

	20 APRIL 2023		05 May 2023
FTSE BURSA MALAYSIA	1,422.11		1,431.04
CURRENCY; USD 1 =	RM4.44		RM4.44
BRENT CRUDE OIL (USD PER BARREL)	USD81.10		USD75.30

Source: CEIC

Saudi Arabia, the world's top oil exporter, has cut the price of its June flagship crude to Asian buyers for the first time in four months, following a plunge in refining margins.

ECONOMICS & MSME NEWS

24 APRIL 2023 – 05 May 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

King Charles' Coronation to give massive £8 billion boost to UK economy

It's estimated consumers will spend an extra GBP1.76 billion in shops equivalent to GBP87 per person over the Coronation bank holiday weekend, as they prepare for celebrations and street parties. The British economy is set to see a huge boost of over GBP8 billion over the upcoming Coronation bank holiday weekend. It's expected that people will be spending GBP3.22 billion more than they do during a typical May bank holiday. Usually the British public spend GBP4.80 billion on these weekends. The majority of this spend GBP1.17 billion will be seen by supermarkets, convenience stores, and corner shops as shoppers stock up their fridges. Meanwhile, Coronation decorations, souvenirs and memorabilia also set to sell in droves as the nation prepares for the celebrations.

Source: Mirror.co, 02 May 2023

Fed can't protect US economy from debt default, Powell says

Federal Reserve Chair Jerome Powell said the failure to raise the US government debt limit would be unprecedented and have highly uncertain and negative effects on the economy. The US central bank lifted interest rates by a quarter point this week, bringing the target on its benchmark rate to a range of 5% to 5.25%. The officials discussed the debt limit as a risk but that it did not influence their decision on rates. The treasury department's ability to use special accounting maneuvers to stay within the federal debt limit could be exhausted as soon as the start of June. That leaves the government one month to reach an agreement that raises the borrowing limit and avoids a catastrophic default on US debt.

Source: Bloomberg, 04 May 2023

US banking troubles won't affect Japan, says Economy Minister Shigeyuki Goto

Banking sector problems in the United States and Europe were caused by liquidity and interest rates risks, but it won't have an impact on Japan's economy and financial system for now. What happened to the West involved risks of liquidity and interest rates. Financial institutions and authorities will need to respond firmly to liquidity risks. "The BOJ, as central bank, should tackle monetary policy operations, but as for now we don't see the current financial situation impacting Japan's economy and financial sector as a whole" says Economy Minister Shigeyuki Goto. The BOJ is expected to guide monetary policy flexibly, meaning that the central bank should do so appropriately taking economy and financial markets into account.

Source: Japan Times, 02 May 2023

Chinese factory activity declines in April on weak global consumption

China's manufacturing activity contracted in April, official figures showed, as global demand for goods slowed and the government warned that a post-COVID recovery in the world's second-largest economy had yet to gain solid footing. The National Bureau of Statistics' purchasing managers' index fell to 49.2 points compared with 51.9 in March, falling below analyst expectations of 51.4 in a Reuters poll. China's non-manufacturing purchasing managers' index, which includes the services and construction sectors, was 56.4, down from 58.4 in March but still showing expansion since President Xi Jinping ended the country's economy-constraining zero-COVID policy in December. A reading above 50 indicates expansion compared with the previous month, while one below 50 means a contraction.

Source: Financial Times, 30 April 2023

MALAYSIA ECONOMIC NEWS

Bank Negara surprises with OPR hike to 3%

In a surprising move, Bank Negara has increased its Overnight Policy Rate (OPR) by 25 basis points to 3%, amid expectations that it would be maintained at 2.75%. While acknowledging that headline and core inflation are expected to moderate within 2.8% to 3.8%, the central bank said core inflation would remain at elevated levels amid firm demand conditions. The outlook for inflationary risk remained skewed towards the upside, and is subject to any changes to domestic policy including on subsidies and price controls, financial market developments, as well as global commodity prices, according to the central bank. Bank Negara says that with the domestic growth prospects remaining resilient, the Monetary Policy Committee (MPC) judges that it is timely to further normalize the degree of monetary accommodation. In light of the continued strength of the Malaysian economy, the MPC also recognizes the need to ensure that the stance of monetary policy is appropriate to prevent the risk of future financial imbalances. The central bank added its monetary policy stance at the current level is “slightly accommodative” and remains supportive of the economy. However, while Bank Negara is looking to normalize its monetary policy, raising rates would have a negligible impact on inflation. On the flipside, it will affect the cost of borrowing and in turn make the cost of living more difficult for anyone with loans. It is also unlikely to support growth, but banks will be richer as net interest margins improve for them.

Source: The Star, 04 May 2023

Stronger demand from China to back manufacturing PMI

MIDF Research expects the stronger demand from China to help support regional trade and production activities for Malaysia's Manufacturing Purchasing Managers' Index (PMI) going forward. However, the research house said the outlook may be constrained by slowing global growth. The contractionary trend in April 2023 where PMIs were mostly for countries with electrical and electronics or tech-focused manufacturing, including Malaysia, signaling the slowing external demand on the back of sluggish global demand due to the still limited impact from China's economic recovery. The latest data on the Malaysian manufacturing sector showed mixed trends at the start of the second quarter, with overall demand conditions remaining subdued despite improvement in exports.

Source: The Star, 04 May 2023

Slower trade growth likely in second quarter

Malaysia's total trade is expected to register slower growth in the second quarter of 2023, as global economic uncertainties continue to persist. Malaysia needs to diversify its ability to export both in terms of products and markets. If Malaysia's exports keep shifting from manufactured goods to petroleum products, then we should seriously look into the matter. There was a decline across Malaysia's exports by sector in March. But there is nothing to be done to promote trade in the short term because this is dependent on demand in export markets, which is out of our control. The biggest factors remain the opening and recovery of China, the geopolitical uncertainties and whether the tentative growth in major markets push growth in Asean, which will benefit Malaysia.

Source: The Star, 01 May 2023

Inflation rate to hover between 3% and 3.5%

Analysts have mixed views on the inflation outlook for Malaysia in the near term but expect it to hover between 3% and 3.5% for the year underpinned by slower economic growth and stable commodity prices. In March, the consumer price index (CPI) moderated to 3.4% year-on-year (y-o-y) from 3.7% y-o-y in February this year. Core CPI increased by 3.8% y-o-y in March, but was 0.1% lower from February's 3.9%. PublicInvest Research said the CPI's growth rate in March was below market expectations of 3.6%, which stemmed from the moderate rise in food inflation to 6.9% y-o-y in March from 7% y-o-y in February. In the midst of a climate of heightened economic uncertainty, the government's recent launch of the Rahmah Menu initiative on Jan 31 has emerged as a critical step towards mitigating the escalating costs of living. PublicInvest also noted there was a jump in electricity tariffs across industrial and commercial sectors from the implementation of the Imbalance Cost Pass-Through mechanism in Peninsular Malaysia. Nevertheless, the rate of increase for restaurant and hotel costs saw an uptick of 7.2% y-o-y from 7.4% in February.

Source: The Star, 26 April 2023

MSME NEWS IN SOUTHEAST ASIA

CAMBODIA

Credit guarantee SOE, top trade body in MSME tie-up

State-owned Credit Guarantee Corporation of Cambodia Plc (CGCC) and Cambodia Chamber of Commerce (CCC) are joining forces to foster better access to guaranteed loans for the development of the Kingdom's Micro, Small and Medium-sized Enterprises (MSME), and to provide support to these smaller businesses, "mainly CCC members", according to a statement. A memorandum of understanding (MoU) was signed to this effect between CGCC CEO Wong Keet Loong and Nguon Meng Tech, director-general of the CCC the Kingdom's apex trade body, at a ceremony recently. This cooperation will provide support to MSMEs mainly CCC members – for greater access to finance despite collateral challenges, and to promote financial literacy, including credit guarantees to CCC members across the country. The MSMEs play significant roles in economic development. However, they face a lot of challenges, particularly financial constraints. In this regard, the MoU signing by CCC and CGCC today aimed specifically to promote access to guaranteed loans for the development of MSMEs. The MoU signing is also a positive sign that will help strengthen and deepen the cooperation between the two institutions. Together with CCC, it can support the development of SMEs in Cambodia by improving financial inclusion and financial literacy.

Source: The Phnom Penh Post, 30 April 2023

PHILIPPINES

Fintech capacity-building needed for MSMEs

There is a need to build the capacity of MSMEs on financial technology (fintech) to ramp up the digital economy in the Philippines the top official of the Philippine Economic Zone Authority (PEZA) said. Certainly, many PEZA locators have already engaged Filipino fintech companies to take advantage of our world-class tech talents and for the needed sustainability and global competitiveness. However, there are also locators, especially MSMEs, needing capacity building on financial technology. According to the latest statistics of Research And Markets, B2C (business to consumers), the e-commerce market in the Philippines is expected to grow by 15.44% on an annual basis to reach USD14.2 billion in 2023. This expansion of e-commerce in the Philippines will thus require MSMEs to adopt fintech for faster and convenient online transacting. This presents opportunities for fintech companies to offer various services to Filipino enterprises. On the digital space, wide array of financial services like cross border payments, e-banking, and e-wallet, etc. are allowing fintech companies to encourage people to engage in economic activities because of the convenience such services provide enabling millions of online and mobile transactions in the process.

Source: The Manila Times, 01 May 2023

VIETNAM

Digitalisation, innovation spur Vietnamese small businesses on expansion

Vietnamese small business owners overwhelmingly expect to grow in 2023, with a new survey showing they are the most confident in their local economy across the surveyed markets in the Asia-Pacific. CPA Australia's latest Asia-Pacific Small Business Survey shows Vietnamese small businesses' swift recovery from the COVID-19 pandemic helped pave the way for growth last year. This momentum is expected to continue, with 83% of Vietnamese respondents expecting their business to grow. Nine out of 10 small businesses surveyed in Vietnam also expect the local economy to grow in 2023. This was the strongest result of the 11 markets surveyed. Vietnam also topped the list for small businesses growth in 2022 (78%). The COVID-19 pandemic was the most detrimental factor for Vietnamese small businesses last year but its impact had lessened. Fewer than one-third (32%) reported that COVID-19 negatively impacted their business in 2022. This is down from 78% in 2021. The Government's support to small businesses to overcome COVID-19 has enabled them to rebound rapidly. Vietnam reopened its borders in the first quarter of 2022, boosting foreign investment, international trade and tourism. The country's digital economy boomed as businesses moved more online in response to COVID-19. This has significantly contributed to solidifying Vietnam's economic development. The country's institutional reforms and implementation of free trade agreements might further boost confidence.

Source: Vietnam Plus, 24 April 2023