



SME Corp. Malaysia
3 November 2023

	20 October 2023		3 November 2023
FTSE BURSA MALAYSIA	1,442.66		1,449.93
CURRENCY; USD 1 =	RM4.76		RM4.74
BRENT CRUDE OIL (USD PER BARREL)	USD92.38		USD84.89

The World Bank, on October 30, says it expected global oil prices to average \$90 a barrel in the fourth quarter and fall to an average of \$81 in 2024 as slowing growth eases demand, but warned that an escalation of the latest Middle East conflict could spike prices significantly higher.

ECONOMICS & MSME NEWS

23 OCTOBER 2023 – 3 NOVEMBER 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK factories struggle in October in latest downturn sign - PMI

Britain's manufacturing sector faced a more challenging October than initially reported, raising concerns about the country's economic outlook. The S&P Global/CIPS manufacturing PMI for the month was revised down to 44.8 from the initial estimate of 45.2. Both domestic and international customers reduced their orders, leading to job cuts within the manufacturing sector and a decrease in overall sector optimism. Despite the challenges, there was a positive note, as factory input prices fell for a sixth consecutive month, and selling prices also declined. The latest economic data highlights the BoE's cautious approach to economic management, aiming to balance inflation concerns with the need to stimulate economic growth.

Source: Reuters, 1 November 2023

Wages boost US labor costs, house price inflation picks up

The US is experiencing increased labor costs in the third quarter, primarily due to robust wage growth, according to recent reports. Simultaneously, housing price inflation has accelerated, posing challenges for the Federal Reserve's efforts to target a 2% inflation rate. These developments may influence the Fed's decision on interest rates. The Employment Cost Index (ECI), a comprehensive indicator of labor costs, surged by 1.1% in the last quarter, up from 1.0% in the preceding April-June period, according to the Labor Department's Bureau of Labor Statistics. This exceeded expectations set by economists, who predicted a 1.0% rise.

Source: Reuters, 1 November 2023

Japan to spend over USD112 billion for steps to combat inflation pain - draft

Japan is contemplating a substantial economic package of over JPY17 trillion (approximately USD112 billion) to counteract the impact of rising inflation, according to a draft of the package obtained by Reuters on November 1. To finance a significant portion of this spending, the government plans to create a supplementary budget for the current fiscal year amounting to roughly JPY13.1 trillion, as indicated in the draft. Earlier on the same day, the Asahi Shimbun reported that the total size of the measures under consideration is also likely to be approximately JPY17 trillion. This decision reflects a proactive approach on the government's part to provide relief to the public.

Source: Reuters, 1 November 2023

China's Sept industrial profits extend gains helped by policy support

Profits at China's industrial firms have continued their upward trajectory for a second consecutive month in September, providing further indications of a stabilizing economy. This growth comes in the wake of a surprising 17.2% gain in August and follows stronger-than-expected industrial and consumption activity throughout September. According to data from the National Bureau of Statistics (NBS), the year-on-year rise in profits reached 11.9%. For the first nine months of this year, profits have contracted by 9% compared to the same period in the previous year. This marks a notable improvement, considering the 11.7% decline recorded in the first eight months of this year. NBS statistician Yu Weining mentioned that industrial profits have been recovering on a quarter-by-quarter basis. In the July-September period, profits swung to a positive growth of 7.7%, a significant shift from the declines observed in the previous two quarters.

Source: Reuters, 27 October 2023

MALAYSIA ECONOMIC NEWS

Eight in 10 SMEs polled struggling to compete with multinationals in hiring talent

A recent survey conducted by recruitment firm Employment Hero has revealed the challenges faced by SMEs in hiring new talent. The study, titled "State of Recruitment," highlighted the difficulties faced by SMEs in competing with MNCs in the hiring process. A significant 85% of those responsible for recruitment in SMEs reported challenges in attracting talent when compared to their larger MNC counterparts. The report, released recently, also emphasised a notable increase in the cost of hiring. Of the respondents, 52% pointed to jobseekers demanding higher wages as a result of the rising living costs as the primary cause for this increase. In addition to wage pressures, other factors contributing to the elevated costs of hiring included labour shortages (37%) and the expenses related to job postings and recruitment agency commissions (both at 32%). This struggle is concerning as SMEs play a vital role in the economy. The report recommended that SMEs leverage their unique strengths by offering tailored employee packages that emphasise flexible working arrangements and a hands-on working culture. Last week, SME Corporation Malaysia urged MSMEs to embrace digitalisation as a means to enhance their business processes and overall operations. According to the corporation's CEO, Rizal Nainy, over 80% of MSMEs have adopted digital technology, using gadgets to complement their business operations.

Source: Malay Mail, 25 October 2023

OPR maintained at 3%

Bank Negara has opted to maintain its OPR at the current level of 3% in a move aligned with the US Federal Reserve's decision to maintain its funds target rate at 5.25% to 5.5%. Bank Negara defended its decision by stating that the current OPR level is conducive to supporting the economy, a stance that aligns with assessments of inflation and growth prospects. The decision also comes in light of calls for an OPR increase to counter the ringgit's decline, but experts argue that raising the OPR would raise costs for households and businesses, potentially hindering domestic demand. The central bank finds itself balancing the need to support economic growth with the acknowledgment that inflation has moderated. Bank Negara's statement emphasised its vigilance in monitoring ongoing developments and assessing the outlook for domestic inflation and growth.

Source: The Star, 3 November 2023

Investment implementation close to 80%

The Malaysian Investment Development Authority (MIDA) has seen an impressive 78.7% implementation rate for approved investments in the manufacturing and services sector, amounting to RM593.5 billion out of the total RM753.9 billion. These investments spanned 9,201 projects that will create almost 455,984 new jobs. The country's Minister of Investment, Trade, and Industry, Tengku Datuk Seri Zafrul Abdul Aziz, highlighted these statistics when discussing the Supply Bill 2024 in the Dewan Rakyat. He emphasized the government's commitment to translating investment plans into action. Furthermore, the Ministry plans to improve processes that facilitate investment entry and realization. To achieve this, the Investment and Trade Action Coordination Committee (JTPPP) was established under the Ministry to monitor and address issues faced by investors.

Source: The Star, 1 November 2023

FDI from Japan to exceed USD30bil this year - Tengku Zafrul

MITI anticipates that FDI from Japan will surpass USD30 billion this year. This positive projection is underpinned by the unwavering support of Japanese companies for investment in Malaysia. The Minister of Investment, Trade, and Industry, Tengku Datuk Seri Zafrul Abdul Aziz, expressed optimism regarding FDI prospects even in the face of a global trade slowdown. He highlighted the strong economic ties between the two countries, underlining the importance of Japan as one of Malaysia's vital economic partners. Tengku Zafrul noted that as of June 2023, Malaysian-Japanese collaborations have already yielded 2,778 projects worth USD27.25 billion, generating approximately 337,758 job opportunities. Japan has consistently been Malaysia's fourth-largest trading partner since 2015, with trade making up 6.4% of Malaysia's total trade volume in 2022, amounting to USD41.26 billion. This commitment to bolster economic collaboration was further solidified at the Malaysia-Japan Economic Dialogue, where an MoU was signed between the Japan Chamber of Commerce and Industry (JCCI) and the Federation of Malaysian Manufacturers (FMM).

Source: The Star, 25 October 2023

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

Supporting Indonesian MSMEs to go global

Indonesia is intensifying its efforts to boost its MSMEs, helping them venture into global and digital realms as part of a broader economic development plan. Increasingly, Indonesian MSMEs are making inroads into the international market, with their products gaining traction and competitiveness on the global stage. These endeavours are supported by the government's consistent efforts to bolster and expand the capacity, quality, and quantity of MSMEs. The primary objective is to enhance their presence on the global stage. The government is actively engaged in providing support and improving aspects crucial for MSMEs' global expansion. However, MSMEs face numerous challenges, including issues related to innovation, technology, digital literacy, productivity, legality, financing, branding and marketing, human resources, standardization and certification, equal coaching, training, and facilitation, as well as the need for a single database. To overcome these hurdles, close collaboration and synergy among all stakeholders is essential. State-owned enterprises (SOEs) are actively participating in supporting MSME development, offering access to financing, coaching, market access, and brand enhancement.

Source: The Antara News, 28 October 2023

THAILAND

JETRO to improve Thai SMEs access to Japan

In an effort to enhance market access for Thai SMEs, particularly in the agricultural sector, Thailand's Commerce Ministry has sought support from the Japan External Trade Organisation (JETRO). The goal is to facilitate the entry of Thai SMEs into the Japanese market, leveraging existing Free Trade Agreements (FTAs). Bilateral trade between Japan and Thailand during the first eight months of this year reached an estimated USD59 billion. Thai exports to Japan amounted to USD24.6 billion, while Japanese imports stood at USD34.4 billion. Thailand currently benefits from three significant FTAs with Japan, ASEAN, and the Regional Comprehensive Economic Partnership (RCEP), significantly contributing to its exports to Japan. Deputy Commerce Minister Napintorn Srisunpang held discussions with JETRO Chairman Kurada Jun, leading to an agreement to organize a seminar for Thai SMEs and Japanese businesses operating in Thailand. The seminar's aim is to promote the utilization of existing FTAs to strengthen market access. Thailand is seeking JETRO's assistance in identifying Japanese startups that can provide expertise and technology to enhance the quality and productivity of SMEs as well as expanding their presence in the Japanese market.

Source: Thailand Business News, 24 October 2023

SINGAPORE

Polytechnics gear up to provide enhanced R&D support to SMEs

Singapore's polytechnics are set to provide increased support to SMEs in their R&D endeavors. This support includes new training programs and greater access to polytechnic facilities. In a significant development, a new Centre of Innovation (COI) focused on the built environment sector has been established, marking the twelfth COI under Enterprise Singapore. This newly established COI, jointly run by Temasek Polytechnic (TP) and Ngee Ann Polytechnic (NP), will concentrate on R&D efforts related to robotics and automation. Furthermore, SMEs in the food manufacturing sector will receive innovation support, particularly in areas such as alternative proteins and sustainability. This expansion builds upon an existing COI operated by Singapore Polytechnic (SP), and Nanyang Polytechnic, Republic Polytechnic, and TP will join in these efforts. Collectively, these two COIs will collaborate with around 800 SMEs and undertake over 100 innovation projects over the next two years. Singapore's Minister for Trade and Industry, Gan Kim Yong, made these announcements during this year's SME Tech Day event. He noted, "We recognize the challenges faced by SMEs to develop their in-house R&D and innovation capabilities and facilities. Hence, these COIs offer access to specialized equipment, labs, and training for product and process innovation." These endeavors represent a significant push to boost R&D and innovation among Singaporean SMEs, supporting their growth and competitiveness in the global marketplace.

Source: The Business Times, 2 November 2023