



# MONTHLY NEWS SCAN

## Tinjauan Berita Bulanan

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1 – 30 June 2020

### HIGHLIGHTS FOCUS

- **China's economy will resume growth this quarter, economists say**
- **A month into reopening, no clear turn for U.S. economy or pandemic**
- **Malaysia calls for cohesive economic measures among ASEAN members**
- **Stimulating the economy is as challenging as containing COVID-19 - Muhyiddin**
- **RM240m 'Sabah New Deal'**
- **50 broadband towers for Sabah schools**

### INTERNATIONAL ANTARABANGSA

**China's economy will resume growth this quarter, economists say:** Economists upgraded their forecasts for China's economic growth this quarter and for 2020, signaling more optimism that the country is on track for a gradual recovery. Gross domestic product will expand at 1.5 per cent in the second quarter from a year earlier, according to the median estimate of economists in a Bloomberg survey recently. That's faster than 1.2 per cent growth seen in the last survey in May. Economists also dialled up their full-year growth projection to 1.8 per cent from 1.7 per cent. (23 June, The Straits Times)

**A month into reopening, no clear turn for U.S. economy or pandemic:** A month into efforts to broadly reopen the U.S. economy there is little clarity either on the pace and durability of the recovery, or on the ability to convincingly suppress the virus that has killed more than 112,000 Americans. Data on cellphone traffic, employee time management and weekly unemployment claims point to an ongoing and steady climb back - but one that shows stark divisions among states, and some evidence the spread of the novel coronavirus may

be greater in places where economic activity is picking up faster. (12 June, Reuters)

**Japan's deflation gathers momentum as prices extend declines:** Japan's core consumer prices fell for a second straight month in May, reinforcing deflation expectations and raising the challenge for policymakers battling to revive an economy reeling from the coronavirus pandemic. The data will likely complicate the Bank of Japan's job of restoring growth and inflation, with a raft of recent indicators suggesting the nation is in the grip of its worst postwar economic slump. (19 June, The Straits Times)

**Brexit: New momentum needed in trade talks, say UK and EU:** UK and EU leaders have said new momentum is needed in negotiations on their future relationship, after high-level talks recently. The PM, who met EU Commission President Ursula von der Leyen virtually, said there was a "very good" chance of getting a trade deal by December. He said he saw no reason why it cannot be "done in July", after the sides agreed to intensify talks next month. Mrs. von der Leyen said they "agreed to deliver the best deal" for citizens. The EU also noted the UK's decision not to extend the transition period, which ends in December. (15 June, BBC News)

**Euro zone economy moves towards slow recovery from record slump:** The euro-area economy picked up from its record slump, but the good news on activity was tempered with a warning that the recovery will be protracted. The June Purchasing Managers Index from IHS Markit showed an improvement at the region's manufacturers and service firms, and confidence at the highest since February. It also had plenty of reason for caution, with the headline

number still signaling contraction, new orders declining and employment falling. (23 June, The Straits Times)

**New Zealand enters first recession since 2010 as coronavirus bites:** New Zealand entered recession for the first time in almost a decade as the coronavirus pandemic led to the nation's biggest quarterly contraction in 29 years. Gross domestic product fell 1.6 per cent in the first quarter from the fourth, Statistics New Zealand said on Thursday (June 18) in Wellington. That's the largest decline since 1991 and more than the 1 per cent expected by economists. From a year earlier, the economy shrank 0.2 per cent - the first annual contraction since 2009. (18 June, The Straits Times)

**Australian employment recovering gradually from coronavirus shock:** Australian employment is continuing to pick up gradually after the huge losses caused by coronavirus lockdowns, recovering around 30 per cent of the jobs initially shed, data showed recently. The Australian Bureau of statistics said total payroll jobs increased 1 per cent between mid-May and mid-June, though they were still down 6.4 per cent on their level in mid-March before the lockdowns started to take effect. (30 June, The Straits Times)

**Russia cuts rates to record low amid coronavirus crisis:** Russia's central bank slashed interest rates recently to the lowest level since the collapse of the Soviet Union, pledging to consider the need for even lower rates amid waning inflationary risks and a shrinking economy. The central bank delivered a deeper-than-usual cut of 100 basis points, taking the key rate to 4.5% RUCBIR=ECI, in the face of the crisis sparked by the coronavirus and the related lockdowns, in line with a Reuters poll. (19 June, Reuters)

## NATIONAL NASIONAL

**Malaysia calls for cohesive economic measures among ASEAN members:** Malaysia has called for cohesive economic measures among ASEAN member states to build socioeconomic resilience in mitigating the impact of COVID-19, said the International Trade and Industry Ministry (MITI). In a statement on the 36th ASEAN Summit, the ministry said Prime Minister Tan Sri Muhyiddin Yassin stressed that leaders, in moving beyond efforts to contain the pandemic in the region, must inculcate a similar sense of urgency to also push for economic recovery. In his intervention, he said the public health crisis had a profound impact on economies and rebooting the regional economy must be the grouping's utmost priority to mitigate disruptions to trade and strengthen the resilience of the regional supply chains. (27 June, Bernama)

**Stimulating the economy is as challenging as containing COVID-19 - Muhyiddin:** Prime Minister Tan Sri Muhyiddin Yassin described the task of stimulating the country's economy following the months-long Movement Control Order (MCO) period as being as challenging as curbing the spread of COVID-19. The Gambir assemblyman said although economic activity had resumed, it had not reached the level targeted by the government and there were many problems faced, including by businesses. According to Muhyiddin, economic experts have also forecast that the country's economy would contract in the second and third quarters of this year. (27 June, Bernama)

**Export performance May improve as Malaysia returns to trade surplus - Ambank:** Malaysia's export performance could improve moving forward, with support coming from the modest recovery in semiconductors at the same time, says AmBank Research. In a recent note, it said this optimistic view partly follows the government's decision to allow more industries to resume operations with some at full operating capacity since May 4, 2020. This, it noted, is reflected in the improvement in May's Manufacturing Purchasing Managers' Index (PMI) which acts as an early indication that the economic downturn caused by the Covid-19

pandemic could start to bottom out. (30 June, Bernama)

**Malaysia's economy to grow 7.5pct in 2021: S&P:** S&P Global Ratings has reaffirmed Malaysia's A- rating with a revision to the outlook to negative from stable. The reaffirmation comes with S&P's bullish forecast of a 7.5 per cent growth in the country's gross domestic product next year. The 7.5 per cent is more optimistic than the World Bank's expected 6.9 per cent expansion of Malaysia's economy next year. Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz, when commenting on S&P's latest move, said the negative outlook was driven by the impact of the Covid-19 pandemic on Malaysia's economic growth and fiscal position. (26 June, Business Times)

**Federal government to be fair to all states in economic recovery efforts - Azmin:** The Federal Government has given assurance that it will be fair to all states, including those led by the opposition, in the efforts to revive the COVID-19-affected economy. Senior Minister Datuk Seri Mohamed Azmin Ali, who is also the International Trade and Industry Minister, said no issue arose regarding differing political ideologies when it came to economic development, which was a shared responsibility especially post-COVID-19. "We put aside politics. This is the time when the Federal and state governments must work together to overcome the challenges faced due to the Movement Control Order (MCO) and COVID-19. (30 June, Bernama)

**Further deflation in 2020 as April CPI matches steepest drop in 10 years:** Malaysia can expect further deflation this year after its Consumer Price Index (CPI) declined 2.9 per cent year-on-year (y-o-y) in May, economists said. This was the third month in a row that the CPI had been in decline, after a 2.9 per cent drop in April and another 0.2 per cent fall in March. May's 2.9 per cent fall matched April's decline as the sharpest y-o-y drop in 10 years. Economists cautioned that while deflation tends to have a positive effect on consumers in terms of decline in the prices of goods and services, the Covid-19 pandemic had significantly altered the dynamic. Due to the pandemic-induced economic shutdown, there are increased fears around job prospects, employment status and wage reduction, which will

negatively affect demand. (25 June, Business Times)

**Malaysia's aerospace manufacturers see business drop 30pct in Covid-19 era:** The local aerospace manufacturing sector has experienced a 30 per cent reduction in deliveries requirements for long-term contracts, resulted from the delay of aircraft deliveries in particularly among the airlines and lessors. Market observers said the Movement Control Order (MCO), which was enforced from March 18 till May 3, had partially halted manufacturing activities in Malaysia. However, the maintenance, repair and overhaul (MRO) services for both commercial and private jet continued to operate to support grounded aircraft, despite a similar 30 per cent contraction in the overall operations. (22 June, Business Times)

**Malaysia to improve trade relations with India pertaining to palm oil:** Malaysia is working on creating better trade relations with India, its top palm oil buyer last year, and addressing some of the issues that have negated the country's palm oil share in the global market, Malaysian Palm Oil Council (MPOC) chief executive officer Datuk Dr Kalyana Sundram said. He noted that 2020 had been a tough year so far, with India falling to the lowest (13th) position among the country's top palm oil export destinations in the first five months. For the January-May 2020 period, Malaysia's shipments of palm oil to India plunged by 93 per cent to 151,106 tonnes from 2.16 million tonnes recorded in the same period last year. (22 June, Bernama)

**Malaysia's unemployment rate expected at 4.0pct this year:** Malaysia's unemployment rate is expected to remain high for the remaining months this year as some companies are likely to retrench employees. MIDF Research said most retrenchment was to reduce operating costs in line with the new standard operating procedures in place and on expectations of lower revenue as consumer activities would take longer to fully resume. "Sentiment is still quite weak as people fear of another wave of Covid-19, hence take a more gradual return to their normal activities. "Therefore, we foresee unemployment rate to edge up higher than 3.8 per cent previously estimated to 4.0 per cent," said MIDF Research in a recent report. (16 June, Business Times)

## LOCAL TEMPATAN

**RM240m 'Sabah New Deal':** The State Government recently unveiled the Sabah Covid-19 Stimulus Package Phase 2, involving RM240 million with primary objective of speeding up the state's digital economic transformation as well as boost the agro-food sector and human capital re-development. Chief Minister Datuk Seri Mohd Shafie Apdal said apart from boosting the state's economic recovery, the second package themed "Sabah New Deal" is also meant to enable Sabah moves into the "new normal". He said the Covid-19 pandemic has resulted in the need to do many things via online through the use of digital technology, application and tools. (19 June, Daily Express)

**50 broadband towers for Sabah schools:** Some 50 broadband towers have been approved to benefit Sabah schools while another 115 are still under consideration, said Education and Innovation Minister Datuk Dr Yusof Yacob. "The towers cater to 3G, and 4G systems," he said after the presentation of face masks and hand sanitisers in SMK Entabuan. These towers, he said, will involve a cost of RM400 million to construct. "School students must be exposed to the internet as proficiency in it is important," he said. While the towers are important, he noted that there are limitations, in terms of internet or broadband coverage in rural areas. (27 June, Daily Express)

**Free solar energy for 300 villages:** Some 300 villages in the Tawau Parliamentary Constituency that are without electricity supply stand to benefit from free solar energy when 300 units of the solar power system are installed, said Member of Parliament for Tawau, Datuk Christina Liew. She said solar equipment such as solar panels and batteries from China will be donated through the Lions Club as a community service project. "The Tawau Parliamentary People's Service Centre is identifying the villages in Apas and Balung that need solar power, pending the shipment of solar equipment from China. "Today, I am here again to hear out the people's needs and problems." (11 June, New Sabah Times)

**RM6 million for easing burden of Sabah farmers:** Sabah has been allocated RM6,071,500 by the Federal Government under the economic stimulus packages to ease the financial burden of the State's farmers affected by the Covid-19 pandemic.

This was part of the RM70 million funding channeled through the Federal Agriculture and Food Industries Ministry to the Farmers Organisation Authority (LPP) for distribution to all State LPPs. LPP Deputy Director-General Norlizah Mohamad said of the total allocation given to Sabah, RM330,000 was provided under the Economic Stimulus Package One's farm mechanisation programme for upgrading agriculture machinery, especially for paddy cultivation. (27 June, Daily Express)

**RM189m given to 918,829 families:** A total of RM189.2 million has been disbursed to 918,829 families by the State Government under the Sabah We Care Covid-19 Aid programme, as of June 22, during the Movement Control Order (MCO) period. Political Secretary to the Chief Minister, Nic Chak, said the assistance involved Sabahans in various sectors. "The RM189 million covers Sabahans from all walks of lives as well as Covid-19 test reagents, face masks hand sanitisers for the public, among others," he said in a recent statement. "Of the number, the Welfare Services Department has channelled RM18.99 million to 63,226 recipients comprising orphans, senior citizens, people with disabilities, Covid-19 patients and others. (26 June, Daily Express)

**Grants worth RM2.5 mln handed over to youth associations in Sabah:** The Sabah Youth and Sports Ministry recently handed over RM2.5 million in grants to be distributed to 14 associations registered with the Sabah Youth Council (MBS). Its minister, Phoong Jin Zhe said the grant was to fund various programmes to help youths in the state. "This grant is 50 per cent of the total amount that should be distributed to the associations this year. But due to a number of factors including their performance last year, the grant will be given in two phases. (5 June, New Sabah Times)

**LKIM peruntuk RM9.04 juta untuk Projek Khas Perumahan Nelayan di Sabah:** Lembaga Kemajuan Ikan Malaysia (LKIM) memperuntukkan sebanyak RM9.04 juta untuk Projek Khas Perumahan Nelayan (PKPN) bagi membantu golongan nelayan di seluruh Sabah. Menteri Pertanian dan Industri Makanan, Datuk Seri Dr Ronald Kiandee berkata, peruntukan itu adalah untuk membaikpulih, membina rumah baharu dan mewujudkan penempatan semula nelayan yang lengkap dengan prasarana asas supaya masyarakat nelayan dapat menikmati kualiti hidup yang lebih baik dan selesa. Jelas

beliau, usaha baik itu dapat memberi manfaat dan faedah kepada 716 nelayan di negeri ini. (15 Jun, New Sabah Times)

**State govt to ensure wood industry sustainable: Tangau:** The State Government will ensure the state's wood industry is sustainable, said State Trade and Industry Minister Datuk Seri Wilfred Madius Tangau. According to him, this includes ensuring sufficient raw materials are available to produce timber-based downstream products. "In this regard, we will hold discussions with the industry and related associations such as the Sabah Timber Industry Association (STIA)," he said. "We are also in the process of drafting a legal framework for the state cabinet to establish a legal system for timber grown by villagers which can be used as raw materials without interference by anyone." (24 June, Daily Express)

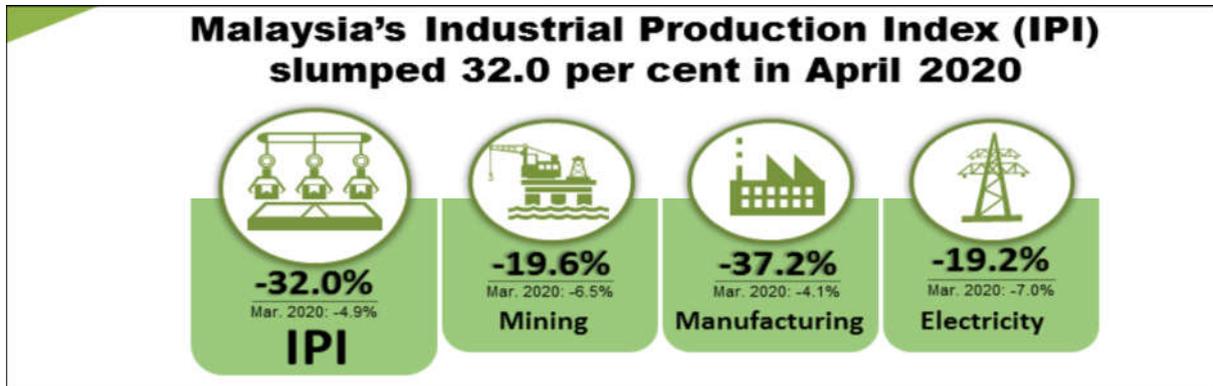
**Kudat gains from Banggi, Balambangan economy:** Kudat is Sabah's northernmost town, a former capital, has long lagged behind its southern neighbour Kota Belud town's economic vibrancy, and markedly so during the Movement Control Order (MCO) period. Many would even venture to say that Kota Marudu's business vibrancy had edged out Kudat when in the past, people in Kota Marudu used to travel to Kudat for various provisions. Kudat's retail economy is now gaining from islands north of its location, being positioned as Malaysia's tourism undiscovered jewels like fabulous caves to be explored with Balambangan's 19KM Kok Simpul white sandy beach is one of the longest white beaches in Sabah and Malaysia. (20 June, Daily Express)

**RM20m for reskilling workers:** For empowering human capital and generating new job opportunities, Mohd Shafie said the State Government will allocate RM20 million to the Education and Innovation Ministry to empower and re-skilling workers who have lost their jobs as well as those who are jobless and currently looking for a job. He said the new normal stressed on social distancing and reduced physical contact and thus it not only changed but also created demands for working with new skills. In this context, he said, companies also need to deliver services and products in a way that fulfilled the demands of the new normal, like for example, building plan need to be changed to have automatic doors, good air ventilation, large spaces, and equipped with touchless facilities and equipment. (19 June, Daily Express)

# SELECTED FACTS AND FIGURES

## FAKTA MUTAKHIR

Malaysia's Industrial Production Index, April 2020



(Source: 11 June, Department of Statistics Malaysia)

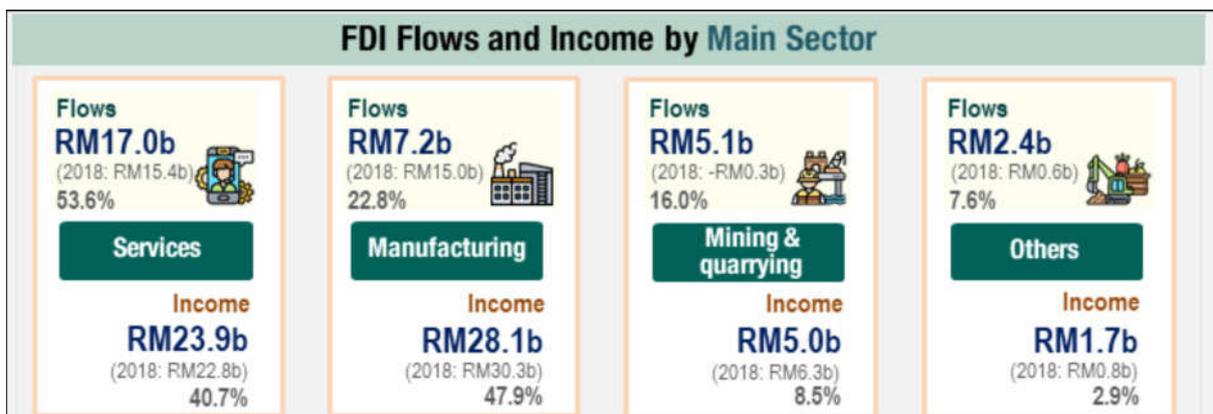
Malaysia's Producer Price Index, May 2020

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

Sector	Code	Weights	Index May 2020	Year-on-Year		Percentage Change			
				Mar 2020/ Mar 2019	Apr 2020/ Apr 2019	May 2020/ May 2019	Mar 2020/ Feb 2020	Apr 2020/ Mar 2020	May 2020/ Apr 2020
<b>Total</b>		<b>100.000</b>	<b>99.7</b>	<b>-1.9</b>	<b>-5.1</b>	<b>-5.5</b>	<b>-3.0</b>	<b>-2.7</b>	<b>-0.2</b>
Agriculture, forestry & fishing	A	6.730	93.8	13.4	8.7	5.5	-2.1	-3.2	-4.2
Mining	B	7.927	52.1	-35.8	-58.3	-52.7	-31.9	-30.6	16.6
Manufacturing	C	81.571	105.3	0.6	0.1	-0.8	-0.2	-0.7	-0.8
Electricity & gas supply	D	3.442	117.8	-0.3	0.2	-0.2	0.2	-0.3	-0.3
Water supply	E	0.330	110.8	-0.3	-1.0	-1.1	0.7	-0.6	-0.3

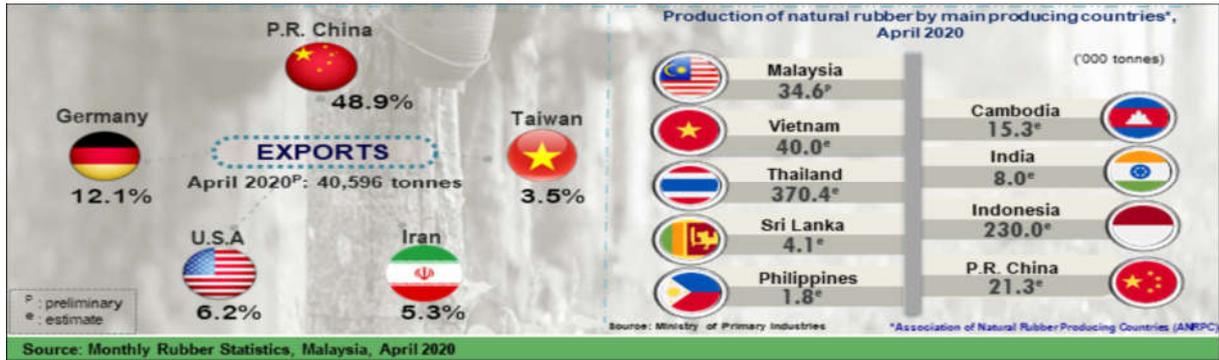
(Source: 30 June, Department of Statistics Malaysia)

Foreign Direct Investment in Malaysia, 2019



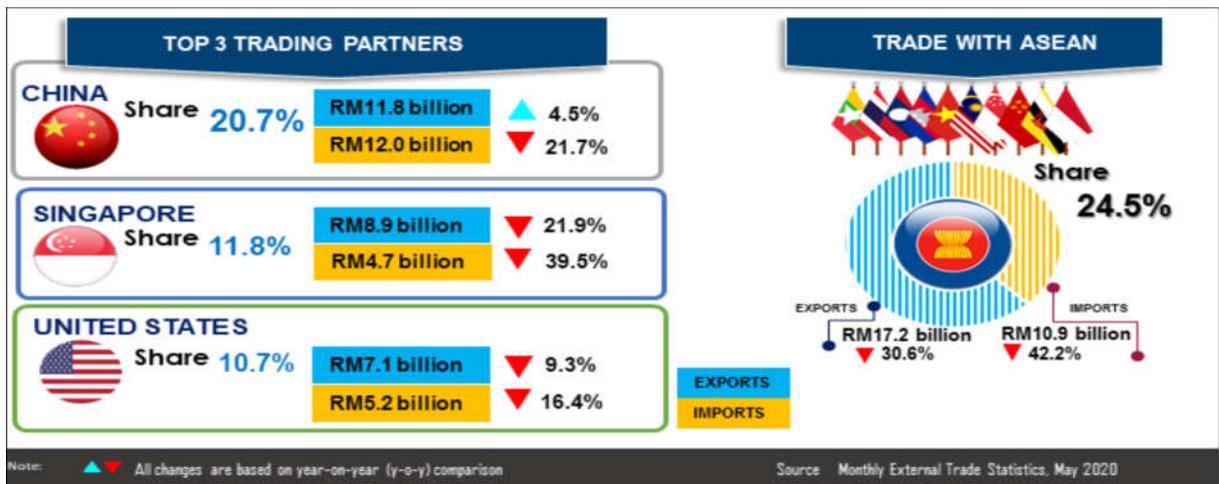
(Source: 11 June, Department of Statistics Malaysia)

## Malaysia's Monthly Rubber Statistics, April 2020



(Source: 15 June, Department of Statistics Malaysia)

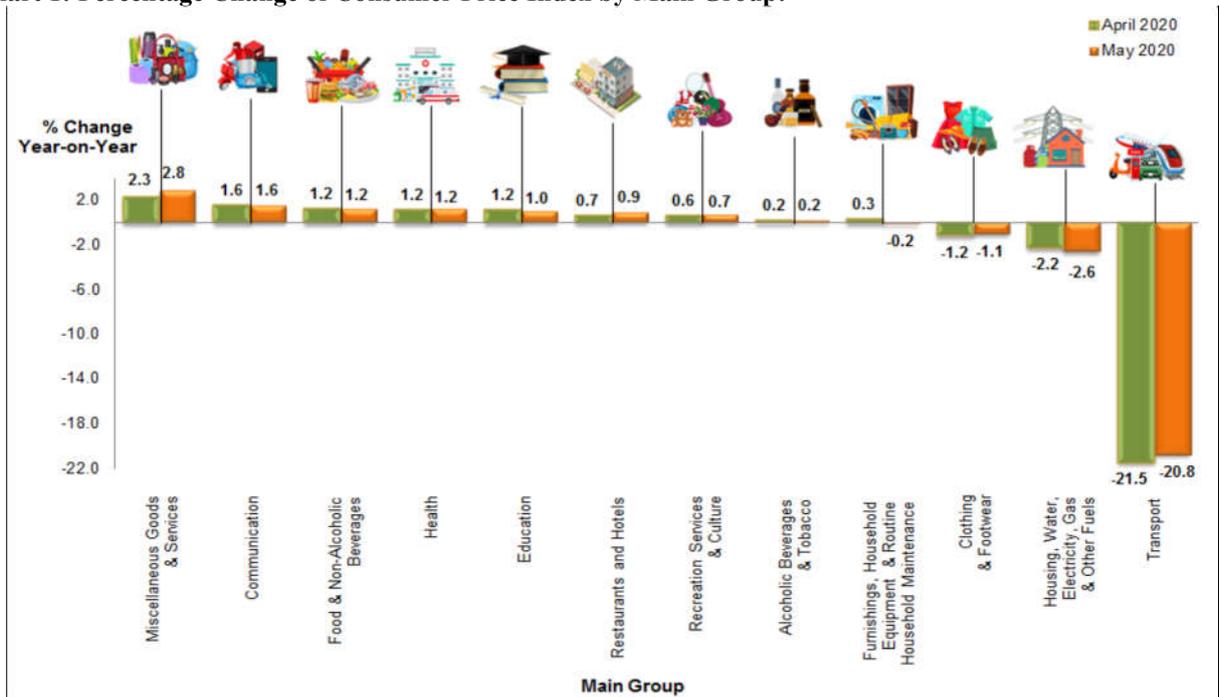
## Malaysia's External Trade Statistics, May 2020



(Source: 29 June, Department of Statistics Malaysia)

## Malaysia's Consumer Price Index, May 2020

Chart 1: Percentage Change of Consumer Price Index by Main Group:



(Source: 24 June, Department of Statistics Malaysia)