SME Corp. Malaysia
16 December 2022

	02 December 2022		16 December 2022
FTSE BURSA MALAYSIA	1,481.8	↓	1,478.5
CURRENCY; USD 1 =	RM4.40	↓	RM4.42
BRENT CRUDE OIL (USD PER BARREL)	USD85.57	↓	USD79.04

Source: CEIC

As the dollar strengthened on 15 December 2022, oil prices fell in Asian trading, and concerns about demand were also raised by the prospect of additional interest rate increases from major central banks.

ECONOMICS & MSME NEWS

05 DECEMBER 2022 – 16 DECEMBER 2022

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK interest rates raised to highest level for 14 years

In an attempt to rein in spiraling inflation, the Bank of England has increased UK interest rates to their highest level in 14 years. It was the ninth consecutive increase in rates, and the most recent one brought the benchmark to 3.5% from 3.0%. Some homeowners and borrowers will see their mortgage and loan payments increase at a time when many are already finding it difficult to survive due to rising costs. As the price of commodities such as food and energy continues to grow rapidly, inflation rates have reached their highest point at its fastest rate for 40 years. In theory, a rise in interest rates would cause consumers to reduce their borrowing and consumption, resulting in greater savings. It is expected that this would aid in lowering inflation.

Source: BBC News, 16 December 2022

US inflation eased in November, CPI report shows

After reaching a four-decade high earlier this year, price increases have slowed down considerably this fall. Consumer prices rose last month at the slowest 12-month pace since December 2021, closing out a year in which inflation hit the highest level in four decades and challenged the Federal Reserve's ability to keep the US economy on track. The Consumer Price Index released by the Labor Department in November showed a year-over-year increase of 7.1%, significantly less than the 7.7% increase reported for the previous month of October. There has been a general slowing of price rises since June's 9.1% high, but it is still significantly higher than the 2.1% average rate seen in the three years prior to the epidemic.

Source: Wall Street Journal, 13 December 2022

Japan's trade gap continues to outsize forecasts as yen weighs

Even though commodity prices dropped in November, Japan's trade deficit shrank less than projected as the effect of the weaker yen continued to weigh on imports. The trade balance for Japan has now been negative for the past 16 months in a row, and the nation is on track to conclude the year with an annual trade deficit that will establish a new record. This is an indicator of the beating that the economy has suffered as a result of a negative net trade performance, which has been damaged by the weak yen and rising commodity costs. The increase in imports, which was greater than anticipated, was the root reason of the larger-than-expected trade deficit. As commodity prices drop and the yen recovers, economists expect the trade gap to decrease.

Source: The Japan Times, 15 December 2022

China's leaders plot pivot back toward boosting economy

After years of condemning cadres who gave priority to growth at the price of social stability and fiscal restraint, the Chinese government is going back to growth mode as a rapid deterioration in economic conditions compels frightened officials to turn more of their focus on development. Despite slow growth this year, Economist is expecting that the world's second-largest economy will rise by at least 5.0% in 2023 as they anticipate the removal of COVID-19 restrictions that have held the country back over the past three years. However, some economists have lowered their expectation for China due to increased geopolitical tensions, the ongoing effects of the housing market crash, and the general uncertainty surrounding the future. China is almost certain to miss its official GDP target of about 5.5% growth this year by a substantial margin.

Source: Wall Street Journal, 13 December 2022

MALAYSIA ECONOMIC NEWS

Malaysia to focus on core competency of workforce to up prospects

The sustained economic engagement that Malaysia has had with the rest of the world economy has resulted in a significant improvement in the country's investment possibilities. To profit from the transformation of the Malaysian economy, which includes attracting high-tech investments and shifting to new sectors of comparative advantage, the country must strengthen the people's core competences so that the local workforce can compete effectively in the global market. As a response to the challenges posed by the economy and in an effort to ensure that the nation does not lose its standing as the premier investment destination in the region, MIDA had taken steps to prepare the workforce for the years to come. Combining these activities and a skilled labor force will increase international investment prospects. The previous year was very productive for MIDA, as seen by the record-breaking amount of RM309.4 billion in investments that were approved for the manufacturing, services, and primary sectors respectively. The investors will come if their investments are located in an environment that is clean and has transparent regulations, and if we work together with the government and business sectors to build a workforce that is hardworking and productive. It is crucial for a country to have political stability and a clear sense of direction in addition to a pool of skilled workers in order to be competitive in the global investment market and bring in more capital. Our economy is open to cross-border investments and our expertise in developing projects is world-class. These factors will contribute to a rapid increase in digital infrastructure.

Source: The Star, 16 December 2022

Improvement seen in labor market

The strengthening domestic economic recovery is likely to have a positive impact on the job market. New job-related activities under the reintroduced Budget 2023 would provide a boost to the labor market. Despite forecasts of a worldwide economic downturn in 2023, hiring is projected to remain strong due to strong domestic demand. A global economic rebound is forecast to begin as early as the second half of 2023. Some economists, however, have predicted that, moving forward, the rate of recovery will decrease because of increased global recessionary risks and deteriorating demand. According to a statement released by the country's chief statistician, the unemployment rate in the country is currently 3.6%, which is 0.3% greater than it was in February 2020. The number of workers continued to rise in October with increase of 0.2% to 16.68 million people, compared with 16.66 million in September.

Source: The Star, 14 December 2022

Malaysia's GDP to slow to 5% in 2023

According to RAM Ratings, GDP growth in Malaysia is expected to decelerate to 4.0%–5.0% in 2023 from an anticipated 8.2% in 2022. According to the rating agency, a downturn in global economic activity is expected to have a negative impact on Malaysia's exports, while continuing pricing pressures and tighter monetary conditions may have an effect on the country's overall consumption. In spite of this, it is anticipated that domestic demand will be the primary driver of economic growth as firms and households emerge from the lingering shadows cast by the COVID-19 pandemic. The large and diverse economic base that Malaysia possess would act as a buffer against the heightened impediments to growth in the year 2023. Improved labor market conditions in 2023, with the average unemployment rate expected to fall to 3.5% from an estimated 3.8% in 2022, would further fuel economic expansion.

Source: The Star, 14 December 2022

Consumer spending in 4Q to be resilient on pent-up demand

Sales in Malaysia could fall over the coming months as a result of monetary tightening, a slowing global economy, and rising living costs. But this month's strong seasonal elements, along with the flood of tourists, will continue to bolster the domestic retail business in the fourth quarter of the year. Pent-up demand would keep consumer spending steady until the end of the year, which would be supported by the reopening of the domestic economy, the improvement of the labor market, and stable inflationary pressure. In addition, the nation's monetary policy is currently in the process of normalization rather than continuing along the path of tightening, and the overnight policy rate (OPR) may reach 3.0% as early as the beginning of 2023. Even though the OPR is on the upward trajectory, it should have minimal effect on the domestic spending outlook.

Source: The Star, 13 December 2022

MSME NEWS IN SOUTHEAST ASIA

INDONESIA
Indonesia Manufacturing Center to boost MSMEs' productivity

Minister of Cooperatives and Small and Medium Enterprises Teten Masduki has said that the Indonesia Manufacturing Center (IMC), which was developed by the Ministry of Industry, will increase the efficiency of micro, small, and medium enterprises (MSMEs). The currently being developed, the IMC will provide a crucial platform for increasing the efficiency of our MSMEs. IMC's presence, with one of its main goals being the introduction of new technologies into the production of domestic industrial machinery, will be of significant assistance to the MSMEs sector and the domestic manufacturing industry as a whole. This is because several machines used by industries and MSMEs are still imported from various countries. MSMEs would not only be able to enhance their productivity, but they would also be able to acquire machinery at costs that are more cheap because the machines would be acquired from within the country. The possibility also exists for IMC to serve as a substitute for the import of industrial machinery by MSMEs. Furthermore, MSMEs now have the opportunity to use a more cutting-edge technology into their manufacturing processes because to advances in machinery. This has the potential to become a solution for the challenges that MSMEs are now dealing with, such as low productivity and the minimal utilization of technology in the manufacturing process.

Source: Antara News, 05 December 2022

PHILIPPINES
'GUIDE', a pro-MSMEs recovery bill, approved on 3rd reading

In its third and final reading, the House of Representatives unanimously passed a bill that would provide funding for MSMEs, particularly those impacted by the COVID-19 outbreak and other major economic issues with national and international reach. House Bill (HB) No.1, or the proposed Act providing for Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE). The bill defines MSMEs as "any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories: micro, not more than PHP3 million; small, PHP3 million to PHP15 million; and medium, PHP15 million to PHP100 million". Credit and other forms of financial aid must be made available to these businesses, as a result. State policy is hereby established to safeguard employment and aid financially struggling businesses in their efforts to revitalize the economy. The bill would strengthen the capacity of the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) to provide the needed assistance to MSMEs.

Source: The Star, 16 December 2022

CAMBODIA
USD50 million ADB loan aims to boost economic diversity

As part of its Trade and Competitiveness Program, the Asian Development Bank (ADB) approved a $50 million policy-based loan on December 6 to aid the government's efforts to diversify the economy, improve local businesses' ability to compete globally, and speed up the recovery from the COVID-19 pandemic. To aid in Cambodia's economic revival following COVID-19, this initiative will fund government policies to boost the country's investment and business climate; encourage the development of MSMEs; and strengthen trade policy and trade facilitation. The overarching framework of measures known as "trade facilitation" aims to remove legal and technical obstacles across the full spectrum of border procedures in order to facilitate the international movement of imports and exports in ways that are less costly, less time-consuming, more efficient, and more predictable, without compromising safety, security, health, or other legitimate regulatory goals. ADB's Trade and Competitiveness Program will help improve the overall business climate for both domestic and foreign firms.

Source: The Phnom Penh Post, 06 December 2022