New Straits Times - Expected Crude Oil Price Rebound Positive For Malaysia's Upstream O&G Sector, Says Guan Eng

Thursday, Jun 20 2019

Minister of Finance, Lim Guan Eng during the Opening Ceremony of the 17th Asian Oil, Gas and Petrochemical Engineering Exhibition (OGA) at KL Convention Centre. NSTP/Salhani Ibrahim

PUTRAJAYA, 18 June - The Finance Ministry is calling on banks to give greater access to financing for first-time house buyers and small and medium enterprises (SMEs) in order to grease economic growth.

Its minister Lim Guan Eng said the call was made based on positive outlook, including the fact that the financial health of Malaysian households was slowly recovering, with the household debt ratio to gross domestic product (GDP) having fallen to 83 per cent in 2018 from 83.8 per cent in 2017.

“As a result, consumers have more room to borrow for wealth accumulation purposes, either for saving schemes, or for non-speculative investments, including acquisition of long-term assets.

“Household debt on average is sufficiently backed by assets," he said in a statement. According to statistics from Bank Negara Malaysia (BNM), Lim said the level of household financial assets was 2.1 times household debt.

“This shows that households on average hold more assets than they hold debt, giving them the necessary buffer to face any financing contingencies.”

Nevertheless, the government recognised that lower income households were vulnerable to shocks, and would need help to raise their financial strength.

“The government has successfully done so by improving its cash transfer programme Bantuan Sara Hidup (BSH); introducing the free public health insurance scheme mySalam, and stabilising RON95 petrol and diesel retail prices.”

On the sudden spike of cement price, he said the government has been keeping a close watch on the matter and the Domestic Trade and Consumer Affairs Ministry had issued notices under the Price Control and Anti-Profiteering Act to 19 cement producers nationwide to explain the causes of the hikes.

“Also, the government will play its role as an effective regulator to ensure cement prices remain competitive and are not raised arbitrarily based on monopolistic factors. "The government is determined to keep prices of basic items in check and is concerned with the reported price hikes in cement prices,” he said.

The minister said the decision of the Monetary Policy Committee (MPC) of BNM on May 7 to cut its Overnight Policy Rate by 25 points to three per cent from 3.25 per cent had lowered the cost of borrowing.

The reduction had been transmitted fully by the banks to consumers, he said.

Lim said the government had also requested BNM to remind all banks that business borrowers who were not facing loan defaults, but wish to improve their cashflow by restructuring and rescheduling (R&R) their loans for a longer tenure, should not have such R&R loans classified as non-performing loans.

He also pointed out that retail sales rose 6.3 per cent to RM41.6 billion in April 2019, from RM39.1 billion a year ago.

The overall wholesale and retail trade sales in April 2019 increased by 5.3 per cent to RM105.1 billion from RM99.8 billion a year ago, indicating high consumer confidence.

Together with strong industrial production expansion and a low unemployment rate, all this suggested that the economy was expanding.

Industrial production for April 2019 expanded 4.0 oer cent year-on-year, beating market consensus of 2.5 per cent as compiled by Bloomberg.

The unemployment rate for April was 3.4 per cent, unchanged from the previous month.

The positive industrial production data was augmented by the fact that the second quarter 2019 average for Nikkei’s Purchasing Managers’ Index (PMI) for Malaysia is higher than the previous three quarters.