



MONTHLY NEWS SCAN

Tinjauan Berita Bulanan

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HIGHLIGHTS FOCUS

- **IMF says coronavirus may shrink global imbalances further in 2020**
- **China's factory deflation eases in July**
- **Malaysia's 17.1 pct GDP contraction in Q2, the worst so far in ASEAN**
- **Shocks in oil and gas industry weigh on financial performance**
- **RM15 mln spent on education aid program – CM**
- **180 juta untuk industry halal Sipitang**

INTERNATIONAL ANTARABANGSA

IMF says coronavirus may shrink global imbalances further in 2020:

The International Monetary Fund said recently that global current account imbalances narrowed in 2019 as trade slowed, and the coronavirus could narrow them further in 2020, but some commodity exporters and tourism-dependent countries will swing to current account deficits. The IMF's External Sector Report on currencies and imbalances for the world's 30 largest economies showed that net current account balances fell by 0.2 percentage point to 2.9% of global GDP. (5 August, Reuters)

China's factory deflation eases in July:

China's factory deflation eased last month, driven by a rise in global oil prices and as industrial activity climbed back towards pre-coronavirus levels, adding to signs of recovery in the world's second-largest economy. The producer price index fell 2.4 per cent from a year earlier, the National Bureau of Statistics said, compared with a 2.5 per cent decline tipped in a Reuters poll of analysts and a 3 per cent drop in June. (11 August, The Straits Times)

U.S. economic recovery outlook steady even as Wall St touches record: Reuters Poll: The U.S. economy is recovering smartly from the deepest recession on record, but

unlike financial markets, economic forecasters have yet to show any new wave of optimism about quelling the virus and business returning to normal. Indeed, the latest Reuters poll suggests that if the world's largest economy is to sustain its momentum, a second round of fiscal stimulus ahead of the upcoming presidential election to preserve jobs would be required. (21 August, Reuters)

Singapore factory output shrinks 8.4% on further biomed declines:

Factory output has racked up its third straight month of contraction on the back of further declines in the volatile biomedical sector. Overall production fell 8.4 per cent in July from the same month last year - a steeper drop than the revised 6.5 per cent fall in June. Exclude biomedical manufacturing and the decline would be 5.2 per cent, according to Economic Development Board (EDB) data published recently. (27 August, The Straits Times)

US and China hold 'constructive' trade talks after delay:

The US and China have held talks over their so-called "phase-one" trade deal after the discussion was delayed earlier this month. Both sides saw progress and are committed to the agreement, the US Trade Representative said. Negotiations had been expected to take place on 15 August but were postponed by President Donald Trump. In an election campaign speech earlier this month, Mr Trump said: "I don't want to talk to China right now." (25 August, BBC News)

UK worst hit among major economies:

The UK was the hardest hit by Covid-19 among major economies from April to June, the Organisation for Economic Co-operation and Development has said. Its economy suffered its biggest slump on record over the three-month period as coronavirus lockdown measures pushed the country officially into recession. Its 20.4% contraction was well above the 9.8% drop for the 37 OECD nations as a whole, the think tank said. Spain was the next worst hit, with a decline of 18.5%. (26 August, BBC News)

Japan factory output up but retail sales down amid fragile Covid-19 recovery:

Japan's factory output rose in July at the fastest pace on record, driven by automobiles and car parts, signaling a gradual recovery from the blow delivered by the coronavirus pandemic. But retail sales fell for a fifth straight month and at a somewhat faster pace, a worrying sign for private consumption, which accounts for more than half of the world's third-largest economy. The data on Monday (Aug 31) underscored the fragility of an economy that suffered a record 27.8 per cent contraction in the April-June quarter as the pandemic took a heavy toll on both domestic and external demand. (31 August, The Straits Times)

German economy contracts by record 9.7% in Q2:

The German economy contracted by a record 9.7 per cent in the second quarter from the previous three months as consumer spending, company investments and exports all collapsed at the height of the Covid-19 pandemic, the statistics office said recently. The economic slump was much stronger than during the financial crisis more than a decade ago, and it represented the sharpest decline since Germany began to record quarterly gross domestic product calculations in 1970, the office said. (26 August, The Straits Times)

French business activity weaker than expected in August: PMI:

French business activity has lost more momentum than expected in August, a survey showed, as firms worked off backlogs of work built-up during a coronavirus lockdown. Data compiler IHS Markit said its preliminary purchasing managers index (PMI) fell to 51.7 points from 57.3 in July - far below the average forecast for 57.2 in a Reuters poll of economists. (21 August, Reuters)

NATIONAL NASIONAL

Malaysia's 17.1 pct GDP contraction in Q2, the worst so far in ASEAN: The massive 17.1 per cent gross domestic product (GDP) contraction in the second quarter (Q2) 2020 has so far made Malaysia the worst-performing economy in ASEAN. For Malaysia, the figure is the worst double-digit quarterly contraction since 1998, or about 22 years, following the unprecedented lockdown imposed to stem the spread of COVID-19. This has forced Bank Negara Malaysia (BNM) to revise down the country's 2020 GDP forecast to -3.5 to -5.5 per cent from -2 to 0.5 per cent previously, as the initial assumption was based on a lockdown period of only four weeks instead of seven weeks. BNM governor Datuk Nor Shamsiah Mohd Yunus said the economy was expected to recover and post a growth of 5.5 per cent to 8.0 per cent in 2021. (14 August, Bernama)

Shocks in oil and gas industry weigh on financial performance: The oil and gas industry is experiencing its third price collapse in 12 years but after the first two shocks, the industry rebounded and business continued as usual. This time it is different as the current context combines a supply shock with an unprecedented drop in demand for the commodity and a global humanitarian crisis brought about by the COVID-19 pandemic. Additionally, the sector's financial and structural health is worse than in previous crises. The advent of shale, excessive supply, and generous financial markets that overlook the limited capital discipline have all contributed to poor returns. (31 August, Bernama)

Malaysia's official reserves at US\$104.21 bln as at end-July 2020: Malaysia's international reserves remained usable as at end-July 2020, with official reserve assets at US\$104.21 billion, in accordance with the International Monetary Fund's Special Data Dissemination Standard (IMF SDDS) format. In a statement, Bank Negara Malaysia (BNM) said other foreign currency assets amounted to US\$911.5 million as at end-July 2020. "For the next 12 months, the pre-determined short-term outflows of foreign currency loans, securities and deposits, which include among others, scheduled repayment of external borrowings by the government and repayment arising from the maturity of foreign currency Bank Negara Interbank Bills, amount

to US\$8.83 billion," it said. (28 August, Bernama)

Exports rise 3.1 pct, trade surplus soars 57.5 pct in July 2020 – MITI: Malaysia's exports in July 2020 increased 3.1 per cent to RM92.53 billion from that of July 2019, the highest export value ever recorded for the month of July, said the International Trade and Industry Ministry (MITI). This was also the second highest export value ever registered after RM97.12 billion posted in October 2018, it said, adding that imports in July 2020 declined 8.7 per cent year-on-year (y-o-y) to RM67.38 billion. "Trade surplus expanded 57.5 per cent to RM25.15 billion from RM15.97 billion in July 2019, and was the highest monthly trade surplus ever recorded," it said in a recent statement. (28 August, Bernama)

June 2020 trade up 2.2 pct as movement restrictions gradually lift – MITI: The gradual lifting of movement restrictions due to COVID-19 in Malaysia has resulted in an improvement in total trade in June 2020 to RM144.84 billion, up 2.2 per cent from June 2019. Deputy International Trade and Industry Minister Datuk Lim Ban Hong said his ministry has been actively promoting the use of digital platforms, exhibitions and business matching that are increasingly relevant under the new normal. "The Malaysian government has relaxed the regulations on entry of expatriates into our country. Foreign professionals or key management personnel holding the Employment Pass Category One are allowed to enter the country but with strict compliance to the standard operation procedures (SOPs) set by the Immigration Department and the Ministry of Health." (15 August, Bernama)

Malaysia's inflation rate in July declines 1.3%: Malaysia's inflation rate in July fell 1.3% from a year ago due to lower fuel prices and it was in line with a Bloomberg forecast, but from a month ago, inflation was seen picking up. Chief statistician Datuk Seri Mohd Uzir Mahidin said in a statement that the Consumer Price Index (CPI) fell to 119.9 from 121.5 a year ago. "The decrease in the overall index was attributed by the decline in transport (-10.3%); housing, water, electricity, gas and other fuels (-2.6%); clothing & footwear (-0.6%) and furnishings, household equipment & routine household maintenance (-0.1%) which contributed 45.7% to

overall weight," he said. (19 August, The Star)

Economic indicators show signs of recovery, growth projected to improve – Mustapa: Malaysia's economic growth is expected to improve in the second quarter of this year and recover next year, said Minister in the Prime Minister's Department (Economy) Datuk Seri Mustapa Mohamed. He said even though analysts generally opined that the economic performance in the second quarter would experience a contraction due to the COVID-19 impact, however the economic indicators issued by the Statistics Department had shown signs of recovery in stages. In fact, this was supported by a better labour market in June 2020 which registered an unemployment rate of 4.9 per cent, down 0.4 percentage points compared with 5.3 per cent in May 2020. (10 August, Bernama)

Natural rubber exports up 14.2 pct in June 2020, says DOSM: Exports of Malaysia's natural rubber increased 14.2 per cent in June 2020 to 38,587 tonnes from 33,780 tonnes in May 2020, according to the Department of Statistics Malaysia (DOSM). The main export destination was China accounting for a 68.1 per cent share, followed by Finland (4.2 per cent), Germany (3.8 per cent), the US (2.9 per cent) and Taiwan (2.7 per cent). "Rubber gloves are still the main export item with export value increasing by 30.7 per cent from RM2.13 billion in May 2020 to RM2.78 billion in June 2020," chief statistician Datuk Seri Dr Mohd Uzir Mahidin said in a recent statement. (10 August, Bernama)

Malaysia plans for next phase of economic empowerment: Tengku Zafrul: The government has begun planning for the next phase of economic empowerment which will be further elaborated in 2021 Budget, said Finance Minister Tengku Datuk Seri Zafrul Aziz. He said the government is confident that the measures taken through Prihatin and Penjana stimulus packages have demonstrated a positive impact on recovery efforts. The teams from the Ministry of Finance continued the Jelajah Belanjawan 2021 to Johor on August 15-16 and to Pahang on August 25, to seek feedback on the economic recovery package initiatives Prihatin and Penjana. (27 August, Business Times)

LOCAL TEMPATAN

RM15 mln spent on education aid program – CM: A total of RM15 million has been spent on Yayasan Sabah's One-Off Education Assistance programme, said Caretaker Chief Minister Datuk Seri Shafie Apdal. "Ever since we took over the governance and management of Yayasan Sabah last year, a total of RM15 million has been given to local students. Last year we spent RM10 million and this year we spent RM5 million," Shafie told reporters after officiating the presentation ceremony at Wisma Tun Mustapha recently. Some 3,600 students benefitted from this year's programme, an initiative that was launched by Shafie on September 21, 2018. (28 August, The Borneo Post)

180 juta untuk industry halal Sipitang: Daerah Sipitang bakal menjadi pengeluar utama makanan segar dan kering terbesar di Sabah sebaik sahaja projek Sipitang Halal Agro Plantation Economic Development (SHAPE) yang menelan belanja RM180 juta akan dilaksanakan sebelum akhir tahun ini di Kampung Iburu, di sini. Seluas 2,798 hektar tanah telah diwartakan untuk projek itu yang akan dilaksanakan oleh Lembaga Kemajuan Tanah Negeri Sabah (LKTNS) selain turut menawarkan lebih 4,000 peluang pekerjaan kepada warga tempatan. Bekas Menteri Pelajaran dan Inovasi Negeri, Datuk Dr Yusof Yacob memberitahu, SHAPE merangkumi pembinaan kilang pemprosesan, pusat penyelidikan agro, ternakan lembu tenusu dan kambing bersekala besar, selain turut membuka ladang durian, kelapa, halia, nenas dan kopi. (26 Ogos, Utusan Borneo)

Helping rural youths get boat operating permit: The State Youth and Sport Ministry will work with the relevant departments to ensure youths in rural and riverside areas get a boat licence to improve their livelihood, said an official. Permanent Secretary to the Ministry Yusrie Abdullah said youths, the main assets for the state's development, should gain more skills. "A boat engine operating licence is a necessity and the ministry wants youths in the state to benefit from various government programmes to reduce unemployment and help rural youths get jobs," he said. (15 August, Daily Express)

RM10bil satellite town planned in Putatan: The district will have a 100-acre shopping mall cum premier outlets square with special Commercial Free Trade Zone (FTZ) status several years from now, part of a mega mixed development to be developed at Dumpil Bay, along Kota Kinabalu-Putatan-Lok Kawi highway. The special Commercial FTZ status has been applied and at a final stage of approval by the Federal Government, said Datuk Seri Dr Arsit Sedi who is Chairman of Setara Juara Sdn Bhd (SJSB), the developer, at a press conference. He said the said shopping mall and premier outlets square are part of the mixed development which would also consist of tourism, commercial, international second home, hotels, Airbnb, recreation and theme park to be developed on 250 acres at an overall cost of over RM10 billion. (12 August, Daily Express)

RM10m for damaged Sepulut-Pensiangan stretch, bridges: Caretaker Infrastructure Development Minister Datuk Peter Anthony approved RM10 million for the maintenance of the 37-kilometre damaged Sepulut-Pensiangan stretch as well as damaged bridges. The allocation which will also be included in the Twelfth Malaysia Plan (12MP), was announced by Peter during his official visit recently and the damaged road and bridges are currently under maintenance. Parti Warisan committee member Jekerison Kilan said the damaged and muddy road as well as damaged bridges caught the attention of Peter who immediately instructed the contractor concerned to repair the road. (10 August, Daily Express)

Finas revamp to improve Sabah functions: The National Film Development Corporation Malaysia (Finas) is undergoing a revamp to further improve its functions and services, especially in Sabah. Finas Chairman Zakaria Abdul Hamid said the initiative would broaden its roles in the State. "We took note of the functions of Finas in Sabah where, previously, they only involved licensing and enforcement," he said during a get-together with local film and music industry players at the National Culture and Arts Department auditorium, here (Kota Kinabalu), recently. (8 August, Daily Express)

RM7.23mil in grants to 505 young Sabah agropreneurs: Some 505 young agropreneurs in Sabah have received grants amounting to RM7.23 million via the Young Agropreneur Grant (GAM) between Jan 1, 2016 until May 31 this year, says Deputy Minister II of Agriculture and Food Industries Datuk Che Abdullah Mat Nawi. He said the government, through the Agriculture and Food Industries, is willing to help young people venture into agriculture under the Young Agropreneur Programme by providing grants, financing and technical training. Between Jan 1, 2016 and June 30 this year, 6,063 young agropreneurs nationwide had been approved under the programme involving an allocation of RM108.29 million. (17 August, Daily Express)

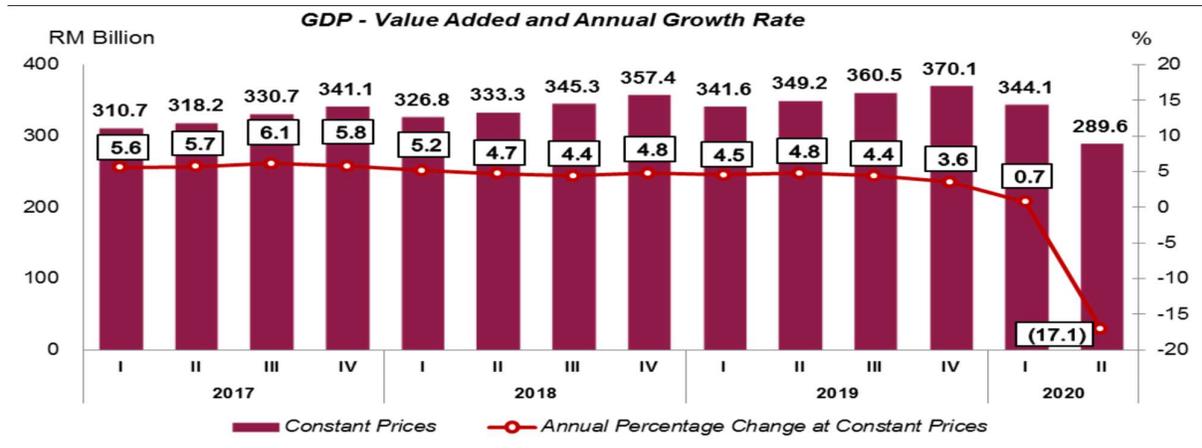
4,400 units of PPR under construction in Sabah: Seven projects involving 4,400 units of Projek Perumahan Rakyat (PPR) are under construction in Sabah, the Dewan Rakyat was told recently. Deputy Housing and Local Government Minister Datuk Seri Dr Ismail Abd Mutalib said the projects are PPR Ulu Perasan (900 units), Kota Belud; PPR Sapagaya (410) and PPR Tungku (650), Lahad Datu; PPR Pitas (440), Kudat; PPR Kampung Kiansom Besar (1,000), Inanam; PPR Tagasan (500), Semporna; and PPR Gayang 2 (500), Tuaran. He said two other housing programmes — Rumah Mampu Milik (RMM) and Rumah Mesra Rakyat (RMR) — were being implemented in Sabah by Syarikat Perumahan Negara Berhad (SPNB). (26 August, The Borneo Post)

4G coverage in Kiulu undergoing active expansion: The government through the Malaysian Communications and Multimedia Commission (MCMC) is actively expanding 4G coverage in Kiulu which used to have only spotty radio coverage with 3G network. In a recent statement, MCMC said efforts are being carried out in six main locations in Kiulu namely Pukak, Lokub, Mantob, Kitapol, Kampung Sinorut and Kampung Gonipis, and the expansion would increase high-speed 4G data coverage as well as audio service. "This process involves fibre optics connection to all transmitter towers in the locations, involving almost 39 kilometre-long fibre optic cables and the project is expected to complete by end of this year," it said. (19 August, The Borneo Post)

SELECTED FACTS AND FIGURES

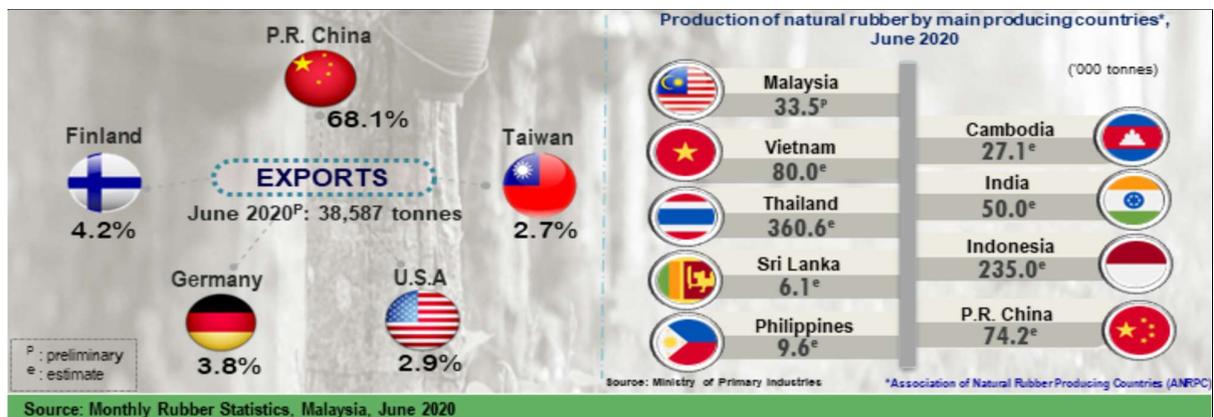
FAKTA MUTAKHIR

Malaysia's Economic Performance, Second Quarter 2020



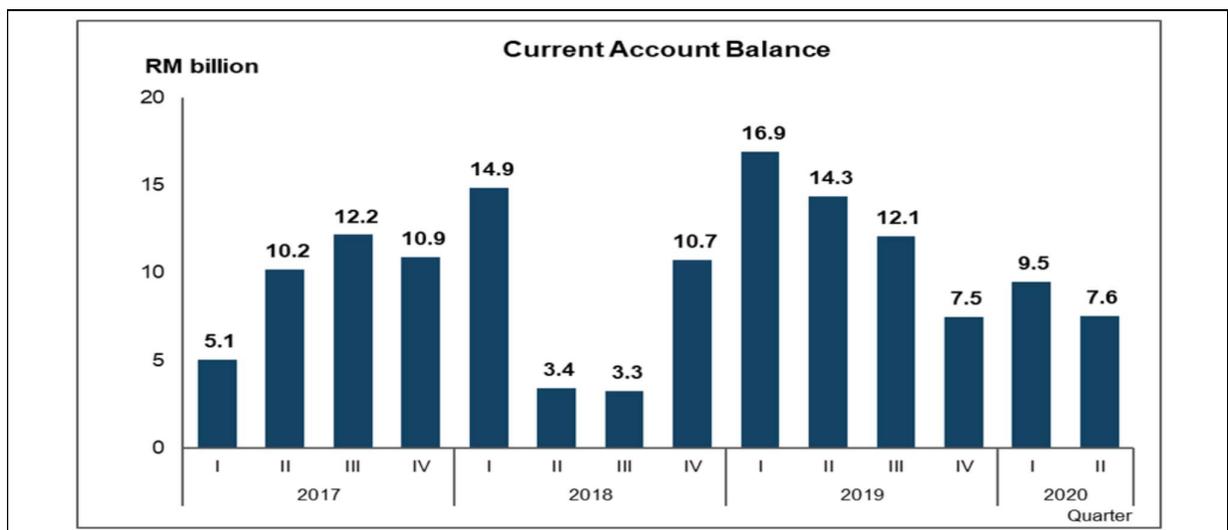
(Source: 14 August, Department of Statistics Malaysia)

Malaysia's Monthly Rubber Statistics, June 2020



(Source: 10 August, Department of Statistics Malaysia)

Malaysia's Quarterly Balance of Payments, Second Quarter 2020



(Source: 14 August, Department of Statistics Malaysia)

Malaysia's Producer Price Index, July 2020

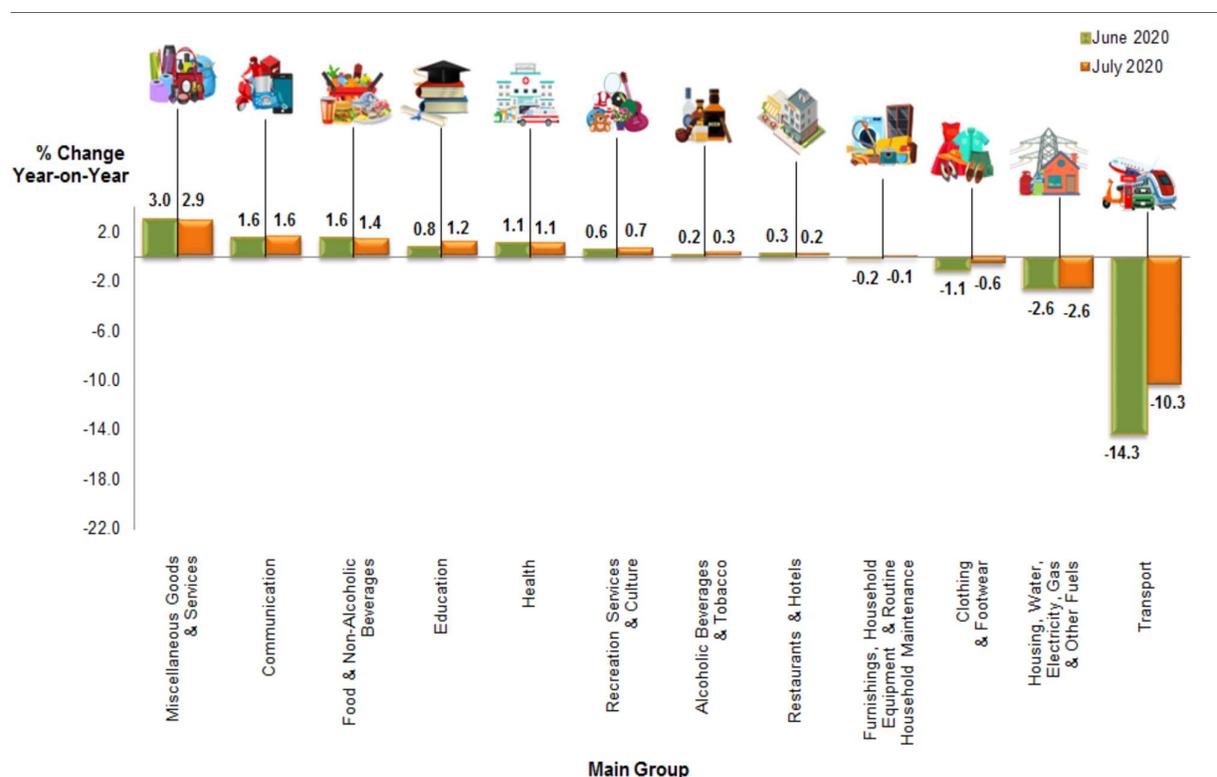
Table 1: Producer Price Index (2010=100) Local Production by Sector (MSIC 2008), Malaysia:

Sector	Code	Weights	Index	Year-on-Year			Percentage Change		
			July 2020	May 2020/ May 2019	June 2020/ June 2019	July 2020/ July 2019	May 2020/ Apr 2020	June 2020/ May 2020	July 2020/ June 2020
Total		100.000	100.7	-5.5	-4.0	-3.5	-0.2	0.6	0.4
Agriculture, forestry & fishing	A	6.730	104.4	5.5	15.1	14.6	-4.5	10.3	0.9
Mining	B	7.927	62.6	-52.7	-42.5	-37.0	16.6	10.9	8.3
Manufacturing	C	81.571	104.3	-0.8	-1.2	-1.3	-0.8	-0.8	-0.2
Electricity & gas supply	D	3.442	116.5	-0.2	-0.6	-1.3	-0.3	-0.6	-0.5
Water supply	E	0.330	110.7	-1.1	-1.2	-0.6	-0.3	-0.3	0.2

(Source: 27 August, Department of Statistics Malaysia)

Malaysia's Consumer Price Index, July 2020

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



(Source: 18 August, Department of Statistics Malaysia)