

	16 June 2023		30 June 2023
FTSE BURSA MALAYSIA	1,388.61	↑	1,388.61
CURRENCY; USD 1 =	RM4.62	↓	RM4.62
BRENT CRUDE OIL (USD PER BARREL)	USD76.29	↑	USD76.29

Source: CEIC

Oil prices rose slightly in choppy trading on June 26, as investors balanced concerns about global demand growth against upcoming supply disruptions that could be exacerbated by political instability in Russia.

ECONOMICS & MSME NEWS

19 JUNE 2023 – 30 JUNE 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK economy stumbles but price pressures remain high

UK economy shows signs of slowdown as inflation pressures remain high, according to a survey conducted by S&P Global. The Composite PMI dropped to a three-month low of 52.8 in June, indicating weaker growth in new orders and a decline in the services and manufacturing sectors. Chris Williamson, chief business economist at S&P Global, warns that consumer spending on services, previously a driver of growth, is faltering due to higher interest rates, inflation, and economic uncertainties. While the survey reveals the strongest growth in hiring since September 2022, higher wages contribute to inflationary pressures. The Bank of England's recent interest rate hike to 5.0% aims to tackle inflation, but it increases the risk of a recession later in the year.

Source: Reuters, 23 June 2023

US business activity growth slows in June but services keep humming along

U.S. business activity declined in June, reaching a three-month low, with services growth slowing for the first time this year and the manufacturing sector experiencing a deeper contraction. The S&P Global Composite PMI Output Index fell to 53.0, its lowest level since March, indicating a slowdown in economic growth. However, the index remained above 50 for the fifth consecutive month, signifying expansion in the private sector. The survey data suggests that the U.S. economy continued to grow in the second quarter, driven largely by the services sector. The survey also highlights a decline in new orders, particularly in the manufacturing sector, indicating a dwindling workload for factories.

Source: Reuters, 23 June 2023

Japan finance minister vows to respond if yen weakening becomes excessive

Japan's Finance Minister, Shunichi Suzuki, issued a warning against excessive depreciation of the yen, stating that appropriate actions would be taken if currency movements became too extreme. The yen has weakened rapidly in recent days, prompting concern among Japanese officials. While Suzuki did not indicate whether Japan would intervene to support the yen, his tone was less forceful than last year's warnings. He emphasized the importance of stable currency movements aligned with economic fundamentals. A weaker yen benefits exporters but increases import costs. Rising prices were highlighted as a significant policy issue, with close monitoring of their impact on livelihoods and businesses.

Source: Reuters, 27 June 2023

World gets message that China is back on road to recovery

The World Economic Forum's Annual Meeting of the New Champions, also known as the summer Davos, took place in Tianjin, China, marking the first major gathering since Covid-19 measures were implemented. Premier Li Qiang delivered a keynote speech, emphasizing China's stance on economic recovery and global engagement. China aims to regain the confidence of foreign investors and encourage entrepreneurs to take risks and pursue opportunities. Premier Li conveyed the message during his visits to Germany and France, emphasizing China's commitment to opening up and improving access to overseas markets. Policy certainty and predictability are crucial for attracting investment. Despite concerns about a slowdown, China's second-quarter economic growth showed improvement, making the target of approximately 5% growth for the year attainable.

Source: South China Morning Post, 28 June 2023

MALAYSIA ECONOMIC NEWS

Firm economic principles to ensure stability

Malaysia's fiscal position and economy are expected to remain stable despite global oil market pressures and volatility. The country, being a net exporter of oil, has buffers in the form of oil royalties that can cushion the impact of potential lower oil prices and protect its fiscal position. Economists and oil analysts agree that Malaysia's strong economic fundamentals, including resilient consumption, a higher trade surplus, and investment inflows, will ensure economic stability and support its fiscal position. Analysts predict oil prices to range between US\$70 to US\$80 per barrel this year, but if the Organization of the Petroleum Exporting Countries and its allies (OPEC+) succeed in reducing oil supplies and geopolitical risks increase, prices could surpass US\$100 per barrel. Despite the challenges, Malaysia's monetary policy remains stable, and the country maintains solid consumption, a robust trade surplus, and strong investment inflows, which will help sustain economic growth. However, there are factors that could raise oil prices, such as the depreciation of the US dollar and potential production cuts by OPEC. Malaysia's government is prepared for lower oil prices, and while they can impact the country's trade and fiscal positions, the government's budget assumptions are aligned with current oil price expectations. To address the impact of higher oil prices on the fiscal position, the government can diversify revenue sources, control expenditure, rationalize subsidies, and build strategic reserves.

Source: The Star, 26 June 2023

Bank Negara international reserves at US\$113bil as at June 15

The central bank of Malaysia, Bank Negara, has announced that its international reserves reached US\$113 billion (RM526 billion) as of June 15, 2023. This amount is deemed sufficient to cover 4.8 months of goods and services imports and is equal to the country's short-term external debt. The main components of the reserves include foreign currency reserves of US\$100.2 billion (RM466 billion), International Monetary Fund reserves of US\$1.4 billion (RM6.5 billion), special drawing rights of US\$5.8 billion (RM27 billion), gold holdings of US\$2.5 billion (RM11.6 billion), and other reserve assets worth US\$3 billion (RM14 billion). Bank Negara's total assets stand at RM607.74 billion, including gold, foreign exchange reserves, government papers, and other assets.

Source: The Star, 23 June 2023

Malaysia records RM336.9bil total trade in service in 2022

According to the Department of Statistics Malaysia (DOSM), Malaysia's total trade in services reached RM336.9 billion in 2022, contributing 18.8% to the country's gross domestic product (GDP) at current prices. The deficit in services trade narrowed to RM56.4 billion compared to the previous year, primarily due to the resilient performance of the travel sector. Exports of services grew faster than imports, increasing from RM88.1 billion to RM140.3 billion, while imports of services rose to RM196.7 billion from RM153.7 billion. The rebound of the travel sector played a crucial role in driving Malaysia's trade in services performance, with exports of travel experiencing a significant increase from RM0.3 billion to RM28.4 billion, and imports of travel rising to RM29.5 billion from RM15.2 billion.

Source: The Star, 22 June 2023

Government seeking balance in ringgit's value , says Anwar

The Malaysian government is aiming to address the issue of the depreciating ringgit without causing foreign investors to withdraw their funds from the country, according to Datuk Seri Anwar Ibrahim, the Prime Minister and Finance Minister. Anwar stated that the drop in the value of the ringgit is linked to the country's low interest rates. He acknowledged that if interest rates were raised too much, it would burden small and medium-sized companies. Anwar highlighted the need to attract investments and mentioned initiatives such as establishing a financial hub in Johor and the Malaysia My Second Home (MM2H) program to encourage foreign individuals to invest in the country. However, he acknowledged that attracting investments might be challenging due to perceptions of political instability, particularly regarding rumors of a potential change in government. Anwar emphasized that foreign investors have confidence in his leadership and stability, but there is a need to address these concerns to attract more investments.

Source: The Star, 24 June 2023

MSME NEWS IN SOUTHEAST ASIA

SINGAPORE

MAS embarks on initiative to digitise basic ESG Credentials for MSMEs

The Monetary Authority of Singapore (MAS), in collaboration with the United Nations Development Programme (UNDP) and Global Legal Entity Identifier Foundation (GLEIF), has announced an initiative called Project Savannah. The project aims to develop digital Environmental, Social, and Governance (ESG) credentials for MSMEs worldwide. Project Savannah will streamline the ESG reporting process for MSMEs by utilizing digital platforms such as MAS' Project Greenprint. ESG data credentials will be generated and stored in the Legal Entity Identifier (LEI) records of MSMEs. By incorporating verified entity information and key ESG data into their records, MSMEs will enhance their ability to access global financing and supply chain opportunities, according to MAS. The UNDP and MAS will strengthen existing capacity-building initiatives to support MSMEs in reporting ESG data. To facilitate simplified reporting, MAS will deploy the ESGenome disclosure platform, which is currently being co-piloted with the Singapore Exchange as part of MAS' Project Greenprint. This platform will serve as a digital reporting tool for MSMEs to input the necessary ESG metrics for generating their basic ESG credentials.

Source: Singapore Business Review, 23 June 2023

PHILIPPINES

DTI, ASEAN-USAID put up e-learning tab for MSMEs

The Department of Trade and Industry (DTI) has partnered with an international funding agency to create a comprehensive webpage aimed at helping entrepreneurs future-proof their MSMEs. The collaboration between the Association of Southeast Asian Nations-United States Agency for International Development (ASEAN-USAID) and the DTI's Philippine Trade Training Center-Global MSME Academy has resulted in the introduction of a "business continuity and resiliency" (BCR) tab on the e-learning platform. The new BCR tab offers MSMEs access to e-learning modules, webinars, communities of practice, and curated tools and resources focused on business continuity and resiliency. The goal is to equip and support MSMEs in their post-pandemic economic recovery and transformation efforts. During a recent roadshow in Cebu City, over 200 MSME participants, both online and physical, were introduced to the academy's four courses aimed at assisting small businesses in their BCR planning. The roadshow also served as a commemoration of the annual "International MSME Day" celebrated on June 27, which acknowledges the vital role of MSMEs in achieving sustainable development goals.

Source: Philippines News Agency, 28 June 2023

INDONESIA

Ministry, Pertamina in pact to help SME players export products

The Ministry of Trade in Indonesia has signed a cooperation agreement with state-run oil and gas company PT Pertamina (Persero) to support SME players in exporting their products and expanding their global presence. The agreement aims to develop a strong and competitive ecosystem for SMEs in the global market. The cooperation will involve the ministry and Pertamina leveraging their resources to assist export-oriented SME players. The focus will be on enhancing the capacity of business players in the export sector and conducting trade promotions to help SMEs expand their export market. Technical assistance, capacity-building support, and market access expansion will be provided to SMEs through the collaboration. The ministry and Pertamina are committed to complementing each other's efforts in encouraging SMEs to participate in the global market. The cooperation is expected to make a significant contribution to the country's economic growth and benefit the Indonesian people. Pertamina will assist selected SMEs through a meticulous curation process conducted at the SME Academy and Pertapreneur Aggregator programs. Pertamina aims to help the assisted SMEs increase the national export value. They also hope that these SME players will receive capacity-building support through export education and training activities, as well as have opportunities to promote their products globally through various promotional initiatives organized by the Ministry of Trade.

Source: Antara News, 23 June 2023