

	23 September 2022		07 October 2022
FTSE BURSA MALAYSIA	1,425.0	↓	1,406.0
CURRENCY; USD 1 =	RM4.57	↓	RM4.65
BRENT CRUDE OIL (USD PER BARREL)	USD86.63	↑	USD97.92

Source: CEIC

Oil prices rose for a fourth session on 6 October 2022, with Brent at a three-week high, after OPEC+ agreed to further tighten global crude supply with a deal to slash production by about 2 million barrel per day, the largest reduction since 2020.

# ECONOMICS & MSME NEWS

26 SEPTEMBER 2022 – 07 OCTOBER 2022

## GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

### Truss defends her economic plan as UK Conservatives gather

When the British pound plummeted to record lows and government borrowing prices skyrocketed, The new British Prime Minister Liz Truss tried to comfort her party and the public by claiming she could have done more to "lay the ground" for the economic strategy. Truss, who has been in office for less than a month but is already under tremendous pressure, tried to strike a conciliatory note by assuring the people of her continued support over the harsh winter and beyond. Her "growth plan" has been criticized by investors and many economists for proposing billions of pounds in expenditure with little information on how it will be paid for in the short term, but she has stood by it. It also backs tax cuts for the wealthy and demanding cuts to public services.

Source: Reuters, 03 October 2022

### Treasury's financial stability watchdog warns cryptocurrencies could threaten safety of US economy

The US Treasury Department issued a warning that unregulated cryptocurrency trading might threaten the stability of the American financial system. The potential dangers that crypto-asset operations could pose to the US financial system highlight the need for strict oversight, including the strict implementation of current regulations. Progress on these suggestions require the collective effort of all government stakeholders. Criminals are taking advantage of the rising popularity of digital funding for their own nefarious ends. It's crucial to have a policy proposal for legislation that gives financial regulators the authority to more closely monitor the industry.

Source: CNBC, 03 October 2022

### Japan's business mood worsens as cost hikes bite, BOJ survey says

According to a study conducted by the Bank of Japan, the economic outlook for Japanese manufacturers worsened in the three months leading up to September as stubbornly high material costs cast a shadow over the economy. The export-based economy, which is only now beginning to recover from the coronavirus outbreak, faces uncertain times ahead due to worries about a worldwide economic recession. With global GDP stagnating and commodity prices falling, big manufacturers' sentiment was surprisingly negative. However, large manufacturers anticipate better business circumstances in the next three months, large non-manufacturers' outlooks have been seen to deteriorate.

Source: The Japan Times, 03 October 2022

### China's service sector slows in latest economic warning sign

The services sector in China contracted in September, adding to further signs that Beijing's COVID-prevention policies and a continuing real estate collapse are having a negative impact on the country's economy. China authorities strengthened COVID-19 restrictions ahead of a critical political event in October, hurting the retail, catering, and transport industries. As youth unemployment nears record highs, wage growth stops, and the real estate market stays depressed, Beijing's attempt to promote domestic demand is reaching its limitations. Economists have warned that China's tight COVID-19 limitations, which are set to remain in place for the remainder of the year, will likely stifle any potential resurgence.

Source: The Wall Street Journal, 30 September 2022

# MALAYSIA ECONOMIC NEWS

## FMM: Manufacturing sector to remain in cautious mode in 2H22

According to Federation of Malaysian Manufacturers (FMM), in the second half of 2022, manufacturing companies are predicted to maintain a cautious stance in the face of a slowdown in commercial activity (2H22). Given that the economy's difficulties have not been resolved, manufacturers are adopting a more realistic forecast for the second half of 2022. For the remainder of the year, business activity is likely to slow down, meaning that local sales, export sales, production volume, and capacity utilization are all shifting lower. The growing price of raw materials, the increasing cost of labor, and the shortage of available workers are the top three challenges facing the manufacturing industry for the balance of the year. Nevertheless, the opening of the borders and the government's efforts in shifting towards the endemic phase of COVID-19 had increased the amount of commercial activity, which in turn helped economic growth and confidence for all of the industries. Commenting on budget 2023, members of the FMM lobbied the government to lower manufacturing-related taxes on corporations and individuals, and to moderate the price of energy sources including electricity and natural gas. The members advocated for a reduction in the corporation tax rate to 20% as a potential solution. Members of the FMM have put up a suggestion to the government that it should take into consideration restoring the Goods and Services Tax (GST) at a rate of 4% rather than the former rate of 6%. The GST set at 4% will raise more money for the government while having little to no significant effect on customers. The vast majority of those working in the industry are in favor of the GST and hope that it will be reinstated at some point in the near or distant future.

Source: The New Straits Times, 07 September 2022

## Tourism sector taking off despite weaker ringgit

Concerns about the Malaysian economy have been exacerbated by the ringgit's decline versus the US dollar, however the increase in tourism has helped offset the negative effects. More foreigners are visiting Malaysia now that the currency is cheaper. Inbound and outbound tourists have benefited from the loosening of restrictions that took place in April 2022. The ringgit's exchange rate has remained relatively constant versus most major currencies other than the US dollar. Businesses claimed that this factor had a positive effect on outbound tourism. The gradual loosening of borders around the world has met with steady, and even increased, demand. A minor shifts in exchange rates wouldn't significantly alter vacation plans for tourists.

Source: Free Malaysia Today, 03 October 2022

## Malaysian economy not in crisis: Bank Negara Malaysia

There is no crisis in Malaysia's economy, and the country is still on a development track, but reforms are necessary so that it can transition to an innovation-based economy. To better withstand the adverse effects of the external environment, preventative policy measures have been implemented and the economic and financial foundations are solid. The third quarter of this year should see inflation at its highest point. Existing price controls and the current level of economic spare capacity will continue to limit the extent to which inflationary pressures might escalate. With current diversified economy has put the Malaysian economy in a better position now than it was before the recent pandemic and the Asian Financial Crisis.

Source: The Edge Markets, 04 October 2022

## Malaysia ratifies CPTPP

Malaysia has officially ratified the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) following years of careful deliberation and consultation by the government. The gains from CPTPP ratification greatly outweigh any potential drawbacks of this Agreement. By joining the CPTPP, Malaysia gains a strategic advantage that will boost our nation's global competitiveness. The CPTPP will open Malaysia's access to a new market economies that is not covered by FTA like Canada, Mexico, and Peru. This would improve the country's potential as a place to invest by making its supply of high-quality raw materials more accessible at reasonable prices. Furthermore CPTPP countries will recognize each other's professional qualifications, license, or registration in order to facilitate the export of services. Malaysian accountants, architects, engineers, doctors, and other professionals are expected to benefit from the facilitation mechanisms offered by the CPTPP.

Source: The Star, 05 October 2022

# MSME NEWS IN SOUTHEAST ASIA

## PHILLIPINES

### Concepcion to MSMEs: Level up

Micro, small and medium enterprises (MSMEs) were encouraged to step up their efforts in Southeast Asia as expanding their businesses in the region will increase their competitiveness and help the country achieve more inclusive growth. Go Negosyo founder Jose Ma. "Joey" Concepcion 3rd, Asean (Association of Southeast Asian Nations) Business Advisory Council chairman for the Philippines, said cooperation in helping MSMEs has been growing in the region, including the active sharing of teaching modules for MSMEs among Asean member countries through programs like the Asean Mentorship for Entrepreneurs Network, and activities that promote global competitiveness such as the Asean Business Awards. He noted that these efforts help in making the region's MSMEs a more prominent segment of the world economy. In the Philippines, for example, MSMEs account for as much as 99.9% of total establishments, employing as much as 85% of the workforce and contributing at least 44.6% to the country's Gross Domestic Product (GDP). "They are crucial to the economic development of both the country and the region. Beyond that, MSMEs play an important part in our goal for inclusive growth because they are present in both cities and provinces,".

Source: The Manila Times, 04 October 2022

## INDONESIA

### Contribution of MSMEs to GDP at Rp8,574 trillion: minister

MSMEs are supporting economic resilience, with their contribution to the gross domestic product (GDP) reaching 61.07% or Rp8,574 trillion in 2021, Coordinating Minister for Economic Affairs, Airlangga Hartarto, has said. "MSMEs had a number of business sectors in 2021, which reached 64.19 million, and contributed up to 61.07% or Rp8,574 trillion to the GDP," he noted in Jakarta on Monday. MSMEs are supporting Indonesia's GDP because the government has taken several measures to encourage their progress, including through the implementation of Law Number 11 of 2020 concerning Job Creation, he explained. The government is also providing financing to them through people's business loans (KUR), with a ceiling of Rp373.17 trillion in 2022. Next year, the KUR ceiling will be increased to Rp470 trillion. While the proportion of MSME loans to total new loans currently stands at 18.4% , the proportion of MSME loans will be increased to 30% by 2024 under the direction of President Joko Widodo.

Source: Antara News, 03 October 2022

## CAMBODIA

### E-payments to save MSMEs on costs: NBC

The head of the central bank has stated that digitizing payments might result in significant cost savings for MSMEs by streamlining cash management processes and decreasing prospects for misappropriation or corruption. MSMEs are key drivers of "decent jobs", entrepreneurship for women, and income generation for vulnerable populations, he said, adding that these smaller businesses contribute to inclusive economic growth, shared prosperity, sustainable production and consumption, and reductions in poverty and inequality. There are various obstacles that MSMEs must overcome. In emerging and developing economies, where MSMEs are primarily based in the informal sector, the effects of the COVID-19 pandemic have only compounded their difficulties. The COVID-19 pandemic accelerated the digitalization of payments. consumers have shifted from physical cash to digital and contactless payment instruments at a rate unprecedented. Recognizing the massive potential of digital payments, aims to offer low-cost, secured, fast, and convenient payment services to people and small businesses in Cambodia.

Source: Borneo Bulletin, 27 September 2022