

Brief Summary – Bank Negara Report 2014



MALAYSIAN ECONOMY 2014

Economic Development

The economy grew at a stronger pace of 6.0% as compared to 4.7% in 2013, with growth being driven by the continued strength in domestic demand and positive growth in net exports.

All economic sectors recorded higher growth. The service sector being the largest contributor expanded by 6.3%, underpinned by wholesale and retail trade in tandem with the continued household spending. The construction sector registered a higher growth of 11.6%, mainly due to the robust growth in both residential (attributed to continued development of high-end properties in Johor, Klang Valley and Penang) and non-residential property. The manufacturing sector grew at a higher rate of 6.2% driven by significant growth in the electronics and electrical (E&E) cluster, sustained consumption spending and robust domestic construction activity. The agriculture and mining sectors were also growing strong, recording 2.6% and 3.1% growth respectively.

Real GDP by Kind of Economic Activity (2005=100)					
	2014p	2013	2014p	2013	2014p
	% of GDP	Annual change (%)		Contribution to growth (ppt) ¹	
Services	55.3	5.9	6.3	3.2	3.5
Manufacturing	24.6	3.5	6.2	0.9	1.5
Mining & quarrying	7.9	0.7	3.1	0.1	0.3
Agriculture	6.9	2.1	2.6	0.2	0.2
Construction	3.9	10.9	11.6	0.4	0.4
Real Gross Domestic Product (GDP)	100.0¹	4.7	6.0	4.7	6.0

¹ Numbers do not add up due to rounding and exclusion of import duties component

p Preliminary

Source: Department of Statistics, Malaysia

Labour force remained stable with unemployment rate declining to 2.9% while retrenchments were also lower at 10,431 workers. Total employment expanded to 13.6 million with net addition of 366,300 jobs – mainly in the service sector. However, net job losses were recorded in the construction and commodities sectors.

Private consumption grew by 7.1% as household income growth was favorable. Nominal wages in the export-oriented industries

Investment in Residential Property Sub-sector

In 2014, investment in residential property accounted for only 17% of the total private investment. This share has moderated slightly from 18% in 2005, and is lower or comparable to the share of investment in other countries (UK: 39%; US: 20%; Australia: 20%; Korea: 14%).

sustained a growth of 5.7% while wages in the domestic-oriented industries grew at 5.6%. Public consumption on the other hand recorded a slower growth, down from 6.3% in 2013 to 4.4% in 2014. Government spending on supplies and services moderated as spending on emoluments was sustained as a result of the Government's cost cutting initiatives in 2013.

Private investment continued to expand rapidly at 11%. Investments in the manufacturing and services sectors expanded well during the year while mining sector remained strong, albeit a slight moderation. Dwellings (residential property) investment expanded with continued progress in residential construction through the year. Following the reduction in Government's expenditure and lower capital spending by public enterprises, public investment had registered negative growth.

Property Market, Residential: Growth of Malaysian House Price Index by Selected State and House Type

Annual change (%)	2Q'13	3Q'13	4Q'13	1Q'14	2Q'14	3Q'14p
Malaysia	11.3	12.2	9.6	9.6	8.4	4.6
Kuala Lumpur	25.3	19.3	11.7	9.5	8.5	3.7
Selangor	8.1	5.9	10.1	10.9	8.3	5.4
Johor	24.1	25.7	15.0	14.7	10.5	3.4
Penang	15.6	16.2	16.5	16.1	12.1	6.5
Terraced	9.6	9.9	9.6	10.1	9.5	5.1
Semi-detached	12.2	15.2	5.5	7.1	4.8	2.2
Detached	17.9	17.9	13.2	7.6	5.8	4.0
High-rise	14.4	17.0	13.6	12.9	10.6	6.2

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Source: National Property Information Centre

Housing and Property Market

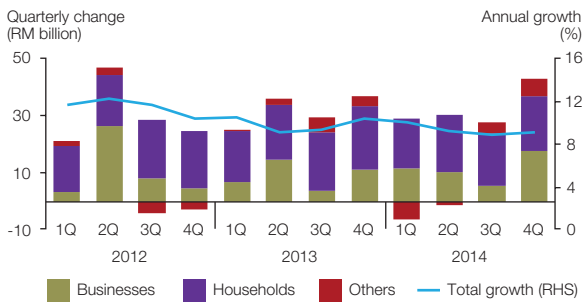
Development in the housing market slowed down where house price growth showed a moderate trend, attributable to the various cooling measures imposed by the Government which aims to curb excessive speculations as well as control house price. For three consecutive quarters (since end 2013), the Malaysian House Price Index has been recording slower growth across all house types and major employment centres.

According to NAPIC's 2014 data, residential property transactions in the secondary market declined by 3.3% in the first nine months of 2014, compared to the corresponding period in 2013. In contrast, volume of transactions in the primary market increased by 32%, in tandem with the higher supply of new houses, including affordable housing under various Government programmes for first time house buyers.

The growth in residential property loans, however, increased slightly to 13.2% (2013: 12.9%), reflecting the continued disbursement in stages of previously approved loans. The growth in new approvals of residential

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Outstanding Loans by Borrowers¹



¹ Comprises banking system and DFI outstanding loans
Source: Bank Negara Malaysia

property loans to households moderated significantly to 4.2% (2013: 26.8%) reflecting the lower growth in loan applications during the year due to the increase in the real property gains tax (RPGT) and the ban of Developers' Interest Bearing Schemes (DIBS) by the Government in January 2014.

Meanwhile, demand for industrial properties and shops appeared to be strong. Similarly, shopping complexes also picked up in pace. The relatively strong demand for this segment of the market amid a sustained level of rental rates has continued to support price increases. In the first nine months of 2014, the average transaction value of shops strengthened to 9.4% (2013: 7.3%). Average land prices in city centres continued to be on the upward trend since 2009, mainly due to scarcity

of development land and the conversion of agricultural land for commercial use. The overall rental rates in the office space segment was firmed, growing cumulatively by about 27% since 2007. Correspondingly, the overall vacancy rate for office space also improved but rental rates for older office buildings remained subdued due to tenants' preferences for newer and green buildings with better facilities and connectivity.

MALAYSIAN ECONOMY OUTLOOK 2015

Overall, the economy is expected to remain resilient in 2015 despite the challenging external environment as the decline in the prices of major commodities will have implications for economies across the world. As a small and open economy, this development will impact Malaysia but blessed with well-diversified and strong economic fundamentals, the resilience of the economy have been placed on a steady growth path.

As such, the economy is expected to register a steady growth of 4.5% to 5.5% which will be primarily driven by private sector-led domestic demand with some support from the expansion in exports. Growth is expected to be sustained by the broad-based expansion in the services, manufacturing and construction sectors that now account for more than two thirds of the economy. Investment is also increasingly being driven by capital spending by the non-energy-related private sector and public enterprises. The lower inflation outlook and the positive labour market conditions will also continue to support household spending during the year.

Source:

i. Bank Negara Malaysia : Annual Report 2014

ii. Bank Negara Malaysia : Financial Stability and Payment Systems Report 2014

GreenRE signs Memorandum of Understanding (MoU) with SIRIM QAS International Sdn Bhd



In line with REHDA's tagline – "Towards Sustainable Development", GreenRE Sdn Bhd further spearheaded the Sustainable Construction Industry with its strategic

partnership with SIRIM QAS International Sdn Bhd, the leading certification, inspection and testing body in Malaysia.

Held on 19 March 2015 at Wisma REHDA, a Memorandum of Understanding (MoU) was signed by Y Bhg Datuk Seri FD Iskandar, REHDA President and Director of GreenRE Sdn Bhd, and Y Bhg Dato' Dr Zainal Abidin Mohd Yusof, President and Chief Executive of SIRIM QAS International Sdn Bhd,



(L-R): Mr James Chua (Executive Director of GreenRE Sdn Bhd), Puan Khalidah Mustafa (Managing Director of SIRIM QAS International Sdn Bhd), Y Bhg Dato' Dr. Haji Zainal Abidin Mohd Yusof (President and Chief Executive of SIRIM QAS International Sdn Bhd), Y Bhg Datuk Seri Fateh Iskandar Mohamed Mansor (REHDA President), Y Bhg Datuk Ng Seing Liong (REHDA Most Recent Past President), Encik Basori Bin Haji Selamat and Mr Parama Iswara Subramaniam.



The exchanging of the signed MOU between Y Bhg Dato' Dr Haji Zainal Abidin Mohd Yusof (second from left) and Y Bhg Datuk Seri FD Iskandar, witnessed by Puan Khalidah Mustafa (left) and Y Bhg Datuk Ng Seing Liong (right).

signifying the start of a certification programme partnership between the two organisations, as well as to promote and further propel the Green Building Industry to greater heights.

REHDA President and Director of GreenRE Sdn Bhd, Y Bhg Datuk Seri FD Iskandar, believes that the GreenRE-SIRIM QAS International Sdn Bhd partnership will be able to significantly increase its sustainability-related certification schemes and other related services.

With a similar goal in mind, the President and Chief Executive of SIRIM QAS International Sdn Bhd, Y Bhg Dato' Dr Zainal Abidin is confident that, through the partnership between GreenRE and SIRIM QAS in promoting and organising activities such as seminars, talks and exhibitions, the sustainability and environmental performance of buildings in Malaysia will greatly advance, thus contributing further to the nation's growth.