

FTSE BURSA MALAYSIA	1,450.23	↓	1,416.88
CURRENCY; USD 1 =	RM4.69	↓	RM4.72
BRENT CRUDE OIL (USD PER BARREL)	USD93.27	↓	USD84.58

Source: CEIC

Oil prices fell about 2% on October 5th, extending the previous session's losses of nearly 6%, as worries about fuel demand outweighed an OPEC+ decision to maintain oil output cuts, keeping supply tight. Global benchmark Brent crude futures and US West Texas Intermediate crude futures have declined about USD10 a barrel in less than 10 days after edging close to USD100 in late September.

ECONOMICS & MSME NEWS

25 SEPTEMBER 2023 – 6 OCTOBER 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

Pound dips after weak UK construction data, BoE survey

The GBP weakened against the USD and the EUR as data revealed a substantial slump in UK construction activity, the sharpest since 2020. The S&P Global/CIPS UK Construction Purchasing Managers' Index (PMI) dropped to 45.0 in September from 50.8 in August, well below the 50 level indicating contraction. The all-sector PMI, which includes services, manufacturing, and construction, was at 48.2, the lowest since January 2021. The GBP also struggled against the USD due to expectations of further US interest rate hikes, while the BoE's tightening cycle appears near its end. Money market traders estimate a 30% chance of a rate increase in November, but this is likely the final hike in the cycle.

Source: Reuters, 5 October 2023

Low weekly jobless claims, shrinking trade deficit boost US economic picture

Recent economic data highlights the ongoing challenges in the US labour market as the third quarter concluded. While initial claims for state unemployment benefits increased moderately, and layoffs declined in September, the labour market remains tight, and economic prospects are mixed. The US labour market continues to face tight conditions. Initial claims for state unemployment benefits increased by 2,000 to reach a seasonally adjusted 207,000 for the week ending September 30th. Though this increase was modest, the data remained at the lower end of its range for the year. Employers are notably reluctant to lay off workers a trend since the aftermath of the COVID-19 pandemic.

Source: Reuters, 5 October 2023

Japan's Kishida vows to focus on wage hikes at union meeting

Japanese Prime Minister Fumio Kishida has emphasized the importance of achieving sustained and broader wage increases to counteract rising living costs. His remarks, made at an annual meeting of Japan's largest labour organization Rengo, signify the government's commitment to creating an economic cycle where higher wages boost consumption and enable companies to raise prices. Kishida's call for sustainable wage growth aligns with the Bank of Japan's stance, highlighting the necessity for enduring wage gains alongside lasting inflation before considering a reduction in ultra-low interest rates. This focus on sustained wage increases comes as Japan grapples with a weak yen, keeping the costs of importing fuel and raw materials stubbornly high.

Source: Reuters, 5 October 2023

IMF sees signs China stabilizing, says reforms can boost medium-term growth

The IMF has noted signs of economic stability in China, suggesting that with necessary reforms, China can accelerate its growth in the medium term. The IMF maintains its projection of approximately 5% growth for China in 2023, with detailed forecasts to be released during the upcoming IMF-World Bank annual meetings. While China's GDP growth is expected to slow to around 3.5% in the medium term due to demographic challenges and declining productivity, the IMF believes that higher growth is achievable through economic reforms. China faces challenges such as a struggling recovery from COVID-19 lockdowns, a downturn in the property sector, and a debt burden from extensive infrastructure investments. There are concerns of China entering a Japan-like era of stagnation, driven by factors like an aging population and slowing productivity growth.

Source: Reuters, 29 September 2023

MALAYSIA ECONOMIC NEWS

Malaysia has made major strides in energy transition, ease of doing business

Malaysia is advancing significantly in its energy transition efforts and enhancing its business-friendly environment, according to Prime Minister Datuk Seri Anwar Ibrahim. Speaking during a roundtable meeting in the United Arab Emirates (UAE), he reaffirmed Malaysia's commitment to clear policies on renewable energy and technological advancements. Malaysia is an early adopter of renewable energy in Southeast Asia, with Sarawak serving as a major energy hub that supplies power to Indonesia's new capital, Kalimantan. The country is also participating in the first cross-border power trade in the ASEAN region through the Lao-Thailand-Malaysia-Singapore Power Integration Project, strengthening the ASEAN Power Grid. Prime Minister Anwar highlighted the Ministry of Investment, Trade, and Industry's efforts to improve the ease of doing business, particularly through the New Industrial Masterplan 2030 (NIMP). This masterplan provides a clear roadmap for enhancing business competitiveness. Additionally, Malaysia is making significant strides in microchip and semiconductor technology, particularly with Germany's Infineon Technologies AG planning to invest up to 5 billion EUR to construct the world's largest 200mm silicon carbide (SiC) power fabrication plant in Malaysia. Prime Minister Anwar stressed that Malaysia is poised to thrive economically, emphasizing the need for competitiveness and effective leadership to ensure the country's continued growth.

Source: The Star, 6 October 2023

Malaysia's economy remains resilient - Bank Negara governor

Bank Negara Malaysia (BNM) Governor Datuk Abdul Rasheed Ghaffour has highlighted the resilience of Malaysia's economy, with a focus on improving labor market conditions and increased investments. He anticipates that labor market improvements, along with private and public sector investments, will continue to support the economy in 2024. The governor also expects the economy to benefit from a gradual tech cycle recovery and increased external demand. In terms of inflation, Abdul Rasheed noted that Malaysia is not facing significant challenges and expects inflation to trend lower. The Overnight Policy Rate remains at 3.0%, supporting the economy, with the Monetary Policy Committee monitoring evolving conditions.

Source: The Star, 3 October 2023

Malaysia maintaining 4-5% GDP growth forecast for 2023 - Ahmad Maslan

Malaysia maintains its 2023 GDP growth forecast at 4%-5%, as announced by Deputy Finance Minister I, Datuk Seri Ahmad Maslan. The Finance Ministry has not revised the economic growth projection for the year. This statement follows the World Bank's projection that Malaysia's economic growth is expected to moderate to 3.9% in 2023, down from its earlier estimate of 4.3% in April. The World Bank cites a significant deceleration in external demand as the reason for this adjustment. However, the bank acknowledges that domestic demand will continue to support Malaysia's economic resilience in 2023, despite limited fiscal space being a key challenge for the economy.

Source: The Star, 3 October 2023

Zafrul: Support SMEs in capturing Asean market

Malaysian Investment, Trade, and Industry Minister Tengku Datuk Seri Zafrul Abdul Aziz highlighted the importance of supporting SMEs as global supply chains shift towards ASEAN countries. He emphasized that ASEAN is emerging as the "new China" and a significant consumer base, with a combined GDP of approximately USD3.7 trillion and a middle class of around 350 million individuals. ASEAN, comprising ten nations, is now the world's fifth-largest economy, with a substantial middle class and a growing share of global FDI. Tengku Zafrul stressed that ASEAN's economic integration aligns with the Madani Economy framework. The minister acknowledged the impact of external factors on businesses and highlighted the need to provide SMEs with financial support to ensure supply chains remain intact, benefiting the nation's socio-economic development. He commended the collaboration between the Malaysian Industrial Development Finance Bhd (MIDF) and Agensi Kaunseling dan Pengurusan Kredit (AKPK) for its role in supporting troubled companies, particularly SMEs.

Source: The Star, 4 October 2023

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

Social commerce regulation to not hurt MSME interests: Masduki

Indonesia's Trade Ministry's Regulation No. 31 of 2023, leading to the closure of TikTok Shop, will not adversely impact MSMEs, according to Teten Masduki, the Minister of Cooperatives and SMEs. The regulation, which prohibits the operation of social commerce platforms like TikTok Shop, aims to combine the features of social media and e-commerce platforms. Masduki emphasized that MSMEs will not suffer as a result of this closure, as they have access to alternative channels besides TikTok. He clarified that the government's decision concerning TikTok Shop is not intended to hinder MSMEs. TikTok Shop's closure resulted from its failure to obtain a permit to function as an e-commerce platform supporting trade activities. The Minister stressed that the closure of TikTok Shop was solely due to its lack of a permit. He urged MSMEs that previously conducted trade activities on TikTok Shop to transition to alternative online shopping platforms. Masduki also encouraged entrepreneurs to promote their products through traditional means alongside digital platforms, emphasizing that there are other channels for conducting trade activities that buyers can easily access. In order to continue operations in Indonesia, TikTok Shop must apply for an e-commerce platform permit, and adhere to Trade Ministry Regulation No. 31 of 2023.

Source: Antara News, 5 October 2023

THAILAND

State banks pause lending rates to assist customers

State-run banks in Thailand have taken a bold step to counteract high interest rates by freezing their loan rates. This move aims to assist low-income earners and small to SMEs, according to Vitai Ratanakorn, President and Chief Executive of the Government Savings Bank (GSB). The GSB, which serves six million loan customers, has collaborated with the government on this measure. The Bank of Thailand's Monetary Policy Committee recently raised its benchmark interest rate to 2.5%, a ten-year high. Krit Sesawet, Director and Acting President of the Government Housing Bank (GH Bank), confirmed that GH Bank plans to keep its loan rates unchanged until the end of the year. This strategy aims to ease the burden of monthly installment payments for customers, allowing them time to adjust to the higher interest rate. Narthanaree Rattapat, President of the SME Development Bank of Thailand, explained that as a state-run financial institution supporting small businesses, the bank has decided to freeze interest rates for all loan types. This is intended to alleviate the financial burden on SMEs and provide them with a sufficient window to effectively manage their businesses. The bank's minimum retail rate is set at 8.05% per annum, while the minimum lending rate stands at 7.05% per year.

Source: Bangkok Post, 4 October 2023

SINGAPORE

How SMEs in Singapore are navigating a digital sea change

Singapore's SMEs are adopting digital solutions to stay competitive and sustainable amid increasing international competition and the impact of digitalization. The COVID-19 pandemic accelerated the adoption of digital payment solutions, with QR code payments becoming increasingly popular among small businesses, including hawkers and neighbourhood coffee shops. DBS Bank's PayLah digital service has played a significant role in this shift, allowing users to transfer money through mobile numbers or QR codes. Initiatives such as ambassador programs have been launched by financial institutions to encourage more hawkers to embrace digital payments. Additionally, online orders and deliveries have become a focal point for hawkers during the pandemic. Programs like Adopt-A-Hawker Centre, which allowed hawkers to put their menus on the PayLah platform with deliveries handled by DBS, led to increased revenue and a surge in QR code payments. Sustainability is another pressing concern for SMEs in Singapore, with many looking to incorporate greener practices into their operations. Digital solutions, such as digital payments and collection infrastructure, enable SMEs to improve operational efficiency and reduce waste. Looking forward, SMEs are encouraged to embrace new technologies, including AI and omnichannel strategies, to remain competitive in the digital era. Banks like DBS aim to support SMEs in this digital transformation to ensure their continued success.

Source: Tech Asia, 5 October 2023