SME Corp. Malaysia
15 December 2023

	1 December 2023		15 December 2023
FTSE BURSA MALAYSIA	1,456.38	↑	1,462.45
CURRENCY; USD 1 =	RM4.65	↓	RM4.67
BRENT CRUDE OIL (USD PER BARREL)	USD78.88	↓	USD77.32

Source: CEIC

Oil prices settled up slightly on December 11 as OPEC+ production cuts failed to fully offset worries around crude oversupply and softer fuel demand growth next year. Despite a pledge by the OPEC+ group, to cut 2.2 million barrels per day (bpd) of crude oil production in the first quarter, investors remain sceptical about compliance.

ECONOMICS & MSME NEWS

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GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK economy shrinks, testing BoE's resolve on rates

Official data released for December 13, revealed a 0.3% decline in Britain's GDP, raising fears of an impending recession. This marked the first monthly shrinkage since July and prompted a weaker Sterling in financial markets. While markets hinted at potential rate cuts by mid-2024, the Bank of England (BoE) is expected to maintain rates at 5.25%. Analysts expressed worry over the economic slowdown, noting a stagnant three-month period to October. Despite the economy being 2.0% larger than pre-pandemic levels, concerns about living standards persist. A substantial goods trade deficit in October, notably with declining exports to the EU, underlines the broader economic uncertainties. The economy's growth prospects remain uncertain.

Source: Reuters, 14 December 2023

Fed rarely cuts rates at a 'measured pace'

The Federal Reserve is anticipated to embark on a gradual interest rate reduction in 2024, expected to total 150 basis points. Historically, rate increases have been cautious, while cuts tend to be more swift and assertive. The market projects a smooth 25 basis points reduction per meeting, reminiscent of past Fed strategies. However, this approach may not align with potential economic realities. The Fed's revised outlook suggests a slower rate trajectory by 2024, indicating a milder policy approach. Analysts foresee a gradual glide towards equilibrium, anticipating a series of rate cuts from 75 basis points in 2023, yet note potential discrepancies between this forecast and the actual economic slowdown.

Source: Reuters, 14 December 2023

Japan's central bank to sit tight on policy, may drop hints on pivot

The Bank of Japan (BOJ) is expected to uphold its accommodative stance amidst uncertainties surrounding the economy. Governor Kazuo Ueda might hint at the exit from negative interest rates during the post-meeting briefing. However, analysts suggest the likelihood of maintaining ultra-loose policies until April to guide short-term rates. While the corporate sector shows resilience, concerns over consumption and global uncertainties persist. The BOJ remains cautious about wage increases, highlighting the necessity for inflation rooted in robust consumption and higher wages. Discord within the BOJ persists regarding the exit strategy. Economists foresee a potential policy shift in January or April next year.

Source: Reuters, 14 December 2023

Exclusive: China to run budget gap of 3% of GDP in 2024, issue special debt

During China's annual economy meeting, sources revealed that the Chinese leaders aim to set a budget deficit at 3% of GDP for 2024, indicating a conservative fiscal approach compared to this year's 3.8%. Off-budget sovereign debt might be issued to supplement additional expenditures. These measures, including local government bonds, are viewed as exceptional moves to support specific objectives. The Central Economic Work Conference closed with a plan for fiscal reforms and tax enhancements, yet specific details were undisclosed. Analysts predict a growth target around 5% for 2024, but Moody's recent downgrade warning concerning government debt and property markets has raised scrutiny on China's fiscal policies and debt levels. With local government debt rising, China may maintain flexible budget deficit plans, as indicated by recent bond issuances for flood prevention and an increased deficit target for 2023.

Source: Reuters, 15 December 2023

MALAYSIA ECONOMIC NEWS

Up to 18% savings from targeted subsidies

In a bid to optimize public spending and enhance project efficiency, the Malaysian government announced plans to implement a comprehensive reform package encompassing targeted fuel subsidies and streamlined project implementation, beginning in 2024. Departing from the current blanket subsidy system, the government will transition to a targeted assistance program for petrol and diesel. This shift, projected to yield savings of up to 17.5% in government expenditures, is underpinned by the establishment of a national database. Operational from January 1st, this database will compile data on household income and other key indicators, enabling the precise allocation of subsidies to those most in need. The proposed mechanism for supporting lower-income households remains under discussion, with the possibility of monthly cash payouts among the potential options. Addressing longstanding concerns regarding sluggish project implementation, the government intends to expedite project timelines, particularly in critical sectors such as healthcare. The aim is to eliminate bureaucratic hurdles and optimize resource allocation by tackling practices like the pre-booking of small budget allocations without immediate need. This renewed focus on efficiency seeks to ensure that every Ringgit spent delivers maximum benefit to the public. Recognizing the potential unpopularity of certain reform measures, the government emphasizes its commitment to transparency and open dialogue.

Source: The Star, 14 December 2023

GDP to stay robust

Despite a projected global economic slowdown next year, Malaysia is expected to defy the headwinds and achieve robust growth exceeding the upper end of the government's official target. Analysts predict a GDP expansion of 4.8% in 2024, fueled by a potent mix of domestic resilience and strategic government initiatives. The rollout of approved investments and strategic plans under the Madani Economy, including multi-year infrastructure projects, will stimulate the investment landscape. Malaysia's strong domestic fundamentals and strategic government plans position the country for a promising 2024. The combination of resilient consumer spending, recovering trade, and targeted investments is expected to propel economic growth towards the upper end of the government's target range, solidifying Malaysia's position as a regional economic powerhouse.

Source: The Star, 14 December 2023

Ringgit likely to gain strength next year

Malaysian investors can look forward to a potentially stronger ringgit and a rebounding FBM KLCI in 2024, according to Rakuten Trade Sdn Bhd. Their optimism stems from anticipated easing by the US Federal Reserve and a surge in FDIs into the country. Kenny Yee, head of research at Rakuten Trade, predicts the ringgit will trade within the RM4.40-RM4.50 range next year, aided by potential Fed rate cuts and rising FDIs. Easing of the Fed's monetary stance, with its funds rate currently at 5.5%, is seen as a key driver of ringgit appreciation. Rakuten Trade paints a cautiously optimistic picture for the Malaysian financial markets in 2024. A weaker dollar, increasing FDIs, and a potentially rebounding FBM KLCI offer positive signals for investors, although external factors like US monetary policy and the Chinese economy remain important to watch.

Source: The Star, 14 December 2023

Domestic investors show growing confidence in Malaysia - Tengku Zafrul

Malaysian industrial giants are stepping up, propelling investor confidence and driving impressive economic growth. Investment, Trade and Industry Minister Tengku Datuk Seri Zafrul Abdul Aziz lauded the surging participation of domestic investors, who contributed a remarkable 45% of the RM225 billion total approved investments in the first three quarters of 2023. Tengku Zafrul attributed this surge to a "positive economic overflow" generated by successful local investments, indicating a heightened level of confidence in the nation's future. This enthusiastic backing from domestic players significantly surpasses previous levels, solidifying Malaysia's economic trajectory. The Ministry of International Trade and Industry (MITI) remains committed to nurturing this domestic confidence through the ambitious New Industrial Master Plan 2030 (NIMP 2030). The minister emphasized its role in propelling DDI alongside efforts to attract FDI.

Source: The Star, 8 December 2023

MSME NEWS IN SOUTHEAST ASIA

PHILIPPINES
Ilocos Norte MSMEs get P5-K business stimulus package

In a bid to bolster the resilience of its small-scale businesses, the Ilocos Norte provincial government has distributed a timely stimulus package, offering critical financial aid and capacity-building opportunities. 265 MSMEs received PHP5,000 in cash assistance, providing immediate relief against ongoing operational challenges, some stemming from the initial impact of the Covid-19 pandemic. Additionally, four loan applications were approved, totaling PHP97,000 in accessible financing with minimal interest and a one-year repayment period. This initiative builds upon the government's commitment to the sector, following last year's provision of approximately PHP3 million in aid to sari-sari stores. Elma Gabriel, head of the provincial MSME Office, emphasized their continued efforts, stating, "Our program prioritizes small businesses in manufacturing, handicrafts, retail, and services, particularly those owned by women, those struggling to meet basic needs, the elderly, and people with disabilities.“ Recognizing the importance of upskilling and adapting to evolving business landscapes, the stimulus package also includes free training and capacity-building activities aimed at enhancing the entrepreneurs' skills and productivity.

Source: Manila Bulletin, 15 December 2023

INDONESIA
MSMEs dominate domestic market, keep eyeing global market: Jokowi

Embracing digital transformation, leveling up operations, and dominating the domestic market are President Joko Widodo's (Jokowi) rallying cries for Indonesia's vibrant MSMEs. While acknowledging their significant contribution to the national economy, he challenged them to set their sights beyond domestic borders and tap into the vast potential of the global market. Speaking at the opening of the MSME Export Brilianpreneur event, Jokowi highlighted the need for Indonesian MSMEs to "go digital, go global, and dominate the domestic market." Recognizing the domestic market's significant size, he emphasized that achieving domestic mastery should not eclipse aspirations for international success. However, with only 15.7% of Indonesian MSMEs currently engaged in exports, lagging behind regional neighbors like Singapore (41%) and Thailand (29%), the path towards global competitiveness necessitates increased focus on upskilling and export-oriented strategies. Beyond market conquest, President Jokowi addressed the crucial issue of financing. Acknowledging that bank credit disbursement to MSMEs currently stands at a mere 21% of total credit, he advocated for simplifying regulations and broadening eligibility criteria.

Source: Antara News, 7 December 2023

SINGAPORE
Cost savings and operational efficiency: Energy management firm helps SMEs reap benefits of decarbonisation

Embracing sustainability can be a complex and resource-intensive undertaking for SMEs. Recognizing this challenge, Schneider Electric has launched the SME Kickstarter Decarbonisation Programme, an innovative initiative designed to empower Singaporean SMEs in their transition towards greener operations. Partnering with Enterprise Singapore, the Programme tackles two key barriers for SMEs: cost and complexity. Through the Enterprise Development Grant (EDG), it offers significant financial support, covering up to 70% of sustainability-related expenses. Additionally, Schneider Electric streamlines the process, taking care of administrative burdens and reducing paperwork to a minimum, enabling SMEs to focus their efforts on implementing sustainable practices. Seng Heng Engineering (SHE), a family-owned manufacturer of critical fasteners, exemplifies the tangible impact of the Programme. Initially lacking the expertise to navigate decarbonisation, SHE's participation has yielded remarkable results. Schneider Electric's expert recommendations on retrofitting air-conditioning and lighting systems resulted in immediate cost savings and a rapid return on investment. Moreover, SHE has benefited from ongoing training and mentorship in sustainability practices, equipped its workforce with essential emissions tracking and decarbonisation skills, and laid the groundwork for future growth with robust digital solutions.

Source: The Straits Times, 15 December 2023