



MONTHLY NEWS SCAN

Tinjauan Berita Bulanan

Compiled by IDS

Vol. 26 Issue 5

IDS Online <http://www.ids.org.my>

1 – 31 May 2021

HIGHLIGHTS FOCUS

- Euro zone recession confirmed at start of 2021
- OECD raises growth forecasts on vaccine rollouts, U.S. stimulus
- Matrade: Malaysia among most trade-friendly nations
- Malaysia's maiden export of MSPO-certified palm oil makes way to Japan
- Ministry to set up industrialisation roadmap for Sabah
- IDS looks into coconut as new golden fruit for Sabah

INTERNATIONAL ANTARABANGSA

Euro zone recession confirmed at start of 2021: The euro zone economy declined by 0.6% in the first quarter of 2021, recent data showed to confirm a technical recession, as gross domestic product contracted in all larger countries except France. The European Union's statistics office Eurostat said GDP in the 19 countries sharing the euro fell 0.6% quarter-on-quarter in the Jan-March period, for a 1.8% year-on-year fall. The figures were in line with the initial flash estimate on April 30. Together with the GDP decline in the fourth quarter of 2020, of 0.7% in the quarter and 4.9% from a year earlier, the euro zone was in its second technical recession since the COVID-19 pandemic began. (18 May, Reuters)

OECD raises growth forecasts on vaccine rollouts, U.S. stimulus: The global economic outlook is improving as vaccine rollouts allow businesses to resume operations and as the United States pumps trillions of dollars into the world's largest economy, the OECD said, nudging its forecasts higher. The global economy is set to grow 5.8% this year and 4.4% next year, the Organisation for Economic Cooperation and Development said, raising its estimates from 5.6% and 4.0% respectively in its last forecasts released in March. (31 May, Reuters)

China's factory output slows as bottlenecks crimp production: China's factories slowed their output growth in April and retail sales

significantly missed expectations as officials warned of new problems affecting the recovery in the world's second-largest economy. While China's exporters are enjoying strong demand, global supply chain bottlenecks and rising raw materials costs have weighed on production, cooling the blistering economic recovery from last year's Covid-19 slump. (17 May, The Straits Times)

Japan's exports jump most in decade as trade recovery perks up: Japan's exports grew the most since 2010 in April while capital spending perked up on surging global demand for cars and electronics, lifting hopes that an improvement in trade could help lead the world's third-largest economy back to growth. Also brightening the outlook, confidence among the nation's manufacturers hit a more than two-year high in May on the back of solid overseas orders, a recent Reuters survey showed. (20 May, The Straits Times)

Singapore economy grows 1.3% in Q1 but no change to GDP forecast for 2021: The Singapore economy grew at a much faster pace in the first quarter of this year, running past earlier estimates by both the Government and most analysts. The final estimate for first-quarter growth came at 1.3 per cent on a yearly basis, compared with an earlier gross domestic product (GDP) estimate of a 0.2 per cent rise and the 2.4 per cent contraction recorded in the previous quarter, the Ministry of Trade and Industry (MTI) said. (25 May, The Straits Times)

UK set for stronger post-Covid recovery, says OECD: The UK economy's recovery from the pandemic is set to be stronger than previously thought, a leading international agency has suggested. The Organisation for Economic Co-operation and Development says the UK is likely to grow 7.2% in 2021, up from its March projection of 5.1%. The OECD raised its forecast for global growth to 5.8%, compared with the 4.2% it predicted in December. However, it warned that growth would not be shared evenly. The UK's growth is set to be the fastest among the large rich countries, the OECD says. (31 May, BBC News)

French GDP revision shows economy contracted again in Q1: France's economy contracted 0.1% in the first quarter of 2021, revised official data showed recently, marking a slip into recession as it struggled to recover from a pandemic-induced downturn. The unusually sharp downwards revision from an initially reported expansion of 0.4% in January-March reflected a poorer than expected performance in the construction sector. It marked a second consecutive quarter of contraction after the French economy shrank 1.5% in the final three months of 2020. (28 May, Reuters)

Australia Q1 business investment booms in boost to economy: Australian business investment jumped by the most in almost a decade in the first quarter as businesses took advantage of tax breaks to buy new machinery, suggesting economic growth could also beat forecasts. Recent figures from the Australian Bureau of Statistics showed capital expenditure rose a real 6.3% in the March quarter, from the previous quarter, far above market forecasts of a 2.0% increase. Spending on plant and machinery surged 9.1%, while investment in buildings rose 3.8%. (27 May, Reuters)

Weakened Thai economy faces uphill fight amid surge in new Covid-19 cases: Thailand's economic contraction continued into the start of year, setting the stage for a further slump as the country now faces its worst wave of Covid-19 cases. Gross domestic product (GDP) in the first quarter shrank 2.6 per cent from a year earlier, the National Economic and Social Development Council said, compared with a median estimate of minus 3.3 per cent in a Bloomberg survey and improving from the prior quarter's 4.2 per cent contraction. GDP rose a seasonally adjusted 0.2 per cent quarter on quarter, beating the survey's minus 1 per cent. (17 May, The Straits Times)

NATIONAL NASIONAL

Matrade: Malaysia among most trade-friendly nations: Malaysia has established itself as one of the most trade-friendly countries in the world, exporting a competitive range of products and services to more than 200 countries and territories worldwide. The Malaysia External Trade Development Corp (Matrade) said the country is an integral part of the global supply chain. In 2019, Malaysia was recognised as the world's 25th trading nation and 26th largest exporter and importer in 2019 by the World Trade Organisation (WTO), it said in a statement. Matrade said Malaysia has also ensured that it has kept up with the rapidly transforming technologies utilised in the global trade, commerce and financial sectors. (4 May, The Star)

Malaysia's maiden export of MSPO-certified palm oil makes way to Japan: The Malaysian palm oil industry created history with the maiden export of fully Malaysian Sustainable Palm Oil (MSPO)-certified product to Japan. The export to Japan was in conjunction with the Tokyo Games and Paralympics 2021. Intercontinental Specialty Fats Sdn Bhd (ISF) exported a total of 100 metric tonnes of MSPO-certified palm olein which is generally used as the main ingredient for the production of bakery and foodservice products in Japan. (17 May, Business Times)

Malaysia, Russia discuss measures to strengthen relations in industry and trade: Malaysia and Russia recently discussed the way forward in strengthening bilateral economic relations through the inaugural meeting of the Working Group on Cooperation in Industry and Trade under the framework of the Joint Malaysia-Russia Commission for Economic, Scientific, Technical and Cultural Cooperation. The Ministry of International Trade and Industry (MITI) said the plenary session of the meeting which took place virtually on May 25, 2021, was co-chaired by its secretary general Datuk Lokman Hakim Ali, who led the Malaysian delegation, with Russian Deputy Minister of Industry and Trade, Aleksei Gruzdev, leading the Russian delegation. (27 May, Bernama)

More room for monetary policy to support Malaysia's economy: Bank Negara: There is still more room for monetary policy space to provide

further support if needed, Bank Negara Malaysia governor Datuk Nor Shamsiah Mohd Yunus said. Nor Shamsiah, however, said monetary policy was most effective when it complemented other measures undertaken by the central bank targeting to the needs of specific economic sectors and groups. She added that this also applied to fiscal measures undertaken by the government to facilitate a more sustainable economic recovery. On May 6, Bank Negara kept its overnight policy rate (OPR) unchanged at 1.75 per cent, in line with economists' expectation. (11 May, Business Times)

Approved investments in Malaysia to rise by 13pct to RM185bil in 2021: UOB Malaysia: Approved investments in Malaysia is projected to increase by 13 per cent to RM185 billion in 2021, according to UOB Malaysia. Of the total, 40 per cent will be attributed to foreign direct investment (FDI), with China, Europe and the United States (US) expected to remain among the top sources of FDI. UOB Malaysia said capital is likely to be channelled mainly into the high-value-added sectors, including electrical and electronics (E&E), chemical, manufacturing and industrial. Malaysia recorded RM164 billion in total approved investments, of which RM64.2 billion were from FDI sources, despite the challenging economic environment in 2020 due to the Covid-19 pandemic. (19 May, Business Times)

Production costs in April jump on higher commodities, raw materials prices: The Producer Price Index (PPI) for local production jumped 10.6% in April due to the low base effect and continued rise in commodity and raw material prices. The Statistics Department said the 10.6% increase was 3.9 points higher than 6.7% in March. Chief Statistician Datuk Seri Dr. Mohd Uzir Mahidin said the increase was due to the mining index which surged 92.4% from 32% in the previous month. "The sharp rise was mainly due to a low base effect and continued rise in commodity and raw material prices, as a result of the recovery in global demand and various supply constraints," he said. (31 May, The Star)

Malaysia's trade performance breaks record in April: Malaysia's recorded strong trade performance in April as exports and imports once again broke the record to

reach RM105.6bil and RM85.1bil, the Statistics Department said. It announced recently trade surplus was at RM20.5bil as it continues its recovery from the impact of Covid-19 pandemic. "Malaysia's exports continued to be vibrant, soaring by 63% year-on-year to RM105.6bil in April 2021 compared to an increase of 31.1% in March 2021," said Chief Statistician, Datuk Seri Dr Mohd Uzir Mahidin. "The expansion was driven by both domestic exports and re-exports. Domestic exports stood at RM85bil – which contributed 80.5% to the total exports – rose significantly by 84%. Re-exports which were valued at RM20.6bil, grew by 11%. (28 May, The Star)

Govt raises fiscal deficit target to 6% of GDP for 2021: The government has raised the 2021 fiscal deficit target to 6% from 5.4% of gross domestic product (GDP) previously. This comes after factoring in the continuing measures from 2020 economic stimulus packages, as well as the Permai and Perneraka packages launched in the first quarter of this year. Consequently, the federal government's statutory debt is also estimated to increase to 58.5% by end-2021 from 58% in 2020. "This is still below the statutory limit of 60%, which was approved by Parliament in August 2020. "The country's debt profile remains favourable with more than 90% of government debt denominated in ringgit, supported by ample domestic liquidity and long maturity issuances which supported funding flexibility," the Finance Ministry (MoF) said. (28 May, The Star)

Malaysia's rubber industry on upward trajectory, exports surge to RM22bil in Q1: The Malaysian rubber industry continues its upward trajectory with exports increasing 169.6 per cent to RM21.84 billion for the first quarter (Q1) ended March 31, 2021 from RM8.10 billion last year. Malaysian Rubber Council (MRC) chief executive officer Nurul Islam Mohammed Yusoff said the downstream rubber products industry had accounted for 89.5 per cent of the total rubber exports. This was equivalent to RM19.54 billion or an increase of 213.8 per cent, driven by strong increase in the latex goods sector. Nurul Islam said the latex goods such as rubber gloves, latex threads, and condoms recorded a total increase of 250.6 per cent due to the ongoing Covid-19 pandemic. (31 May, Business Times)

LOCAL TEMPATAN

Ministry to set up industrialisation roadmap for Sabah: The State Ministry of Industrial Development will work together with the Institute for Development Studies (IDS) Sabah to set up an industrialisation roadmap for Sabah. Its minister, Datuk Dr Joachim Gunsalam opined that Sabah is in need of more openness and innovation to pave the way for a future full of development and prosperity. He said that the state would need to opt for 'smart industrialisation' to shorten the process and thus it is vital for the state to seize opportunities in technological revolution and industrial transformation. (20 May, The Borneo Post)

IDS looks into coconut as new golden fruit for Sabah: With the awareness of sustainable environment, healthy food and lifestyle, the coconut industry is making a comeback and will soon become a promising industry as it is gaining popularity globally. This was discussed at a session organised by Institute for Development Studies (Sabah) (IDS) on May 6. "The coconut industry in Malaysia can be considered as one of the new emerging industrial crops that could bring a significant impact to the country's economy. Sabah has vast potential to become a hub for producers of coconut-based products if it is developed systematically and meets information standards," said IDS Sabah chairman Datuk Dr Mohd Yaakub Hj Johari during his welcoming remarks. (7 May, The Borneo Post)

Aerospace centre's potential certain: The aerospace industry has potential to develop in Sabah, especially now with the KKIP Aerospace Training Centre set to be the top aerospace centre in Southeast Asia under the Malaysian Aerospace Industry Blueprint. Located within the Kota Kinabalu Industrial Park (KKIP), the training centre will secure a significant share of revenue from the aerospace industry by developing a skilled manpower capacity. "I see potential for the industry to develop in Sabah and provide opportunities for Sabahans to be exposed to the industry," said Science, Technology and Innovation Minister Datuk Yakub Khan during his official visit to the training centre recently. While noting the high quality facilities and training provided by the centre, he said the State Government would also pay serious attention in assisting the industry. (6 May, Daily Express)

Biogas changing the lives of Sook (Keningau) residents: The Kampung Tulid biogas project in Sook sub-district is changing the daily lives of its residents. "Not all villagers have the ability to buy cylinder gas for daily cooking. There are still many who go into the forest to look for firewood, especially women, children and youths. "Finding firewood in the forest is heavy work for women. For me, the women and the village community should follow current technological developments," said the project's manager, Beatrice Akoi. Through her involvement in non-governmental organisations such as Good Sheperd, WOW and Pacos, the villagers were soon introduced to biogas that is cost-saving, safe and easy for villagers to operate. (10 May, Daily Express)

Ministry wants local fruit exported via airasia farm: The Ministry of Agriculture and Food Industry hopes to see local fruit such as tarap and bambangan exported not only to West Malaysia but to the world, via airasia farm. Its minister Datuk Seri Panglima Dr Jeffrey Kitingan said the airasia farm platform presented a good opportunity for local produce to penetrate the international market. "We see this as a new platform to export and expand our market for our agricultural products. Sooner or later, we want to see locally grown fruit such as tarap and bambangan, and even pomelo and langsung, exported not just to West Malaysia but to the world. (4 May, The Borneo Post)

Kundasang agri produce can lure the tourists: Efforts to increase agriculture-based tourism products should be supported to attract more tourists from within and outside the country to visit Sabah, especially in the Kundasang town highlands. Sabah Assistant Minister of Agriculture and Fisheries I, Datuk James Ratip, said the agriculture-based tourism industry is interesting at this time because tourists can not only enjoy the beauty of the crops cultivated, but also acquire modern agricultural knowledge. "I am impressed with the efforts developed by agriculture and tourism entrepreneurs in the Kundasang highlands. "They provide satisfaction to the tourists," he said during a visit to Kundasang Farm Ville near Ranau recently. (18 May, Daily Express)

New 33KV substation is approved for Sook: Arthur: Deputy Minister in the Prime Minister's Department (Economy), Datuk Arthur Joseph Kurup said, the Fourth Rolling Plan (RP4) Economic Planning Unit of the Prime Minister's Department has approved the construction of a new Sook substation with a capacity of 33KV in the Eleventh Malaysia Plan (11MP). He said the construction work on the substation is expected to begin next year and will take a year to complete. "When completed, the community in Sook Sub-District will be able to enjoy better electricity supply," he said. Arthur, who is also the Member of Parliament for Pensiangan, said electricity supply was a very important basic need to expand the provision of infrastructure in rural areas. (12 May, Daily Express)

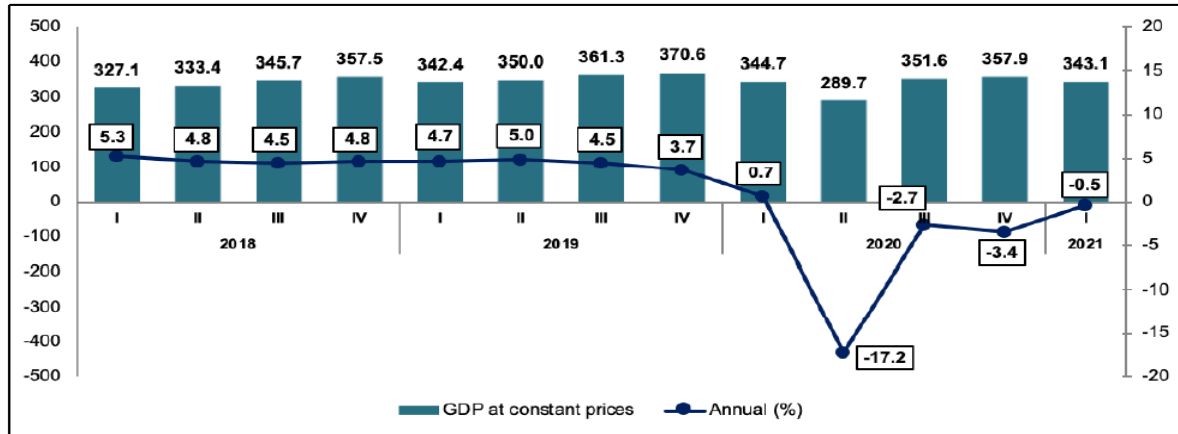
Industri tanaman vanila miliki pasaran yang menguntungkan: Kementerian Pertanian dan Perikanan mengatur strategi dalam usaha menjayakan industri penanaman vanila di Sabah. Timbalan Ketua Menteri yang juga Menteri Pertanian dan Perikanan Datuk Seri Panglima Dr. Jeffrey Kitingan berkata, tumbuhan jenis orkid itu mampu meraih pulangan lumayan meskipun dengan keluasan tanah yang kecil. Katanya, sebidang ekar tanah mampu menampung 1,000 pohon vanila yang secara puratanya boleh menghasilkan sekitar 500 gram benih hijau setiap tahun. Menurutnya, bagi ladang yang matang pula, hasil tuaian boleh mencapai 500 kilogram seekor berdasarkan kemantapan pengurusan. (25 Mei, Utusan Borneo)

Melangkap eco-tourism products get boost from Sabah New Deal: Despite the slowdown in tourism industry and the ongoing Covid-19 pandemic, Kampung Melangkap Tiong community in Kadamaian remains committed to ensuring their eco-tourism areas are always well-kept to welcome future visitors. At the Kisakot Eco-Tourism, a community-based tourism product, villagers worked together to build several rest huts to improve the existing infrastructure facilities. Kadamaian Tourism Association chairman Walter Kandayon said Kisakot Eco-Tourism was among over 80 rural tourism operators in Kadamaian, who had successfully obtained approval for a RM20,000 grant application under the Sabah New Deal. (8 May, The Borneo Post)

SELECTED FACTS AND FIGURES FAKTA MUTAKHIR

Malaysia's Economic Performance First Quarter 2021

Chart 1: GDP (RM Billion) and Annual Percentage Change (%)



Source: Department of Statistics Malaysia

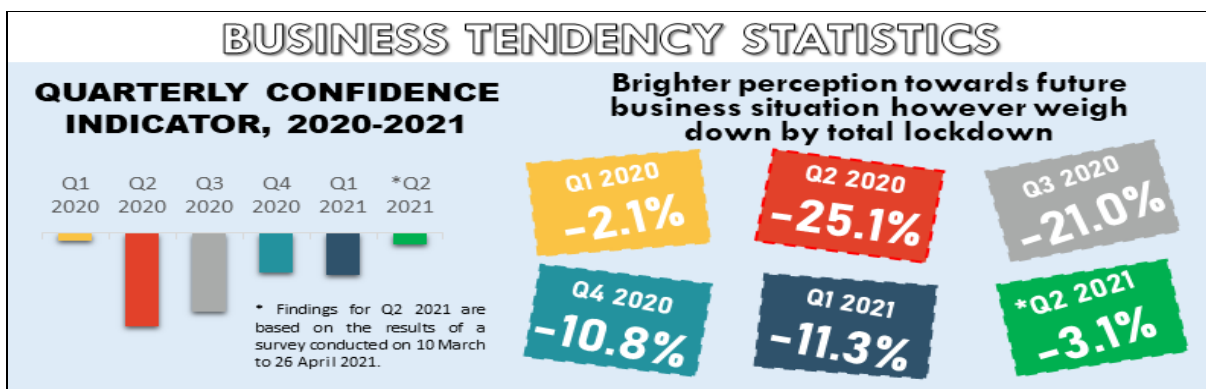
(Source: 11 May, Department of Statistics Malaysia)

Malaysia's External Trade Statistics Bulletin, April 2021



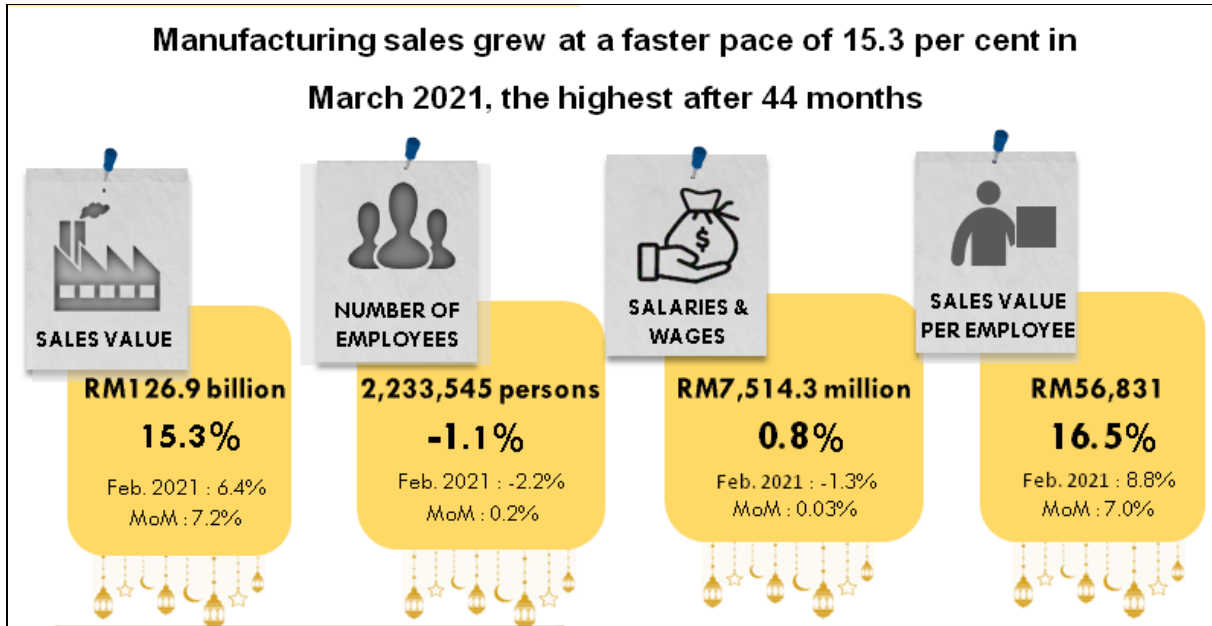
(Source: 28 May, Department of Statistics Malaysia)

Malaysia's Business Tendency Statistics Second Quarter 2021



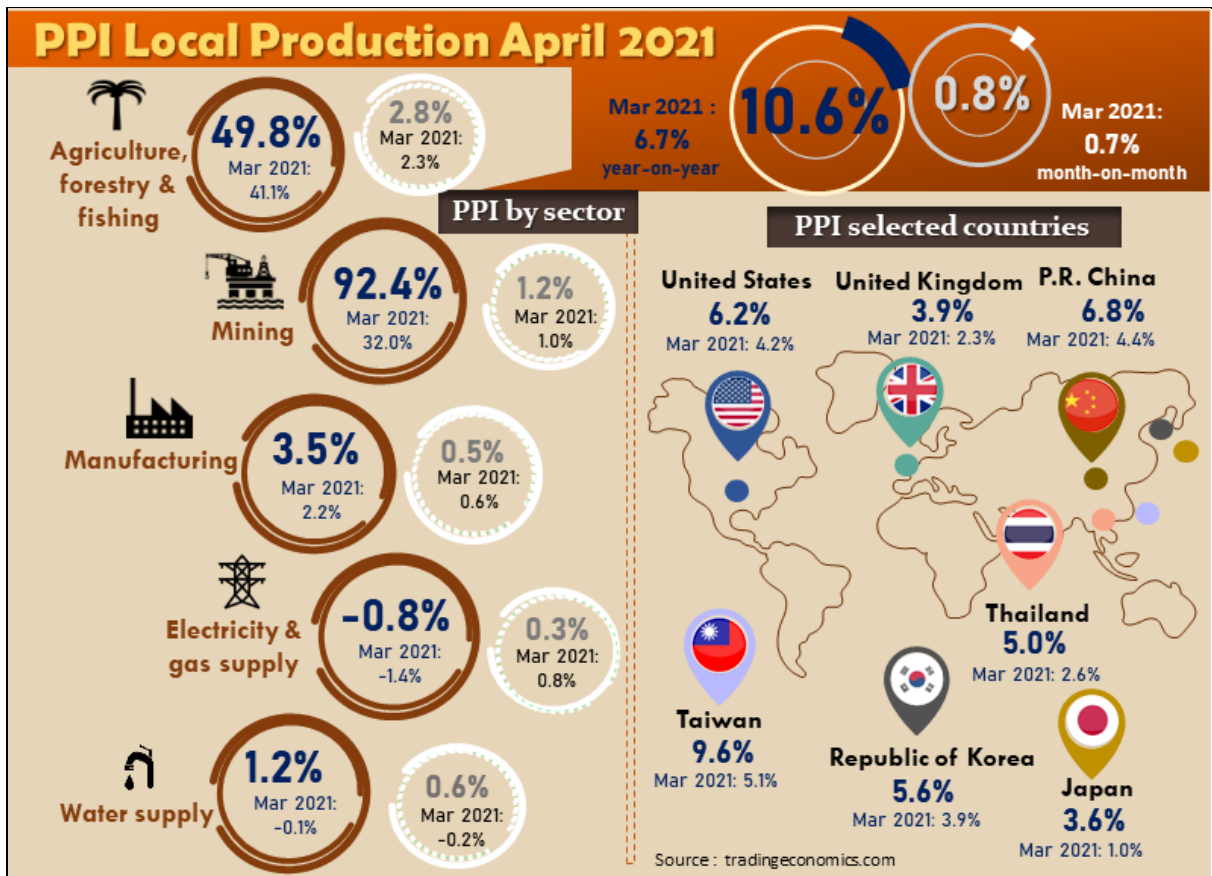
(Source: 31 May, Department of Statistics Malaysia)

Malaysia's Monthly Manufacturing Statistics, March 2021



(Source: 6 May, Department of Statistics Malaysia)

Malaysia's Producer Price Index, April 2021



(Source: 31 May, Department of Statistics Malaysia)