

| | 24 March 2023 | | 06 April 2023 |
|-------------------------------------|---------------|---|---------------|
| FTSE BURSA MALAYSIA | 1,399.70 | ↑ | 1,424.89 |
| CURRENCY; USD 1 = | RM4.43 | ↑ | RM4.40 |
| BRENT CRUDE OIL (USD PER BARREL) | USD74.99 | ↑ | USD84.67 |

Source: CEIC

Oil prices were little changed on April 6 but posted a third weekly gain as markets weighed further production cuts targeted by OPEC+ and falling U.S. oil inventories against fears about the global economic outlook.

ECONOMICS & MSME NEWS

27 MARCH 2023 – 07 April 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK joins trans-Pacific trade bloc in a deal likely to boost GDP by less than 0.1%

A deal for the UK to join a significant free trade group in the Pacific region has been finalized. Since the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force in 2018, the UK will make history by becoming the first new member to sign up for it, as well as the first in Europe. Although the government has referred to the agreement as its "largest trade deal since Brexit," the government's own projections show that entering the CPTPP will improve economic production in the UK by less than 0.1% in the long run, or over the course of around 15 years. When the United Kingdom finally enters, the bloc will have a combined population of almost 500 million and a GDP that accounts for 15% of world output.

Source: CNN, 31 March 2023

US banks are in turmoil, but a bigger financial crisis may be brewing elsewhere

The International Monetary Fund (IMF) issued a "vulnerabilities" alert recently, saying that the strength of so-called non-bank financial organizations might determine the fate of global financial stability. Bank of America polled international investors during the height of the recent banking crisis, and they blamed a collection of American non-banks, not the likes of the now-defunct Silicon Valley Bank, for sparking the banking crisis. All non-bank financial institutions that extend credit to individuals and businesses are included under this term. The cast is representative of a wide range of cultures and backgrounds. Mutual funds, high-risk hedge funds, and pension funds are all examples of non-bank financial institutions.

Source: CNN, 06 April 2023

Japan to restrict export of advanced chip-making equipment to China

The Japanese government has announced that it will increase restrictions on the export of machinery used in the production of advanced chips in an effort joining the United States efforts to prevent China from developing advanced semiconductors with military applications. In October of the previous year, the United States implemented a comprehensive set of export controls on certain high-end chips that Beijing could use to train artificial intelligence systems and modernize its military. At the same time, the US asked Japan and the Netherlands, to follow suit. China has objected the restriction and filed a complaint to World Trade Organization (WTO).

Source: Kyodo News, 31 March 2023

China, France sign cooperation agreements, sending strong message against economic decoupling

China and France signed a series of important cooperation agreements during a state visit by French President Emmanuel Macron to China on April 6. The expanded cooperation between China and France sent a message that instead of decoupling, increasing trade relations with China is an important priority for a major European economy like France, experts said, expecting Macron's visit to have a positive impact on China-France trade ties and send positive signals to EU countries. Chinese President Xi Jinping said that China-France economic and trade cooperation has not only boosted the economic growth of the two countries and improved people's well-being, but also boosted confidence and stabilized expectations for the world's economic recovery. Macron noted that France opposes "decoupling and chain breaking" and hopes to build a more robust and open supply chain.

Source: Global Times, 06 April 2023

MALAYSIA ECONOMIC NEWS

‘De-dollarization’ is feasible

Prime Minister Datuk Seri Anwar Ibrahim has also lent heavy support to the thought of reducing Malaysia’s dependency on the greenback in terms of attracting foreign direct investments into the country, as well as in bilateral trades not involving the United States. This came as Anwar announced on April 4 that investments worth about RM170 billion by China-based companies would be kicking off next month. The prime minister has also last week proposed the setting up of an Asian Monetary Fund (AMF), stressing the need to lower reliance on the greenback as well as the US-backed International Monetary Fund (IMF), an idea that he himself reported has been well received by Chinese President Xi Jinping, who is open to discussing its implementation. According to Geoffrey Williams, economics professor at Malaysia University of Science and Technology (MUST), what Anwar was saying is in line with a growing group of international leaders seriously questioning the role of the dollar and the US/European Union systems, hence the prime minister’s comment is a change of tone with possible action points. Anwar’s view that bilateral trade between two nations could use the currencies of the countries involved instead of the dollar, is “feasible” and is in fact growing in popularity. Most commodities are priced and traded in dollars but direct sale of oil between Russia and China as well as India is circumventing that arrangement. There is an increasing probability this will extend to more countries and more commodities.

Source: The Star, 07 April 2023

Domestic demand to drive growth

Strong private domestic demand and the resumption of investment projects will be Malaysia’s main growth drivers this year. The country’s gross domestic product (GDP) to moderate to 4.2% in 2023 before increasing to 5.2% in 2024. Domestic demand will continue to drive Malaysia’s growth, underpinned by pent-up consumption. It is also due to the consolidation that is taking place in the public sector. Apart from this, the resumption of investment projects, particularly in the electrical and electronics sector, telecommunication and data centers which were delayed due to mobility restrictions during the Covid-19 pandemic, will also support economic growth. Malaysia managed to bounce back quite rapidly from the pandemic. This is given its highly diversified economy that saw Malaysia benefiting from the terms of trade last year.

Source: The Star, 07 April 2023

PMI higher at 48.8 in March

Malaysia’s seasonally adjusted manufacturing purchasing managers’ index (PMI) climbed to 48.8 in March from 48.4 in February, indicating improving demand in the manufacturing sector, according to S&P Global. In a statement on April 3, the financial information and analytics firm said the latest reading pointed to the least marked slowdown in business conditions since last September. The PMI reading is also consistent with sustained, solid expansions in both manufacturing production and gross domestic product, with signs that growth has picked up since the start of the year. S&P Global Market Intelligence economist Usamah Bhatti noted that while new order intakes moderated further, the reduction was the slowest recorded since last October and was only mild as some firms were able to secure greater new order volumes.

Source: The Star, 04 April 2023

Steel and cement prices continue to rise in March

The unit price index of steel rose 0.9% in March 2023 from 1.5% in February in tandem with the increasing trend of iron ore and steel prices at the global level, said the Department of Statistics Malaysia (DOSM). The unit price index of cement rose by 1.1% in March compared to February, attributed to the rise in production costs, including the price of raw materials such as limestone, coal, energy, and shipping costs. In addition, a year-on-year comparison of the unit price index on building materials recorded an increase between 1.2% and 10.2% in March compared to the same month a year ago. The unit price index for cement and bricks, as well as walls, increased by 10.2% and 8.0%, respectively, in March compared to a year ago. The unit price index for steel recorded a decrease of 0.6%, DOSM said in a statement on April 7.

Source: The Star, 07 April 2023

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

Modalku elevate MSME sectors in Southeast Asia through funding services

With the vision of advancing the economy of Southeast Asia, Modalku has distributed up to IDR41.2 trillion (US\$2.7 million) in funding for MSMEs in Indonesia, Singapore, Malaysia, Thailand, and Vietnam. As of the first quarter of the year, they have distributed additional capital to more than five million MSMEs in Southeast Asia. This is in line with the core of Modalku's business, which is a platform that provide business funding to develop the business of SME entrepreneurs. Modalku recognize that one of the biggest obstacles for starting a business is the lack of additional capital. With their program, they aim to make it easier for people to be able to elevate their business development. Additional capital is usually sources from accumulated profit that is obtained every month, which is proven to be an effective method for micro businesses. However, it is not the same case for small and medium-scaled companies, as the market is more competitive compared to micro businesses. Business development that takes too long will not only make a business stagnate, but also unable to compete. Which is why Modalku is offering a solution for SME owners to be able to decrease the threat to their business.

Source: The Jakarta Post, 27 March 2023

PHILLIPINES

MSME mentoring program launched

The Aboitiz Group announced on March 27 the launch of Byaheng Digiskarte, a mentoring program to MSMEs leverage the latest technology, digital platforms and market trends. The goal of this program is for MSMEs to remain competitive and future-ready in recognition of the significant impact they have on the overall welfare of the Filipino people. This is the initiative of Global Compact Network Philippines (GCNP) Prosperity Pillar in collaboration with Aboitiz Group, SM Investments Corp. and other private sector partners. Biyaheng Digiskarte focuses on helping MSMEs prepare for the future by providing them with capacity building training, upscaling, upskilling, and providing financial and market access. Moreover, it discussed the importance of adapting to the modern business environment through technology and an entrepreneurial mindset, exploring digitization platforms and financial services available to them, and serving as a platform to enhance and widen their networks to help them in upskilling. To help the MSMEs recover from losses brought by pandemic, the program is a strategic and impactful approaches to recovery and resiliency building for MSMEs.

Source: The Manila Times, 28 March 2023

CAMBODIA

Swedfund to aid SMEs via AFMF

Swedfund International AB on March 27 announced that it has committed USD10 million to ASEAN Frontier Markets Fund LP (AFMF) to shore up smaller businesses, job creation and development, as well as to promote high ESG (environmental, social and governance) standards, financial inclusion, gender equality and climate resilience in Cambodia and Laos. A deal to this effect had been signed on December 20, the limited liability company (AB) wholly owned by the Swedish government recapped in a press release. This is Swedfund's first investment in a fund focusing on Cambodia and Laos. AFMF will be managed by Emerging Markets Investment Advisers [EMIA], a Singapore-regulated fund manager focused on frontier ASEAN. One of Swedfund's goals is to invest in the most vulnerable and poorest countries, according to the OECD's [Organization for Economic Co-operation and Development] definition. Cambodia and Laos are examples of countries in Southeast Asia that, according to the OECD/DAC [Development Assistance Committee] list, are in the category of least developed countries. AFMF provides capital to strengthen and scale up regional growth-oriented SMEs [small and medium-sized enterprises] that are key players in the private sector, to contribute to economic development.

Source: Phnom Penh Post, 30 March 2023