

FTSE BURSA MALAYSIA	1,474.59	↓	1,456.80
CURRENCY; USD 1 =	RM4.33	↓	RM4.43
BRENT CRUDE OIL (USD PER BARREL)	USD86.39	↓	USD83.16

Source: CEIC

Western allies are continuously tightening the price cap on oil provided by Moscow in the international market. This has forced the Kremlin to deepen supply cuts, which might take off the oil price due to a supply glitch.

ECONOMICS & MSME NEWS

13 FEBRUARY 2023 – 24 FEBRUARY 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

Hopes rise that UK might avoid recession after services sector rebound

The services industry in the UK had a notable increase in February, leading some to believe the country may be able to avoid recession in the first half of this year. However the pressure on household spending from the depletion of natural resources as well as a struggling manufacturing sector would continue to put the brakes on economic recovery, analysts said the larger-than-expected jump in corporate activity appeared to imply that the UK would narrowly avoid a recession. While foreign exchange experts predicted that greater growth in the economy would raise the likelihood of more hikes in interest rates by the Bank of England to moderate inflation, the pound rose by more than half a cent to \$1.211, the highest since 15.02.2023.

Source: The Guardian, 21 February 2023

The US economy grew less in fourth quarter than previously believed

According to data released by the Commerce Department on 23.02.2023, the US economy grew slower at an annual pace in the 4Q23. Compared to the prior forecast with 2.9%, this quarter's growth came in at 2.7%, which is lower than expected. The slowdown in GDP growth could indicate that the Federal Reserve's recent run of large interest rate increases are having a greater effect than was previously believed. The highly positive jobs report for January and the robust comeback in retail sales are just two examples of recent economic data that imply the Fed could do more to try to beat back inflation by raising interest rates to slow the economy.

Source: CNN, 23 February 2023

Japan keeps economic view, citing wholesale inflation slowing in February

For the first time in over a year, the government altered its monthly assessment of wholesale price rise to reflect slower price increase in Japan, but it maintained its monthly assessment that the Japanese economy is "picking up gradually" despite some difficulties. The Cabinet Office's February economic report showed no changes to its forecasts for 11 major indicators. These indicators range from private consumption and business investment to manufacturing and trade. From "increasing" last month, the study now says prices "are rising at a reduced pace recently" for business products. The Cabinet Office last updated the segment's wording on March 2022.

Source: The Japan Times, 21 February 2023

China's economic support for Russia could elicit more sanctions

President Biden and other high-ranking officials promised to push further measures targeted at hindering Russia's war efforts against Ukraine. More and more attention from the administration is being directed on China for its role in supplying Russia with civilian and military items. China has become an extremely important commercial partner for Russia due to its role as a global leader in the production of electronics, drones, and auto parts. To yet, Beijing has publicly stated that it will not take sides in the conflict. According to trade statistics, however, China and other nations like Turkey and certain former Soviet republics have stepped in to supply Russia with massive quantities of raw materials, smartphones, autos, and computer chips. Administration officials are worried that China may supply Russia with lethal weaponry to aid in their invasion.

Source: The New York Times, 22 February 2023

MALAYSIA ECONOMIC NEWS

Malaysia to rebound strongly with progressive economic factor

The progressive local economic growth and the promising global economic performance forecast post-pandemic provide strong support for the optimistic outlook for Malaysia's economic recovery from the global slowdown. Geopolitical tensions, shifts in world governments, and tumultuous financial markets have all contributed to widespread economic hardship over the past three years, and Malaysia is certainly no exception. While we are hopeful about the expansion of the economy, we are still wary about the possibility of escalation in ongoing global conflicts like the one between Russia and Ukraine, as well as the inflation rate in the country. Despite the fact that many people are still worried about a recession, many people feel that the worst is over because most markets have shown strong signs of economic rebound, driven by China's economic reopening after a long closure due to its zero-COVID policy. The reopening of China will reignite the recovery of the largest economy in Asia and second largest globally. As long as Asia keeps bolstering its SMEs in order to entice more FDI, the region's renewable energy and tourism industries have a lot of potential. While Malaysia will continue to experience a volatile market especially for equities due to global circumstances, it will continue to gain traction as the market has been undervalued. The Malaysian Investment Development Authority approved total FDI of RM392.9bil between 2018 and 2021, of which RM300.5bil or 76.5% had been realized as at end-2021.

Source: The Star, 20 February 2023

Malaysia's inflation slows to 3.7% in January

Inflation in Malaysia dropped to 3.7% in January, continuing a downward trend in prices that began in October 2022. The increase in the consumer price index, which was lower compared with 3.8% in December 2022, was in line with the median forecast of economists polled by Reuters. The January inflation rate in Malaysia was lower than that of the Philippines, Indonesia, South Korea and Thailand. The rate of increase in the core inflation index, which excludes the highly variable cost of fresh food and government-managed prices, slowed to 3.9% in January. The increase in the January CPI was driven by restaurants and hotel (6.8%), food and non-alcoholic beverages (6.7%) and transport (4%). Food and non-alcoholic beverages group which contributed 29.5% of total Consumer Price Index (CPI) weight recorded a slower increase as compared to December 2022.

Source: The Star, 24 February 2023

Malaysian businesses remain optimistic on business conditions in 1Q23

According to the most recent business tendency statistics report from the Department of Statistics Malaysia (DOSM), Malaysian businesses are optimistic about the business condition in the 1Q23 with the confidence indicator rising to 3.6% from 3.2% in the previous quarter 4Q22. While services, wholesale/retail, and industry were enthusiastic about the future of their businesses, construction remained negative with a confidence index of -18.5% for 1Q23, down from -29.2% in 4Q22. According to the report, optimism in the services sector rose to 11.4% in 1Q23 from 9.2% in the previous quarter, while in the wholesale and retail trade sector, it increased to 4% from 1.92%. The confidence indicator for the industrial sector remained in the positive region in the 1Q23, at 1.1%, down from 3.7% in the previous quarter.

Source: The Star, 23 February 2023

Focus on managing external challenges to remain

Malaysia will continue to focus on managing external challenges and the ramifications for the domestic economy this year, says International Trade and Industry Minister Tengku Datuk Seri Zafrul Abdul Aziz. Growth momentum in 2022, he says, will carry Malaysia forward thanks to the country's resolute actions since March 2020 to defend the economy and protect and create jobs. Malaysia invested in a variety of steps to fortify its resilience throughout the years of the pandemic, and these have aided in the country's economic recovery and fortification of its fundamentals. In fact, GDP growth in Malaysia in 2022 has outperformed the expectations and had been recorded highest in 22 years, coming in at 8.7%. Accompanying this was a rise in optimistic macroeconomic indicators like employment and a continued decline in inflation. Malaysia's economic outlook seems encouraging with total trade in 2022 surpassing RM2 trillion and exports growing 25% to RM1.6 trillion.

Source: The Star, 21 February 2023

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

Boosting MSME multiplier effect through incubation

It is undeniable that micro, small, and medium enterprises (MSMEs) play an important role in the national economy. In fact, the government has repeatedly called MSMEs the backbone of the economy. During the monetary crisis that hit Indonesia in 1998, the importance of MSMEs became clear. During that time, when many of the country's most important business owners were struggling to weather the storm, they stood as a stronghold for the economy as a whole. After the COVID-19 pandemic hit at the beginning of the year 2020, MSMEs again played a key role in the economic recovery of their country. An economic multiplier effect can be created by the incorporation of more MSMEs into the manufacturing and service provision sectors. The incubation programs is taking shape as an ecosystem that helps MSMEs raise their competitiveness by providing them with funding and resources. As a result of the incubation programs, new business owners in Indonesia may be spawned. Compared to its neighbors, the country still lacks a critical mass of successful businesspeople. In order to fully realize the potential of Indonesia's digital economy, the incubation programs has become an integral part of the ecosystem that facilitates the digitization of MSMEs.

Source: Antara News, 21 February 2023

PHILIPPINES

Legarda: PH must adapt to the fast-changing global trade under RCEP

Senate President Pro Tempore Loren Legarda emphasized that the Regional Comprehensive Economic Partnership (RCEP) agreement could help advance the country's agricultural sector, and the nation's economy adapt to the fast-changing global trade. Legarda said that she and Senate President Juan Miguel Zubiri took a novel approach by establishing an oversight committee to closely monitor the government agencies' support programs for MSMEs and the agriculture sector. After 10 years and three administrations, the RCEP is still in the midst of its ongoing negotiations and consultations. While the agricultural sector could have benefited from more action from previous Department of Agriculture (DA) administrations, joining RCEP would be good for the country's economy and could speed up its development. Since all the other ASEAN countries have already ratified RCEP and the trading partners outside of ASEAN (including China, Japan, South Korea, Australia, and New Zealand) will lower their tariffs for other ASEAN nations exporting the same products to those countries, it would be to the Philippines' great disadvantage not to join RCEP. The non-participation or delayed RCEP ratification might result in foregone opportunities.

Source: Manila Bulletin, 22 February 2023

CAMBODIA

Cambodia wraps up negotiations on AANZFTA

A senior official from the Ministry of Commerce (MOC) in Cambodia announced that they had reached an agreement with the ASEAN, Australia, and New Zealand on the essentials of the free trade areas agreement that would pave the way for new opportunities for the roughly 663 million people living in the signatory countries. Cambodia stands to gain greatly from the transfer of expertise, information, and resources that result from direct investments. This decision was made during the 20th meeting of the ASEAN-Australia-New Zealand Free Trade Areas Joint Committee (AANZFTA FJC), which took place at the Pullman Bandung Grand Central Hotel in Indonesia from February 14-17. During the last meeting, representatives from all sides announced that they had reached an agreement on all outstanding issues and agreed to have the draft agreement reviewed by legislative and institutional teams before sending it back to be finalized. By taking part in the efficacy and efficiency of liberalization, particularly in key sectors like telecommunications, financial services, and other essential sectors necessary to complement each other with the manufacturing sector, Cambodia will strengthen its macroeconomics and boost its economic growth.

Source: Khmer Times, 23 February 2023