



SME Corp. Malaysia
02 June 2023

	19 May 2023		02 June 2023
FTSE BURSA MALAYSIA	1,428.54	↓	1,381.26
CURRENCY; USD 1 =	RM4.55	↓	RM4.59
BRENT CRUDE OIL (USD PER BARREL)	USD75.58	↑	USD76.13

Source: CEIC

Oil prices are near their lowest levels all year, reflecting a drop in global demand. Investors are uncertain about what lies ahead, speculating that OPEC and its allies, known as OPEC+, will not intervene by reducing production.

ECONOMICS & MSME NEWS

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GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK business confidence falls for first time in three months

UK Business Confidence Declines as Inflation Weighs on Sentiment, Lloyds Banking Group Survey Reveals. According to a survey conducted by Lloyds Banking Group Plc, business confidence in the UK has fallen for the first time in three months. Lloyds Banking Group's survey showed a 5-point drop in business confidence in May, reaching 28%. This decline is primarily driven by concerns about the overall economic outlook. Companies expecting price increases remained high at 56%, raising concerns about rising costs and potential interest rate hikes. Despite challenges, the UK economy showed resilience, avoiding a contraction in GDP. Staffing expectations eased slightly, indicating a potential easing of labor market tightness.

Source: Bloomberg, 30 May 2023

US economy little changed, outlook 'deteriorated': Fed survey

According to a recently published Federal Reserve report, the US economic activity has shown signs of stalling in recent weeks. The report reveals a slowdown in both job growth and inflation, while near-term business prospects have become slightly less optimistic than before. Although expectations for future growth have deteriorated to some extent, contacts within the business community still anticipate further expansion. Several regions have reported a temporary pause in hiring or reductions in staffing due to weaker demand or increased uncertainty. This development raises concerns about the overall economic outlook and underscores the challenges faced by businesses.

Source: Reuters, 01 June 2023

Bank of Japan chief says to patiently keep ultra-easy policy

Bank of Japan (BOJ) Governor Kazuo Ueda has expressed the central bank's steadfast dedication to maintaining its ultra-loose monetary stance, citing the need to bridge the gap towards achieving the 2% inflation target in a sustainable manner. Ueda downplayed expectations of an immediate policy change in the near future. The BOJ anticipates a clear slowdown in inflation, falling below the 2% mark by the middle of the current fiscal year. However, there is a degree of uncertainty surrounding the outlook, and the central bank expects inflation to rebound thereafter. Encouraging signs have emerged, including the likelihood of significant wage increases in this year's annual wage negotiations, which could contribute to dispelling Japan's deflationary mindset.

Source: Reuters, 30 May 2023

China's factory activity swings to surprise growth in May

China's economic recovery showed signs of weakening in May, fueling concerns about the overall growth outlook and prompting calls for further action from the central bank to counter the downturn. Official data released on May 31 revealed a contraction in manufacturing activity at a more pronounced rate compared to April, while the expansion in the services sector slowed down. These developments indicate a loss of momentum in the post-Covid rebound. As a result, investors responded by selling off various assets, including Chinese shares, the yuan, copper, and iron ore. China's economic recovery from the pandemic has been primarily driven by increased consumer spending on services such as travel and dining out, while the manufacturing sector has lagged behind.

Source: Bloomberg, 31 May 2023

MALAYSIA ECONOMIC NEWS

Malaysia urged to develop revenue strategy to boost low taxes - IMF

The International Monetary Fund (IMF) has emphasized the pressing need for Malaysia to develop a medium-term revenue strategy, citing the country's lowest tax revenues among ASEAN-5 and Organization for Economic Co-operation and Development (OECD) peers, which have been on a downward trajectory. As of 2021, Malaysia's tax revenues accounted for approximately 11% of the gross domestic product. The IMF noted that the 2023 Budget has committed to enhancing revenue collection by addressing leakages and improving tax compliance through the adoption of a Medium-Term Revenue Strategy (MTRS). However, it pointed out that the budget lacks specific measures and a timeline for the implementation of revenue-enhancing actions in the medium term. Despite the absence of plans to reintroduce the goods and services tax (GST) this year, the IMF emphasized the importance of promptly initiating preparatory work to reinstate it. This would lay the groundwork for effectively activating this essential revenue source, aligning with the IMF staff's call for enacting durable and high-quality measures. The IMF's recommendations underscore the critical nature of addressing Malaysia's revenue challenges to ensure fiscal sustainability and economic resilience. Developing and implementing a comprehensive medium-term revenue strategy will be crucial for the country to enhance tax collection, minimize leakages, and boost compliance, leading to a more robust and sustainable revenue base.

Source: The Star, 02 June 2023

Faster hiring of foreign talent a boon for E&E sector

The Malaysia Semiconductor Industry Association (MSIA) has welcomed the initiative to expedite the hiring process for foreign talent, noting that it will particularly benefit the electrical and electronics industry. Economy Minister Rafizi Ramli announced that the time required for companies to hire professional expatriates will be significantly reduced from an average of three to six months to approximately 20 days. This transformation will be made possible through the implementation of a "single window approach" starting from June 15. The implementation of a more efficient and expedited hiring process demonstrates the commitment of the Malaysian government to facilitate business growth and attract foreign talent to vital industries such as electrical and electronics.

Source: The Star, 02 June 2023

RM71.4bil investments approved in first quarter

In the first quarter of 2023, Malaysia successfully secured approved investments worth RM71.4 billion, according to the Malaysian Investment Development Authority (MIDA). Notably, the country witnessed a higher influx of foreign direct investments (FDIs) compared to domestic direct investments (DDIs) during this period. FDIs contributed RM37.5 billion, accounting for 52.5% of the total approved investments, while DDIs amounted to RM33.9 billion, representing 47.5% of the total approved investments. This achievement highlights Malaysia's continued appeal as a formidable investment destination. The balance between FDIs and DDIs, nearly equal in value, underscores the renewed confidence in Malaysia's growth prospects from a domestic standpoint.

Source: The Star, 30 May 2023

Balancing the scales: A sustainable path for SMEs

The momentum behind the sustainability movement continues to grow, with a clear recognition of its non-negotiable status across value chains. However, as this focus intensifies, there is a concern that many Small and Medium Enterprises (SMEs) could be left behind in the race to embrace sustainability. Emeera Hashim, Managing Director of Impacto, a pioneering sustainability clinic based in Kuala Lumpur, emphasizes this issue. She highlights that the current sustainability standards, frameworks, and information are primarily shaped by international bodies with more developed economies. This often overlooks the unique cultural, regulatory, and operational requirements faced by Malaysian SMEs. In response to this challenge, Emeera has partnered with CIMB Islamic to provide support through their GreenBizReady Program and drive the SME Adoption Initiative. Emeera emphasizes the importance for SMEs to assess their readiness for sustainability before embarking on their sustainable journey. The program seeks to bridge the gap and ensure that Malaysian SMEs are equipped with the necessary resources and guidance to embrace sustainability effectively.

Source: The Star, 27 May 2023

MSME NEWS IN SOUTHEAST ASIA

PHILIPPINES

RCEP to link Filipino MSMEs into global value chain

With the Regional Comprehensive Economic Partnership (RCEP) set to take effect in the Philippines on June 2, financial technology firm First Circle has highlighted the opportunities the free trade agreement (FTA) will bring for Filipino Micro, Small, and Medium Enterprises (MSMEs) to integrate into the global value chain. According to Benedict Carandang, Vice President of First Circle, local MSMEs face challenges in connecting their products and services with the global value chain, especially compared to their Southeast Asian counterparts. However, with the reduction and elimination of trade barriers under RCEP, cross-border trade prospects will be opened up for Philippine SMEs. Carandang emphasized that smaller enterprises should leverage the benefits provided by RCEP and explore avenues to sell their products and services to the vast market of 2.3 billion consumers within the new trade bloc. Access to this extensive market, allows SMEs to diversify their customer base, reduce dependence on traditional markets, obtain certifications that enhance competitiveness, benefit from exposure to advanced technologies, tap into a wider talent pool, learn best practices from more developed economies, and establish new regional partnerships and investors.

Source: Philippine News Agency, 30 May 2023

INDONESIA

Indonesian MSMEs should learn from South Korea's success: Minister

Teten Masduki, Indonesia's Minister of Cooperatives and Small, Medium Enterprises (SMEs), highlighted the potential for Indonesia's MSMEs and start-up owners to learn from South Korea's success with the Korean Wave phenomenon. The minister emphasized the need to use South Korea as a benchmark for developing Indonesia's creative economy. During a recent working visit to Seoul, South Korea, Masduki engaged in a bilateral meeting with Hong Jong-hak, South Korean Minister of SMEs and Start-ups (MSS), and participated in the celebration of the 50th anniversary of diplomatic relations between the two countries. Masduki praised South Korea for its highly developed start-up ecosystem, which can serve as a valuable reference for Indonesia. As the sixth-ranked country in terms of the number of start-ups worldwide, Indonesia aims to benefit from the knowledge and experiences of South Korea. Expressing gratitude for the cooperative relationship between the two nations, Masduki affirmed the importance of continued collaboration in the future. During his visit, the minister also toured various start-up incubators in Seoul, including TIPS Town. This incubator institution, initiated by the South Korean Government, facilitates start-ups in accessing investment from venture capital.

Source: Antara News, 29 May 2023

SINGAPORE

Singapore, Australia to launch AUD20M-fund for SME green products

Singapore and Australia have announced the launch of a new program, the Go-Green Co-Innovation Program, aimed at supporting SMEs from both countries in jointly developing innovative green products. The program will receive AUD20 million (USD13.2 million) in funding over the next four years, with contributions from Australia's Department of Foreign Affairs and Trade and Enterprise Singapore, according to a factsheet by Singapore's Ministry of Foreign Affairs (MFA). The initiative is part of the Singapore-Australia Green Economy Agreement, signed by both nations in October 2022. In addition to the co-innovation program, Singapore and Australia are working towards establishing a green and digital shipping corridor connecting their ports by the end of 2025, as outlined by the MFA. Furthermore, the two countries have finalized guiding principles and a work plan for collaboration under a food pact. This pact aims to enhance trade in food products, position Singapore as a transshipment hub for Australian food products, and promote cooperation on global food security concerns. Acting Prime Minister Lawrence Wong highlighted the shared objectives between Singapore and Australia during a joint press conference with Australian Prime Minister Anthony Albanese, emphasizing their alignment in working towards future economic and societal goals.

Source: Channel News Asia, 22 May 2023