

FTSE BURSA MALAYSIA	1,454.95		1,450.23
CURRENCY; USD 1 =	RM4.68		RM4.69
BRENT CRUDE OIL (USD PER BARREL)	USD89.92		USD93.27

Source: CEIC

*Saudi Arabia and Russia extended oil production cuts first made in July, contrary to the belief it was to raise oil prices. The International Energy Agency (IEA) faces criticism for its forecasts, with claims it has shifted from forecasting to political advocacy. Despite rising sales of electric vehicles and alternative energy sources, global oil demand remains strong, challenging many predictions about the oil market's future.*

# ECONOMICS & MSME NEWS

11 SEPTEMBER 2023 – 22 SEPTEMBER 2023

## GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

### Bank of England halts run of interest rate hikes as economy slows

In a significant departure from its recent course of action, the Bank of England (BoE) has chosen to keep its interest rates unchanged, marking the first time it has not raised rates since December 2021. This decision closely follows an unexpected deceleration in the UK's inflation rate, signifying a potentially cautious approach by the central bank. The MPC narrowly voted 5-4 to maintain the Bank Rate at its current level of 5.25%. The BoE's decision to hold interest rates steady represents a noteworthy shift in monetary policy. It mirrors similar actions taken by the US Federal Reserve to maintain rates and the European Central Bank's decision to raise rates while indicating a potential pause in the near future.

Source: Reuters, 21 September 2023

### Yellen says US growth rate needs to slow amid full employment

US Treasury Secretary Janet Yellen has stressed the need for the US economy to experience a slowdown in growth in order to bring inflation back to target levels. She noted that the US economy has been operating at full employment, and thus, it's vital for growth to align with its potential rate. The GDP of the US has continued to expand at a rate well above what Federal Reserve officials consider the non-inflationary growth rate, around 1.8%, often referred to as the "potential" growth rate. Yellen didn't specify the exact potential growth rate for the US economy but indicated that it has consistently exceeded potential since emerging from the COVID-19 pandemic in 2021.

Source: Reuters, 20 September 2023

### Japan's factory activity shrinks, service sector growth slows in September

Japan's economy is facing continued challenges as its factory activity contracts for the fourth consecutive month and the service sector experiences its slowest growth in eight months. These developments reflect the struggles of the Japanese economy in achieving a robust recovery. According to the au Jibun Bank flash Japan Manufacturing PMI, September saw a decline to a seasonally adjusted 48.6 from August's 49.6. This marks the fourth consecutive month that the index has remained below the critical 50.0 threshold, which distinguishes contraction from expansion. Prior to a brief rise above 50.0 in May, the index had been in contraction territory for six consecutive months. In September, output reached its lowest point since June.

Source: Reuters, 22 September 2023

### China August industrial output, retail sales growth beat expectations

China's industrial output has shown signs of growth, with a 4.5% increase in August compared to the previous year, up from July's 3.7%. This suggests that recent support measures may be gradually stabilising the nation's economic recovery. Data released on Friday by the National Bureau of Statistics (NBS) exceeded expectations, surpassing a Reuters analyst poll that projected a 3.9% increase. This rate is the fastest since April. Additionally, retail sales, which serve as an indicator of consumption, grew at a quicker pace of 4.6% in August, supported by the summer travel season. This marks the highest growth rate since May, in contrast to the 2.5% increase observed in July and the expected 3% increase. Fixed asset investment, a key economic metric, expanded by 3.2% in the first eight months of 2023 compared to the same period in the previous year. This was slightly below the anticipated 3.3% rise but reflects a positive trend. The growth in this sector stood at 3.4% in the period from January to July.

Source: Reuters, 15 September 2023

# MALAYSIA ECONOMIC NEWS

## SME Corp channels RM100mil to aid 20,700 MSMEs

SME Corporation Malaysia (SME Corp) has announced the allocation of RM100 million through the Micro Madani Strengthening Programme (Micro Madani) aimed at aiding 20,700 entrepreneurs across Malaysia in MSME sector. Entrepreneur Development and Cooperatives Minister Datuk Ewon Benedick unveiled the programme during a press conference, highlighting that it provides financial assistance in the form of grants, loans, and MSME-status vouchers. The eligibility criteria for MSMEs participating in this programme include having fewer than five employees and an annual income not exceeding RM300,000. For those needing working capital or seeking to purchase machinery and equipment (up to RM200,000), loan financing will be available at an interest rate as low as 2% per annum in partnership with the Malaysian Industrial Development Finance Bhd (MIDF). Furthermore, MSME-status vouchers offer entrepreneurs financial support of RM100 for the registration process fee. To ensure that the funding serves its intended purpose, SME Corp will closely monitor the activities of all recipients. SME Corp's chief executive officer, Rizal Nainy, expressed optimism about the programme's response and revealed plans for nationwide promotional tours starting from September 22 in Kuantan, Pahang, and concluding on October 17 in Kota Kinabalu, Sabah. The MSME sector has demonstrated remarkable growth, with an 11.6% increase in 2022 compared to just 1.3% in 2021.

Source: The Star, 20 September 2023

## Government to help businesses grow and prosper in Malaysia

In a bid to bolster Malaysia's economic growth, the government is committed to adopting a more pro-business stance, striving to make the country a more attractive destination for commerce. Transport Minister Anthony Loke Siew Fook, emphasizing the pivotal role of the private sector in economic growth, highlighted the need for collaboration between the government and businesses. During a dialogue session hosted by the Malaysian International Chamber of Commerce and Industry (MICCI), Loke expressed the government's readiness to work hand in hand with the private sector, acknowledging that a thriving private sector is indispensable for economic advancement. Loke emphasized the importance of DDI alongside FDI to drive economic growth as well as the necessity of updating regulations and policies.

Source: The Star, 20 September 2023

## Positive outlook for essential goods business

The government is expected to extend its cash aid programme in the upcoming Budget 2024 to alleviate the financial burdens of the lower-income group, particularly the B40 segment. This initiative is likely to boost demand for essential F&B products, with companies in the essential goods sector benefiting, according to TA Research. The impact of cash assistance programmes typically favours essential goods providers and manufacturers, with a particular focus on the F&B and retail industries. In the context of rising costs and food inflation, the government's cash assistance programme is expected to stimulate increased demand for essential F&B products, especially among the economically disadvantaged B40 demographic. The growing domestic consumption of essential goods will have a positive impact on the retail sector.

Source: The Star, 19 September 2023

## Stronger approved investments in 2H likely

Malaysia has embarked on a promising trajectory in the realm of investment as it anticipates a stronger surge in the second half of 2023 (2H23), bringing it in line with its annual investment targets. This encouraging outlook follows an impressive performance in the first half of the year, where the country secured RM132.6 billion worth of approved investments, constituting 60.3% of its annual investment target. MITI Minister Tengku Datuk Seri Zafrul Abdul Aziz expressed his satisfaction with this achievement, emphasizing its alignment with Malaysia's decade-long average of RM222.6 billion. This consistency underscores the nation's ongoing efforts to attract high-quality investments while fuelling economic growth. The investments obtained during this period spanned various sectors, including services, manufacturing, and primary industries. These investments were attributed to 2,651 distinct projects, promising the creation of 51,853 job opportunities within Malaysia's borders. Malaysia has been a supportive government that actively develops pro-business policies and consistently enhances the ease of doing business.

Source: The Star, 18 September 2023

# MSME NEWS IN SOUTHEAST ASIA

## INDONESIA

### Government seeks to help MSMEs level up, face digital trade

In a bid to bolster MSMEs and prepare them for the digital age, the Ministry of Communication and Information (Kemenkominfo) has announced a comprehensive set of strategies. This initiative aims to enhance the competitiveness of MSMEs in the digital commerce landscape. Speaking during an online discussion on "The Fate of MSMEs amidst the Glitter of Social Commerce," Usman Kansong, Director General of Information and Public Communication at the Ministry, highlighted the importance of elevating MSMEs to adapt to the evolving digital trade environment. Kansong explained, "The point is we are leveling up these MSMEs. From previously only (selling) offline, we are encouraging them to adopt the online system and combine it. That, not everyone can do it, so we are encouraging them by providing various programs like digital education." To support this transformation, the Ministry has laid out several initiatives, including regulatory frameworks to safeguard the interests of MSMEs in the digital sphere. Additionally, programs aimed at enhancing the digital skills of MSME players are being developed to facilitate their transition to online platforms. Collaboration with industry stakeholders is also a key component of the Ministry's strategy.

Source: Antara News, 16 September 2023

## PHILIPPINES

### Google DEEP Program: Empowering Filipino MSMEs with Essential Digital Tools

In a significant move to support local MSMEs, Google Philippines has introduced the Digital Export Enablement Programme (DEEP). This initiative is designed to empower Filipino entrepreneurs by equipping them with the tools and knowledge needed to modernize and expand their businesses through the power of Google's digital resources. Collaborating with the Department of Trade and Industry (DTI), the International Trade Centre (ITC), and the International Chamber of Commerce (ICC), Google Philippines has meticulously developed a comprehensive program. DEEP is structured to guide MSMEs through every stage of their digital transformation journey, facilitating their growth and competitiveness in the modern business landscape. The inaugural two-day workshop, organized as part of DEEP, provided attendees with valuable insights into harnessing Google's Business Profile feature and other essential digital export skills. It also served as a platform for accessing a wealth of resources from these prestigious organizations. The primary goal is to nurture e-commerce proficiency among MSMEs and encourage their exploration of international market opportunities.

Source: Good News Philippines, 14 September 2023

## CAMBODIA

### ACLEDA to raise \$100M for SME loans via Thai bonds

Aceda Bank Plc, a prominent commercial bank in Cambodia, is set to list bonds on the Thailand stock exchange as part of a strategy to raise \$100 million. The funds raised will primarily be allocated to support the growth and development of SMEs. This significant move marks a milestone as Aceda Bank becomes the first local company to list bonds abroad. As per the bank's filing with the Cambodia Securities Exchange (CSX) on September 18, the issuance of Thai baht (THB) denominated subordinated unsecured debentures has been approved by the National Bank of Cambodia (NBC). The bank plans to issue 433,163,019 units at 10,020 Khmer riel per unit on the Thai Bond Market Association (ThaiBMA). The main objective of this issuance is to broaden the bank's sources of funding by tapping into the Thai bond market and diversify its funding channels to support the bank's long-term strategic goals. Aceda Bank has informed investors that the first issuance of Thai baht-denominated subordinated unsecured debentures will amount to "up to \$100 million equivalent in THB with a seven-year tenor" in Thailand. In Channy, President and Group Managing Director of Aceda, highlighted that this listing will provide the bank with the opportunity to diversify its domestic and foreign funding sources through the capital market. Channy also stressed the importance of expanding the pool of long-term funds globally.

Source: The Phnom Penh Post, 20 September 2023