

## MALAYSIAN HOTEL MARKET

AUGUST 2021 UPDATE

## Economic Overview

### A setback for the Malaysian economy

The outlook for the Malaysian economy has deteriorated substantially following a month of stringent lockdown in June and an extension into July for large swathes of the country. Enhanced measures came into effect in early July across much of Selangor and parts of Kuala Lumpur and remain in place.

Despite the lockdown, the number of daily Covid-19 cases has been steadily rising and as at 28 July, the 7-day average is 15,656. In the month of July alone, more than 3,380 deaths have been recorded compared with 471 during the whole of 2020. As at 29 July, the country's basic reproduction number for the coronavirus, the R0, is at 1.16.

### BNM Keeps OPR at 1.75%

In line with consensus expectations, Bank Negara Malaysia (BNM) left its policy rate unchanged at 1.75% on the 8th July. The monetary policy stance continued to be considered as "appropriate and accommodative", similar to when BNM decided to stay on hold at the previous three meetings.

CPI inflation fell to 4.4% YoY in May from 4.7% in April, below consensus expectations (4.7%). BNM now expects headline CPI to be close to the lower band of its forecast range at 2.5-4.0% in 2021, but core inflation was also maintained at 0.5-1.5%.

### Retail sales deteriorating

Retail trade rose 17.3% YoY in May 2021, slowing sharply from a 56.4% increase in April, amid lockdown measures to contain the spread of the coronavirus. Retail sales are expected to further deteriorate in June and July given the stricter lockdown.

## International Travel Perspective

The Phuket Sandbox initiative started on the 1 July, offering quarantine-free travel to qualified, fully vaccinated international tourists. The resort island reported 125 new Covid-19 cases during the week ending 27 July, higher than the government-set threshold of 90 weekly cases that could trigger a temporary suspension of the programme. About 70% of Phuket's population are fully inoculated, compared to about 5% nationwide.

The UK government announced that from 2 August, passengers who are fully vaccinated in the EU with vaccines authorised by the European Medicines Agency (EMA) or in the USA with vaccines authorised by the Food and Drug Administration (FDA), or in the Swiss vaccination programme, will be able to travel to England without having to quarantine or take a day 8 test on arrival.

British Airways saw a 95% increase in the number of bookings for flights from the US to the UK immediately after the announcement on easing travel rules. British Airways is ramping up its flight schedules as global air travel restrictions ease. It said it would operate at about 45% of passenger capacity between July and September on pre-Covid levels, possibly rising to 75% by the end of 2021.

Bali has postponed its "no vax, no fly" for foreign visitors until August. When open, all international arrivals will need to show

a negative Covid-19 test and produce a vaccine certificate to be exempted from quarantine.

Langkawi is planning to open to local and international tourists once 80% of the local population (110,000) has been fully vaccinated which is anticipated by September.

## Political Update

Malaysia is facing some near term political uncertainty. It now looks like the current Prime Minister (PM) has lost the support of the country's largest party, UMNO and there is now talk of the current PM resigning to make way for a temporary leader to take over until the pandemic eases and a general election can be held safely.

## Vaccine Progress

The one silver lining is that the latest wave has resulted in a sharp acceleration in vaccinations with the country now achieving an average daily rate of approx. 400,000 between 28 June - 26 July, compared to approx. 200,000 between 31 May and 28 June. The country can achieve 70% vaccination rate by end of September assuming vaccine supplies are not interrupted. As the proportion of the population being fully vaccinated rises, we do expect a gradual easing of the containment measures in the fourth quarter of 2021. Domestic tourism is expected to begin recovery in the fourth quarter once interstate travel restrictions are lifted.

TABLE: Malaysia Vaccine Progress

	29 June	29 July
Total number of people registered for the vaccine	16.7 million	20.4 million
Total number of doses given	7.8 million	13.1 million
7-day moving average	221,064	485,217
At least 1 dose	17.3%	40.7%
% Fully vaccinated	6.8%	19.3%

Note: The target number of people for vaccination is 26.2 million

Sources: The Special Committee On COVID-19 Vaccine Supply (JKJAV), MKN, ourworldindata.org, covidvax.live

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## Hotels Available for Sale via Knight Frank



**Hilton Garden Inn Kuala Lumpur**

Tenure: Freehold

No. of Rooms: 532 keys



**Former Holiday Inn Resort Penang**

Tenure: Freehold

No. of Rooms: 361 keys



**Loop on Leith, Georgetown**

Tenure: Freehold

No. of Rooms: 140 keys



**Award Winning Lifestyle Hotel, Melaka**

Tenure: Freehold

No. of Rooms: 60 keys



**Confidential, Kuala Lumpur**

Tenure: Freehold

No. of Rooms: 210 keys



**Confidential 5-star Hotel, Penang**

Tenure: Freehold

No. of Rooms: 316 keys



**Confidential 5-star Resort, Pahang**

Tenure: Leasehold

No. of Rooms: 305 keys



**Confidential, Kuala Lumpur**

Tenure: Freehold

No. of Rooms: 103 keys

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