

FTSE BURSA MALAYSIA	1,495.5	↓	1,495.0
CURRENCY; USD 1 =	RM4.41	↑	RM4.34
BRENT CRUDE OIL (USD PER BARREL)	USD85.65	↓	USD85.55

Source: CEIC

*Oil prices higher rallying on the last trading of the year, despite an unexpected rise in US crude stocks, recession fears and demand concerns owing to a resurgence of COVID-19 infections in the world's top crude importer China.*

# ECONOMICS & MSME NEWS

02 JANUARY 2023 – 13 JANUARY 2023

## GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

### UK firms weigh redundancies as high costs bite

Firms' recruitment plans in UK have hit a two-year low due to widespread pessimism and lack of confidence in the economy. Companies are delaying hiring decisions and discussing layoffs as a means of controlling rising costs. Optimism and productivity ticked up slightly in December, but that was after a significant drop in November, so they were still significantly below their long-term averages. The Omicron wave of COVID-19 entered the UK in late 2020, and subsequent lockdowns only made recruiting plans among enterprises sink lower. With rising prices and the possibility of a recession, it appears that businesses are halting their hiring efforts and may even be increasing their layoffs.

Source: Alliance News, 09 January 2023

### US deficit widens by USD85 billion in December

According to the Treasury Department's report, the US ran a deficit of \$85 billion in December 2022, bringing the total deficit for the year to nearly \$1.42 trillion. A 12% increase from the first quarter of 2022 has resulted in a \$421.41 billion deficit for the government in the first quarter of 2023 (the government's fiscal year begins in October). Because of increases in spending and decreases in revenue, the deficit for December was approximately \$41 billion, which is nearly four times as large as the \$21.3 billion deficit reported in December 2021. Revenue was \$454.94 billion in December 2022, while spending was \$539.94 billion.

Source: CNN, 12 January 2023

### What to expect from Japan's economy in 2023

Last year was difficult for the Japanese economy for a number of reasons, including the longest decline in the value of the yen versus the US dollar in modern history and the highest inflation rate in decades. However, efforts were also made to restart economic operations that had to be suspended because to the COVID-19 pandemic. One such initiative was the opening of the country's borders to foreign tourists for the first time in two years. The view for the Japanese economy is relatively good, in contrast to the outlook for other major economies such as the US, which is predicted to drop this year due to a series of rate hike campaigns to manage inflation.

Source: The Japan Times, 03 January 2023

### Xi Jinping's plan to reset China's economy and win back friends

China's disorganized departure from its zero-COVID strategy has ballooning expenses. Despite a relatively stable official death toll, a number of obituaries for older prominent figures, ranging from academics to opera singers, show the devastating effect the virus has had on the country's most vulnerable residents. As a result of the widespread panic, antiviral medications and painkillers are in limited supply throughout Asia. Hospitals in many parts of the country are reaching capacity. The death toll from the Chinese exodus has been estimated unofficially at around 1 million. Xi Jinping, the most powerful Chinese leader since Mao Zedong, would suffer an image loss if such a scenario came to pass. In spite of the chaos, Xi is resetting his diplomatic and economic policy from the ground up. Beijing is drafting initiatives to mend gravely deteriorating diplomatic ties and stimulate a sluggish economy.

Source: Financial Times, 10 January 2023

# MALAYSIA ECONOMIC NEWS

## Malaysia's unemployment rate down to 3.6% in November 2022

According to the Department of Statistics Malaysia (DOSM), the number of unemployed fell to 600.9 thousand, representing an unemployment rate of 3.6%. With the expansion of existing economic activity, the job market increased considerably in November of 2022. With a rising number of employed and a decreasing number of unemployed, the labor market expanded more throughout the month. Therefore, the labor force increased by 0.2% month-over-month in November 2022, reaching 16.71 million people (compared to 16.68 million in October 2022), while the labor force participation rate increased by 0.1% points, reaching 69.8% (compared to 69.7%). Also, the number of people with jobs rose to 16.11 million, an increase of 0.2% from the previous month (October 2022: 16.08 million persons). When broken down by industry, it was clear that employment was rising across the board in the service industry, particularly in the fields of wholesale and retail trade, food and beverage services, and information and communication activities. Meanwhile, employment in manufacturing, construction, and agriculture all rose, and for the first time since July 2020, mining and quarrying saw a gain in the number of people engaged in the industry. The high economic growth can be attributed to the fact that all social and economic activities will continue uninterrupted until the end of 2022. Consistent with the current favorable economic developments, especially in early 2023, the job market is anticipated to continue its recovery pace towards a more stable labor market.

Source: The Star, 10 January 2023

## November industrial production index up 4.8%, expansion in all three sectors

The Department of Statistics Malaysia (DOSM) reports that the country's Industrial Production Index (IPI) for industry grew by 4.8% in November 2022, up from 4.6% in October. This increase was driven by the mining, manufacturing, and electricity industries. Among the three sectors that make up the IPI, mining saw a 6.1% increase, manufacturing a 4.8% increase, and electricity a 1.2% increase in November, according to the country's chief statistician, Datuk Seri Dr. Mohd Uzir Mahidin. Manufacturing of computers, electronics, and optical products, as well as chemicals and chemical products, led the growth in export-oriented industries, which increased by 5.1% (October 2022: 5%). Food processing, motor vehicles, trailers, and semi-trailers boosted domestic-oriented businesses by 4.3% (October 2022: 2.5%).

Source: The Star, 11 January 2023

## Malaysia on strong footing to attract quality investments

Tengku Datuk Seri Zafrul Abdul Aziz, Malaysia's Minister of International Trade and Industry (MITI), says the country's economy is in a good position to entice high-quality investments. As the China's largest trading partner, Malaysia stands to benefit greatly from the country's decision to reopen its borders, despite the fact that difficulties will persist owing to global economic uncertainty. The Malaysian economy and its exports will benefit from the move. Environmental, social, and governance (ESG) principles in important sectors, improved ease of doing business, also will all contribute to mitigating the effects of global economic headwinds on the domestic economy. Malaysia is forecasting a 4% growth in 2023. Our numbers are looking good, inflation is at 4% and the unemployment rate is at 3.6%.

Source: The Star, 06 January 2023

## Moderate growth forecast for Q1

Although the effects of persistently high inflation are already being felt by the people of Malaysia, the economy is expected to get off to a slow start this year. Since another rate increase by Bank Negara is anticipated for the first quarter of 2023 (1Q23), a weakening of the ringgit against the US dollar is also predicted. There is hope that the Malaysian economy would expand by 3.9% in the 1Q23, as compared to a projected growth of 6.6% in 4Q22. Overall GDP growth in Malaysia is expected to decline to 4.3% in 2023 from 8.6% in 2022 as a result of the global economic slowdown. This is mostly attributable to decreased foreign demand as well as declining discretionary spending as a result of rising costs of living. Another factor weighing on the economy is the possibility of higher inflation, which might lead to additional financial tightness in the wake of increases in Bank Negara's OPR. Kenanga Research expects the central bank to raise the OPR by 25 basis points to 3% in January, which may be the last hike.

Source: The Star, 06 January 2023

# MSME NEWS IN SOUTHEAST ASIA

## THAILAND

### Business trends on the horizon for entrepreneurs in 2023

Businesses of all MSMEs in Thailand have felt the effects of the ongoing COVID-19 outbreak, but their importance to the country's prosperity cannot be overstated. The closure of many businesses can be attributed to a wide range of factors, including but not limited to: more digital transformation, changes in customer behavior, travel restrictions, limited operations of retail stores, and inflation. In light of the success of vaccinations and the government's lenient policies, several of them have reopened, begun operations anew, or even expanded. Finbiz by ttb, an educational resource launched by TMBThanachart (ttb) to empower and educate small business owners and entrepreneurs, predicts small business trends will dominate the market and set the tone in the coming year to help them adapt to the pandemic, survive, revive, and even prosper. As a result, business owners can push their comfort zones and try something new, both of which will contribute to the development of their enterprises. The health and wellness business is entering a new era of stability and growth. Due to the COVID-19 pandemic and the introduction of other viruses like Monkeypox, the Thai health and wellness business has been on the rise in recent years. To maintain their physical and emotional health, consumers are more prepared to invest in products that support this trend.

Source: Thai PBS, 05 January 2023

## PHILIPPINES

### What can MSMEs expect from DTI and other agencies in 2023?

When the final limitations imposed because of the COVID19 pandemic were lifted in 2022, many Micro, Small, and Medium-sized Enterprises (MSMEs) were finally able to get back to business as usual. Inflation, swings in the peso-dollar exchange rate, and interruptions in global supply networks are only some of the additional problems that have slowed economic recovery. The rising costs of raw materials and loan interest rates were added to the existing difficulties of competitiveness and digitalization faced by MSMEs. The Marcos government has made reviving MSMEs a priority, with President Marcos pledging to increase support for SMEs so they may take advantage of digital and globalization trends. What shifts and enhancements to the business climate SMEs anticipate in light of this promise? There will be additional initiatives geared toward bolstering the stability of MSMEs through digitalization, financial education, and improved workplace safety. According to projections made by the Department of Trade and Industry (DTI), 73% of MSMEs have failed to digitalize their operations in 2021, hence restricting their access to the market. To address this, DTI's Philippine Trade Training Center and the Technical Education and Skills Development Authority (Tesda) will begin offering the "Start and Improve Your Business" management training program nationwide for over 20,000 MSMEs nationwide.

Source: Manila Times, 07 January 2023

## CAMBODIA

### Over 1000 new SMEs registered in Jan-Nov

More than a thousand MSMEs were registered by the Ministry of Industry, Science, Technology, and Innovation between January and November of last year. This brings the overall number of MSME registrations to around 44,000. According to data compiled by the government in November of last year, the combined assets of all of the registered SMEs amounted to USD750 million. The ministry also said that roughly 300 MSMEs had shut down during that time. Cambodia's MSMEs have been the engine that has kept the country's economy going. MSMEs are often seen as an essential economic sector, not just in nascent or developing countries but also in more developed ones. With the revival of the tourism industry providing a boost, the private sector anticipates a speedier improvement in the domestic production chain, including the food manufacturing and packaging processes. With the reopening of the Chinese market and an increase in planned tourism this year, Cambodia's small and medium firm sector, and especially the women-dominated SMEs, could see a revival in production chains, packaging, and distribution in the market. However, despite its potential, the SME sector confronts obstacles to growth, such as limited access to money, inadequate training, a lack of access to markets, and a reluctance to adopt cutting-edge technologies.

Source: Khmer Times, 13 January 2023 3