

SME Corp. Malaysia 18 November 2022 FTSE BURSA MALAYSIA

CURRENCY; USD 1 =

BRENT CRUDE OIL

(USD PER BARREL)

04 November 2022 1,438.3 RM4.75 USD98.57

1,449.3 RM4.55 USD87.62

18 November 2022

Source: CEIC

Oil dropped by more than \$2 a barrel on 18 November 2022, on track for a second weekly decline, due to concern about weakened demand in China and further increases to U.S. interest rates.

ECONOMICS & MSME NEWS

07 NOVEMBER 2022 – 18 NOVEMBER 2022

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK inflation jumps to 41year high of 11.1%

As the UK economy continues to slide towards recession, the latest bad news is that in October, inflation reached a new high due to rising energy prices. Inflation increased to 11.1% in October from 10.1% in the previous 12 months ending in September, the Office for Statistics National reported November 16 2022. Despite government energy price guarantee that limits annual energy expenditures for the average home to GBP2,500 (USD2,970), the cost of living has risen dramatically due to increases in gas and electricity prices. The overall consumer price index increased to 16.4%, driven largely by increases in the cost of food. UK household prices rose 2% between September and October. That means prices jumped as much in one month as they did in all of 2021.

Source: CNN, 16 November 2022

US unemployment claims fall, housing market suffers

Despite a jump in technology-sector job cuts that has stoked fears of an oncoming recession, the number of filing Americans new unemployment benefits has fallen recently, demonstrating widespread layoffs remain low. Many tech companies have announced layoffs recently, including Twitter, Amazon, and Facebook's parent company, Meta. Companies in the housing and financial industries, which particularly vulnerable to changes in interest rates, are also laying off employees. After the COVID-19 outbreak, firms outside technology and housing are hoarding labor, say economists. With 1.9 job vacancies per unemployed person in September, some laid-off people may find work soon.

Source: Al-Jazeera News, 17 November 2022

BOJ Governor Kuroda rules out rate hike until wages rise more

Governor of the Bank of Haruhiko Kuroda says that wage increases of about 3% are needed for inflation to hit the bank's 2% target sustainably, highlighting the need to delay interest rate hikes until the economy strengthens enough further drive up pay. According to Kuroda, core consumer inflation is on the rise "quite a bit" after reaching a 40-year high of 3.6% in October. However, he expects it to slow back below 2% in the next fiscal year as the effects of rising fuel and raw material fade. It would counterproductive to the Japanese economy to raise interest rates at this time. In view of recent economic and price trends, a rate increase would be inappropriate at this time.

Source: Reuters, 18 November 2022

China's economy loses momentum as COVID curbs hit factories, consumers

In October, China's economy slowed significantly as factory output rose more slowly than anticipated and retail sales declined for the first time in five months, highlighting waning demand both domestically and internationally. Prolonged COVID-19 restraints, global economic threats, and a real estate slowdown are just a few of the challenges faced by China as the world's second-largest economy. Data released on Tuesday also showed property investment declining at the highest pace since the beginning of 2020 in October, indicating continued deterioration in the sector. A worsening COVID situation, prolonged property downturn, and weaker export growth more than offset further policy assistance in October, causing activity growth to drop significantly and fail market forecasts, indicating a dismal start to Q4.

Source: Reuters, 15 November 2022

MALAYSIA ECONOMIC NEWS

Malaysian banks loan growth to stay at 5-6% in 2023 on economic stability - S&P Global

On the strength of the country's economic stability, which will maintain the creditworthiness of Malaysian firms and consumers, S&P Global Ratings forecasts that loan growth in the Malaysian banking industry would remain at 5% to 6% in 2023. The growth rate of Malaysia's GDP is expected to reach 6.6% in 2022 and an average of 4.5% over the next three years. With enough capitalization and provisioning buffers, banks should be able to withstand rising asset quality concerns, according to S&P Global Ratings' 2023 bank outlook commentary. In order to endure a mild increase in credit stress, Malaysian banks have sufficient capitalization at 14.3% common equity Tier-1 ratios as of June 30, 2022, and provisioning buffers of 1.8% of total loans. The report did warn that after the moratorium programs end in June 2022, asset quality is predicted to deteriorate and the industry's non-performing loan (NPL) ratio is likely to grow to 2.5% to 3.0% over the next two years. Small and medium enterprises (SMEs) and low-income households that are still trying to recover from the pandemic may be unable to repay their loans. The rising cost of living is being compounded by rising interest rates. Despite rising NPLs, banks should be able to keep their provisioning needs to a minimum because to their large buffers. Also, banks are expected to maintain a cautious stance in the face of global headwinds, causing credit costs to fall to 30–40 bps but remaining higher than pre–pandemic levels. Nonetheless, it predicted that beginning in 2023, banks' profitability might move closer to pre-pandemic levels, thanks to stronger margins, moderate loan costs, and a normalized tax rate.

Source: The Star, 18 November 2022

A mammoth task to maintain economic momentum awaits post-GE15

Despite external challenges, such as a possible global recession in 2023 as forecasted by market commentators, the new Malaysian administration faces the mammoth task of deepening recovery, preserving economic momentum, and stabilizing the political situation. The 15th General Election (GE15) has been called the most unpredictable in terms of which coalition will form the next government. This is due to the fact that over the past four years, Malaysians have been ruled by three different coalition governments, each with a razor-thin majority and whose achievements were generally disregarded by the majority of the rakyat. "Political stability" has become a political catchphrase as parties strive to win more voters and keep Malaysia a top investment destination.

Source: Bernama, 17 November 2022

Economy to hit US\$370 billion this year

Economists predict that Malaysia's GDP will increase by more than 9% this year, to more than USD370 billion, thanks in large part to the country's robust trade performance. With a record high for the month of October in terms of both exports and imports, the country maintained its expansionary trend. The International Trade and Industry Ministry reported today that trade increased by 21.1% year-on-year to RM245.18 billion in October 2021. This marks the 21st consecutive month of double-digit growth. For the fifteenth month in a row, exports increased year-over-year (y-o-y), increasing by 15% to RM131.63 billion in August. Most of the export growth came from more shipments of oil products, electrical and electronic goods, liquefied natural gas (LNG), and crude oil.

Source: The Straits Time. 15 November 2022

Malaysia's economy likely grew 11.7% in 3Q, outlook

cloudy

According to a Reuters poll, Malaysia's economy grew by double digits for the first time in over a year in the third quarter of 2022 (3Q2022), on the back of brisk domestic consumption and even stronger exports. However, the outlook for the future was bleak due to the possibility of a global slowdown. Malaysia had its greatest trade surplus in almost 20 years in September, totaling USD6.7 billion (RM31.71 billion), as exports increased by 30.1% year over year, primarily due to increased shipments of electronics, oil and gas products, and other commodities benefiting from high prices. The reopening of borders around the world will likely help alleviate labour shortages in some industries and fuel a sustained tourism revival. The increase, however, is likely to be cancelled out by other factors, such as tighter monetary policy, slower employment and wage growth, and weaker foreign demand.

Source: The Edge Markets, 09 November 2022

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

G20 Presidency can help support local MSME development: ministry

The Ministry of Communication and Information (Kominfo) has stated that the Indonesian G20 Presidency has the potential to contribute in the growth of domestic micro, small, and medium enterprises (MSMEs). The government of Indonesia has contracted a group of MSMEs to produce souvenirs for visiting delegations. In the middle of the year, the Ministry of Cooperatives and SMEs made an announcement that 20 SMEs had been approved as official souvenir suppliers for G20 delegates. The government's decision to work with SMEs to provide souvenirs is part of its effort to showcase Indonesia's potential and local expertise among trade partners. Indonesian MSMEs produce high-quality food and handmade goods that may compete successfully on global markets. The official souvenirs for the G20 Summit are herbal tea products made from moringa leaves in West Nusa Tenggara and vegetable fruit juice from Bali. Also available are wooden binders from East Java, ethnic bags from Bali, wayang placards from Central Java, and wooden wristwatches from West Java. According to the Ministry of Cooperatives and SMEs, the G20 summit will generate IDR1.7 trillion in consumer spending and 33,000 new jobs. G20 will not be the end of MSMEs' economic potential. After witnessing what Indonesia can offer, delegates may want to return for vacations.

Source: Antara News, 12 November 2022

PHILIPPINES

MSMEs and BPOs emerge as big winners in Davao City's first IT-BPM awards

Multiple honours were taken home by Ingenuity Software, VXI, Sutherland, and SixEleven Global Services at the inaugural IT-BPM awards ceremony held at Acacia Hotel on November 10, 2022. The event was organised by ICT Davao Inc and supported by the Davao City Investment Promotion Center (DCIPC). Black-tie event attendees included BPO executives came to support the team and mingle with peers. Vice President Inday Sara Duterte surprised the crowd with a video message praising the BPO industry for its role in reviving Davao City's economy following the pandemic and applauding the victors. There were 14 awards given out that night. Seven awards were in the enterprise category, for BPOs with 1,000 FTEs or more, and 7 awards for the micro, small and medium-scale BPOs. In the MSME category, Ingenuity Software and SixEleven Global Services were the night's main winners. A total of three prizes were given to Ingenuity, including the Madayaw Award, the highest honour given to a Micro, Small, or Medium-Sized Enterprise (Best Place to Work For). DTI XI, DICT XI, MinDa XI, TESDA XI, the President of the Davao City Chamber of Commerce and Industry, Dr. Malou Monteverde, and the Chair of the Information Technology Committee, Councilor Bonz Andre Militar, all promised to help the city grow in a way that is more sustainable.

Source: Philippine Information Agency, 15 November 2022

CAMBODIA

Cambodia presents business opportunities for Philippines firms

Joey Concepcion, chair of the Philippines' ASEAN Business Advisory Council, believes that both large and small Philippine companies can find success in Cambodia. During the CEO Roundtable discussion that took place on the margins of the ASEAN Summit in Phnom Penh last week, many expansion and export potential in Cambodia for Philippine companies were discussed. Priorities for future collaboration were established during the meeting, including the following subsectors: agriculture; housing; digitalization; food security; hospitality; garment manufacturing; business process outsourcing; and MSME development. In particular, agriculture was identified as a space where collaboration between the two nations may provide positive results. Even while Cambodia grows rice, Vietnam, a significant supplier to the Philippines, grows more of it overall. Cambodia is a big exporter of rice, but it goes through Vietnam for processing. They propose importing in rice from other countries so that Philippine businesses can refine it. The business community in Cambodia was open to the plan, and some even proposed sharing technological resources.

Source: Khmer Times, 17 November 2022 3