

SMEs to see moderate growth

> Impact of slowdown in global economy to be seen this year

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PETALING JAYA: The small and medium enterprises (SMEs) sector is likely to see moderate growth this year as the slowdown in the global economy will lead to lower demand and production, say analysts.

Affin Investment Bank Bhd chief economist Alan Tan said against the weak global backdrop, the downside risks to Malaysia's growth in 2012 are likely to persist and remain external.

"As a highly open and trade-dependent economy, Malaysia's main exports of electronic and electrical (E&E) products, which account for close to 42% of the country's total exports, have been affected by the recent European economic crisis. Despite healthy commodity exports, the continued uncertainty and the deterioration in the external environment will accelerate the decline in Malaysia's exports of E&E, especially in first half of 2012," he told *SunBiz*.

"Going forward, the economic weakness in major economies, particularly in the eurozone, will also drag down Asia-Pacific (ex-Japan) intra-regional trade, despite supported by the emergence of China as an export market. As a result, we expect some slowdown in SME growth in 2012," Tan said.

He added that private investment, which is highly correlated with external conditions, may also experience some delay in implementation, thus affecting SME growth this year.

MIDF Research chief economist Anthony Dass said: "This year the situation is very uncertain. We are looking at 4.8% growth in 2012 while the World Bank projected 4.9% growth and the growth of SMEs is expected to moderate this year."

In 2010, he said Malaysia achieved a commendable growth of 7.2% boosted by a rebound in manufacturing and services as well as brisk exports and imports. This, he said, had provided a positive catalyst for SMEs, which contributed 32% to the country's GDP in 2010.

Despite the prediction of moderating growth, he said SMEs need to be more innovative and creative in order to stimulate their productivity and boost growth.

He suggested that collaboration with universities to conduct research is important as it will help them to produce value added products. He said entering new markets is another growth driver.

Supporting the view, national president of SMI Association of Malaysia Chua Tiam Wee said innovation, creativity, use of information and communications technology (ICT) and advanced technology will boost their

productivity and improve competitiveness.

He said it will help them to produce better quality products with good packaging and will be able to sell their products overseas.

Despite the uncertainties in the external environment, he said the government has implemented various initiatives under the Economic Transformation Programme (ETP) such as the My Rapid Transit (MRT) project, which is expected to boost SME growth.

"Once the construction packages of MRT start to roll out, it will create a multiplying effect and spillover of economic benefits. It will benefit the SMEs," he said.

Asked on funding, Chua said the SMI Association is moving aggressively to help local SMEs to secure funding for their business.

"We have voiced out the need of SMEs to the government. In the last budget, the government announced a syariah-compliant SMEs financing fund totalling RM2 billion that would be established in 2012," he said.

The government had recently underlined six high impact programmes such as the introduction of an integrated registration and licensing of businesses aimed at creating a one-stop registration centre through the MyCOID business registration system and the Business Licensing Electronic Support System (BLESS) to boost the growth of SMEs to 8.7% by 2020.