

FTSE BURSA MALAYSIA	1,496.5	↓	1,425.0
CURRENCY; USD 1 =	RM4.50	↓	RM4.57
BRENT CRUDE OIL (USD PER BARREL)	USD92.84	↓	USD86.63

Source: CEIC

Crude oil prices are slightly lower in Asia-Pacific trading as equity markets fall following a downbeat US session.

# ECONOMICS & MSME NEWS

12 SEPTEMBER 2022 – 23 SEPTEMBER 2022

## GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

### UK in recession, says Bank of England as it raises interest rates to 2.25%

Britain's economy is now in recession, as the Bank of England (BoE) raised interest rates to tackle the worst bout of inflation for 40 years. BoE raised the rate by 0.5 percentage points to 2.25% – its highest level since 2008 – judging that the risks of inflationary pressures becoming entrenched outweighed the short-term dangers to the economy. Soaring energy bills and the rising cost of a weekly shop forcing households to rein in their spending. After a 0.1% drop in GDP in 2Q 2022, the Bank said a further 0.1% decline could now be expected in 3Q 2022 amid a slump in consumer spending and weaker activity for manufacturing and construction. In tackling inflationary pressures, the Bank announced it would start actively selling £80bn of UK government bonds bought under a quantitative easing scheme used since the 2008 financial crisis to support the economy.

Source: The Guardian, 22 September 2022

### Japan intervenes to prop up the sliding yen

Japan announced that it had intervened to prop up the value of the yen for the first time in 24 years, seeking to stanch the currency's continuing slide against the dollar. The yen has lost over 20% of its value against the dollar over the past year, pressuring Japan's economy by making it more expensive to import many essentials, including energy and food. The yen's plunge has been caused largely by Japan's determination to keep interest rates low even as the US Federal Reserve cranks them up to fight inflation, pushing the dollar higher. The Japanese yen passed 145 to the dollar on 22 September, a day after the Fed announced that it would raise its policy rate an additional three-quarters of a percentage point, to a range of 33.25%. The Japanese central bank once again manifested its commitment to lean in the opposite direction of the many foreign counterparts that have embarked on a rate hike campaign.

Source: The Japan Times, 22 September 2022

### China's retail sales, industrial production beat expectations in August

China reported data that showed a pickup in growth in August from the prior month. The data also came in above expectations across the board. Retail sales grew by 5.4% in August from a year ago, the fastest since the January-February period this year, according to figures released by the National Bureau of Statistics. August retail sales topped a Reuters forecast for 3.5% growth. Among the overall encouraging data, retail sales posted the biggest surprise, boosted by passenger car sales and helped by comparison to low growth last August. This year, catering sales recovered from a Covid-induced slump to rise by 8.4% in August from a year ago, while autos and food sales also grew significantly. That helped retail sales for the year through August grow by 0.5% from a year ago. Meanwhile, industrial production rose by 4.2% in August from a year earlier, beating the 3.8% increase estimated in a Reuters poll of analysts. Despite a year-on-year decline in major categories such as cement and steel, autos again proved to be a bright spot, with passenger car production surging by 33%.

Source: CNBC, 16 September 2022

# MALAYSIA ECONOMIC NEWS

## Malaysia's exports breached RM1tril for eight months of 2022

Malaysia's trade performance in August 2022 remained resilient, with exports breaching the RM1 trillion mark in eight months. MITI Minister said the country's trade surged by 56.7% to RM265.74 billion compared to August 2021, the 19th consecutive month of double-digit growth. Exports increased by 48.2% to RM141.33 billion, the 13th successive month of double-digit growth. Imports leapt by 67.6% to RM124.41 billion, and the trade surplus contracted by 19.9% to RM16.92 billion. The export expansion was attributed to higher shipments of E&E products, petroleum products, palm oil & palm oil-based agriculture products, liquefied natural gas (LNG), and optical and scientific equipment. Exports to major trading partners, notably ASEAN, China, the United States (US), the European Union (EU) and Japan, recorded double-digit growth.

On imports, total imports in August 2022 grew by 67.6% year on year to RM124.41 billion. The three main categories of imports by end use which accounted for 69.0% of total imports, were intermediate goods, capital goods and consumption goods. Imports of intermediate goods edged up by 35.5% to RM472.31 billion, capital goods (15.9% to RM77.42 billion) and consumption goods (25.1% to RM67.98 billion). From January to August 2022, Azmin said trade expanded by 33.1% to RM1.873 trillion from last year. Exports surpassed RM1 trillion, the shortest period to reach this milestone, expanding by 30.3% to RM1.014 trillion. Imports climbed by 36.7% to RM858.83 billion, and the trade surplus was up by 3.7% to RM155.57 billion.

Source: The Straits Times, 20 September 2022

## Malaysia's August 2022 inflation rises to 4.7% y-o-y

Malaysia's inflation, measured by the consumer price index (CPI), increased 4.7% year-on-year (y-o-y) in August 2022, as the gauge's food and non-alcoholic beverage component remained the main contributor to inflation, according to the Department of Statistics Malaysia (DOSM). The increase was contributed by food & non-alcoholic beverages, which increased by 7.2%. The increase was driven by food away from home at 8.4%, while food at home increased by 6.4%. However, there were still some food items that recorded a decrease in prices as compared to July 2022, such as chicken, barramundi fish and vegetables such as cucumber, french beans and round cabbage, cited DOSM.

Notably, August 2022's CPI print marked the sixth consecutive month of y-o-y increase since March, as the inflation gauge steadily crept up over the past few months. It grew 4.4% in July, 3.4% in June, 2.8% in May, 2.3% in April, and 2.2% in March. In comparison to other regions and countries, DOSM noted that Malaysia's inflation figure logged for August 2022 was lower than the eurozone's 9.1% y-o-y, the US (8.3%), Thailand (7.9%), the Philippines (6.3%) and South Korea (5.7%). The increase in inflation was attributed to the increase in production input and fuel prices.

Source: The Edge Markets, 23 September 2022

## Malaysia likely to meet annual GDP growth of 7.7%

JP Morgan is optimistic that Malaysia will be able to meet the annual GDP growth of 7.7% in 2022, which is likely to be one of the highest in the region. According to CEO of JP Morgan Malaysia, the country's economy is resilient with a strong banking system, supportive government and prudent corporate citizens.

The country is also bullish and optimistic on the electrical and electronic industry as Malaysia has been currently supplying 10% of the semiconductor components globally. Furthermore, JP Morgan said that the country has managed to attract the highest foreign direct investment in the last six years, totalling US\$1.9bil (RM8.6bil) into the country as of last month.

On Monday, Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz said the country's economic growth may surpass the official estimates of between 5.3 and 6.3% in 2022. He attributed this to the country's rapid growth in the second quarter at 8.9% and expected improved performance in the third quarter. Malaysia is likely to chart even stronger growth in the third quarter despite facing weaker global economy and the rising US dollar.

Source: The Star, 15 September 2022

# MSME NEWS IN SOUTHEAST ASIA

## SINGAPORE

### Third run of SBF's SME transformation programme focuses on sustainability

The Singapore Business Federation's (SBF) transformation programme for SMEs will focus on sustainability in its third edition. The area of focus was chosen in light of the growing global demand for green material, products and processes. The first 2 runs of the initiative were sector specific, looking at positioning the wholesale & retail trade sectors for recovery and growth post Covid-19, and driving digitalization & transformation of the logistics sector. The third run of Mindset Change, Analysis of Potential and Pathway Assignment (MAP) initiative brings together partners from both the private and public sectors to help guide and support businesses, in particular SMEs, on their sustainability journey. The new run is expected to benefit over 500 participants from 300 companies. The MAP initiative, which aims to break down lofty business transformation goals into modular steps, has helped more than 600 SMEs since March 2021. SBF said participants will gain exposure to the ways other businesses have approached emission reduction, be provided with tools to measure energy consumption and carbon footprint, and glean solutions that can reduce the consumption of traditional sources of energy.

Source: The Business Times, 20 September 2022

## PHILLIPINES

### BSP extends lower credit risk weighting for MSME loans

The validity of the lower credit risk weighting for loans for MSMEs has been extended by another six months to further encourage banks to lend more to the sector badly affected by the COVID-19 pandemic, according to the Bangko Sentral ng Pilipinas (BSP). The Monetary Board issued Resolution 1378 last Sept. 16 approving the amendments to the BSP relief measure on the relaxation of the credit risk weight for loans to MSMEs under the central bank's risk-based capital adequacy frameworks.

The relief measure expired in end-2021, but the regulator issued Memorandum 2022 – 04 extending several prudential relief measures, including the lower credit risk weighting for MSMEs until December. The relief measure has been extended by another six months or until June 30 next year. A lower credit risk weight will allow banks to lend more to the MSME sector than setting aside the amount to comply with capital requirements. According to the BSP, measures are needed to mitigate the risk of financial sector volatility in light of unfolding global developments. These would also lower the borrowing costs for affected firms and households.

Source: The Philippines Star, 26 September 2022

## INDONESIA

### Indonesia strives to expand coverage of digitalisation of MSMEs

Indonesia has over 65 million MSMEs capable of producing competitive products, though several of them had yet to integrate into the digital ecosystem to promote their products domestically and overseas. They account for 99.9% of the business population and 61.1% of the national GDP. Eager to reduce imports, the Indonesian government has been striving to expand the coverage of digitalisation of MSMEs, which is one of the strongest pillars of the Indonesian economy.

The government is targeting 30 million MSMEs to enter the digital market by 2024, including 19.5 million MSMEs in 2022, according to Minister of Cooperatives and SMEs, Teten Masduki. At least 19 million MSMEs have so far succeeded in going digital and expanding their market, while 11 million other MSMEs are lining up to adopt digitalisation. Aspiring to become the largest digital economy, with potential reaching Rp4,500 trillion in Southeast Asia by 2030, the government has accelerated economic digitalization transformation by involving various relevant stakeholders.

Source: Antara News, 16 September 2022