

	13 January 2023		27 January 2023
FTSE BURSA MALAYSIA	1,495.0	↑	1,497.55
CURRENCY; USD 1 =	RM4.34	↑	RM4.23
BRENT CRUDE OIL (USD PER BARREL)	USD85.55	↑	USD86.66

Source: CEIC

Russia announced to stop the supply of crude oil and oil products for five months to any nation that adhered to the Group of Seven's oil price cap scheme, starting on Feb. 1. The retaliatory move will be followed by a separate ban linked to refined oil products.

ECONOMICS & MSME NEWS

16 JANUARY 2023 – 27 JANUARY 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

Europe could dodge a recession. But the UK is in a mess

According to data released on the 24th of January, business activity in the 20 countries using the euro rose for the first time in six months. This is encouraging news, suggesting that Europe's economy may surprise economists and avoid a recession this year. Declining energy prices and reduced supply chain stress aided the return to modest growth by mitigating the impact of increased input costs on manufacturers. The upswing coincided with the highest level of optimism about the upcoming year since May of last year, as the recent reopening of China's economy following the easing of COVID-19 restrictions helped propel confidence to a new high. The economy of the Eurozone has shown signs of stabilizing so far this year.

Source: CNN News, 24 January 2023

US economy posts strong growth in Q4, but with underlying weakness

A gauge of domestic demand increased at the slowest pace in 2-1/2 years in the fourth quarter, indicating the impact of rising borrowing costs. Despite this, the US economy grew more than predicted, which likely exaggerates the nation's health. The huge increase in businesses' inventory, some of which is likely unwanted, accounted for half of the boost to growth in the fourth quarter, according to the Commerce Department's advance report on the economy released on Thursday. Gross domestic product increased at a 2.9% annualized rate last quarter. The economy grew at a 3.2% pace in the third quarter. Economists polled by Reuters had forecast GDP would rise at a 2.6% rate.

Source: Reuters, 27 January 2023

Japan PM says can't rule out return of deflation despite price spike

Domestic demand remains weak, according to Japanese Prime Minister Fumio Kishida, making a return to deflation in the world's third-largest economy a real possibility. The primary gauge of Japanese pricing trends, consumer inflation in Tokyo, hit a 42-year high in January, prompting the comment and keeping pressure on the central bank to gradually end its easy monetary policy. Kishida, speaking to the upper house of parliament, countered that robust local demand was not to blame for inflation but rather high global raw material prices and a weak yen. Pay rises are expected, and policymakers are hopeful that these increases would help to offset increasing living costs and encourage consumer spending.

Source: Reuters, 27 January 2023

China's open borders and push to stoke economy may revive deal making

The deals outlook has improved as a result of China's expanded borders and renewed focus on strengthening the sagging economy, with bankers beginning to field interest in mergers, acquisitions, and fundraising involving the world's second-largest economy. Chinese leaders are working to restore private sector trust and growth, which were severely impacted by the COVID-19 outbreak and an extensive regulatory crackdown, and this could lead to a resurgence in business partnerships. Businesses in the consumer, retail, and travel sectors are poised for a comeback this year following a nearly three-year slump, but this year's deals will focus on industries that will help improve China's economic prospects. The primary areas of concentration for export activities will include strategic sectors, core industrial technologies, automation, and semiconductor-related industries.

Source: Reuters, 27 January 2023

MALAYSIA ECONOMIC NEWS

2022 exports surpass 12MP target three years ahead

In 2022, Malaysia continued its exceptional success in trade, exports, imports, and trade surplus, with exports reaching the 12th Malaysia Plan (12MP) target three years earlier than predicted. After strong global demand and rising commodity prices, Malaysia's business sector has shown resilient, according to CEO Datuk Mohd Mustafa Abdul Aziz. Furthermore, imports hit approximately RM1.3 trillion in 2022, surpassing the RM1 trillion mark for the first time. As a prominent global trading nation, Malaysia accessed over 200 different worldwide markets to distribute its wide variety of high-quality and competitively priced goods. This reaffirms Malaysia's status as a trustworthy trading partner, allowing it to access new and developing markets via a variety of trade agreements on both the regional and bilateral levels. In 2022, the top 10 export destinations for Malaysian goods accounted for 87.7% of the country's total exports. MATRADE, Malaysia's national trade promotion agency, will continue its efforts to encourage more Malaysian business owners to engage in international trade by capitalizing on Malaysia's remarkable performance in international trade. MATRADE's goal is to increase the number of Malaysian business owners who export their products. Connecting Malaysian exporters, ministries, agencies, chambers, and associations with buyers from other countries is the primary function of MATRADE, which has been the primary focus point in this regard.

Source: The Star, 27 January 2023

Monetary policy has to reflect state of economy

The monetary policy should be dynamic and responsive to economic conditions, and Bank Negara Malaysia (BNM) should be viewed as autonomous so that it can act with autonomy when necessary. Maintaining abnormally low overnight policy rates (OPR) for an extended period of time may exacerbate the problem, as it may encourage individuals to prepare for the future too soon. The public has a responsibility to comprehend the rationale behind monetary policy shifts and the significance of taking stock of the current economic situation. We observed the OPR drop from 3% to as low as 1.75% in less than a year when we experienced a dramatic reduction in economic activity during COVID-19 in 2020. This lowered the OPR down from its previous level of 3%. BNM merely wanted to aid the economy. Lower rates would lower prices and boost investment and consumption.

Source: The Star, 26 January 2023

RM3.25bil in potential FDI from Italy

Tengku Datuk Seri Zafrul Abdul Aziz, the minister in charge of the Ministry of International Trade and Industry (MITI), led a ministerial delegation to Italy from January 20-23, 2023, and the trip resulted in RM3.25 billion in prospective FDI. Malaysia's strategic location as a gateway to Asean and the Asia-Pacific region is highlighted by the Malaysian Investment Development Authority (MIDA) as the reason for the FDI, which is scheduled to be realized beginning in 2023. The Italian corporations had communicated their desire to make investments in a variety of industries, such as the chemical sector, green technology, the e-economy, smart technologies, and value chains associated with the Industrial Revolution 4.0. The minister held bilateral discussions with business executives and prospective investors during his trip.

Source: The Star, 25 January 2023

Slower inflation forecast for 2023

Economists from different research institutions anticipate lessening inflationary pressures this year compared to 2022, with year-over-year inflation falling to 3.8% in December from 4% in November due mostly to slower price rises in food, transportation, and recreational services. Inflation in food and transportation costs, which is partly attributable to geopolitical conflict between Russia and Ukraine and rising commodity prices worldwide, drove the headline inflation rate in Malaysia up 3.3% year over year in 2022, from 2.5% the year before. However, core inflation stayed stable at 4.1% y-o-y in the final month of 2022, barely varying from the 4.2% in November. Core inflation is computed by eliminating the prices of products and services that are more prone to changes. Core inflation's persistent pressure on pent-up discretionary expenditure and the demand effect of the economy's reopening, driven mostly by the hospitality and leisure sectors as well as by furniture, appliances, and home repairs.

Source: The Star, 26 January 2023

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

Indonesia's MSME digitization target can be reached earlier: CELIOS

The Center of Economic and Law Studies (CELIOS) has expressed optimism that the government's target of digitizing 30 million Micro, Small, and Medium Enterprises (MSMEs) by 2024 will be achieved sooner. It's possible that by the end of 2023, Indonesia will have accomplished this goal. According to Cooperatives and SMEs Minister Teten Masduki in December 2022, only 8 million MSMEs were connected to the digital environment at the start of the pandemic. By 2022, however, that figure had risen to 20.76 million. There is no denying the fact that the pandemic has sped up the process of digitalization in Indonesia, notably among actors in MSME businesses. The shift in the way customers behave is another one of the elements that has encouraged MSMEs to join the digital ecosystem. This is due to the fact that the majority of shoppers prefer to search for and make purchases of things online rather than going to physical businesses directly. Even if it is barely 100 meters away from the store, people still order things through online platforms or WhatsApp. It is not inappropriate. Therefore, whether they like it or not, business owners need to be literate in digital technology. Another factor that has boosted digitalization among MSMEs is the shift in the payment system from cash to cashless.

Source: Antara News, 19 January 2023

PHILIPPINES

USAID launches 5-year program to quicken MSMEs' digitalization

The Philippines and the United States have begun a five-year effort to encourage greater use of digital technologies by MSMEs in the Philippines. US Agency for International Development (USAID)-backed "Strengthening Private Enterprise for the Digital Economy (SPEED)" aims to assist MSMEs by helping them innovate and adopt safe, reliable and affordable digital-technology solutions. The private sector, and notably financial-technology enterprises, are encouraged by SPEED to promote the growth of electronic payment methods. E-commerce platform integration into logistics supply chains is another target. In the remarks at the introduction, Trade Secretary Alfredo Pascual noted that the USAID program would help MSMEs overcome barriers to technology adoption, thereby contributing to the agency's goal of expanding its client base. By using digital tools, SMEs can boost productivity, cut expenses, expand into new areas, and increase their bottom line. Department of Trade and Industry (DTI) has been releasing program to aid MSMEs in their digitalization, such as the introduction of the e-commerce roadmap and collaboration with the DTI and the Department of Information and Communications Technology in the development of a free e-commerce platform.

Source: Business Mirror, 19 January 2023

SINGAPORE

Singapore exploring collaboration opportunities with India on digital public infra: Official

An official from Singapore's central bank has stated that the island nation is considering partnering with India on digital public infrastructure along the lines of a national identity system like Aadhaar. One further possibility is for Singapore's "Proxtera" (a worldwide digital center of MSMEs ecosystems) to connect with India's "Open Network for Digital Commerce" (ONDC). In terms of cutting-edge digital public infrastructure (DPI), India is a technological giant that would be a fantastic partner to work with. Monetary Authority of Singapore (MAS) Chief Fintech Officer Sopnendu Mohanty told PTI that the organization is eager to form partnerships with other organizations in order to develop a national identity infrastructure comparable to India's Aadhaar. Another option would be to link Proxtera with India's ONDC, giving small enterprises in both nations access to international markets and more economic freedom. During the three-day summit in Kolkata from January 9-11, G20 leaders are said to have discussed a wide range of topics related to digital financial inclusion, remittances, and the availability of funding for MSMEs.

Source: Daily Excelsior, 18 January 2023