

	1 July 2022		15 July 2022
FTSE BURSA MALAYSIA	1,449.7	↓	1,418.4
CURRENCY; USD 1 =	RM4.41	↓	RM4.45
BRENT CRUDE OIL (USD PER BARREL)	USD111.63	↓	USD102.00

Source: CEIC

Oil prices fell 9% compared to 1 July as investors focused on the prospect of a large US rate hike later this month that could stem inflation but at the same time hit oil demand

ECONOMICS & MSME NEWS

4 JULY 2022 – 15 JULY 2022

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK economy grows but fears remain over rising prices

The economy grew by 0.5% during the month, the Office for National Statistics (ONS) said, higher than the flat growth most economists expected. Every area of the economy expanded including construction, travel and manufacturing. However, businesses reported that higher running costs had led to them to put up prices for customers. And with household disposable incomes set to fall further in the autumn when energy prices are set to rise again, there is "still a real risk" that the economy could fall into a recession, said Paul Dales, chief UK economist at Capital Economics. UK inflation rose high as food prices jump. Both businesses and households are being hit by rising prices, which are surging at their fastest rate for 40 years due to record-high fuel and energy costs.

Source: BBC News,
14 July 2022

US retail sales beat expectations, production slumps

US retail sales rebounded strongly in June as Americans spent more on gasoline and other goods amid soaring inflation, which could allay fears of an imminent recession but not change the view that economic growth in the second quarter was tepid. Despite the strength in retail sales, manufacturing is losing steam. A separate report showed factory production fell 0.5% last month, matching the drop in May. That reflected declines in the output of long-lasting manufactured goods and nondurable consumer goods, and helped to push overall industrial production down 0.2%. Other data showed, implying softening demand as the Federal Reserve aggressively tightens monetary policy to bring inflation down to its 2.0% target.

Source: Reuters, 15 July 2022

Tame inflation to keep BOJ a dovish outlier in global rate-hike rush

The Bank of Japan (BOJ) is expected to reiterate its resolve to keep monetary policy ultra-loose and remain a dovish outlier as many other central banks raise interest rates, a commitment that could lead to further falls in the yen. Central bankers around the world are scrambling to cool stubbornly high inflation. The BOJ, however, is in no rush to withdraw its massive stimulus, with Japan's economy yet to recover to pre-pandemic levels and inflation - at slightly above its 2% target - well below that of other advanced nations. The BOJ is expected to maintain ultra-low interest rates and a pledge to keep borrowing rates at "current or lower" levels. The decision will come before that of the European Central Bank, which looks set to raise rates for the first time since 2011 to combat inflation running at a record 8.6%.

Source: Reuters, 15 July 2022

China's GDP growth misses expectations in the 2Q

China eked out GDP growth of 0.4% in the second quarter from a year ago, missing expectations as the economy struggled to shake off the impact of COVID-19 controls. Analysts polled by Reuters had forecast growth of 1% in the second quarter. Industrial production in June also missed expectations, rising by 3.9% from a year ago, versus the 4.1% forecast. However, retail sales in June rose by 3.1%, recovering from a prior slump and beating expectations for no growth from the prior year. Retail sales in June saw a boost from spending across many categories including autos, cosmetics and medicine. Online sales of physical goods grew by 8.3% from a year ago in June, slower than the 14% growth the prior month.

Source: CNBC, 15 July 2022

MALAYSIA ECONOMIC NEWS

Almost RM21 billion disbursed through wage subsidy programme

The government has disbursed RM20.89 billion to 357,895 employers through the Wage Subsidy Programme (PSU) up to July 1, 2022, which is helping to keep 2.96 million local workers employed in an effort to reduce unemployment. Ministry of Finance said a total of 322,177 employers and 2.64 million workers benefited from PSU 1.0, with wage subsidy applications worth RM12.96 billion approved as of July 1. Under PSU 2.0, a total of RM1.41 billion had been disbursed to 81,158 employers and helping to maintain the employment of 719,024 workers. For PSU 3.0, RM3.77 billion had been given to 162,307 employers up to then, helping to sustain 1.53 million jobs. Under the National People's Well-Being and Economic Recovery Package (PEMULIH), the government implemented PSU 4.0 with an allocation of RM3.8 billion, which is expected to benefit 2.5 million workers. Up to July 1, RM2.56 billion had been disbursed to 163,696 employers to help them sustain their operations and maintain 1.92 million jobs.

Source: The Star, 15 July 2022

MATRADE eyes cumulative export increase of RM5 billion by 2025

Malaysia External Trade Development Corporation (MATRADE) eyes to achieve a cumulative export increase of RM5 billion by 2025, to be contributed by 380 Mid-Tier Companies (MTC) under its Mid-Tier Companies Development Programme (MTCDP). The MTCDP which was launched in 2014, is the only high-impact exporters' development programme in Malaysia's five-year development plan, aimed to accelerate export growth, enhance their global competitiveness and promote Malaysian homegrown brands in the global marketplace. Since its inception, the programme has managed to outreach and groom 275 MTCs from various sectors and industries and this year the programme will onboard another 25 well-established MTCs including 14 companies from the manufacturing sector plus 11 companies from the services sector.

Source: Malay Mail, 13 July 2022

Slower IPI growth seen this year

The manufacturing index growth of the industrial production index (IPI) may settle slightly lower this year following deeper-than-expected contractions in April and May, says Kenanga Research in a report. It said weaker external trade due to the prolonged global supply chain issues amid China's extended lockdowns and the Russia-Ukraine war would also be responsible for the slower outlook. "Nonetheless, we still expect manufacturing growth to be underpinned by strong domestic demand and this has been signalled by a slight improvement in Malaysia's purchasing managers' index (PMI) in June at 50.4," it said. The research house retained its gross domestic product growth forecast for this year at 5% to 5.5% on expectations of strong domestic demand and trade recovery as China continues to ease restrictions.

Source: The Star, 13 July 2022

RAM Ratings revises 2022 inflation forecast to 3%

RAM Ratings has revised the inflation forecast for 2022 to 3.0% from 2.5% earlier. In a statement, the rating agency said the revision reflected recent changes in subsidies and the price ceiling for key price-controlled food items, as well as a stronger-than-expected cost pass-through to consumers so far this year. The removal of subsidies for bottled cooking oil, as well as a higher price ceiling for food items like chicken and eggs had taken effect on July 1. "We estimate these measures to lift headline inflation in the second half of 2022 (2H22) by approximately 0.3 percentage points. Food inflation already climbed to 5.2% in May 2022, compared to 3.2% in December 2021. Given the prolonged price pressures faced by businesses, more prevalent cost pass-through to consumers will also be inevitable in 2H22," the rating agency added. It said the low base due to the electricity tariff discount in the third quarter of 2021 will also push the overall inflation rate higher this year.

Source: The Star, 14 July 2022

MSME NEWS IN SOUTHEAST ASIA

MALAYSIA: SME Corp. Malaysia ensures brand excellence with NMMB

SME Corp. Malaysia is committed to ensuring the excellence of Malaysian brands with the National Mark of Malaysian Brand (NMMB) certification programme. The CEO, Rizal Nainy said that as Malaysia's reopening is set to enter full steam by the third quarter, economic recovery efforts have also started to gather pace after a two-year slowdown resulting from the COVID-19 pandemic. The NMMB certification programme has been spearheaded by SME Corp. Malaysia since 2009. It has seen 182 industry players being accredited for their commitment to quality. The certification programme also allows SMEs to gain access to financial incentives, prioritised for trade promotional activities domestically and abroad, as well as participate in various courses and workshops by SME Corp Malaysia.

Source: The Star, 15 July 2022

VIETNAM

Not all SMEs on right track digitally

Digital transformation is the key to competitive advantage in the age of technology-driven business, but few SMEs are doing it the right way. Nguyen Duc Minh, Digital Transformation Manager at the FPT Digital, asserted that some SMEs had not found the solutions to their core digital problems, yet they still spent a lot on development and research. He suggested that SMEs seek solutions to three key problems, thereby improving their financial situation and resource efficiency which are customer experience, operational improvement, and data gathering. According to the Vietnam Software Association, about 15% of Vietnamese enterprises have been implementing digital transformation. Of which, 99% face financial difficulties following the trend and think that digital transformation is affordable only to big names.

Source: VietnamPlus, 5 July 2022

PHILIPPINES

First Circle launches Project Finder

To help more Philippine small and medium enterprises (SMEs) get started on government supplying, First Circle launched Project Finder last July 7, 2022. Finding appropriate projects and clients is always a struggle for SME owners. The use of digital tools for sales and marketing among Filipino SME owners is still minimal, so they mostly rely on word-of-mouth and referral from personal connections to find revenue-increasing opportunities. First Circle's Project Finder (<https://my.firstcircle.ph/project-finder>) helps SMEs break into B2G (business-to-government) operations through a free and searchable database of government contracts. These contracts are scraped from PhilGEPS (Philippine Government Electronic Procurement System) and LGU (local government units) websites, showing project details that are otherwise inaccessible without a PhilGEPS account, or an exhaustive online search.

Source: The Manila Times, 8 July 2022

CAMBODIA

CCC workshop tackles export issues for domestic SMEs

The Cambodia Chamber of Commerce (CCC) on July 8 advised owners of local SMEs to understand and follow the legal procedures for export to streamline the process and reduce compliance issues. The recommendation was made at a Consultation Workshop on "Cambodia SMEs Exports", held by the CCC under the public-private partnership framework. The meeting aimed to lend support for Cambodian SMEs and other stakeholders – who shared experiences, opinions and concerns in the field – and provide them with pointers on how to gather information and export in an easier and more efficient way. SME owners also shared how much time and money they now save after understanding the relevant legal procedures, adding that Cambodian fiscal and business laws offer many benefits for the smooth running of business and export operations, especially for SMEs.

Source: The Phnom Penh Post, 10 July 2022