

	17 June 2022		1 July 2022
FTSE BURSA MALAYSIA	1,456.7	↓	1,449.7
CURRENCY; USD 1 =	RM4.40	↓	RM4.41
BRENT CRUDE OIL (USD PER BARREL)	USD113.27	↓	USD111.63

Source: CEIC

The ringgit extended its downtrend against the USD due to the stronger USD index, as the US Federal Reserve chair reiterated his stance to keep raising interest rates in a bid to quell the rising inflation

ECONOMICS & MSME NEWS

20 JUNE 2022 – 1 JULY 2022

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

US economy slipped 1.6% to start year

The US economy shrank at a 1.6% annual pace in the first three months of the year, a slight downgrade from its previous estimate for January-March quarter. It was the first drop in GDP - the broadest measure of economic output since the second quarter of 2020, in the depths of the COVID-19 recession and followed a strong 6.9% expansion in the final three months of 2021. Inflation is running at 40-year highs, and consumer confidence is sinking. Last month, the Commerce Department had pegged first-quarter GDP growth at 1.5%. But on its final estimate the department said consumer spending was substantially weaker than it had calculated earlier, growing at a 1.8% annual pace instead of the 3.1% it estimated in May.

Source: Business Today,
30 June 2022

UK economy faces double threat of inflation surge

Britain's economy is struggling under the strain of two major risks in the form of double-digit inflation and a possible recession, leaving the Bank of England in a dilemma about how much further it should raise interest rates. The BoE has raised borrowing costs five times since December and its next scheduled rates announcement is on August 4. The central bank has said it will act "forcefully", in other words, increase rates more steeply if inflation pressures turn more persistent. But it also expects almost no economic growth over the next three years. Consumer prices leapt by 9.1% in the 12 months to May, the most in 40 years, and the BoE has forecast that inflation will top 11% in October when energy bills go up again.

Source: Reuters, 29 June 2022

Japan business mood worsens for 2nd quarter amid rising costs

Japanese big manufacturers' business confidence soured for a second straight quarter in the 3 months to June, hit by rising input costs and supply disruptions caused by China's strict COVID-19 lockdowns. Rising raw material costs, supply constraints from Shanghai's COVID-19 lockdown and auto production cuts were among reasons manufacturers cited as hurting their businesses. Both big manufacturers and non-manufacturers expect business conditions to remain largely unchanged 3 months ahead. Big companies expect to increase capital expenditure by 18.6% in the current fiscal year ending in March 2023, compared with a median market forecast for an 8.9% gain.

Source: The Business Times, 1 July 2022

China's economy didn't bounce back in the second quarter

Chinese businesses, ranging from services to manufacturing, reported a slowdown in the second quarter from the first, reflecting the prolonged impact of COVID-19 controls, according to the China Beige Book, which claims to have conducted more than 4,300 interviews in China. Between the first and second quarters, hiring declined across all manufacturing sectors except for food and beverage processing. Unsold goods piled up, except in autos. Orders for domestic consumption and overseas export mostly fell in the second quarter from the first. Orders for textiles and chemicals processing were among the hardest-hit. The only standout domestically was IT and consumer electronics, which saw orders rise during the time.

Source: CNBC, 29 June 2022

Malaysia's PMI up in June, signalling improvement in manufacturing

The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index (PMI) registered 50.4 in June, up from 50.1 in May, signalling a slightly stronger, yet still modest, improvement in the manufacturing sector. The Malaysian manufacturing

sector saw overall operating conditions improve at a slightly quicker rate halfway through 2022 and production levels stabilised for the first time following five consecutive monthly declines, while new orders rose for the third month running, albeit only

fractionally. The manufacturers reported a steady but unspectacular end to the second quarter, underscoring how the economic recovery has lost some steam compared to the start of the quarter.

Source: The Star, 1 July 2022

Domestic tourism spending in 2021 drops 54.5% to RM18.4bil

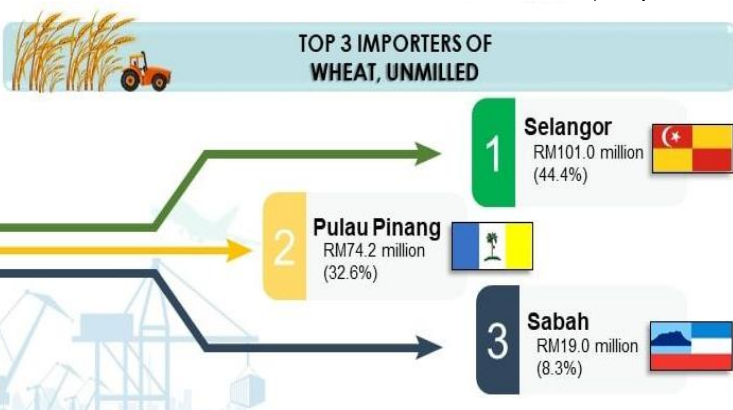
Domestic tourism spending in 2021 dropped 54.5% to register RM18.4 billion compared to RM40.4 billion in 2020, according to the Domestic Tourism Survey 2021 released by the Department of Statistics Malaysia (DOSM). The number of domestic visitor arrivals in 2021 fell 49.9% to record 66 million visitors as compared to 131.7 million visitors in the previous year and decreased by 72.4% when compared to the pre-pandemic year (2019). Border restrictions, the standard of procedure regulations and continuous lockdowns due to new variants of COVID-19, such as Omicron and Delta continued to impact domestic tourism in 2021. Also floods disaster towards the end of 2021 in many areas in Peninsular Malaysia caused domestic travel to worsen. The low performance in Malaysia's domestic tourism was due to expenditure by domestic tourists which fell 68%, while excursionists dropped by 36.3%. In 2021, the number of domestic trips fell by 50.7% to register 72.4 million trips as compared to 147 million trips in 2020, while overnight trips dropped by 67.8% to 15.5 million trips and daily trips decreased 42.4% to 56.9 million trips.

Source: New Straits Times, 29 June 2022

Selangor, Penang & Sabah emerged as top importers of wheat in May 2022

Malaysia's exports in May rose 30.5% from a year earlier to RM120.5 billion from RM92.3 billion previously, according to DOSM. DOSM said imports in May grew 37.3% from a year earlier to an all-time high of RM107.9 billion, in line with the surge in intermediate goods by 34.1% while exports accelerated by 30.5% from RM92.3 billion to RM120.5 billion. Meanwhile, re-exports registered RM24.4 bil, up 79.1%. Trade surplus in May 2022 with a value of RM12.6 billion, marked the 25th consecutive month of trade surplus since May 2020.

Source: The Star, 28 June 2022



New ceiling prices for chicken, eggs to help curb big rise in food inflation

The move to set new ceiling prices for chicken and eggs will help to limit potentially larger adjustment that would add to the overall food inflation, according to MIDF Research. MIDF Research said the approval given to the Farmers' Organisation Authority to bring over 4,500 tonnes of chicken from Thailand is expected to stabilise chicken supply in the domestic market and would limit upward pressure on chicken prices for now. On the inflation outlook, the research house forecast the Consumer Price Index inflation will be at 2.8% in 2022, higher than last year's 2.5%, taking into account the faster food inflation and continued improvement in domestic spending activity this year. The Cabinet decided to continue providing subsidy for chicken and not to float its price, capping the retail price of standard chicken at RM9.40 per kg in Peninsular Malaysia effective July 1. Furthermore, the Cabinet also agreed to fix the retail ceiling price of grade A chicken eggs at 45 sen each, grade B eggs at 43 sen each, and grade C eggs at 41 sen each in Peninsular Malaysia, effective July 1.

Source: The Star, 17 June 2022

MSME NEWS IN SOUTHEAST ASIA

MALAYSIA

SME Corp targets RM20 mil potential sales for MSME Week 2022

SME Corp. Malaysia is targeting a sales potential of RM20 million, including through business matches, in conjunction with the MSME Week, which takes place nationwide from June 10 to July 4, 2022. Its CEO, Rizal Nainy said the target set is twice as much as the RM9.7 million recorded during the MSME Week held online last year. He said the increased target was relevant as this year's MSME Week is being held face-to-face with a business matching programme with supermarkets such as Aeon Big, Mydin, Sabasun and Giant. Rizal said a total of 183 entrepreneurship programmes and visitor attraction activities had been planned throughout the country during MSME Week 2022 involving various ministries, agencies, state governments, government-linked companies, supermarkets, associations and chambers of commerce, schools, institutions of higher learning and financial institutions.

Source: Bernama, 23 June 2022

VIETNAM

Vietnam needs to develop fintech services for MSMEs

An innovative financial services for MSMEs need to be studied to develop not only for fintech startups but also for traditional financial institutions and technology companies, according to Dr Luong Thai Bao, Executive Director of the Bachelor of Financial Technology Programme at the National Economics University. MSMEs face many difficulties accessing traditional financial services for production and business activities while large companies often find it much easier to access banking loans for new investments. The financial system should identify the needs and gaps in funding for MSMEs and strengthen access to traditional banking services. It also needs to create favourable conditions for MSMEs to access non-traditional funding channels and tools. The fintech ecosystem in Vietnam is developing fast and is expected to record 200 companies in 2022.

Source: Vietnam Net Global, 29 June 2022

INDONESIA

Government aims to add one million new MSMEs

The government, through Presidential Regulation No. 2 of 2022 on 2021–2024 national entrepreneurship development, is seeking to add one million new MSMEs by 2024 to increase the country's entrepreneurship ratio. 99% of entrepreneurs in Indonesia are MSMEs but only 3.18% of them are in the established entrepreneurs category. This is very small when compared to Singapore, which has established MSMEs that reached 8.76%, with the number of population at less than 5 million people. It is estimated that Indonesia will become the fourth largest economic power in the world after the United States, China, and India by 2045. Therefore, the government is seeking to cooperate with Andalas University in Padang, West Sumatra, because the land of Minang, an ethnic group native to West Sumatra, is known for its entrepreneurial spirit to rise the composition of MSMEs to 3.95% by 2024.

Source: Khmer Times, 15 June 2022

THAILAND

Thailand provides MSMEs with streamlined access to public services

Thailand has rolled out SME One ID, a platform where business owners can apply for various government services using a single identification. The project, aimed at reducing overlapping procedures and streamlining registration and documentation, is expected to benefit over three million MSMEs. The platform can currently handle the registration of individuals, who would be able to apply for various government services from different agencies without having to register for a new account and wait for the agency to verify their documentation. The OSMEP is planning to expand SME One ID's coverage to more government agencies, including the ministries of Industry, Commerce, Labour, and Higher Education, Science, Research and Innovation. The government also aims to achieve at least one million registrants by the end of 2022, bringing in one third of Thailand's SMEs to the platform.

Source: HRM Asia, 27 June 2022