



Persatuan Pembuat
Cat Malaysia
Malaysian Paint
Manufacturers' Association
(Registered in Malaysia)

CHAIRMAN's REPORT 2018

1.0 MALAYSIAN ECONOMY

The Malaysian economy registered a growth of 4.8% in 2018 (2017: 5.9%) This is testament of the resilience of the Malaysian economy. One of the key focus of the new government that were elected in GE14, is to ensure an inclusive economic growth whereby people from all walks of life will benefit from the nation's wealth.

There was also the increase in investor's confidence which is supported by the rising FDI figures. As per the MIDA statistics, the approved manufacturing FDI for the first 9 months in 2018 rose to RM48.8 billion, which is a growth of 249% compared to the corresponding period in 2017. These approved investments are expected to create an additional 41,000 jobs in manufacturing in the next 2 to 3 years.

However, even with the impressive growth of the Malaysian economy over the past decade and the relatively low cost of living, the people felt the increase in cost of living with the implementation of the Good and Service Tax (GST). To address this the government reintroduced the Sales and Service Tax (SST) on the 1st of September 2018, with people, including the business community expected to benefit more than RM5 billion from the savings on fuel prices and RM17 billion from the change of the tax regime in 2018.

2018 also saw several mega projects being reviewed including the High-Speed Rail (HSR), East Coast Rail Link (ECRL), Mass Rapid Transit 3 (MRT3) and Light Rail Transit Line 3 (LRT3). Further to the review, the total cost of the LRT3 was reduced by 47% from RM31.7 billion to RM16.6 billion, while the other three projects were postponed.

Another key initiative under the new government was the establishing of the National Centre for Governance, Integrity and Anti-Corruption (GIACC) to coordinate and monitor all activities related to governance, integrity and combating graft. In addition to this the GIACC is also responsible for planning, formulating strategies and evaluating policies in ensuring all government affairs are conducted based on good governance, integrity and zero-tolerance towards corruption. These initiatives augur well for the nation in its aspiration in rebuilding a New Malaysia.

The new Government enacted 2 important regulations in 2018. Firstly, the Price Control And Anti-Profiteering (Mechanism To Determine Unreasonably High Profits) Regulations 2018 which took effect on 6th June 2018 with the objective to curbing excessive

profiteering for goods and services by unscrupulous traders in all classes of products and services. It will be a statutory offence to make unreasonably high profits. Secondly, the Malaysia Anti-Corruption Commission Act 2018 saw several amendments made which took effect on 1st October 2018 with the exception of Section 17A which outlines the offence by commercial organization which will take effect in 2020. The 2-year grace period provided allows organizations to prepare respective internal policies and controls to curb corrupt practices despite creating awareness amongst the employees.

The unemployment rate dropped by 0.1% to 3.3% in 2018 (2017: 3.4%). The key contributor to this was the availability of jobs in the Services and Manufacturing sectors.

The inflation rate was lower in 2018 at 1% (2017: 3.7%). The decrease was chiefly due to the drop in prices for transport, clothing and footwear. Another contributor was the lower price of RON 95 fuel. However, this was countered by the increase of price of housing, water, electricity, gas and other fuels, as well as food and non-alcoholic beverages.

By Economic Activity:

<i>Indicators (% yoyo)</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018(a)</i>	<i>2019 (f)</i>
GDP	6.0	5	4.2	5.9	4.8	4.9
Agriculture	2.6	1.2	-5.1	7.2	-0.2	3.1
Mining	3.1	4.7	2.2	1.1	-0.6	0.7
Manufacturing	6.2	4.9	4.4	6.0	4.9	4.7
Construction	11.6	8.2	7.4	6.7	4.5	4.7
Services	6.3	5.1	5.6	6.2	6.3	5.9
Inflation	3.2	2.1	2.1	3.7	1.0	2.3
Population	30,708,000	31,186,000	31,633,000	32,022,00	32,385,000	33,000,000

Source: MIER, DOSM, BNM, MOF

2.0 CONSTRUCTION SECTOR

The construction sector registered a lower growth of 4.5% in 2018 (2017: 6.7%) , due to the near completion of infrastructure projects as well as property overhang, particularly in the non-residential segment.

The growth in first half of 2018, contributed by the civil engineering subsector, was subsequently overshadowed the review of several infrastructure projects as well as subdued activities in the non-residential subsector.

The forecast for 2019 is moderate growth, to 4.9%, following the increase in the planned supply of affordable homes and industrial segment.

The residential subsector is expected to grow at a marginal pace following the mismatch between supply and demand.

Economic Outlook 2019

The outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic challenges. The GDP is expected to expand to 4.9% in 2019, mainly supported by domestic demand. Expenditure in the private sector, primarily, household spending will remain as the main contributor of growth following a continuous increase in employment and wage amid a benign inflation. Private investment will be supported by new and ongoing projects in the services and manufacturing sectors.

PRODUCTION OF PAINTS - MALAYSIA

Paint Production

Below is the sales value of paints produced for the year 2018 taken from the published data from Department of Statistics.

Manufacture of paints, varnishes and similar coatings and mastics

<i>Year</i>	<i>Sales value of own manufactured products (ex-factory) (RM'000)</i>	<i>No. of employees engaged at end of period</i>	<i>Salaries and wages paid (RM'000)</i>
2018	2,685,892	5,993	265,242
2017	2,958,538	5,486	245,939
2016	2,561,148	5,330	277,485
2015	2,002,325	5,378	310,128
2014	2,202,307	5,430	255,911
2013	2,566,896	5,293	240,619

Source: Department of Statistics

The published data from the publication of Monthly Manufacturing Statistics is as per table below:

Year	Emulsion Paints	Undercoats	Primers
	'000 lts		
2018	118,111	14,754	24,642
2017	92,222	10,236	20,779
2016	98,141	8,612	28,677
2015	94,941	8,385	19,227
2014	115,221	5,280	15,686

4.0 MPMA ACTIVITIES

Summary of activities participated by the various MPMA sub-committees held during the year:

- Study Human Capital Issues Within The Chemical And Petrochemical Sector by MIDA
- Dialogue with MOF on Sales and Service Tax issue
- Dialogue with KPDNHEP on Lead Free Paint
- Committee member for Industrial Hygiene Catalyst Committee (IH2C) chaired by DOSH
- 21st APIC 2018 meeting in Shanghai, China
- Supply and Apply Contract Seminar on 23 Jan 2019

Membership Status

The current status of membership as follows:

<i>Membership</i>	<i>No of Members as at 31.3.2018</i>	<i>No. of Members as at 6.3.2019</i>	<i>New members</i>	<i>Resignations /Others</i>
Ordinary	21	21	-	-
Associate	29	31	4	2
Total	50	52	4	2

Acknowledgement

I would like to thank my executive committee who has given me the support as the MPMA Chairman and all the subcommittee members who had given their time, commitment and effort in supporting the MPMA activities. On behalf of the executive committee, I would also like to express our appreciation to all members for their continued support and cooperation.

GLADYS GOH KAYE JEN
Chairman