

FTSE BURSA MALAYSIA	1,478.5	↑	1,495.5
CURRENCY; USD 1 =	RM4.42	↑	RM4.41
BRENT CRUDE OIL (USD PER BARREL)	USD79.04	↑	USD85.65

Source: CEIC

Oil prices rise amid concerns over supply from Russia. Russia may cut oil output by 5-7% in early 2023 as it responds to price caps on its crude and oil products by halting sales to the countries which support move.

ECONOMICS & MSME NEWS

19 DECEMBER 2022 – 30 DECEMBER 2022

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK wages next year will be at their lowest level since 2006

PwC predicts that by 2023, if inflation is factored in, the typical wage for a British worker will have fallen back to its 2006 level. In a research on the UK economy, PwC forecasted that real wages, which account for inflation, might decrease by as much as 3% in 2022 and another 2% in 2023. That Britain is experiencing its worst cost-of-living crisis in decades because salaries have not kept up with inflation is confirmed by a new analysis. Strikes have broken out in many different sectors of the British economy as a result of this, including the trains, schools, nurses, hospitals, and postal service. Clearly, 2022 was a very difficult year for the UK economy, and it comes as no surprise that the frigid headwinds will persist throughout 2023 as well.

Source: CNN, 23 December 2022

US economic outlook given the Fed-induced economic recession

The world's largest economy, the US, may experience a recession in the coming months. This would be an artificially induced one brought on by the Federal Reserve raising interest rates in 2022 to combat inflation. The yield curve inversion is one of the key indicators of an impending recession. A recession typically follows in the months that follow when shorter-term government bonds have higher yields than long-term. Most economists forecast a minor US recession in early 2023. Consumer resilience makes it mild. Another one is that the Fed's terminal rate is seen at 5%-5.25%, therefore the tightening cycle should end relatively soon.

Source: CNBC, 28 December 2022

Yen set for turnaround in 2023 after slide to 32-year low vs dollar

In 2023, after plunging to a 32-year low against the dollar, the yen is expected to recover significantly sharp. Tokyo stocks have remained subdued due to the strong dollar and the bleak outlook for the world economy. Analysts predict that the yen would strengthen against the dollar from its present level of approximately JPY133 and reach JPY120 in the near future as a result of the closing gap between Japanese and US long-term bond yields. After starting the year at roughly JPY115, the Japanese yen dropped to a low of near JPY152 in October of 2022, a level not seen since 1990. This perspective compares sharply with the currency's 30% decrease during the same period.

Source: Kyodo News, 30 December 2022

China's economic activity rebounds in cities where COVID peaked

Although many regions of China are still coping with mounting cases and mobility is still much below levels attained just a few months ago, economic activity is rebounding in several places where COVID infections had already peaked. Subway passengers in Beijing, Chongqing, Chengdu, and Wuhan surged by 40%-100% recently. This is a sign that people in these cities are beginning to return to their workplace, shopping, and restaurants once again. During that time, traffic congestion indicators in such cities saw increases of between 150% and 240%. Recent data shows that usage has decreased by between 34% and 42% in Shanghai, Shenzhen, and Suzhou. Between 34% and 57% less vehicle traffic occurred on the roads during this time frame. This indicates that the spread of diseases is ongoing in those cities and that many people are staying home instead of going to work or school out of fear of being infected.

Source: Bloomberg, 30 December 2022

MALAYSIA ECONOMIC NEWS

Malaysian economy to moderate in 2023 amid global economic stability

According to the Department of Statistics of Malaysia (DOSM), it is projected that the economy of Malaysia would start to moderate in the months ahead in 2023 as a result of the effects of global economic uncertainty. As stated by the Chief Statistician Datuk Seri Dr. Mohd Uzir Mahidin, who cited the Economic Outlook 2023 published by the Ministry of Finance, the growth rate of the Malaysian economy is anticipated to moderate between 4.0% and 5.0% in 2023. This prediction is in line with the global forecast provided by the International Monetary Fund (IMF). The IMF projected in its World Economic Outlook report for October 2022 that the global economy would expand but at a more moderate rate of 2.7% in 2023. In the meantime, Mohd Uzir stated that, according to the most recent Asian Development Outlook Supplement for December 2022, the growth prediction for the Asian region was lowered from 4.3% to 4.2% in 2022 and from 4.9% to 4.6% in 2023. This happened as a result of the frequent lockdowns in China, the invasion of Ukraine by Russia, and the slowing growth of the global economy. Domestically, Malaysia's Leading Index (LI) rose 0.4% to 109.6 points in October 2022, compared to 109.2 points in October 2021. However, when smoothed over a longer time frame, the LI began drifting below the 100-point trend in October 2022. It is also reported that in October 2022, inflation in Malaysia was 4%, down from a rate of 4.5% in the previous month, with the food group continuing to be the largest contributor by posting an increase of 7.1%.

Source: The Star, 30 December 2022

Malaysia's total trade in November up 15.6% y-o-y to RM238.2 billion

According to DOSM, total trade in Malaysia reached RM238.2 billion in November 2022, representing a year-on-year (y-o-y) increase of 15.6%. In its Export Import Statistics By State - November 2022, DOSM reported that exports improved by 15.6% or RM17.6 billion to RM130.2 billion y-o-y during the month, while imports increased by 15.6% or RM14.5 billion y-o-y to RM107.9 billion. The department said in November 2022, higher exports were recorded in most states such as Penang (RM10.8 billion), Sarawak (RM3.2 billion), Johor (RM1.9 billion), Kuala Lumpur (RM1.6 billion) and Selangor (RM629.2 million). Among the top five major exporting states, Penang remained as the top exporter with a share of 31.8%, followed by Johor (19.0%), Selangor (17.7%), Sarawak (9.0%) and Kuala Lumpur (5.4%).

Source: The Star, 28 December 2022

Inflation in Malaysia likely moderating

It is anticipated that the inflation rate, which is determined by the change in the consumer price index (CPI), will become moderate in the coming year, notwithstanding the ongoing cost pressure. There are a number of variables that are contributing to this, including the appreciation of the ringgit, a slowdown in global demand, a decrease in commodity prices, and a move by the government to retain subsidies over the medium term. Economists do, however, anticipate that Bank Negara will continue its normalization of interest rates by gradually increasing the overnight policy rate (OPR) to 3.25%. Inflation may start to ease in the second quarter (2Q) of 2023, as the new government made tackling the rising cost of living its priority, while maintaining subsidies till at least end of 2Q23.

Source: The Star, 28 December 2022

Malaysia consumer sector expected to remain robust

With strong domestic demand and supply chain improvements that make restocking easier, the consumer sector will maintain its strong performance. With commodity prices on the decline following the implementation of price increases in 2021 and 2022, margins have also stabilized. Successful businesses in Malaysia would be those who can quickly adapt to changing consumer preferences and offer improved services. However, this is not without difficulties, such as deteriorating consumer morale, the return of "revenge spending," the threat of a recession, and the reduction in real wages and income caused by inflation. Its top picks for the consumer sector are Berjaya Food Bhd, for which it has a "buy" call and a target price (TP) of RM1.31 a share. This is based on a price-to-earnings ratio (PE) for the financial year 2023.

Source: The Star, 21 December 2022

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

Minister confident Indonesian MSMEs will survive 2023 recession

Minister of Cooperatives and SMEs in Indonesia Teten Masduki is confident that the Micro, Small, and Medium-sized Enterprises (MSMEs) sector can weather the coming recession in 2023. The MSME sector, was able to recover from the COVID-19 outbreak by staying on the cutting edge of technology. MSMEs thrived during the pandemic because of their innovative products and their successful transition from offline to online systems. The foundation has been laid for confidence in the face of the catastrophe expected to hit next year. The minister stated that in the Q3 2022, household consumption in Indonesia contributed 54% to the country's GDP growth, bringing the total to 5.7%. This condition demonstrated the continued viability of the domestic market as a lifeline for MSMEs during the current economic downturn. As a result, both inflation and the purchasing power of the average person are still thought to be manageable. To prepare for the effects of the ongoing global recession, the government is also considering adjusting the export target for the following year in the near future. Additionally, the government will reroute products destined for export to the domestic market. To guarantee a smooth transition, the government will restrict the availability of imported goods. In this way, MSMEs and other Indonesian manufacturers can compete successfully in the domestic market.

Source: Tempo.co, 27 December 2022

PHILIPPINES

How support programs unlock opportunities for MSMEs to thrive

MSMEs play an essential role in developing the Philippine economy. When the COVID-19 pandemic hit however, the resulting downfall in the economy impacted these small businesses. Despite the fact that businesses of all sizes were hit hard by the global health crisis, SMEs had the greatest difficulties. To aid in their rehabilitation and continued success in the years that followed, various programs and initiatives were launched. Due to a lack of financial resources and fewer network resources MSMEs face a number of challenges. The MSMEs that make up a significant portion of the Philippine economy require assistance in order for the economy to revive. Discovering new avenues through which these companies may make a comeback is, for this reason, an extremely valuable endeavor. In the Philippines, the Department of Trade and Industry (DTI) has launched government programs, including Small and Medium Enterprise Roving Academy (SMERA) and Kapatid Mentor For Me, which provides learning and training programs for the development of MSMEs; Pondo sa Pagbabago at Pag-Asenso (P3), focusing on helping MSMEs in the loan process; Barangay Micro Business Enterprise (BMBE) giving incentives on the business, and Go Lokal!, which serves as a marketing access platform among MSMEs.

Source: Business World, 21 December 2022

CAMBODIA

SME Bank loans top USD432 mil, help at least 3,260 businesses

The state-owned Small and Medium Enterprise Bank of Cambodia Plc (SME Bank) has disbursed more than USD432 million in loans to at least 3,260 SMEs, to keep them from going under during the height of the COVID-19 crisis, and subsequently to help them reopen and expand post-pandemic. The bank was established in February 2020, and lends directly and through co-financing schemes with 33 participating financial institutions (PFI) at present. As of December 27, SME Bank has directly lent \$51.31 million to 227 enterprises, while USD381 million was provided through PFIs to 3,033 businesses. It is also reported that a total of USD41 million in loans have been disbursed to 288 tourism-related enterprises under the USD150 million Tourism Recovery Co-Financing Scheme (TRCS) to date since loans began to be offered in July. The manufacturing and processing industries, as priority areas determined by the SME Bank in line with government policy, account for “more than 50” of the loans. The overall financing project, which is implemented by SME Bank with the participation of PFIs, has been a real support for Cambodia’s SMEs, as well as tourism businesses.

Source: The Phnom Penh Post, 30 December 2022