

	07 October 2022		21 October 2022
FTSE BURSA MALAYSIA	1,406.0		1,446.4
CURRENCY; USD 1 =	RM4.65		RM4.74
BRENT CRUDE OIL (USD PER BARREL)	USD97.92		USD91.34

Source: CEIC

*The OPEC+ production cut, which comes ahead of a European Union embargo on Russian oil, will squeeze supply in an already tight market. The European Union's sanctions on Russian crude and oil products will take effect in December and February.*

# ECONOMICS & MSME NEWS

10 OCTOBER 2022 – 21 OCTOBER 2022

## GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

### Truss quits, but UK's political and economic turmoil persist

British Prime Minister Liz Truss quit on 20 October 2022, after a tumultuous and historically brief term marred by economic policies that roiled financial markets and a rebellion in her political party that obliterated her authority. Truss served for 45 days before she was removed from office. Her departure deepens the uncertainty that has gripped Britain ever since it severed ties with the European Union and leaves its leadership unsteady as the country struggles with a rising cost of living and an impending economic downturn. Truss resigned a day after stating she was "a fighter and not a quitter." A top minister departed her ministry amid a storm of criticism, and a vote Wednesday deteriorated into turmoil and acrimony.

Source: AP News, 20 October 2022

### Rates moving too high could have 'nonlinear' impact on US economy

The president of the Chicago Federal Reserve, Charles Evans, outlined a case for caution in the central bank's fight against high inflation on Wednesday, warning that a rise in interest rates might have a "nonlinear" effect on the economy if firms became more gloomy. Although the Federal Reserve Board expects economic growth of 4.6% in next year, Evans warned that "if we have to hike the path of the funds rate much more... it really does begin to impact on the economy. At its meeting on November 1-2, the Federal Reserve is widely expected to approve a fourth consecutive 3/4-point hike, but it will then have to make the crucial decision of whether to halt the pace and give the economy time to react.

Source: Reuters, 19 October 2022

### Rapid, one-sided yen fall negative for Japan economy: BOJ chief

The rapid and unstable decline of the yen has been "negative" for Japan's economy. Companies in Japan are finding it difficult to plan ahead due to the yen's rapid depreciation; the government's intervention in September was "quite appropriate" in light of this. The movement of currencies should be steady and reflective of underlying economic and financial conditions. The yen's recent decline has been precipitous and unilateral. A weak yen hinders businesses' ability to make business plans and increases market volatility, both of which are bad for the economy. However, if the weakening of the yen is stable, it is a plus for the economy. A weak yen enhances exporters' foreign profits in yen. But it raises Japan's import expenses.

Source: The Kyodo News, 19 October 2022

### China's Economic Data Gets Harder to Find as Growth Slows

The National Bureau of Statistics of China abruptly postponed publication of the country's quarterly gross domestic product data to an undisclosed day and time. The country's customs department had mysteriously skipped releasing official monthly trade data a few days prior. Economists said the steps were unprecedented in China, and they occurred as the country prepared for a Communist Party congress at which President Xi Jinping is highly expected to be reelected for a third term. However, these incidents were only the most egregious manifestations of a trend that many investors and academics believe indicates growing sensitivity to economic data and opinion, which has complicated analysis of the world's second-largest economy.

Source: The Wall Street Journal, 18 October 2022

# MALAYSIA ECONOMIC NEWS

## In for another great quarterly GDP

With very strong economic statistics and preliminary indicators of growth weakening ahead, Malaysia is likely to report another eye-popping economic growth rate for the third quarter of 2022 (3Q22). Despite initial predictions of a slowdown in domestic growth in the second half of the year, trade numbers hitting the highest value in September and the Industrial Production Index for August expanding at the fastest rate in 15 months suggest that 3Q22 will remain robust. The market for Malaysian exports, particularly in Asean and China, has remained strong despite the significant hike in interest rates by major developed central banks to contain inflation and orchestrate a gentle landing. The GDP growth rate for 3Q22 will "definitely" be the highest of the year. The economy grew at an annualized rate of 8.9% in the 2Q22 and at a rate of 5% in the 1Q22. Growth is anticipated to come in at 10.7% y-o-y in the 3Q22 and to linger at 2.1% in the 4Q22 principally due to the diminishing base effects while the unemployment rate remains stable, thereby constraining private consumption growth. However, the government's latest estimate for 2022 is 6.5%, which is on the low end of the range. The most recent data from the Purchasing Managers' Index (PMI), combined with the robust data from exports, continue to point to growth in the third quarter of the year. Professor of Economics at the University of Science and Technology Malaysia (MUST) Williams explained that the enormous 8.9% growth in 2Q22 was the result of "excess money" from withdrawals from the Employees Provident Fund and the economic recovery. As a result, the slowdown and potential recession have been postponed until the third and fourth quarters of 2022 and beyond. All of this fits the official government scenario.

Source: The Star, 21 October 2022

## Inflation rate down to 4.5% in September, says Mustapa

According to the interim minister of economic affairs of Malaysia, Mustapa Mohamed, the country's inflation rate came in at 4.5% in September, down from 4.7% in August. Compared to the previous month, inflation was 0.1% lower in September than it was in August, when it was 0.2%; however, the annualized rate of inflation was 3.3% for the period of January through September. In comparison to countries such as the United States (8.2%), the Philippines (6.9%), Thailand (6.4%), Indonesia (6.0%), and South Korea (5.6%), Malaysia reported a lower inflation rate for the month of September. The food group's inflation rate decreased to 6.8% in September from 7.2% in August, which was the primary contributor to the lower overall inflation rate in September.

Source: Free Malaysia Today, 21 October 2022

## Incentives and tax exemptions for economic growth

Ahead of the year 2020, Malaysia's economy expanded at a steady clip, mirroring that of other countries. A number of industries were crucial to keeping Malaysia's economy afloat, including manufacturing, services, tourism, and information technology. In order to stimulate the economy, certain industries will be granted tax breaks in order to entice both domestic and foreign investors. The dynamic growth that benefited the people as a whole was fueled by HASiL's tax incentives and qualifying tax relief, and the HASiL collection is being transferred to the people in the form of amenities and facilities as part of the modernization of the nation for the benefit of its citizens. National growth can be stimulated by injecting the appropriate incentives into the appropriate industries.

Source: The Star, 17 October 2022

## Economic outlook remains positive for 2023, says PM

Although there is a global economic slowdown, Prime Minister Ismail Sabri Yaakob is optimistic that the Malaysian economy would not be severely impacted in comparison to other countries. Ismail has stated that he is optimistic because he believes that Malaysia's economy will continue to improve following the progress made this year. The country's positive GDP of 8.9% in the second quarter of 2022 compared with 5% in the first quarter of 2022. In Southeast Asia, this is the highest recorded accomplishment. Foreign direct investment is another source of optimism for the country's economic outlook. In the second quarter of 2022, Malaysia's economy grew at a rate that was the greatest in Asean and greater than the rates recorded in China (0.4%), the United States (1.6%), South Korea (2.9%), Europe (4%), Singapore (4.4%), Indonesia (5.4%), and the Philippines (7.4%). Although economic growth is expected to be challenging, it will not be as challenging as situations faced by other countries

Source: Free Malaysia Today, 10 October 2022

# MSME NEWS IN SOUTHEAST ASIA

## PHILLIPINES

### Loans to MSMEs drop below 10% mandated threshold

The first half of the year saw a decline of 1.6% in the total amount of loans made by domestic banks to micro, small, and medium-sized firms (MSMEs) compared to the same period previous year, falling to P447.7 billion from P454.84 billion. This is still well below the necessary 10% benchmark. According to the BSP, as of the end of March, the banking industry's overall compliance ratio was 5.08%, which is below the 10% mandated by Republic Act 6977, as revised by RA 8289 and RA 9501. This law is also known as the Magna Carta for SMEs. Banks are required by law to set aside 8% of their loan portfolio for micro and small businesses and 2% for medium businesses. The role played by MSMEs is critical, as they make up 99.5% of all businesses and 62.8% of all employees. More over a third (35.7% to be exact) of the Philippines' GDP growth is attributable to this industry. However, banks' current risk aversion during the height of the COVID-19 pandemic makes it impossible for MSMEs to realize their full potential in terms of lending and financial access. BSP adopted regulatory relief measures to help MSMEs. Monetary Board of the central bank recommended a temporary reduction in the credit risk weight for MSME lending from 75% to 50%.

Source: The Philippine Star, 10 October 2022

## INDONESIA

### BRI Encourages Domestic Growth Through MSMEs as State-Owned Enterprises Become the Drive for Economic Developments

Supporting MSMEs is one of the primary goals of PT Bank Rakyat Indonesia (BRI) Persero Tbk. (IDX: BBRI), which is why the bank has launched various initiatives and programs, including the Ultra-Micro (UMi) Holding programs. Sunarso, president and director of BRI, shares the view that the key to boosting Indonesia's economy is investing MSMEs. SMEs are responsible for generating 97% of Indonesia's total employment. Therefore, it is essential for BRI to play a role in fostering financial inclusion in Indonesia, as MSMEs constitute its primary business. The numbers show how effective UMi Holding has been. In August of 2022, the combined clientele of the three companies that make up UMi Holding amounted to 23.5 million, with a total finance outstanding of IDR183.9 trillion. With this success, the G20 Presidency is able to further its focus on financial inclusion, one of its top priorities. BRI is certain that the continuous growth will positively affect the Indonesian economy. "Our efforts to limit inflation are vital, but our goal is also to continue to build our economy so that stagflation does not emerge, thus decreasing the possibility of increased unemployment," said BRI.

Source: PR Newswire, 20 October 2022

## CAMBODIA

### Women are the backbone of ASEAN economic growth

According to Cambodian Prime Minister Hun Sen, as the ASEAN region continues to recover and boost its sustainable, inclusive, and resilient economic growth, the role of women will remain crucial. To further support women's role in the region, the bloc needs unity and cooperation in developing an environment that encourages the success of women business owners, and in working together to overcome obstacles. In ASEAN, women entrepreneurs, particularly those based in rural areas, face numerous challenges when trying to grow and manage their businesses. Since the vast majority of women-owned businesses are not formally registered, it is difficult for governments to identify and support them. MSMEs in Cambodia are responsible for generating 73% of the country's jobs and 58% of its GDP. About 61% of all MSMEs are founded and led by women. For this reason, the Cambodian government has pushed the idea that women are vital to the country's economic and social progress by increasing funding for initiatives that promote gender equality and highlight the contributions of women to development across all fields and at all levels of society.

Source: Khmer Times, 13 October 2022