

	14 July 2023		28 July 2023
FTSE BURSA MALAYSIA	1,376.68	↑	1,450.35
CURRENCY; USD 1 =	RM4.68	↑	RM4.55
BRENT CRUDE OIL (USD PER BARREL)	USD74.90	↑	USD83.42

Source: CEIC

Last year, OPEC members benefited from higher oil prices due to Russia's war in Ukraine. However, their revenues are now uneven as the oil market shrinks. The alliance is facing challenges with falling demand and internal coordination issues. There are concerns among experts that OPEC+ might be at risk of breaking up in the near future.

ECONOMICS & MSME NEWS

17 JULY 2023 – 28 JULY 2023

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

IMF sticks with forecast for limited UK growth in 2023

The International Monetary Fund (IMF) has confirmed its latest forecast for British economic growth this year, predicting a 0.4% increase in GDP. The outlook for 2024 is even more positive, with a projected growth of 1.0%. This revision reflects improvements in the country's economic conditions, including cheaper energy prices, better relations with the European Union, and a calmer financial market. The IMF's updated forecast is more optimistic than its previous one from April, which predicted a contraction of 0.3% for the British economy in 2023. The upward revision is attributed to stronger household consumption and increased business investment, driven by falling energy prices, reduced post-Brexit uncertainty, and a resilient financial sector.

Source: Reuters, 25 July 2023

US Fed raises interest rates, leaves door open to another increase

On July 26, the Federal Reserve increased its benchmark interest rate by a quarter of a percentage point, bringing the US central bank policy rate to the highest level in 16 years. This move marked the 11th interest rate hike in the last 12 meetings, with the overnight interest rate now ranging between 5.25% to 5.50%. The decision to raise rates was attributed to the continued presence of elevated inflation in the economy. The accompanying policy statement indicated that the Federal Open Market Committee will keep evaluating incoming information and its implications for monetary policy, suggesting the possibility of further rate increases.

Source: Reuters, 27 July 2023

IMF urges Bank of Japan to move away from yield control, prepare for future tightening

The IMF chief economist, Pierre-Olivier Gourinchas, advised the BOJ to start preparing for future monetary tightening. Gourinchas suggested that the BOJ should move away from its yield control policy as inflation remains above its 2% target. The remarks were made ahead of the BOJ's closely-watched meeting on Friday, where the board will release fresh price forecasts and discuss the possibility of tweaking its controversial yield curve control (YCC) policy. The BOJ has stressed the need to maintain ultra-loose policy until there is sustainable evidence of inflation reaching 2% with strong wage growth. However, officials are also aware of the costs of YCC, such as market distortions caused by heavy bond buying.

Source: Reuters, 26 July 2023

Key takeaways from China's politburo meeting on the economy

The Political Bureau of the Central Committee of the Communist Party of China (politburo) announced plans to strengthen stimulus measures in response to the country's economic challenges and "tortuous" recovery. After the meeting, key takeaways were released, outlining the direction of China's economic policy for the second half of 2023. The politburo emphasized a "proactive" fiscal stance, "prudent" monetary policy, a stable yuan, and measures to defuse financial risks. It aims to improve business and consumer confidence and bolster livelier capital markets. The politburo removed a significant phrase from its April meeting's readout, signaling President Xi Jinping's view on "houses are for living, not for speculation." The politburo expressed its commitment to formulating plans to address risks arising from local government debt, estimated at over \$9 trillion. This stance was seen as more constructive than the April meeting's pledge to curb hidden debts.

Source: Reuters, 26 July 2023

MALAYSIA ECONOMIC NEWS

New energy roadmap to power economy

Malaysia's Economy Minister, Rafizi Ramli, expressed concerns that the country's investments in renewable energy (RE) have been lagging behind regional peers due to the lack of profitability in the industry. He attributed this to incoherent and non-streamlined government policies, hindering private sector involvement in clean energy. To address these issues, the government launched the National Energy Transition Roadmap (NETR), a two-part roadmap aiming to accelerate the country's RE journey. The first phase includes 10 flagship catalytic projects focused on energy efficiency, RE, hydrogen, bioenergy, green mobility, and carbon capture. It is estimated to create 23,000 high-impact jobs and attract investments of RM435 billion to RM1.85 trillion by 2050. Part two will focus on establishing the low-carbon pathway, national energy mix, emissions reduction targets, and necessary enablers for the energy transition. The government intends to make clean energy a financially relevant option for households, exploring solutions like rooftop solar leasing to lower electricity bills. The NETR also aims to establish 10,000 charging stations for electric vehicles in collaboration with strategic partners like Tenaga Nasional, PLUS Malaysia, Permodalan Nasional, PETRONAS' Gentari, and Sunway Group. The government is committed to working with industry players to address policy challenges and provide necessary support to enable these catalytic projects to take off efficiently. The NETR represents a significant effort to change the economics of RE and pave the way for Malaysia's clean energy future.

Source: The Star, 28 July 2023

Madani Economy: GLCs, GLICs to spur domestic investments - Tengku Zafrul

GLCs and GLICs are expected to drive DDIs and support the growth of local vendors in strategic sectors, according to Malaysia's Minister of Investment, Trade and Industry, Tengku Datuk Seri Zafrul Abdul Aziz. DDIs will be a KPI to boost confidence in the country's investment policies and encourage domestic investors to reinvest in Malaysia. The Madani Economy: Rakyat Empowerment Framework aims to address structural reforms to break the cycle of high costs, low salaries, low profits, and reduced competitiveness, exacerbated by the pandemic. MITI announced key initiatives, including establishing a special financial zone in Johor to attract global investors and knowledge workers, allocating RM100 million for upgrading industrial infrastructure to be environmentally friendly.

Source: The Star, 27 July 2023

Malaysia's economy has 'somewhat come out of the woods' - Economist

Economist Anthony Dass believes Malaysia's economy has shown signs of recovery, attributing it to clear governance, increased confidence from consumers and businesses, and better engagement with foreign investors by Prime Minister Datuk Seri Anwar Ibrahim. Several positive indicators include higher online spending, declining unemployment rate, strengthened ringgit, and better ease of doing business. The IMF revised Malaysia's 2023 GDP growth projection to three per cent. However, external factors like global economic conditions and domestic challenges, including high public debt, pose risks. Experts remain cautious about the outlook, but improvements in the global GDP growth rate and China's economic policy could benefit Malaysia.

Source: The Star, 27 July 2023

Ahmad Maslan: Budget 2023 spending of 60% achievable by August

The Ministry of Finance (MOF) is expressing confidence in achieving its target of spending 60% of the Budget 2023 funds by next month. Deputy Finance Minister Datuk Seri Ahmad Maslan revealed that the allocated funds have already been disbursed to the relevant agencies and ministries. While managing operational expenditure has been relatively straightforward with regular salary and maintenance disbursements, the challenge lies in expediting development expenditure while upholding proper governance standards. During the Budget 2024 engagement session, Prime Minister Datuk Seri Anwar Ibrahim, who is also the Finance Minister, emphasized the goal of utilizing 60% of Budget 2023 by August. As of June 2023, around RM188 billion, accounting for 49% of the total budget, has been spent. Budget 2023 had earmarked a total of RM388.1 billion, with RM289.1 billion allocated for operating expenditure and RM99 billion for development expenditure, including a contingency savings of RM2 billion.

Source: The Star, 19 July 2023

MSME NEWS IN SOUTHEAST ASIA

INDONESIA

BI commits to strengthening policies to help MSMEs develop

Bank Indonesia (BI) has reaffirmed its strong commitment to bolstering policies aimed at supporting the growth of Indonesian MSMEs. BI's Deputy Governor, Aida S. Budiman, emphasized the implementation of three key policy pillars to achieve this goal. The first pillar focuses on improving the quality of corporation management to create an integrated ecosystem. The second pillar emphasizes capacity building for MSME human resources and enhancing their capability through digitalization measures to boost productivity. The third pillar is aimed at facilitating access to financing schemes for MSMEs, enabling them to become more competitive. In line with its commitment to supporting MSME development, BI has organized the 2023 Indonesia Creative Works (KKI) event from July 27–30, 2023. The event saw the participation of over a thousand government-assisted MSMEs, both directly and virtually. During the KKI event, BI facilitated connections between 280 MSME players and 21 financial institutions and organized 89 export business-matching activities with five aggregators. A talk show was also held on the sidelines of the event, providing a platform for Indonesian MSMEs and foreign buyers to sign a memorandum of understanding, encouraging MSMEs to explore global markets.

Source: Antara News, 28 July 2023

PHILIPPINES

Marcos wants MSMEs to be globally competitive

President Ferdinand Marcos Jr. has expressed his desire for MSMEs in the Philippines to become more globally competitive. Speaking at the National MSME Summit 2023, Marcos emphasized the crucial role of a robust and globally competitive MSME sector in driving the country's economic prosperity. Executive Secretary Lucas Bersamin delivered the president's speech at the summit on Tuesday, highlighting the summit's discussions on key areas such as building a strong tech startup ecosystem, integrating MSMEs into domestic and global value chains, strengthening regional innovation and entrepreneurship, and enhancing the capabilities of the workforce. President Marcos called for a collaborative effort between industry players, experts, and government agencies to foster the growth and prosperity of MSMEs in the country. He stressed the importance of forming lasting partnerships to address challenges faced by MSMEs, including financial and market access, skills development, and technology adoption. The president assured government support for MSMEs, particularly in the areas of digital literacy training and assistance in adopting electronic commerce platforms.

Source: Philippines News Agency, 20 July 2023

CAMBODIA

Bank, CGCC partner for quick loan turnaround

Canadia Bank Plc has become a part of the state-owned Credit Guarantee Corporation of Cambodia Plc's (CGCC) Portfolio Guarantee Scheme (PGS) to extend guaranteed loans to local MSMEs. The agreement was officially signed on July 17 between Canadia Bank's CEO and executive director, Raymond Sia Say Guan, and CGCC's CEO, Wong Keet Loong. The collaboration aims to ease access to credit for MSMEs with limited or no collateral, thereby supporting their growth and contribution to Cambodia's economic development. The PGS, introduced by CGCC on January 1, is designed as a scheme that establishes pre-agreed guaranteed loan criteria between CGCC and participating financial institutions (PFIs). This structure enables PFIs to enrol multiple loans in the PGS without requiring individual guarantee approval from CGCC for each loan, streamlining the loan process and facilitating faster outreach. During the signing ceremony, Canadia Bank's CEO, Sia, expressed optimism about the partnership's positive impact on supporting MSMEs in Cambodia. CGCC's CEO, Wong, emphasized that the PGS primarily targets businesses within the retail and wholesale trade sector and stressed the vital role of MSMEs in contributing to Cambodia's economy and job opportunities.

Source: The Phnom Penh Post, 19 July 2023