SME WEEKLY NEWS

(10 Dec 2018 – 14 Dec 2018)

Countries	Highlights
MALAYSIA	**The Government is concerned about the readiness of local industries, particularly Small and Medium Enterprises (SMEs), to adopt Industry 4.0.** International Trade and Industry Minister Datuk Darell Leiking said the government had made a large allocation in the 2019 Budget to assess the readiness of SMEs to adopt automation and industry 4.0. However, Darell did not elaborate on how the allocation would be channelled to SMEs. On another note, he said Malaysians were fast in adopting to technological changes and the many training centres available for technology conversion in the country could help expedite the adoption of Industry 4.0. The minister added that October's RM96.3 billion in exports showed that manufactured goods from Malaysia were in high demand and adopting industry 4.0 was unavoidable to maintain competitiveness. *(Source: Bernama, 10 December 2018)*
VIETNAM	**ADB provides US$300m loan to BIDV to support SMEs in Vietnam** The Asian Development Bank (ADB) and Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) signed a US$300 million loan agreement to support the growth and productivity of small and medium-sized enterprises (SMEs) in Vietnam. The loan would support SMEs in Vietnam and reaffirm their partnership with ADB in achieving poverty reduction, economic growth, regional integration and environmental protection. The loan symbolised the long-term co-operation between ADB and BIDV for sustainable development in Vietnam. SMEs account for most of Vietnam's businesses, contributing around half of all employment and 40% of gross domestic product. The loan will make ADB the first development finance institution to provide long-term commercial lending to BIDV. ADB will work with BIDV to maximise the positive social and environmental impacts of the assistance by implementing an environmental and social management system. Digital finance will be promoted through the introduction of new digital products to reach financially underserved populations in rural areas, including SMEs owned by women. *(Source: Vietnam News, 12 December 2018)*
THE PHILIPPINES	**World Bank tells PHL, East Asia: Liberalize services sector, boost SME capacity** The Philippines has to liberalize its services sector and grow the capacity of its small and medium enterprises (SMEs) if it intends to sustain its productivity growth, a World Bank report said. In a report titled "A Resurgent East Asia: Navigating A Changing World," the World Bank said it is necessary for East Asian economies, including the Philippines, to adapt to the changes in global economy to sustain productivity growth. This, as they seek to transition high-income ranks from medium income. It argued that the Philippines had acceded to the World Trade Organization (WTO) earlier than Cambodia, China and Vietnam, but its services sector remained restrictive. The World Bank report claimed the playing field in East Asia is tilted against foreign providers because of the opaqueness and discretion that is prevalent in the allocation of licenses. This is reportedly accentuated in many economies by lack of accountability because regulators do not have to provide a rationale for rejecting license applications. The report also urged developing East Asian economies to address its uneven access to finance. The world's largest lender said Philippine SMEs account for about 66 percent of total sales and employ 37% of the country's labour force. *(Source: Business Mirror, 11 December 2018)*

SINGAPORE	**SMEs seek flexibility in foreign labour policy for O&M sector** THE large number of ships transiting through Singapore creates demand for ship repair, conversion and upgrading services here, offering industry players some buffer against cyclical shipbuilding activity. Yet, some small and medium enterprises (SMEs) are finding it hard to tap these opportunities because of how the foreign worker (FW) policy for the marine sector is structured. Policymakers, mindful that the nature of offshore & marine work does not appeal to locals, have over the years assigned a higher FW dependency ratio ceiling of 77.8% for what is classified as the Marine Shipyard sector. However, SME owners are finding yard sponsorships harder to secure these days amid the industry's downturn. When contacted, the Ministry of Manpower, in a joint statement with Economic Development Board and Enterprise Singapore, said: "In designing the foreign workforce policy, the Government must strike a balance between meeting firms' manpower needs and an ever-expanding foreign workforce." *(Source: Business Times, 14 December 2018)*

SLOW AND STEADY WINS THE RACE

Personal Care Products company aiming to recapture export market

SOME live life on the edge. Bob Singh, 55, and his wife, Julie, 52, prefer to be safe than sorry. Their conservative approach to business, Julie believes, has brought personal care products developer Khobates Industries Sdn Bhd 20 years far. This strategy has also enabled Khobates to expand without taking on any financial burdens.

The couple launched Khobates in 1998 as an export-oriented company. Profits were great thanks to the favourable currency exchange back then. But getting the attention of the market was quite a challenge as its brand and products were not yet known. Fortunately, Bob could rely on his network to push his products. Nonetheless, Julie notes that it was a good time to launch a new brand as the market was more flexible back in the 1990s. The investment needed to push a new brand out was a lot lower than it is today. And as some brands tighten the belts and shrink back during the weak economy, there was room for new brands to grow. Khobates' focus on export helped Bob build up capital over the next two years to continue expanding in a "conservative manner". Their Fruiser brand has become a recognisable name in the local personal care market. Khobates generated sales of RM38mil last year. According to Bob, growth has been at a steady 15% year-on-year. He expects growth to continue as the company diversifies into new market segments. Notably, moving into the premium segment will present a new set of challenges to the duo. Their growth has also enabled them to hire more people. Khobates currently has about 200 people. Moving forward, Bob says the company will have a renewed focus on exports. At the moment, export contribution to revenue has come down to 28%. He hopes to bring it up to 50%. Khobates is currently exporting to the Middle East, Asia and Africa. He says e-commerce has proven to be an effective platform for it to grow in some of its overseas markets. Once this picks up, it will also be another avenue of sales for the group. Bob says there is still plenty of opportunities for the company in its existing markets but they will take on these opportunities prudently.

(Source: The Star, 17 December 2018)

Economics and Policy Division
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17 December 2018