

MEDIA RELEASE MINISTRY OF FINANCE MALAYSIA

BANKS SHOULD PROVIDE GREATER ACCESS TO FINANCING WITH HOUSEHOLD DEBT TO GDP MODERATING TO 83.0% IN 2018 FROM 83.8% IN 2017, WHILE RETAIL SALE INCREASED BY 6.3% IN APRIL 2019 AMID HIGHER CONSUMER CONFIDENCE IN THE FIRST QUARTER OF 2019



Bank seharusnya memberikan akses kepada pembiayaan secara lebih meluas memandangkan kadar keberhutangan isi rumah berbanding kdnk telah berkurang kepada 83.0% pada tahun 2018 daripada 83.8% pada tahun 2017, manakala jualan runcit meningkat sebanyak 6.3% pada April 2019 pada ketika keyakinan pengguna lebih tinggi dalam suku pertama 2019

The financial health of Malaysian households is slowly recovering with household debt as a ratio to gross domestic product (GDP) having fallen to 83.0% in 2018 from 83.8% 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.

Given the positive development, banks should provide greater access to financing to first-time home buyers, as well as to small and medium enterprises (SMEs) in order to grease economic growth. Household debt on average is sufficiently backed by assets. According to statistics from Bank Negara Malaysia (BNM), the level of household financial assets is 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 recognises that lower income households are vulnerable to shocks, and do need assistance to increase 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.

Investigating The Sudden Hike In Cement Prices

The stabilisation of fuel prices in particular has moderated the rise in living costs, especially for the lower income groups or the B40. Inflation in April 2019 was low and stable at 0.2% due to the stabilisation of RON95 petrol and diesel retail prices.

The Government is determined to keep prices of basic items in check and is concerned with the reported price hikes in cement prices. The Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) under the leadership of Datuk Seri Saifuddin Nasution Ismail has issued notices under the Price Control and Anti-Profiteering Act to 19 cement producers throughout the country to explain the causes of the hikes. Furthermore, 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.

Cheaper financing costs

Additionally, the decision of the Monetary Policy Committee (MPC) of BNM on 7 May 2019 decision to cut its Overnight Policy Rate by 25 basis points to 3.00% from 3.25% has lowered the cost of borrowing. The reduction has been transmitted fully by the banks to consumers.

The Government has also requested BNM to remind all banks that business borrowers who are 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.

The economy is growing

Meanwhile, Malaysian households continue to spend more. According to the Department of Statistics Malaysia, retail sales rose 6.3% 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% 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, these suggest that the economy is expanding. Industrial production for April 2019 expanded 4.0% year-on-year, beating market consensus of 2.5% as compiled by Bloomberg. The unemployment rate for April was 3.4%, unchanged from the previous month. The positive industrial production data is augmented by the fact that the second quarter 2019 average for Nikkei's Purchasing Managers' Index (PMI) for Malaysia is higher than the previous 3 quarters.

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