

	28 July 2023		11 August 2023
FTSE BURSA MALAYSIA	1,450.35	▲	1,457.16
CURRENCY; USD 1 =	RM4.55	▼	RM4.58
BRENT CRUDE OIL (USD PER BARREL)	USD83.42	▲	USD86.81

Source: CEIC

The world will see a record-high demand for oil this year. The fundamentals picture of the oil market looks much more bullish than just a month ago, as demand remains resilient despite concerns of slowing economies. Strong crude demand and rising prices could result in a new bout of inflation later this year.

ECONOMICS & MSME NEWS

31 JULY 2023 – 11 AUGUST 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK inflation to exceed BoE target for next 4 years: NIESR

Leading academic think-tank, the National Institute of Economic and Social Research (NIESR), has projected that the Bank of England (BoE) will be unable to achieve its 2% inflation target before 2028, indicating a prolonged period of economic stagnation. The NIESR forecasted that while inflation, currently at 7.9%, will decrease to 5.2% by the end of 2023, the subsequent drop will be sluggish. It is predicted to hover just above the BoE's 2% target through 2025, 2026, and 2027. For the immediate economic growth outlook, NIESR envisages a meager 0.4% expansion in 2023 and a modest 0.3% growth in 2024, barely deviating from its earlier predictions three months ago, which anticipated 0.3% and 0.6% growth for those years, respectively.

Source: Reuters, 9 August 2023

US inflation cooling as consumer prices rise moderately again

In July, US consumer prices witnessed a moderate increase, marked by higher rents partly counterbalanced by declining costs for items such as motor vehicles and furniture. This trend could potentially influence the Federal Reserve to maintain unchanged interest rates next month. The Labour Department's recent report, unveiled on August 10, further indicated a subsiding of underlying inflation pressures in the previous month. The annual rise in prices, excluding the volatile food and energy components, commonly referred to as core inflation, recorded its smallest increase in almost two years. Economists see the combination of moderate inflation and a cooling labor market.

Source: Reuters, 11 August 2023

Japan's economy to pick up in 2nd quarter despite slowing global demand: Reuters poll

Japan's economy is anticipated to have achieved a 3.1% annualized growth in the period of April-June, marking the third consecutive quarter of expansion. Despite global demand slowdown, the economy has been buoyed by its robust exports. This projected increase follows a 2.7% annualized growth in the first quarter. If viewed on a quarter-on-quarter basis, the economy is expected to have expanded by 0.8%. Shinichiro Kobayashi, an economist at Mitsubishi UFJ Research & Consulting, commented, "The data will show Japan's economy is recovering moderately with consumption and capital expenditure maintaining momentum."

Source: Reuters, 4 August 2023

China's imports of major commodities lose some steam in July

In a clear sign of economic challenges, China's imports of major commodities have faltered, indicating a struggle to boost growth in the world's second-largest economy. Key commodities like crude oil, copper, and iron ore witnessed weakening imports in July. Crude oil imports in July fell to 43.69 million metric tons, equivalent to 10.29 million barrels per day (bpd), a decline of 18.8% from June's 12.67 million bpd. This July figure marked the weakest performance since October last year on a barrels per day basis. Imports of unwrought copper and copper products rose slightly to 451,159 metric tons in July, but declined 2.7% compared to July 2022. Iron ore imports also dropped, reaching 93.48 million metric tons in July, down 2.1% from June's 95.52 million. While these trends were expected in the face of weakening economic indicators, the only exception was coal. Coal imports in July were 67% higher than the same period last year.

Source: Reuters, 8 August 2023

MALAYSIA ECONOMIC NEWS

Recovery momentum of Malaysian MSMEs to remain strong in 2023 - Ewon Benedick

The growth trajectory of MSMEs is anticipated to gain further momentum in 2023, surpassing last year's performance, according to Datuk Ewon Benedick, the Minister of Entrepreneur Development and Cooperatives. A report by the SME Bank, titled the SME Sentiment Index, reflecting the sector's outlook for the year, will be presented to the Cabinet in the near future. Minister Ewon Benedick expressed high confidence in the improved performance of MSMEs this year compared to both 2022 and 2021. The SME Sentiment Index's reading for the first half of 2023 stood at a positive 52.9, indicating the overall health of MSMEs, as reported by SME Bank. In addition, Malaysia's MSMEs exhibited substantial growth, with a GDP increase of 11.6% in 2022, outpacing the national GDP growth of 8.7% during the same period, as revealed by the DOSM on July 27. MSMEs' contribution to the GDP also rose from 37.4% in 2021 to 38.4% in 2022, with a value added of RM580.4 billion compared to RM520.0 billion previously. Minister Ewon affirmed his ministry's commitment to empower MSMEs, aligning with the Madani Economy framework, aimed at enhancing their competitiveness and expanding their international market presence. To stimulate MSME growth, the ministry, via its agency SME Corp, is dedicated to enhancing targeted MSME development programs. Currently, 225 MSME development programs are underway involving 12 ministries, 56 agencies, and seven state governments, with an allocation of RM10.6 billion.

Source: Bernama, 1 August 2023

Productivity growth expected to be at 3% this year

The Malaysian economy is projected to experience moderate productivity growth of around 3% in 2023, as stated MITI Minister Tengku Datuk Seri Zafrul Abdul Aziz. This forecast comes amidst ongoing challenges both in the domestic and global economies. Minister Zafrul emphasized the necessity for greater efforts to enhance Malaysia's productivity and competitiveness to bolster economic performance. Speaking at the virtual launch of the Productivity Report 2023, themed "Sustainable Productivity," Zafrul highlighted the Madani Economy framework's targets. Among the seven objectives, achieving a top 12 ranking in the World Competitiveness Ranking is prioritized. He noted that the current productivity growth might not be transformative enough to expedite the nation's departure from the middle-income trap economy.

Source: The Star, 11 August 2023

Call for government to institutionalise Madani Economy

The imperative to promptly institutionalize the Madani Economy initiative has been underscored by Tan Sri Noor Azlan Ghazali, Director of the Malaysian Inclusive Development and Advancement Institute, Universiti Kebangsaan Malaysia (Minda-UKM). He emphasized that this step is vital to ensure the effective and concurrent realization of the initiative's targets and development programs. Noor Azlan Ghazali proposed the establishment of a dedicated team to oversee the comprehensive implementation of the Madani Economy. He stressed the necessity for collaborative efforts to achieve the initiative's objectives. The proposed dedicated team, as per Noor Azlan Ghazali's recommendation, should possess the authority to directly report progress to the Prime Minister.

Source: The Star, 10 August 2023

Survey: Job market to continue improving

Despite economic challenges faced by numerous economies, Malaysia's labour market maintains robust employment levels, as noted by Tom Osborne, Managing Director of Hays South-East Asia. Osborne's remarks highlight the country's stability in employment even during global economic downturns. This positive outlook is anticipated to provide confidence to job seekers in pursuing their career aspirations. Professionals typically start the year with resolutions for career advancement, which can involve seeking new opportunities. Despite the economic uncertainties affecting various countries, the 2023 Hays Asia Salary Guide indicates a projected 56.5% increase in staffing levels in Malaysia this year. This projection signifies the employment sector's resilience and the demand for skilled talent. Osborne underscored that 66.6% of Malaysian employers have expressed confidence in their ability to acquire the required skilled workforce. The hiring momentum is particularly strong in industries such as heavy industries and manufacturing, fast-moving consumer goods (FMCG) retail, shared services centres, technology, as well as banking and financial services.

Source: The Star, 8 August 2023

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

Startups to boost Indonesia's digital economy by US\$315B in 2030

Coordinating Minister for Maritime and Investment Affairs, Luhut Binsar Pandjaitan, conveyed President Joko "Jokowi" Widodo's optimism regarding the bright future of startups in Indonesia. Luhut highlighted that if Indonesian startups continue to flourish, they have the potential to become key players in Asia, significantly contributing to the nation's digital economy growth. Luhut's remarks were made during the Road to Indonesia Startup Ecosystem Summit 2023 event, which was streamed live on the Ministry of Cooperatives and MSMEs YouTube channel on Friday, August 11, 2023. Citing figures from Startup Ranking, Luhut noted that Indonesia's startup landscape currently ranks sixth globally, boasting an impressive count of 2,492 startups as of May 10, 2023. This success, he attributed, is due to the wide-reaching internet penetration rate, reaching 76.8% of Indonesia's population. Recognizing the potential, Luhut highlighted the importance of government support for startups. He emphasised that President Jokowi aims to foster the growth of MSMEs and startups, which in turn can contribute to the emergence of more unicorn and decacorn companies. To achieve this, the government aims to provide support through various means such as mapping, incubation, financial assistance, improved access to capital, and expanded market opportunities.

Source: Antara News, 11 August 2023

SINGAPORE

Singapore's Top SMEs Honoured at the SME100 Awards 2023 Singapore

Singapore's illustrious Marina Bay Sands hosted the much-anticipated SME100 Awards 2023 Singapore ceremony, marking its remarkable 15th anniversary. The event served as a distinguished platform to honour and applaud the exceptional accomplishments of 24 remarkable SMEs that have exhibited unparalleled excellence within their respective sectors. The SME100 Singapore Awards holds a venerable status as a recognition platform, aimed at showcasing and commending Singapore's finest SMEs for their noteworthy contributions to the nation's economy. This year's awards gala emerged as a unique celebration, highlighting the unwavering resilience, innovation, and unyielding determination exhibited by Singapore's top SMEs. This edition of the awards garnered participation from over 200 Singaporean SMEs. The SME100 Awards continued its rigorous evaluation procedure, encompassing a comprehensive five-step process that entailed both qualitative and quantitative analysis, coupled with a mandatory 100% interview criterion. The assessment focused on growth parameters including turnover, profit, and market share, as well as resilience factors such as best practices, sustainability, and vision.

Source: Asia One, 11 August 2023

VIETNAM

Only one in five Vietnam firms prepared against major risks - WTW

A recent survey conducted by Willis Tower Watsons (WTW) has unveiled that a mere 18% of enterprises in Vietnam, less than one in five, feel confident in their ability to effectively tackle current business risks. This alarming statistic poses a significant hurdle in the path of enhancing resilience among SMEs across the nation in the face of emerging challenges. The study, which encompassed responses from 100 Vietnamese companies, exposed that 44% of participants admitted to possessing only a rudimentary comprehension of the existing risks they confront and the subsequent financial implications. This percentage surges to 58% when queried about the potential forthcoming or novel risks anticipated to arise over the next two to five years. Empirical data scarcity emerges as the primary stumbling block hampering risk awareness and preparedness among these firms. A considerable 58% of respondents acknowledged this as a potential vulnerability within their risk assessment processes. An additional 42% confessed to lacking a well-defined methodology to quantitatively gauge the financial ramifications of risks, thus impeding the establishment of fitting risk management measures. Significantly, one out of every four participants conceded that their organisations lack a formal mechanism to articulate risk appetite or tolerance levels. This survey outcome underlines the pressing need for Vietnamese SMEs to bolster their risk management capabilities, enabling them to navigate the ever-evolving landscape of business risks more adeptly and confidently.

Source: Insurance Business Magazine, 4 August 2023