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HIGHLIGHTS FOCUS

- **European Union grows at fastest pace for 10 years**
- **Market rout aside, global economy is stable: Oxford's Sterne**
- **Malaysia wins WTO praise for impressive economic achievement**
- **Malaysia to continue domination of world rubber gloves market**
- **Singapore wants closer ties – Lee**
- **Sabah's economy gets all-round boost**

INTERNATIONAL ANTARABANGSA

European Union grows at fastest pace for 10 years: The European Union economy grew at its fastest pace in a decade last year, figures from the EU statistics office Eurostat have confirmed. The 28-strong EU expanded by 2.5% in 2017, its strongest performance since 2007, when it grew by 2.7%. In the final three months both the EU and the 19-nation eurozone grew by 0.6% compared with the previous quarter. That was mirrored by growth in the EU's biggest economy, Germany, which grew by 0.6% in the final quarter of 2017. France also expanded by 0.6%, while Spanish growth was a notch stronger at 0.7%. (14 February, BBC News)

Market rout aside, global economy is stable: Oxford's Sterne: Financial markets may be in a spin, but volatility in the global economy is near all-time lows, according to Oxford Economics Ltd. Oxford's measure of macro-economic volatility -- which is based on five-year rolling averages of the standard deviations for year-over-year growth and inflation -- shows the impact of the global financial crisis a decade ago has completely dissipated. The long-awaited pick-up in U.S. wages that triggered an equity market slump since Friday shouldn't threaten a good year for trade and the global economy, said Gabriel Sterne, Oxford's global head of macro research in London. U.S. equities rebounded on Tuesday amid more market turbulence. (7 February, Bloomberg)

Singapore's Central Bank gets a trigger for tightening: Singapore's government may have given the central bank a green light to charge ahead with monetary policy tightening this year. Economists are more confident in their calls that the Monetary Authority of Singapore will exit its neutral stance as soon as the next scheduled decision in April. They're encouraged after Finance Minister Heng Swee Keat said Monday that the budget position for 2018 will "remain expansionary" as Singapore incurs a small deficit amid greater spending and delayed tax increases. (22 February, Bloomberg)

RBA's Lowe says inflation, jobs will decide next rate hike: The timing of Australia's first interest-rate increase since 2010 will depend on progress in lowering unemployment and returning inflation to the midpoint of the central bank's target, Governor Philip Lowe said. "As things currently stand, we expect that progress to be steady, but to be only gradual," Lowe said in his opening statement to a parliamentary panel in Sydney Friday. "Given this assessment, the Reserve Bank board does not see a strong case for a near-term adjustment of monetary policy." (16 February, Bloomberg)

Foreign trade propels fourth-quarter German growth, outlook rosy: Foreign trade drove a 0.6 percent expansion in Europe's largest economy between October and December. German data showed on Friday and the momentum from the fourth quarter is widely expected to carry over into the start of 2018. The data, which confirmed a preliminary reading shows the German economy ended last year on a strong footing despite unaccustomed political uncertainty in a country that prides itself on its stability. Germany is still awaiting a new government five months after an inconclusive election in September. (23 February, Reuters)

Euro zone businesses lose some steam but are still fired up: Euro zone business growth remained robust this month, with companies at their most optimistic in more than five years, a private-sector survey showed, despite indications higher prices and a stronger currency were taking a toll. The euro zone emerged as one of the best-performing major

economies last year, and its businesses started 2018 by ramping up activity at the fastest rate in well over a decade. (21 February, Reuters)

China's economy holds up in February: The solid start to the year for China's economy remains intact amid distortions accompanying the long spring festival holiday, the earliest indicators for February show. Smaller enterprises have a more upbeat outlook, financial experts are increasingly optimistic and sentiment in the steel industry is recovering. Still, the week-long Lunar New Year holiday that ended Feb. 21 did disrupt some economic activity, as sales managers saw a slight slowdown and satellite imagery indicates that manufacturing momentum has eased. (27 February, Bloomberg)

Japan hits speed bump with sharp drop in industrial output: Japan's factory output fell by the most in nearly seven years in January, while retail sales also slid more than expected. Still, the economy's export-driven growth trend remains intact. Industrial production contracted 6.6 percent in January from December, the biggest drop since March 2011, when the nation was hit by an earthquake, tsunami and nuclear meltdown. Output fell across all sectors, with the cars and auto parts performing especially poorly. Production is forecast to have rebounded sharply in February before falling again in March. (28 February, Bloomberg)

U.K. economy stays in the slow lane as growth revised lower: The U.K. economy expanded less than previously estimated in the fourth quarter as consumers and businesses absorbed faster inflation, keeping the country in the slow lane of global growth. The 0.4 percent expansion -- revised down from 0.5 percent -- also left full-year growth below the initial estimate. On an annualized basis, the rate was 1.6 percent in the quarter, compared with a 2.6 percent pace in the U.S. Household-spending growth slowed in the fourth quarter, business investment was stagnant and exports fell. The pound fell for a fifth day against the dollar and was down 0.2 percent at \$1.3884 as of 11:10 a.m. London time. Gilts were little changed, with the 10-year yield at 1.559 percent. (22 February, Bloomberg)

NATIONAL NASIONAL

Malaysia wins WTO praise for impressive economic achievement:

Forty-three World Trade Organisation (WTO) members who participated in a question and answer session at the recent two-day 7th Trade Policy Review (TPR) Of Malaysia, in Switzerland, commended the country for its impressive economic achievement, prudent trade and economic policies. Malaysia was also commended for actively pursuing trade openness through unilateral reforms, regional and bilateral trade arrangements and multilateral rule-making. The Ministry of International Trade and Industry (MITI) in a statement here today, said the four-yearly exercise on Feb 14-16 saw the participation of an inter-Ministerial team led by its Secretary-General, Datuk Seri J. Jayasiri. (17 February, Business Times)

Malaysia to continue domination of world rubber gloves market:

Given the strong export performance in 2017, Malaysia is expected to continue dominating the world market for rubber gloves, especially medical gloves, for use in the healthcare sector. Minister of Plantation Industries and Commodities, Datuk Seri Mah Siew Keong said the industry is confident of achieving the target of securing at least 65 per cent of global exports of rubber gloves in 2020. "In 2017, global exports of rubber gloves were estimated at 228 billion pieces and is projected to reach 287 billion by 2020," he said in a statement today. Last year, Malaysia's exports of rubber gloves hit an all-time high, benefitting from the synchronised recovery in global growth and demand. (19 February, Business Times)

Malaysia's aerospace manufacturing exports to top RM9b:

Malaysia's aerospace manufacturing exports are seen to top RM9 billion this year, up from last year's RM8.49 billion, said Second International Trade and Industry Minister Datuk Seri Ong Ka Chuan. "We should see at least 5 per cent export growth from last year as orders for the manufacture of aircraft components are increasing," Ong told reporters here today after a preview of the Kuala Lumpur International Aerospace Business Convention 2018, to be held in October. Ong is

optimistic of healthy growth momentum in the aerospace sector, driven by the record growth seen in the last three years and backlog of orders for aircraft in the Asia Pacific region. (12 February, Business Times)

Malaysia GDP quarterly growth seen cooling to 5.7%:

Malaysia's economy grew more slowly in the last quarter of 2017 than the blistering pace set in July-September, a *Reuters* poll showed, as exports increased at a slower rate. The median forecast in the poll of 12 economists was for annual growth of 5.7% in October-December, compared with the previous period's 6.2% – the fastest rate since the second quarter of 2014. Forecasts for the fourth quarter ranged from 5.2% to 6.1%. "The best is behind us," ING said in a note about Malaysia's growth pace, noting that a high base effect has been impacting growth rates in several Asian economies. Whatever Malaysia's fourth quarter number, 2017 will have brought Malaysia its fastest full-year growth since 2014's 6.0%. (13 February, The Star)

MDEC believes digital technology would drive economy:

Closer cooperation between the government and private sectors on artificial intelligence (AI), Internet of Things (IoTs) and big data would raise Malaysia's competitiveness, said Malaysia Digital Economy Corp (MDEC). Chief executive officer Datuk Yasmin Mahmood said it is important for the government to leverage on digital technology to improve efficiency and productivity for a business model. She said businesses can also capitalise on digital technology to maximise their earnings, which in turn would provide tremendous impact to the growth of the local economy. (28 February, Business Times)

Stronger economic ties between Msia & China: Prime Minister:

The Malaysian and Chinese governments will continue to extend the strong economic relationship through various projects for the benefit of both countries. Prime Minister Datuk Seri Najib Razak said the existing bilateral cooperation between both countries has come to fruition, elevating their economic development over the years. Najib said in spite of the uncertainty in the global economy, the total bilateral trade between Malaysia and China last year remained strong at US\$96.3

billion. (27 February, Business Times)

Manufacturing industry to expand in the first half of 2018:

The manufacturing industry is projected to record a positive growth in the first half of this year, according to a survey by the Federation of Malaysian Manufacturers (FMM). A survey conducted together with the Malaysian Institute of Economic Research (MIER) involved 414 respondents who are FMM members nationwide. FMM president Datuk Soh Thian Lai said the positive growth was based on the overall "impressive" growth last year. Soh said FMM members believe the positive momentum in the past year will continue in the first half of this year, especially with the strengthening of the ringgit against the US dollar. (22 February, Business Times)

Malaysia's 2017 labour productivity up 3.6pct to RM81,039:

Malaysia's labour productivity increased 3.6 per cent to RM81,039 in 2017 from RM78,244 previously, said the Department of Statistics. It said this was in line with the expansion of value added of the sector by 5.9 per cent (2016: 4.2 per cent) and employment by 2.2 per cent (2016: 0.7 per cent). As for the fourth quarter (4Q), the country's labour productivity grew 3.6 per cent to RM85,031 after registering a 4.1 per cent growth to RM82,433 in Q3 2017. "The agriculture sector registered labour productivity growth of 4.8 per cent in Q4 (Q3 2017: 5.2 per cent) at RM55,490. The value added of this sector increased significantly at 10.7 per cent (Q3 2017: 4.1 per cent) while employment rebounded to 5.6 per cent (Q3 2017: -1.1 per cent)," it said. (22 February, Business Times)

Headline inflation to remain at 2.5pc this year:

RAM Rating Services Bhd (RAM Ratings) forecasts Malaysia's headline inflation to remain at 2.5 per cent this year – the same as last year – underpinned by lower contribution from the transport component. The rating agency said transport inflation was unlikely to repeat last year's double-digit growth trajectory without the low-base effects from retail fuel prices. "That said, food inflation could well accelerate this year on account of stronger consumption and the potential spill-over effects from the upward revision of gas tariffs," it said in a statement today. (19 February, Business Times)

LOCAL TEMPATAN

Singapore wants closer ties – Lee: Singapore Prime Minister Lee Hsien Loong said the island republic would like to develop closer relations with East Malaysia, including Sabah. “A lot of business can be done between Sabah and Singapore,” he said during a courtesy call by Sabah delegation led by Chief Minister Tan Sri Musa Haji Aman at the Istana here on Wednesday. Lee said the last time he was in Sabah was in 1984 and he would like to return for another visit soon. Meanwhile, Musa said Sabah could learn a lot from Singapore in terms of economic diversification, human resource development and city planning. (2 February, The Borneo Post)

Sabah’s economy gets all-round boost: Sabah’s economy is likely to spur from all-round development with the injection of RM3.87 billion under the third rolling plan of the 11th Malaysia Plan. Chief Minister Tan Sri Musa Haji Aman said that infrastructure development that ranges from boosting security in eastern Sabah to upgrading schools and hospitals would help further boost the economy while providing necessary infrastructure for the state. The allocations included RM1 billion for the construction of the Pan Borneo highway for 2018 while another RM1 billion is for the maintenance and repairs of rundown schools apart from the developing and maintaining basic public infrastructure, Musa said. (21 February, New Sabah Times)

RM600 mln entrepreneur empowerment: More than RM600 million have been set aside by various bumiputera entrepreneur empowerment agencies in Sabah. “With the cooperation from the federal government and various ministries, government agencies, government linked corporations, as well as the private sector, various programmes and initiatives have been and will continue to be introduced to empower Bumiputera involvement in business,” Chief Minister Tan Sri Musa Haji Aman said at a Bumiputera Economic Council Sabah meeting here in Kota Kinabalu yesterday. Musa chaired the meeting attended by several Cabinet ministers, Yayasan Sabah Director Datuk Sapawi Ahmad and officials from the Sabah Economic Development and Investment Authority (SEDIA), the Economic Planning Unit and the Federal

Secretary. (28 February, New Sabah Times)

200 rumah di Pitas terima sumbangan lampu solar: Sebanyak 200 buah rumah di kawasan terpencil Pitas dan Banggi menerima sumbangan lampu solar daripada Pertubuhan Suka Amal Insan Prihatin Sabah Malaysia. Pengerusinya, Dato Seri Marajoh Unding berkata projek lampu solar ke kampung-kampung terpencil dilaksanakan dengan kerjasama pengurus Suka Amal Kudat-Pitas-Banggi Ramlah Nasir. Beliau berkata antara tujuan organisasi tersebut ialah untuk membantu penduduk kampung yang tidak mempunyai bekalan elektrik terutama di kawasan terpencil. “Selain memberikan lampu solar, kami juga menyediakan makanan dan pendidikan kepada golongan miskin untuk memperbaiki kehidupan mereka,” kata Marajoh. (27 Februari, New Sabah Times)

RM137m in sales obtained by FAMA Sabah entrepreneurs: Entrepreneurs involved in programmes carried out by the Federal Agriculture Marketing Authority (FAMA) in Sabah accumulated total sales of RM137.218 million last year, said Agriculture and Food Industry Minister Datuk Seri Yahya Hussin. He said they comprised participants at the FAMA Farmers’ Market, Contract Farms, Agro-based Industry (IAT), Fresh Fruit Stall (GBBS), Kedai Rakyat Agrobazaar (AKR) and the Three-Wheeled Motorcycle Entrepreneur programmes. The highest sales was recorded by the Contract Farm entrepreneurs, totalling RM42.193 million, followed by Farmers Market (RM24.787 million), AKR (RM23.861 million) and IAT (RM16.4 million), he said in a statement which was issued to the press at the launch of the “Jimat Belanja Dapur” at the Asia City FAMA Farmers market here in Kota Kinabalu yesterday. (8 February, New Sabah Times)

Kudat tourism set to thrive when coastal highway completed: The tourism sector in Kudat is set to thrive when the Tuaran to Simpang Mengayau coastal highway is completed by 2021. The construction of the scenic single carriageway is under the northwest package of the Pan Borneo Highway project is undertaken by PK Konsep Perunding Sdn Bhd. “That is a good move by the government to look ahead because we depend a lot on the tourism sector. (24 February, New Sabah Times)

Seaweed farming a high-value commodity: Seaweed is a high-value

commodity. In 2016, some 206,000 metric tonnes worth RM44 million were produced. Disclosing this Malaysia Fisheries Department’s director general Datuk Munir Mohd Nawi said seaweed farming provided income for close to 1,200 farmers in Sabah’s coastal areas that year. “Apart from contributing to exports, seaweed farming can also boost fish production,” he said when meeting seaweed cluster farmers of Kampung Lok Buton here in Semporna yesterday. Also present was state fisheries director Dr Ahmad Sade. Munir said under the National Agro-Food Policy, seaweed has been identified as one of the high-value commodities that could contribute to the increase in fish production. (13 February, New Sabah Times)

KKLW allocates RM271.6 million for PPRT projects this year: The Rural and Regional Development Ministry is allocating RM271.6 million for the implementation of the Housing Programme For the Hardcore Poor (PPRT) this year, which would benefit 16,547 households. Its minister, Datuk Seri Ismail Sabri Yaakob said the project would involved construction of 608 new PPRT units and repair of 5,521 PPRT houses. The allocation included RM65,998,800 for PPRT projects in Sabah, involving 252 new units at a cost of RM17,110,800 and 3,259 units for repair, involving cost of RM48,888,000, he told reporters after handing over the house key to three recipients of PPRT houses, each costing RM68,000, in Kampung Muhibah here in Putatan. (12 February, The Borneo Post)

Russian centre to strengthen bilateral relations: The establishment of the first branch of the Russian Centre of Science and Culture (RCSC) in Sabah are expected to strengthen the relationship between Malaysia and Russia in the aspect of culture, economic and education. Chief Minister Tan Sri Musa Haji Aman hopes that with the establishment of the centre, it would introduce the Russian culture to more Malaysians in Sabah and eventually would boost the tourism industry in the state. “This is a good platform in further boosting the tourism industry, and I believe the setting up of this branch office will not only introduce the culture of Russia to more Malaysians in Sabah but will also act to promote Sabah culture to Russians,” he said in his speech at the official opening of the branch office of Russian Centre of Science and Culture at Sutera Harbour Resort here in Kota Kinabalu, yesterday. (22 February, New Sabah Times)

SELECTED FACTS AND FIGURES

FAKTA MUTAKHIR

MALAYSIAN GROSS DOMESTIC PRODUCT, FOURTH QUARTER 2017

Table 1: GDP at Constant 2010 Prices

PERCENTAGE CHANGE FROM CORRESPONDING QUARTER OF PRECEDING YEAR								
	2016	2017	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
GDP	4.2	5.9	4.3	4.5	5.6	5.8	6.2	5.9
PERCENTAGE CHANGE FROM PRECEDING QUARTER								
Seasonally Adjusted GDP			1.4	1.3	1.8	1.3	1.8	0.9

(Source: 14 February, Department of Statistics Malaysia)

MALAYSIAN ECONOMIC INDICATORS: LEADING, COINCIDENT & LAGGING INDEXES, DECEMBER 2017



(Source: 23 February, Department of Statistics Malaysia)

MALAYSIAN SERVICES PRODUCER PRICE INDEX FOURTH QUARTER OF 2017

Table A. Services Producer Price Index (2010=100) Fourth Quarter 2017

Subsector	Index			% Change	
	Q4 2016	Q3 2017	Q4 2017	Q4 2017/ Q3 2017	Q4 2017/ Q4 2016
SPPI (2010=100)					
TOTAL	106.8	108.1	108.5	0.4	1.6
Transportation	103.1	103.2	103.5	0.3	0.4
Accommodation & Food and Beverage Service Activities	122.3	126.4	127.4	0.8	4.2
Information & Communication	100.6	100.7	100.7	0.0	0.1
Real Estate Activities	121.1	122.9	123.0	0.1	1.6
Professional	102.7	103.0	103.3	0.3	0.6
Education	110.1	112.6	112.6	0.0	2.3
Health	102.9	105.0	105.1	0.1	2.1
Arts, Entertainment & Recreation	99.0	98.9	99.9	1.0	0.9

(Source: 12 February, Department of Statistics Malaysia)

MALAYSIAN BUSINESS TENDENCY STATISTICS, FIRST QUARTER 2018

FORECAST OF BUSINESS PERFORMANCE FOR THE FIRST QUARTER 2018

The business performance in the first quarter of 2018 is expected to increase with confidence indicator +12.3 per cent contributed by industry (+11.9%), construction (+1.1%) and services (+20.6%).

Chart I: Quarterly Confidence Indicator by Sectors, Malaysia, 2016-2018



(Source: 28 February, Department of Statistics Malaysia)

MALAYSIAN MONTHLY RUBBER STATISTICS, DECEMBER 2017

Table 1 presents the principal statistics of rubber for December 2017 while Chart 1 shows the monthly time series from December 2016 to December 2017.

Table 1: Principal statistics of rubber, December 2017

Principal Statistics	December 2016	November 2017	December 2017	Change month-on-month December 2017/November 2017 (%)	Change year-on-year December 2017/December 2016 (%)
Production (tonnes)	69,435	58,733	67,125	14.3	-3.3
Exports (tonnes)	61,380	47,589	51,995	9.3	-15.3
Imports (tonnes)	103,125	113,942	119,637	5.0	16.0
Domestic consumption (tonnes)	40,873	42,484	43,617	2.7	6.7
Closing stocks (tonnes)	203,490	216,382	230,315	6.4	13.2
Number of paidworkers (estate)	10,264	10,038	10,297	2.6	0.3
Salaries & wages (RM'000) (estate)	16,632	13,003	16,570	27.4	-0.4

(Source: 13 February, Department of Statistics Malaysia)