

	02 June 2023		16 June 2023
FTSE BURSA MALAYSIA	1,381.26	▲	1,388.61
CURRENCY; USD 1 =	RM4.59	▼	RM4.62
BRENT CRUDE OIL (USD PER BARREL)	USD76.13	▲	USD76.29

Source: CEIC

*Chinese authorities have issued a third batch of crude oil import quotas to refiners for 2023, with overall allowances up by 20% in the first half of this year compared to the same period of 2022.*

# ECONOMICS & MSME NEWS

05 JUNE 2023 – 16 JUNE 2023

## GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

### Retail and films drive modest growth in UK economy

Despite contractions in manufacturing and construction, Britain's economy showed slow growth in April, with a 0.2% month-on-month increase. Retailers and the film industry played a significant role in driving this growth. The data aligned with business surveys, indicating weak activity but no recession. Over the three months leading up to April, the economy expanded by only 0.1%. The health sector experienced a decline due to strikes by junior doctors. Finance Minister Jeremy Hunt reaffirmed the government's commitment to reducing inflation. Services output, driven by wholesale and retail trade, rose by 0.3%, while manufacturing output decreased by 0.3% and the construction sector contracted unexpectedly by 0.6%.

Source: Reuters, 14 June 2023

### Still-hawkish Fed pauses rate tightening after 10 straight hikes

The Federal Reserve decided to keep interest rates unchanged but signaled a potential increase by the end of the year in response to a stronger economy and slower decline in inflation. The new projections by the Federal Open Market Committee indicate a more hawkish stance, with policymakers anticipating a rise in the benchmark interest rate. Market analysts suggest that the Fed's decision reflects a pause in rate hikes, but the possibility of additional hikes in the future remains. The Fed aims to maintain flexibility and closely monitor economic progress and inflation levels. The focus is on achieving a resilient economy while keeping inflation under control.

Source: Reuters, 15 June 2023

### Japan exports grow unexpectedly on car sales, global demand still uneven

Japan's exports unexpectedly grew in May, driven by strong car sales, although the rate of expansion slowed due to inflation and rising interest rates impacting global demand. While the service sector has seen a boost since COVID-19 restrictions were eased, the manufacturing sector has struggled with weak demand for cyclical goods. Exports rose by 0.6% YoY in May, led by a 66% increase in car shipments. However, this was the slowest growth since February 2021. Domestic demand is expected to drive growth temporarily, surpassing sluggish exports. Machinery orders data highlighted the challenges faced by manufacturers, but the services sector provided some cushion to the economy.

Source: Reuters, 15 June 2023

### China won't use 'bazooka-like stimulus' to fire up economy despite rate cut, but long-term problems lurk

Hopes are growing for additional short-term measures to support China's economy following a recent policy rate cut. However, concerns are mounting about Beijing's response to long-term issues that could hinder growth in the future. China faces challenges such as a slowing property market, high local government and household debt, declining exports, increasing deflation risks, and high unemployment rates among the younger population. The central bank lowered the seven-day reverse repo rate, and the top economic planner introduced 22 measures to reduce costs for businesses. Field trips were also conducted to encourage local officials to focus on post-pandemic recovery. Further measures to boost confidence in the property market, implement infrastructure projects, and provide support from banks are anticipated.

Source: South China Morning Post, 15 June 2023

# MALAYSIA ECONOMIC NEWS

## Malaysia records RM74.6bil FDIs in 2022

Malaysia experienced a significant increase in foreign direct investment (FDI) in 2022, with a net inflow of RM74.6 billion compared to RM50.4 billion in 2021, according to the National Statistics Department. The country's FDI position at the end of 2022 reached RM879.1 billion, up from RM782 billion in the previous year. Similarly, Malaysia's direct investment abroad (DIA) also rose to RM58.6 billion in 2022 compared to RM19.4 billion in 2021. The Statistics Department highlighted that these figures reflect the favorable economic conditions in Malaysia, attracting foreign companies to invest and local companies to expand their business activities overseas. The manufacturing sector contributed the largest share of FDI, with a net inflow of RM49.5 billion, followed by services and the mining sector. In terms of regions, the Americas surpassed Asia as the highest recipient of FDI in 2022, primarily from the United States. The Americas received net inflows of RM42.6 billion, while Asia remained the predominant source for FDI, with a total value of RM449 billion. Europe followed with RM224.5 billion. In terms of DIAs, Malaysia's position increased to RM607.5 billion at the end of 2022, with the services sector being the primary contributor. Asia emerged as the region with the highest DIA flows, overtaking Europe, and the Netherlands, Indonesia, and Singapore were the top destinations for Malaysian investments. Overall, Malaysia's strong FDI and DIA figures indicate the attractiveness of the country's economic environment and its ability to draw investments from both domestic and foreign sources.

Source: The Star, 16 June 2023

## GDP growth for 2023 revised higher to 4.6%

According to CGS-CIMB Research, the global economy is expected to experience an uneven slowdown in the second half of 2023, with a potential recession in the United States in the fourth quarter. In the Southeast Asian region, Malaysia, Indonesia, Singapore, and Thailand have witnessed a slowdown in line with global demand moderation. However, the domestic sectors of these countries remain resilient, and there is a gradual return of Chinese tourists. CGS-CIMB Research has revised Malaysia's 2023 growth projection to 4.6% year-on-year, reflecting the country's strong first-quarter GDP performance and resilient domestic demand. Malaysia's economy grew by 5.6% in the first quarter, surpassing economists' expectations. The revival of tourism-related sectors and improvements in the labor market are identified as key factors driving the country's economy.

Source: The Star, 13 June 2023

## Subsidy restructuring likely to be announced during this year's budget

The Deputy Finance Minister 1 of Malaysia, Datuk Seri Ahmad Maslan, has announced that the country's subsidy restructuring framework is expected to be unveiled during the tabling of the 2024 Budget later this year. He highlighted the importance of targeted subsidy reforms to save significant amounts annually, mentioning that the framework's implementation is already 75% complete. Ahmad acknowledged the challenges of formulating an effective subsidy mechanism and addressing potential issues of leakages and corruption. The Ministry of Finance will study global best practices and observe how developed countries handle similar issues. Ahmad emphasised the need for fiscal policy to be complemented by efforts to strengthen financial management, reduce costs, and implement institutional reforms.

Source: The Star, 13 June 2023

## Abdul Rasheed is new Bank Negara governor

Datuk Shaik Abdul Rasheed Abdul Ghaffour has been appointed as the new governor of Bank Negara Malaysia, effective from July 1. He will succeed Tan Sri Nor Shamsiah Mohd Yunus, who has completed her five-year term. Abdul Rasheed, currently a deputy governor, will serve a five-year term until June 30, 2028. The central bank praised Nor Shamsiah for her exemplary leadership and commitment during her tenure. Nor Shamsiah expressed gratitude for the opportunity to lead the bank and expressed confidence in Abdul Rasheed's ability to continue promoting monetary and financial stability. Abdul Rasheed, who joined the bank in 1988, has held various senior positions and played a significant role in key initiatives such as the Financial Sector Masterplan. He acknowledged the honor of being appointed as governor and pledged to fulfill his duties to the best of his ability, building upon Nor Shamsiah's work.

Source: The Star, 10 June 2023

# MSME NEWS IN SOUTHEAST ASIA

## PHILIPPINES

### Filipino ASEAN exec: MSMEs to benefit from RCEP agreement

According to Anna Reboniol, deputy secretary general of ASEAN, MSMEs will benefit from the Regional Comprehensive Economic Partnership (RCEP) agreement, especially with government support. The RCEP aims to help MSMEs enter the regional trade mainstream, nurture their industries, and enhance their role in the supply chain. With over 90% of businesses in the Philippines being MSMEs, promoting their participation as exporters will contribute to the economic growth of the region. Reboniol urges ASEAN member states to encourage their MSMEs to utilise the RCEP and reap its advantages. Simplifying the provisions of the agreement and conducting capacity-building training on RCEP in countries with a high number of MSMEs can further boost their involvement. Reboniol mentions that the Philippines successfully advocated for the inclusion of MSMEs in the RCEP negotiations. Additionally, a market access clause has been incorporated to safeguard the interests of farmers. Laoag City Mayor Michael Marcos Keon also supports the RCEP, noting its positive impact on the Philippine economy. The RCEP came into effect in the Philippines on June 2, following the conclusion of the free trade deal by participating countries in November 2020.

Source: Philippine News Agency, 14 June 2023

## INDONESIA

### Create export-ready products: deputy minister to MSMEs

Deputy Minister of Trade Jerry Sambuaga has urged Indonesian MSMEs to strive for the creation of export-worthy products. Speaking at a Proud of Indonesian Products webinar, the deputy minister emphasised the need for continuous improvement and an orientation towards export. With MSMEs contributing 63% to the national GDP, efforts to enhance this figure are essential for boosting foreign trade development. The Ministry of Trade has established 34 trade cooperation's across five continents to support export players and MSMEs. The Proud of Indonesian Products National Movement (Gernas BBI) plays a strategic role and should be promoted to ensure the continuity of domestic trade. By encouraging people to participate in trade improvement through shopping and supporting Indonesian products, the domestic market can thrive. Furthermore, MSMEs account for 97% of the workforce, and over 20 million MSMEs have already joined the digital ecosystem. It is anticipated that this number will continue to rise, leading to increased utilisation of local products. The deputy minister expressed confidence in achieving the target of 30 million MSMEs becoming digital MSMEs by 2024.

Source: Antara News, 29 May 2023

## VIETNAM

### Vietnam's e-commerce exports reach USD3.5 billion

According to Access Partnership, a UK-based consulting firm, Vietnamese B2C e-commerce exports experienced a 7% growth in 2022, reaching USD3.5 billion. The firm predicts that this figure will nearly quadruple to \$13 billion by 2027. Access Partnership's report, based on data from Vietnam's customs authorities and reputable organisations like the Asian Development Bank, the Organisation for Economic Cooperation and Development, and the World Bank, reveals that e-commerce exports accounted for approximately 1% of Vietnam's total exports in 2022. The firm projects an annual growth rate of 9% for Vietnam's e-commerce export revenue, assuming a "business as usual" scenario. However, in a more optimistic scenario, Access Partnership anticipates sales to reach USD13 billion by 2027. To achieve this higher figure, MSMEs would need to accelerate their adoption of e-commerce for exporting products and services. Access Partnership emphasises that MSMEs in Vietnam are well positioned to benefit from the rapid growth of e-commerce. The global acceleration of e-commerce, primarily driven by Covid-19 restrictions, presents an opportunity for Vietnam to tap into foreign market demand with a favorable e-commerce export policy environment. The report also highlights that 95% of surveyed MSMEs expect annual B2C export growth of at least 10% through e-commerce over the next five years.

Source: Hanoi Times, 13 June 2023