



MONTHLY NEWS SCAN

Tinjauan Berita Bulanan

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HIGHLIGHTS FOCUS

- **France and Germany united on strategy to fight global slowdown: French minister**
- **US and Japan agree initial trade deal focusing on agriculture**
- **Miti: M'sia committed to working with the US for mutual benefits**
- **Fitch Research sees FDI into Malaysia picking up**
- **Franchise sector is growing in Sabah**
- **RM20m for Sabah Pantas programme**

INTERNATIONAL ANTARABANGSA

France and Germany united on strategy to fight global slowdown: French minister: France and Germany agreed on a joint strategy to respond to a global economic slowdown at a time of international trade tensions, French Finance Minister Bruno Le Maire said in a statement. In a news conference alongside Germany's Finance and Economy Ministers, Le Maire said the strategy was based on three pillars: "Reducing public debt where it is necessary. And it is the case in France; Pursuing structural reforms, as we are doing in France; Having budget policies that can take up the baton from monetary policy." (19 September, Reuters)

US and Japan agree initial trade deal focusing on agriculture: The US and Japan have agreed an initial trade deal that will eliminate or lower tariffs on certain products traded between them. Duties on some agricultural goods will be removed or lowered, while digital products will also benefit. US President Donald Trump said the world's first and third largest economies achieved a "tremendous" deal. The trade agreement did not mention car tariffs of up to 25%, which were previously threatened by the US. But Japanese Prime Minister Shinzo Abe said he had received assurances that no such tariffs would be imposed, according

to media reports. (26 September, BBC News)

Eurozone gets fresh help to bolster flagging growth: The European Central Bank has unveiled fresh stimulus measures to bolster the eurozone, including cutting a key interest rate. The deposit facility rate, paid by banks on reserves parked at the ECB, was already negative, but has now been cut from minus 0.4% to minus 0.5%. The ECB also said it was re-starting quantitative easing. It will buy €20bn of debt a month from 1 November. The eurozone's main interest rate has remained unchanged at zero. (12 September, BBC News)

Cooling U.S. consumer spending underscores risks to economy: U.S. consumer spending barely rose in August and business investment remained subdued amid lingering trade tensions, prompting economists to slash their economic growth estimates for the third quarter. The reports from the Commerce Department, however, likely do not signal a recession looming as consumer spending remains supported by solid income growth, thanks to the lowest unemployment rate in nearly 50 years and a huge savings buffer. (27 September, Reuters)

Russia seen cutting rate further in 2019 as inflation slows: Reuters poll: Russia is expected to cut interest rates further this year amid slowing inflation and sluggish economic growth, a monthly Reuters poll showed. The central bank is seen cutting its key interest rate to 6.75% in the fourth quarter of 2019, according to a consensus forecast of 20 analysts and economist polled in late September. The previous poll published in late August predicted that the central bank would lower the key rate to 6.75% only in the first quarter of 2020. (30 September, Reuters)

Japan August factory output falls 1.2% month/month: Japan's industrial output fell 1.2% in August, government data showed, coming in below the median market forecast for

a 0.5% drop. Manufacturers surveyed by the Ministry of Economy, Trade and Industry expect output to rise 1.9% in September and decline 0.5% in October, the data showed. (30 September, Reuters)

South Korea inflation expectations fall, raise chance of rate cut: South Korean consumers' inflation expectations fell to the lowest on record, a survey from the Bank of Korea (BOK) showed, bolstering the chances for another rate cut in October. Consumers' median inflation expectations for the next 12 months fell to 1.8% in September, down from 2.0% in August and the lowest since the data was first released in February 2002. The nation's consumer price index was unchanged in August from a year earlier, the weakest pace since the country began releasing inflation data in 1965 and far below the central bank's 2% target and annual forecast of 0.7%. (26 September, Reuters)

China plans to step up efforts to lift economy - central bank: China plans to step up economic adjustments to counter its slowing economy while providing adequate liquidity in the economy, said the central bank. The United States and China have been locked in an escalating trade war for more than a year, which has hit China's already slowing economic growth. The statement was posted on the official Twitter-like Weibo account of the Peoples' Bank of China. (29 September, Reuters)

UK growth rebound eases recession fears: The UK's economy grew faster than expected in July, easing fears that it could fall into recession. The economy grew 0.3% in July, the UK's official statistics body said, helped by the dominant services sector. Growth was flat over the three months to July, but this was an improvement on the 0.2% contraction seen in the April-to-June quarter. This contraction, coupled with some weak business surveys, raised concerns the UK was heading for recession. (9 September, BBC News)

Miti: M'sia committed to working with the US for mutual benefits:

Malaysia is committed to continue working with global economies for mutual benefits, including with the United States (US) of which we have had over six decades of strong relationship in terms of trade and investment, said the Ministry of International Trade and Industry (Miti) in a statement. Miti said that Malaysia's bilateral trade with the US grew by 1.2% in 2018 to RM155.76bil. This constitutes 8.3% of Malaysia's total trade in that same year. Miti said that exports to the US have increased by 2.4% to RM90.81bil – the highest recorded since 2008. (20 September, The Star)

Fitch Research sees FDI into Malaysia picking up:

Fitch Solutions Macro Research expects foreign direct investment (FDI) into Malaysia to likely to continue picking up over the coming quarters and continue decreasing Malaysia's vulnerability to outflows. In its outlook report on the Malaysian economy, it said this view was firstly supported by Malaysia's successful renegotiation and resumption of the RM44bil East Coast Rail Link and other China-backed projects would likely to bring more direct investment into the country. Fitch Research said there was further upside risk from the possibility of other projects being resumed, such as the Kuala Lumpur-Singapore High Speed Rail, especially if the government manages to decrease its high public debt load to what it deems a sustainable level. (19 September, The Star)

July's export performance further evidence of trade diversion – UOB:

Malaysia's exports in July 2019 are further evidence of trade diversion amid higher exports of electrical and electronics (E&E) products and pick-up in exports to the US and China, said United Overseas Bank (Malaysia) Bhd (UOB Malaysia). Malaysia's exports in July 2019 registered an increase of 1.7 per cent to RM88.0 billion year-on-year (y-o-y). Its senior economist Julia Goh, however, said the overall impact of deteriorating US-China relations remains negative and is evident from weaker import demand as well as August's manufacturing Purchasing Managers' Index, which fell for the fourth month with sustained

weakness in new orders. (4 September, Bernama)

Report: Malaysia to cut interest rate in Dec:

Malaysia's export momentum has outperformed in South-East Asia, according to the Institute of Chartered Accountants in England and Wales' (ICAEW) latest Economic Update: South-East Asia report. The momentum it said, reflected a more modest deceleration in export growth and resilient domestic demand, comparing the growth of trade-dependent economies such as Singapore, Thailand and the Philippines which have seen slower momentum in the second quarter of 2019. "However, despite the outperformance of the Malaysian economy to date, Bank Negara is expected to lower interest rates by 25 basis points (bp) in December, with a further 25 basis points cut in the first quarter of 2020. (24 September, The Star)

Malaysia's labour force participation rate falls to 68.5% in July:

The labour force participation rate in Malaysia dropped 0.1 percentage point to 68.5% in July as compared to the previous month, said the Department of Statistics Malaysia. Similarly, the labour force participation was 0.1 percentage point lower from July 2018. Chief statistician Datuk Sri Mohd Uzir Mahidin reported that the labour force in July rose 2% against July 2018 to 15.7 million persons. He added that employed persons also increased 2% to 15.18 million persons over the same month. (13 September, The Star)

PPI for local production falls 1.9 pct in August 2019:

The Producer Price Index (PPI) for local production decreased 1.9 per cent in August 2019 compared with the same month of the preceding year, said Chief Statistician Malaysia Datuk Seri Dr Mohd Uzir Mahidin. He said in a statement, out of 1,063 items covered in the PPI, 39.5 per cent items showed an increase in August 2019 compared to last year, while 38.7 per cent items showed a decline with 21.8 per cent items unchanged. The mining index declined 10.9 per cent, followed by the water supply (-2.6 per cent), manufacturing (-1.0 per cent) and agriculture, forestry and fishing (-0.9 per cent) indices, he said. (30 September, Bernama)

Inflation set to trend low at below 1.0 pct -- MIDF Research:

Inflation is forecast to return to a low level of below one per cent in upcoming months as the lower base effect resulting from the tax holiday period last year is coming to an end. According to MIDF Research, the fixed petrol price for RON95 at RM2.08 will also continue to put a downward pressure on the overall inflation, especially that of transport. "Even with the removal of RON95 price cap, the prices are expected to be on the low side in line with global crude oil prices which are affected by multiple headwinds," it said in a research note today. (25 September, Bernama)

Malaysia's timber products export hits RM12.5 billion:

Malaysia has exported about RM12.5 billion worth of timber products between January and July this year, said Malaysian Timber Industry Board (MTIB) director-general, Mohd Kheiruddin Mohd Rani. Among the high value-added products exported were wood chips (RM512.3 million) and wooden frames (RM75.1 million). "MTIB is confident that timber product exports will continue to increase following the high demand for the products in the global market, backed by the rapid growth of the construction industry in the respective importing countries," he told reporters after the closing of the Kelantan Wood-based Furniture and Lifestyle Exhibition.. (28 September, Bernama)

M'sia likely to turn more inward to hold up economic growth – RHB:

Malaysia is likely to turn more inward to hold up economic growth, says RHB Research. It said the government may look to shore up spending for the fiscal Budget 2020. "The government has indicated that it is unlikely to introduce new tax measures for Budget 2020 and we think the budget would likely be more expansionary to counter the effects of the trade war and the fiscal deficit may come in at -3.20 per cent of gross domestic product (GDP) versus the medium-term target of 3.00 per cent," the research house said in a note today. It expects the country's economic growth to hold up, albeit moderating to 4.3 per cent for 2020 compared to an estimated of 4.5 per cent this year as weak global demand amid the protracted US-China trade tension will likely weigh on the country's exports. (27 September, Bernama)

LOCAL TEMPATAN

Franchise sector is growing in Sabah: State Trade and Industry Assistant Minister Azhar Datuk Matussin said the franchise industry in Sabah is growing, as evidenced by the increasing number of franchise outlets emerging in the market. "This positive scenario is beneficial to the country as it also stimulates the domestic economy," he said, when launching the BizFranchise Program 2019 at The Klagan Regency, Kota Kinabalu. He said the development of the nation's franchise industry can be interpreted with its contribution of RM30.3 billion to the country's GDP in 2018, which is an 8.5 per cent increase from its previous contribution of RM27.7 billion in 2017. "In light of these statistics, I hope more franchise businesses can be opened in Sabah. (21 September, Daily Express)

RM20m for Sabah Pantas programme: The Federal Government has approved RM20 million for the implementation of the Sabah Native Land Services (Pantas) programme this year, said State Land Survey Department Director Datuk Safar Untong. He said the programme, introduced in 2012, had been implemented in 21 districts, involving 141 villages. "During that period, 20,948 land lots covering 36,048.344 hectares had been surveyed, with 6,335 draft grants issued," he said at the launch of the Pantas programme in Kampung Kiau Taburi, here (Kota Belud). It was launched by Sabah Rural Development Minister Datuk Ewon Benedick, who is also Kedamaian Assemblyman. (16 September, Daily Express)

Tangau promotes Sabah as investment hub in Nanning: Sabah has what it takes to become an investment hub in the region, said Deputy Chief Minister Datuk Seri Panglima Wilfred Madius Tangau. "We have all the requisite ingredients for your investment to succeed? A strategic geographic location, access to raw materials, supporting infrastructure and facilities and a proactive government. "Let me assure you that the Sabah Government is always open to new business ideas and proposals. We stand ready to facilitate your investment interest and would do our level best to ensure that all business

interactions will be to our mutual benefits," he stressed. (24 September, The Borneo Post)

RM78 million to repair dilapidated schools in Sabah – Lim: The Federal Government has approved an allocation of RM78 million for Sabah to carry out repair works on 30 old and dilapidated schools in the state. Finance Minister Lim Guan Eng said yesterday that the funding was for this year. He also said that they have adopted a new formula whereby the Sabah government will have an active role in monitoring the work status of the schools that are being repaired or replaced with a new one. He said that this was to avoid being informed that the repair works have already been done, but in reality, it is otherwise. (18 September, The Borneo Post)

RM2.6m boost for Tenom farmers: Agriculture and Agro-based Industry Minister Dato' Salahuddin Ayub congratulated the Tenom community on the opening of the new Area Farmers Association (PPK) office that cost about RM2.6 million. The building was built starting Aug 1, 2016 on a 0.463acre lot and was fully completed by Mar 31, last year. Salahuddin said the completed building is a landmark for successful entrepreneurs in the field of agricultural pathways. He said that his Ministry would have no problem providing subsidised fertiliser for hill rice fields to farmers and paddy farmers this season. (18 September, Daily Express)

Plan to turn KK into a film-making hub: Deputy Chief Minister cum Tourism, Culture and Environment Minister Datuk Christina Liew reiterated her commitment to further develop the local film industry. She said it is part of the State Government's plan to turn the city into a filmmaking hub. "I have identified certain land and talked to several filmmaking companies, both local and international, who dropped by at my office to discuss the possibility of putting our efforts together to make Kota Kinabalu a hub for film production in the future," she said during the closing night of the 10th Kota Kinabalu International Film Festival's (KKIFF) Cinebalu, here (Kota Kinabalu). "Sabah has what it takes to emerge as a 'home' of the film industry in the not too distant future." (16 September, Daily Express)

Sabah aiming for more Chinese investors: The State Government is aiming for more Chinese investors to boost the State's economic development. Chief Minister Datuk Seri Mohd Shafie Apdal said being rich in natural resources, there is great potential for the state to be developed further. "We always welcome Chinese investors to come and invest in the state and build their factories in Sabah. "This not only gives returns for investors and the government but will also create jobs for the local people especially the younger generation, he said adding that the investors can also bring in new advanced technologies to the state. We will do our best to provide the investors with the many facets needed to make them feel comfortable in the state," he said in his speech at the 70th Anniversary celebrations of the Peoples Republic of China. (29 September, Daily Express)

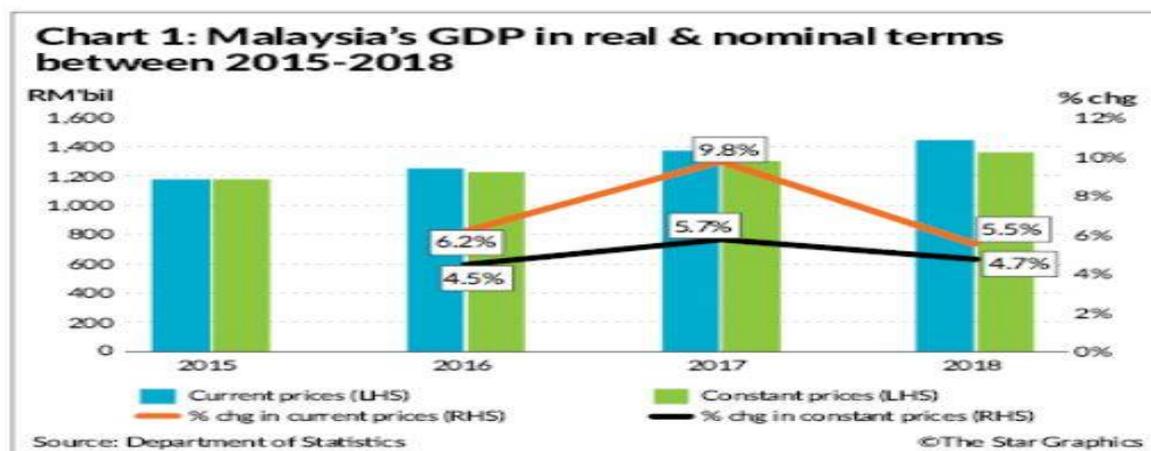
Sabah agriculture blueprint to help boost rubber tappers income: The plight of Sabah rubber tappers whose returns have hit rock bottom will be addressed by the government. The government will help them when the Sabah blueprint on agriculture is unveiled soon, said Infrastructure Development Minister Datuk Peter Anthony. Peter, who has been besieged for assistance from rubber tappers in his constituency, said that the agriculture blueprint would have a comprehensive plan to strengthen Sabah agriculture sector. "The concerns of the rubber tappers will be taken into account in the blueprint," he said in calling for patience among the tappers. (30 September, New Sabah Times)

RM238.5 juta peruntukan projek dalam perancangan KKM di Sabah: Kerajaan memperuntukkan RM238.5 juta untuk menampung kos semua projek pembinaan dan naik-taraf fasiliti kesihatan yang berada dalam perancangan untuk Sabah. Menteri Kesihatan Malaysia Datuk Seri Dr Dzulkefly Ahmad berkata, terdapat 14 projek Kementerian Kesihatan Malaysia (KKM) yang berada dalam perancangan di negeri ini. "Projek-projek itu merangkumi lapan fasiliti baharu seperti pembinaan Klinik Kesihatan (KK) dan kuarters serta enam projek naik-taraf," katanya. Dzulkefly berkata, lapan projek pembinaan fasiliti baharu itu melibatkan projek KK Langkon (Jenis 6) Kota Marudu dengan proses tendernya dijangka dibuka pada 2020. (28 September, Utusan Borneo)

SELECTED FACTS AND FIGURES

FAKTA MUTAKHIR

Malaysia's GDP in Real & Nominal Terms Between 2015-2018

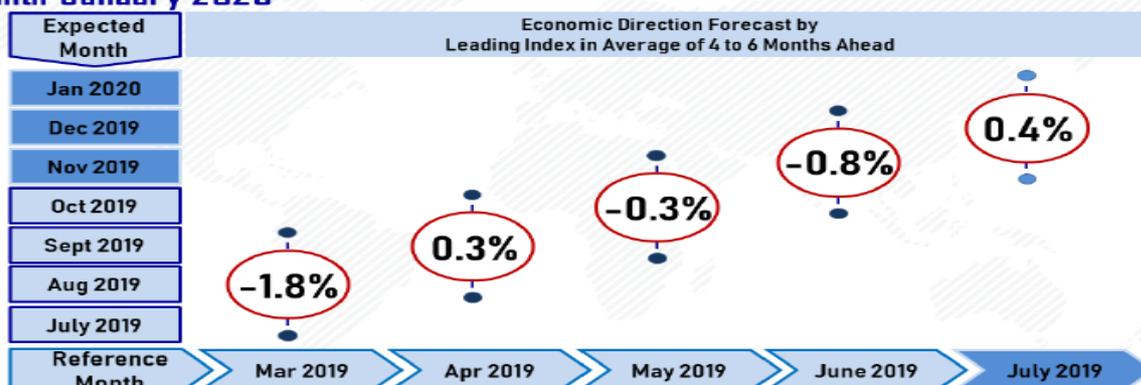


(Source: 21 September, The Star)

Malaysia's Economic Indicators: Leading, Coincident & lagging Indexes, July 2019

LEADING INDEX, JULY 2019 (YEAR ON YEAR)

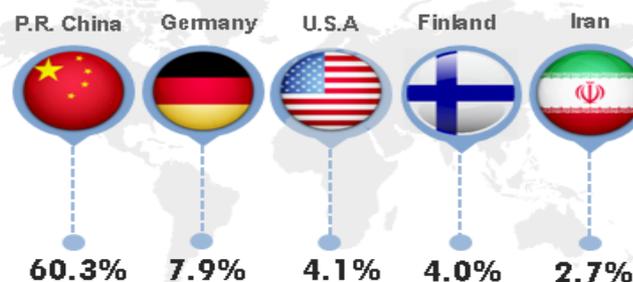
The Leading Index Signalling a Brighter Economic Outlook in November 2019 until January 2020



(Source: 25 September, Department of Statistics Malaysia)

Malaysia's Monthly Rubber Statistics, July 2019

EXPORTS



p = preliminary

Source: Monthly Rubber Statistics, Malaysia, July 2019

(Source: 13 September, Department of Statistics Malaysia)

Production of natural rubber by main producing countries*, May 2019



Source: Ministry of Primary Industries

*Association of Natural Rubber Producing Countries (ANRPC)

Data refers to May 2019 and will be updated based on the latest available figures.

Malaysia's Producer Price Index, August 2019

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

Sector	Code	Weights	Index	Year-on-Year		Percentage Change			
			Aug 2019	June 2019/ June 2018	July 2019/ July 2018	Aug 2019/ Aug 2018	June 2019/ May 2019	July 2019/ June 2019	Aug 2019/ July 2019
Total		100.000	104.6	-1.8	-2.2	-1.9	-0.9	-0.1	0.2
Agriculture, forestry & fishing	A	6.730	95.8	-9.2	-6.5	-0.9	1.1	1.3	5.2
Mining	B	7.927	97.3	-6.4	-9.9	-10.9	-8.7	-1.2	-2.0
Manufacturing	C	81.571	105.7	-0.8	-0.9	-1.0	-0.3	-0.1	0.0
Electricity & gas supply	D	3.442	118.5	1.8	1.5	2.2	-0.2	0.2	0.4
Water supply	E	0.330	111.6	-1.8	-2.8	-2.6	-0.2	-0.4	0.2

(Source: 30 September, Department of Statistics Malaysia)

Malaysia's Consumer Price Index, August 2019

Table 1: Consumer Price Index (2010=100): Annual Percentage Change by Sub-Groups Food & Non-Alcoholic Beverages, Malaysia, August 2019/August 2018

Sub-groups	Weight	Index	Year-on-Year Percentage Change		Month-on-Month Percentage Change	
		Aug 2019	July 2019/ July 2018	Aug 2019/ Aug 2018	July 2019/ June 2019	Aug 2019/ July 2019
Food & Non-Alcoholic Beverages	29.5	133.5	2.4	2.6	0.3	0.2
Food	28.4	134.5	2.4	2.6	0.3	0.3
Food At Home	16.9	130.8	1.0	1.3	0.4	0.3
Rice, Bread & Other Cereals	3.5	110.8	0.7	0.7	0.2	-0.1
Meat	4.5	127.4	-1.6	0.6	2.3	1.7
Fish & Seafood	5.5	153.3	0.4	0.9	0.0	0.7
Milk & Eggs	6.5	127.0	2.6	3.4	0.2	1.3
Oils & Fats	7.5	117.6	-0.2	0.0	0.1	0.1
Fruits	8.5	134.3	2.5	1.7	1.1	-0.1
Vegetables	9.5	133.2	4.7	3.2	-0.9	-1.9
Sugar, Jam, Honey, Choc. & Confectionery	10.5	135.0	-0.1	0.0	0.0	0.0
Food Products n.e.c.	11.5	132.5	1.5	1.4	0.2	0.2
Food Away From Home	12.5	140.3	4.4	4.4	0.3	0.1
Coffee, Tea, Cocoa & Non-Alcoholic Beverages	1.1	112.5	2.6	2.6	0.1	0.1

(Source: 25 September, Department of Statistics Malaysia)