

27 January 2023

10 February 2023

FTSE BURSA MALAYSIA	1,497.55	↓	1,474.59
CURRENCY; USD 1 =	RM4.23	↓	RM4.33
BRENT CRUDE OIL (USD PER BARREL)	USD86.66	↓	USD86.39

Source: CEIC

Crude prices eased as oil infrastructure appeared to have escaped serious damage from the earthquake that devastated parts of Turkey and Syria, while US inventories swelled and investors worried about Federal Reserve rate hikes

ECONOMICS & MSME NEWS

30 JANUARY 2023 – 10 FEBRUARY 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK's Sunak shuffles cabinet to bolster pledges on economy

In preparation for a general election expected to be held in the UK next year, Prime Minister Rishi Sunak recently reshuffled his cabinet, splitting two departments in order to better implement his plans to stimulate the economy, lower energy prices, and revive his party's fortunes. He believes that the government should be structured to serve the demands of the British people. Changes like this will let groups concentrate on what really matters: creating a brighter future for our kids and grandkids. Although the proposed reforms have been met with both praise and criticism from business groups and advocates of green energy, they will definitely assist Sunak in his efforts to implement his agenda.

Source: Reuters, 07 February 2023

US recession still likely despite resilient economic data

Job growth in the United States picked up speed in January, and the unemployment rate fell to a more than 53-and-a-half-year low of 3.4%, according to data released last week, indicating a tight labor market that may cause problems for the Federal Reserve as it tries to combat inflation. When the job market shows signs of strength, investors may feel more confident that the Federal Reserve can rein in inflation without triggering a recession. The likelihood of a recession occurring in the US during the next 12 months has been reduced to 25% by Goldman Sachs (GS.N), from a previous projection of 35%.

Source: Reuters, 09 February 2023

Japan Inc. strives to lure skilled workers as inflation, labor crunch bite

Companies in Japan are increasing their efforts to assist their employees in combating rising prices and a labor shortage. These efforts range from inflation allowances to the reskilling of workers. However, some companies are unable to afford pay increases that do more than offset cost-push inflation. According to Teikoku Databank, a corporate credit research firm, almost a quarter of Japanese companies have issued or plan to grant inflation allowances. These payouts typically vary from a monthly allowance of about USD50 to a lump sum of about USD54,000. The private sector expects the drive to help boost productivity.

Source: Reuters, 31 January 2023

Far from dying, a new globalization is emerging – driven by China and the digital economy

Some economists are beginning to believe that globalization is over. In a similar vein, near-replacement shoring's of offshoring for supply chains is giving rise to the theory that China is no longer a participant in globalization. It's clear that the US is withdrawing from globalization in light of its rising protectionism. The policies it pursues hasten the dismantling of globalization and its replacement with protectionist sovereign economies. In the long run, this strategy is doomed to failure since it prevents the economy from reaping globalization's benefits: a greater selection of goods and services at lower prices. China's full return to the global market will reduce Western inflation. Before COVID-19, China exported economic deflation.

Source: South China Morning Post, 05 February 2023

MALAYSIA ECONOMIC NEWS

Budget 2023 to take account of current economic challenges - PM

According to Prime Minister Datuk Seri Anwar Ibrahim, the revised version of Budget 2023, which is scheduled to be presented on February 24, will take into account the current economic issues while simultaneously pushing the growth of the country and attracting investors. Anwar, who is also the Minister of Finance, stated that the government is taking into consideration a number of new initiatives in the process of developing Budget 2023. These new initiatives include digitization as well as the sustainable consumption and production of natural resources in the downstream process. "When compared to Indonesia, Thailand, and Vietnam, we are lagging far behind in each of those areas. Therefore, the government need to address these challenges to ensure that it can continue to be competitive," he stated while addressing the monthly gathering of the Ministry of Finance (MOF) that took place here today. According to Anwar, the most difficult aspect of developing the Budget 2023 will be coming up with well-balanced policies that will both attract investors and protect the people, particularly the most impoverished of the population. There is a possibility that ideas and policies will occasionally slightly conflict with one another. This can serve as an illustration of one way in which we can implement Madani to foster economic expansion. We are putting an emphasis on the people, and no one should get the impression that they are being ignored or neglected.

Source: The Star, 08 February 2023

Construction sector posts 8.8% rebound in 2022

Despite a general downward tendency in the industry over the prior two years, the construction industry as a whole saw an 8.8% increase in 2022, according to the Department of Statistics Malaysia (DOSM). Special trade activities (19.6%) and non-residential buildings (13.0%) both had double-digit increases over the course of the year, while the overall economy picked up speed as well (18.7%). The civil engineering and residential building sub-sectors turned around to positive growth of 2.7% and 3.4%, respectively. The total value of work done in 2022's construction amounted to RM121.9 billion, "lower than the pre-pandemic period" in 2019 which totaled RM146.4 billion. In 4Q 2022, building work rose 15.7% to RM32.0 billion, following a 23.2% increase in the 3Q 2022.

Source: The Star, 08 February 2023

Raising revenue as part of fiscal consolidation plan

The World Bank predicts that Malaysia's revenue will fall from 15.0% of GDP in 2023 to an average of 14.7% in the medium term, hence the government's current fiscal consolidation plan should involve increasing revenue collection. As Malaysia's revenue level remains low and trails comparative counterparts, it is vital to address the continuing drop in collection and investigate new sources of revenue. Plans for streamlining tax breaks, expanding the personal income tax base, and strengthening the consumption tax system should all be included in the Fiscal Responsibility Act, which is now being prepared and finalized. When it comes to spending, it may be possible to save money by shifting from universal to tailored subsidies, especially for gasoline. Though relying on cost cutting measures can be difficult.

Source: The Star, 04 February 2023

Economist expects moderate growth of 4.7% for Malaysia's 2023 GDP

Economist predicted that the growth rate of the Malaysian economy will be mild this year, coming in at 4.7%. This comes despite a gradual drop in inflation, a loosening of monetary policy, and below-average prices for commodities. Economic growth is expected to stay decent as 2022 was a good year for Malaysia due to the aforementioned reopening of its borders and other good factors. The tightening of monetary policy by Bank Negara Malaysia appears to have faded away, and it is expected that inflation, which has never been a major issue in Malaysia, would fall even further. The combination of growth and inflation bodes well for Malaysia right now. The reopening of the border with China will be beneficial to the Malaysian economy, mainly the tourism industry. Traditional players must consider new technologies to maintain high-quality service due to global technology advancement.

Source: The Star, 08 February 2023

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

KADIN to focus on MSMEs' empowerment programs in 2023

The Indonesian Chamber of Commerce and Industry (KADIN) stated that it is focusing on programs that are aimed at empowering Micro, Small, and Medium Enterprises (MSMEs) in 2023. Since MSMEs are the backbone of the national economy, KADIN is working to strengthen them. As a result of the efforts of MSMEs, Indonesia's economy was able to weather the COVID-19 pandemic that struck in the year 2020. This is why the government have decided to make the empowerment of MSMEs a priority this year. In these types of empowerment initiatives, MSMEs receive assistance in the form of the transfer of technology, access to funding, and the extension of market access. It is absolutely necessary for KADIN and the government to work together in order to maximize the economic potential of the country. Regional Secretary of South Sumatra Supriono is optimistic of the role of entrepreneurs becoming more maximal in carrying efforts to empower the community, both formally and informally. KADIN would serve as an example for other organizations in supporting the improvement of the community's economy by helping the government in handling various problems related to the economy in South Sumatra.

Source: Antara News, 07 February 2023

CAMBODIA

ADB, CP Bank in USD10 million loan pact for aiding MSMEs

The Asian Development Bank (ADB) has provided a helping hand to Cambodian MSMEs to aid in their recovery from the aftermath of the recent pandemic. Cambodia Post Bank (CP Bank), the fifth-largest bank in the Country by branch network, and the Asian lender have signed a loan agreement to offer up to USD10 million to increase the availability of capital for local MSMEs. Women-led MSMEs in the country are set to get as much as USD5 million (50%) of the total financial aid. According to ADB, in Cambodia, 99.8% of all businesses are MSMEs, and they employ more than 72% of the country's labor force. More than half of Cambodia's GDP expansion may be attributed to MSMEs, demonstrating the crucial role they play in the country's economy. Ashok Lavasa, ADB Vice-President for Private Sector Operations and Public-Private Partnerships (PPP), emphasized the importance of helping SMEs have access to working capital and longer-term finance. Because of the increased competitiveness and access to domestic and international manufacturing networks made possible by this funding, Lavasa expects that these enterprises' bottom lines would improve.

Source: Khmer Times, 09 February 2023

BRUNEI

A boost for local MSMEs

The Brunei Mentors for Entrepreneurs Network (BMEN) in partnership with Darussalam Enterprise (DARe) and Shell LiveWIRE Brunei launched Phase 2 of the ASEAN Mentorship for Entrepreneurs Network (AMEN) program for Brunei recently at iCentre, Anggerek Desa. The ASEAN Member Economic Network (AMEN) program was started in 2017 by the Philippines' ASEAN Business Advisory Council as part of the country's presidency of ASEAN. The initiative is meant to help MSMEs in the ASEAN area become self-sufficient so that they can create jobs and contribute to economic growth. The first three countries to benefit from 2019's 10-module business mentorship initiative are Malaysia, Indonesia, and the Philippines. Currently, it is being rolled out to the remaining member states, and that includes Brunei. During her opening remarks, Norlela binti Suhailee, Head of Business Development and Support at Darussalam Enterprise (DARe), told the participants that the AMEN program's unique feature is that it is totally mentor-led. All ten courses were designed and taught by Bruneian business owners, executives, and academics who have successfully navigated the ups and downs of running a company.

Source: Borneo Bulletin, 04 February 2023