

	15 July 2022		29 July 2022
FTSE BURSA MALAYSIA	1,418.4		1,492.2
CURRENCY; USD 1 =	RM4.45		RM4.45
BRENT CRUDE OIL (USD PER BARREL)	USD101.16		USD110.01

Source: CEIC

Oil prices rose in as attention turned to the OPEC+ meeting and expectations that it will dash U.S. hopes for a supply boost

ECONOMICS & MSME NEWS

18 JULY 2022 – 29 JULY 2022

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

Moderate rebound in US economic growth seen in second quarter as inflation bites

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, 28 July 2022

UK consumers borrow more in face of cost-of-living squeeze

British consumer lending rose last month at its fastest since May 2019, boosted by a big rise in credit card borrowing as households face a cost-of-living squeeze while the number of mortgage approvals fell to the lowest since June 2020. The Bank of England data add to signs that the highest inflation in 40 years is hurting the economy and come as the BoE considers whether it should raise interest rates next week by more than it has in a generation to get inflation under control. Annual consumer credit growth rose to 6.5% in June from 5.8% in May, its highest since May 2019.

Source: Reuters, 29 July 2022

Japan downgrades GDP growth forecast to 2.0% as slow demand hits exports

Japan's government has slashed its economic growth forecast for this fiscal year largely due to slowing overseas demand, highlighting the impact of Russia's war in Ukraine, China's strict COVID-19 lockdowns and a weakening global economy. Japan is now expected to expand about 2.0% in price-adjusted real terms in the fiscal year ending in March 2023, according to the Cabinet Office's projections. That marked a sharp downgrade from the government's previous forecast of 3.2% growth, released in January. The cut largely stemmed from weaker exports, which the government now expects to expand 2.5% compared to 5.5% in the previous assessment. The government projected 1.1% growth for the following fiscal year, starting April 2023.

Source: The Japan Times, 26 July 2022

China's homebuyers are running out of patience with the real estate slump

China's real estate market desperately needs a boost in confidence, after reports of homebuyers halting mortgage payments rocked bank stocks and raised worries of a systemic crisis. A spike in reported numbers of homebuyers halting mortgage payments prompted many Chinese banks to announce their low exposure to such loans. But the bank stocks fell. Developers' persistent financial troubles along with COVID restrictions have delayed construction projects, pushing homebuyers to put their own financial credit at risk by suspending their mortgage payments.

Source: CNBC, 19 July 2022

MALAYSIA ECONOMIC NEWS

BNM set to raise OPR by a further 25 bps

Local investment banks expect Bank Negara Malaysia to raise the overnight policy rate (OPR) by at least 25 basis points (bps) by year-end, tracking the US Federal Reserve's 75 bps rate hike. Kenanga Investment Bank Bhd said it expects the central bank to maintain its hawkish tone and raise the OPR by at least 25 bps during each of its remaining two Monetary Policy Committee (MPC) meetings this year, slated for Sept 7-8 and Nov 2-3. It said the Fed's aggressive posturing and obsession with taming inflation indicate that it would continue to raise interest rates sharply, at the expense of growth. As for Malaysia, it noted that inflationary pressure is mounting, registering a hotter-than-expected 3.4% in June 2022 versus 2.8% in May 2022, on the back of pent-up demand and tourism-led spending following the reopening of international borders and removal of COVID-19 restrictions.

Source: The Star, 29 July 2022

SC identifies four priorities for economic sustainability

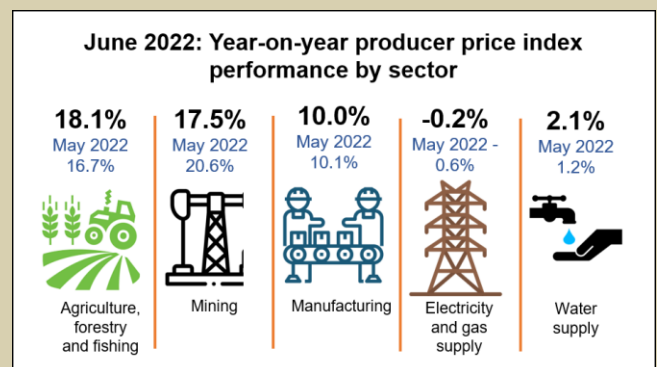
The Securities Commission identified four priorities during its Industry Dialogue sessions to ensure the overall economy remains robust and sustainable which are reviving private investments, promoting more effective and inclusive mobilisation of savings, supporting a sustainable transition and encouraging the industry to continue modernising. According to the SC, other areas discussed during Industry Dialogue 2022 included the need for continued innovation and digitisation across the entire value-chain within the capital market, the role of market-based funding particularly to support small and medium enterprises, readiness to scale up the offering of sustainable and responsible investment funding and expanding the breadth and depth of the Islamic capital market.

Source: The Star, 28 July 2022

June PPI eases to 10.9%

The producer price index (PPI), which measures the costs of goods at the factory gate, eased to 10.9% last month compared with 11.2% in May as commodity prices came off their highs. Although still elevated, the slower increase could mark a decelerating trend in Malaysia's producer prices. Inventories, moderate demand and competition pressures contributed to the weak cost pass-through although an increasing proportion of items in the household consumption basket is experiencing rising prices. The manufacturing sector, which is the highest weight in the PPI (81.6%), posted a 10% increase in June 2022. Meanwhile the manufacture of coke and refined petroleum products stood at 22.3% in June, down from 22.9% in May.

Source: The Star, 28 July 2022



Iskandar Malaysia's 1H investments at RM13.2bil

Iskandar Malaysia is RM13.2 billion to the good in committed investments for the first half of this year (1H22). Of this, RM5.9bil has been realised, Prime Minister Datuk Seri Ismail Sabri Yaakob said, adding that the investments achieved have proven that foreign investors are more confident to invest in Malaysia. YAB PM also stressed that these foreign investments would create additional job opportunities for Keluarga Malaysia. "In total, more than 6,000 people in this region have received direct benefits from the socioeconomic initiatives that have been carried out," he said. Since its incorporation in 2006 until June 2022, Iskandar Malaysia recorded total investments of RM367.8 billion, out of which 59.6% or RM219.2 billion had been realised.

Source: The Star, 26 July 2022

MSME NEWS IN SOUTHEAST ASIA

MALAYSIA: MSME's GDP 1.0% up in 2021 but slower than Malaysia's 3.1%

Malaysia's MSMEs GDP in 2021 increased 1.0%, slower than Malaysia's GDP which grew 3.1%, said the Department of Statistics Malaysia (DOSM). The growth of MSMEs' GDP will exceed Malaysia's GDP but since 2020, the MSMEs' GDP has recorded slower growth than Malaysia's GDP. The contribution of MSMEs to GDP declined to 37.4% (2020: 38.1%) with a value added of RM518.1 billion. The services and manufacturing sectors uphold their position as the main contributors with both sectors represent 83.0% of MSMEs' GDP. In addition, MSMEs' GDP increased to RM572.6 billion in nominal terms this year against RM547.3 billion as reported in 2020. Nevertheless, MSMEs' economic performance in 2021 was still lower than pre-pandemic levels in 2019.

Source: Malay Mail, 27 July 2022

SINGAPORE

SMEs in expansion mode for 6th straight quarter: OCBC

Despite continued inflation fuelled by the Ukraine conflict and lockdowns in China, Singapore's easing of COVID-19 restrictions continued to drive growth for MSMEs in the second quarter of 2022, according to the latest OCBC SME Index. All sectors were in expansionary territory, as 4 came out of contraction: building and construction; food and beverage (F&B); education; and retail. The overall Q2 2022 Index came in at a reading of 52, up from 50.5 in the previous

quarter and marking 6 consecutive quarters of expansion. Collections grew by 2% in the quarter, with better performance across all industries. The quarter's GDP Nowcast – which estimates GDP growth using the latest index – was 5.8%, up from the 3.7% growth registered in Q1 2022.

Source: The Business Times, 20 July 2022

INDONESIA

Minister distributes NIBs to 550 MSMEs in North Sumatra

Investment Minister Bahlil Lahadalia distributed business identification numbers (NIBs) to 550 individual MSMEs in Medan city, Binjai city, and Deli Serdang district of North Sumatra province on Thursday. Throughout Indonesia's history, MSMEs have been the ones who have always kept encouraging the development of the national economy, even in the midst of crises, such as the 1998 monetary crisis. In fact, small businesses contribute up to 61% of the national GDP and absorb a significant number of domestic workers. However, no more than 50% of the 64 million MSMEs in Indonesia are formal business units and the rest do not have business permits. Hence, the government has continued to encourage MSME players to obtain licenses through the risk-based Online Single Submission (OSS) system, which is free of charge and quick, so they can get funding from banks.

Source: Antara News, 21 July 2022

CAMBODIA

SME Bank's TRCS scheme to boost regeneration of Kingdom's tourism

The Small and Medium Enterprises Bank of Cambodia (SME Bank) is opening up USD\$150 million of low-interest loans to nurture the regeneration of the Kingdom's travel sector, hit hard by the global COVID-19 pandemic. The Tourism Recovery Co-Financing Scheme (TRCS) is providing finance for working capital and investment for maintaining, improving and expanding tourism-related businesses. To promote the recovery of tourism, the Cambodian government implemented the scheme to address a lack of financing support for tourism-related businesses for them to re-operate fully. The scheme is targeting existing tourism-related businesses whose operations completely or partly closed, or whose products or services were discontinued due to the pandemic. Targeted businesses include hotels, guesthouses and restaurants, as well as those providing other products and services supporting the tourism sector.

Source: The Phnom Penh Post, 27 July 2022