wells for them. This is part of the efforts to bring development to rural villages, many still in need of help. Its minister, Datuk Ewon Benedick said the cooperation with JMG is important as the department has the expertise to identify the source of underground water. "JMG will be a member of our steering committee of the Mini Estet Sejahtera (MESEJ), where they will brief us on what can be done in as far as drawing water from the ground in villages which do not have water running through,". (21 August, New Sabah Times)

Ministry targets quality basic infra for 95pc of rural folk by 2025:

The federal Rural Development Ministry has set a target that 95 per cent of rural population, especially in Sabah, will enjoy quality and efficient basic infrastructure such as roads, electricity and water supply by 2025. Its Minister Datuk Seri Rina Mohd Harun said the target was in line with the Rural Development Policy 2030 which, among others, aimed at achieving the vision of prospering the rural population within 10 years covering human, social and economic development. She said infrastructure development needs to be strengthened as there are rural areas, especially in the interior, that are still missing out on quality basic amenities. (25 August, Daily Express)

SELECTED FACTS AND FIGURES

FAKTA MUTAKHIR

MALAYSIA QUARTERLY BALANCE OF PAYMENTS, SECOND QUARTER 2019



(Source: 16 August, Department of Statistics Malaysia)

MALAYSIA VOLUME INDEX OF WHOLESALE & RETAIL TRADE, SECOND QUARTER 2019

Table 1: Volume Index of Wholesale & Retail Trade by Sub-sector

Sub-sector (2015=100)	Volume index			
	Original	% Change YoY	Seasonally Adjusted	% Change QoQ
Volume index of Wholesale & Retail Trade	127.8	6.1	128.4	2.6
Volume index of Wholesale Trade	127.0	4.0	126.6	1.5
Volume index of Retail Trade	136.5	9.0	138.5	3.9
Volume index of Motor Vehicles	105.6	4.1	106.7	4.0

(Source: 16 August, Department of Statistics Malaysia)

MALAYSIA INTERNATIONAL INVESTMENT POSITION, SECOND QUARTER 2019



(Source: 16 August, Department of Statistics Malaysia)

MALAYSIA PRODUCER PRICE INDEX, JULY 2019

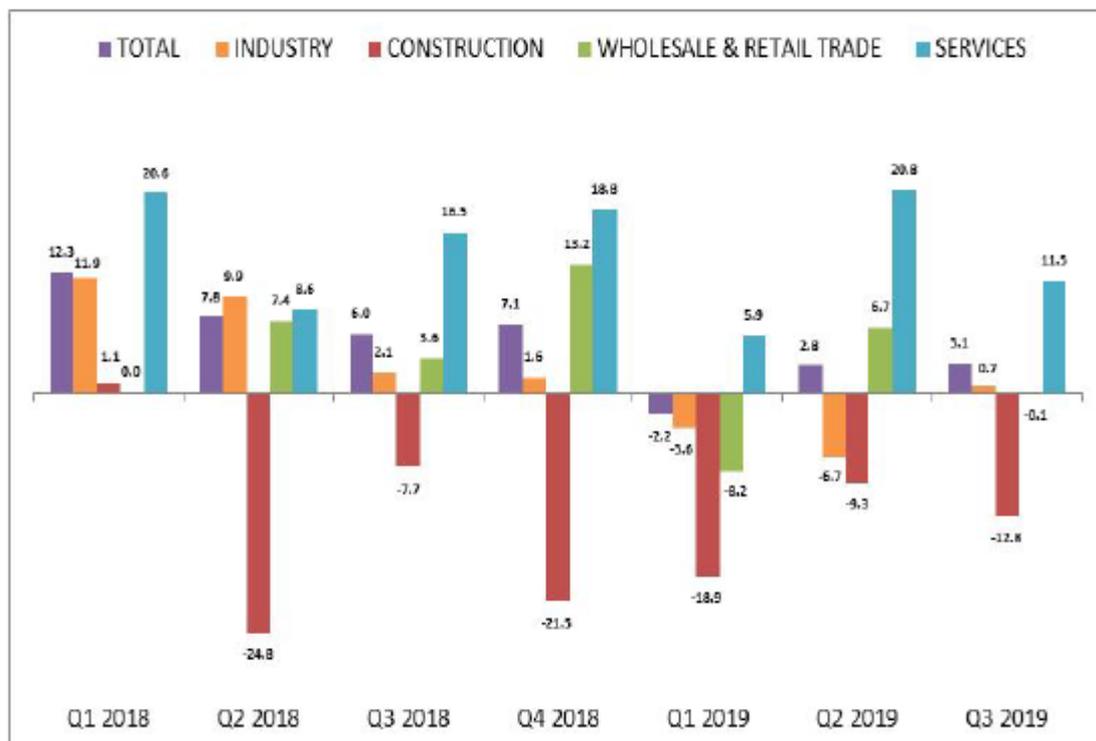
Table 1 : Producer Price Index (2010=100) Local Production by Sector (MSIC 2008), Malaysia

Sector	Code	Weights	Percentage Change						
			Index	Year-on-Year		Month-on-Month			
			July 2019	May 2019/ May 2018	June 2019/ June 2018	July 2019/ July 2018	May 2019/ Apr 2019	June 2019/ May 2019	July 2019/ June 2019
Total		100.000	104.4	-1.5	-1.8	-2.2	0.2	-0.9	-0.1
Agriculture, forestry & fishing	A	6.730	91.1	-12.8	-9.2	-6.5	-1.6	1.1	1.3
Mining	B	7.927	99.3	-0.4	-6.4	-9.9	2.7	-8.7	-1.2
Manufacturing	C	81.571	105.7	-0.6	-0.8	-0.9	0.1	-0.3	-0.1
Electricity & gas supply	D	3.442	118.0	1.2	1.8	1.5	0.1	-0.2	0.2
Water supply	E	0.330	111.4	-2.3	-1.8	-2.8	-0.2	-0.2	-0.4

(Source: 29 August, Department of Statistics Malaysia)

MALAYSIA BUSINESS TENDENCY STATISTICS, THIRD QUARTER 2019

Chart I: Quarterly Confidence Indicator by Sector, Malaysia, 2018-2019



(Source: 29 August, Department of Statistics Malaysia)