SME Corp. Malaysia
02 December 2022

	18 November 2022		02 December 2022
FTSE BURSA MALAYSIA	1,449.3	▲	1,481.8
CURRENCY; USD 1 =	RM4.55	▲	RM4.40
BRENT CRUDE OIL (USD PER BARREL)	USD87.62	▼	USD85.57

Source: CEIC

Oil prices fell more than 3% on 23 November 2022, continuing a streak of volatile trading, as the Group of Seven (G7) nations considered a price cap on Russian oil above the current market level and as gasoline inventories in the United States built by more than analysts' expected.

ECONOMICS & MSME NEWS

21 NOVEMBER 2022 – 02 DECEMBER 2022

GLOBAL ECONOMIC NEWS IN ADVANCED ECONOMIES

UK economic activity shrinks as recession fears mount

There has been a continuation of the decline in economic activity in the UK for the fourth month in a row, and the rate at which new orders have dropped is the fastest it has been in nearly two years, suggesting that the current recession will persist for at least another year. More evidence that the UK is entering a recession has emerged after a sharp drop in business activity in November. The recession would likely "deepen early next year" as the government cuts energy bill subsidies in April. The manufacturing sector's productivity has been falling at a more rapid rate than the service sector's. There is a rise in business confidence followed Rishi Sunak's election as prime minister, but managers' outlooks remained among the most pessimistic ever seen during the past 25 years.

Source: Financial Times, 23 November 2022

US Economy Shows Signs of Slowing as Fed Hikes Filter Through

New data indicated that the US economy and the labor market were weakening, which is consistent with the idea that the Federal Reserve's recent interest rate hikes are having an effect. In November, business activity dropped for the fifth consecutive month, and new claims for unemployment benefits hit a three-month high just last week. Despite some uptick, consumer sentiment and new home sales are still in the dumps, which bodes poorly for the economy and the housing market. The labor market has been resilient to higher interest rates due to historically low unemployment. The number of unemployed who have received benefits for a week or more rose to the highest level since March

Source: Bloomberg, 24 November 2022

OECD sticks to slower growth in 2023 while upgrading Japan outlook

The Organization for Economic Co-operation and Development (OECD) has revised its growth forecast for Japan's economy for next year up to 1.8% from 1.4% in the previous report in September. With a global tide of monetary tightening to manage inflation partially blamed for Russia's war, the OECD predicted Tuesday that global economic growth would fall drastically to 2.2% next year from a slightly revised 3.1% this year. The Bank of Japan is unusual in that it is not in a hurry to tighten policy in response to Japan's delayed recovery from the COVID-19 pandemic. The group predicts the world's third-largest economy to grow 1.6% in 2022, unchanged from September. Japan's potential growth rate is roughly 1%.

Source: The Japan Times, 23 November 2022

China may have 'passed the point of no return' as COVID infections soar

COVID infections are on the rise throughout mainland China, making it more difficult for authorities to eradicate the disease without resorting to a strict lockdown. The daily case count has risen to close or above 28,000 in recent days, reaching heights last seen in April during a strict lockdown in Shanghai. China might have already passed the point of no return, as it's unlikely to achieve zero COVID again without another Shanghai-style hard lockdown. Nearly 20% of China's economy was negatively affected by COVID controls, close to the high of 21.2% recorded in mid-April during Shanghai's lockdown. Beijing has showed early signals of willingness to reopen and has taken some fine-tuning steps, but it may be a long and uncomfortable process.

Source: Reuters, 23 November 2022

MALAYSIA ECONOMIC NEWS

Malaysia's manufacturing PMI falls to 47.9 in November.

The seasonally adjusted S&P Global Malaysia Manufacturing purchasing managers' index (PMI) slipped to 47.9 in November, down from 48.7 in October. According to a statement released by S&P Global, the most recent reading indicated the most pronounced decline in business conditions since August 2021. The most recent PMI number is indicative of annual GDP growth in Malaysia of around 5%, indicating a deceleration from the position in the 3Q of 2022. Latest S&P Global PMI data shows that Malaysia's manufacturing sector continued to show symptoms of weakness in November. Since August of 2021, manufacturing levels have been steadily decreasing, and order book volumes have been decreasing at their fastest rate ever. According to the data, the previously indicated weakness in demand was the key driver of slowing input purchases, stockpiles, and business confidence, which while still positive, fell to a five-month low. However, the November numbers showed a few bright spots. In November, we saw further evidence of supply tensions lessening; the most recent increase in delivery delays from suppliers was the mildest in three years and very minor overall. Meanwhile, inflation in both input costs and selling prices increased little from October to November, albeit both were still significantly lower than in the first half of the year. Meanwhile, output moderated for the fourth month running midway through the final quarter. Survey respondents reported that drops in production levels were reflective of the aforementioned demand conditions.

Source: The Star, 01 December 2022

Cost of living remains a concern

An analyst has predicted that headline inflation will decrease in 2023, but that consumers should still be wary of rising retail prices because of the high cost of living. A levelling off of supply and demand disparities, which have been distorting pricing, is anticipated to occur in 2023 when the global economy slows. The global commodity price index, freight rates, and charging rates all show a downward trend, indicating that this is the case. As a result of the sluggish economic forecast in 2023, households will relax their spending, putting more of an emphasis on discretionary spending than on luxury items. With the expectation of a stronger MYR in 2023 versus the USD, this will help mitigate the impact of increased import costs. Instead of focusing on assistance, which is transient and a strain on the country's balance sheet, more value-added jobs should be established for the public to create and sustain livelihoods.

Source: The Star, 29 November 2022

Concerns over raising the retirement age

An increasing number of Malaysians are demanding that their country raise its retirement age after the Covid-19 outbreak further drained their little funds due to the country's rapidly ageing population. Financial education and improved compensation are also proposed, as are fixed-term employment agreements and incentives for increased savings contributions. Most Malaysians rely on their Employees Provident Fund (EPF) savings to sustain their expenses after retirement. The recent withdrawals of RM145bil and reduction by RM10bil in statutory EPF contributions, had resulted in lower savings for the majority of EPF members. About 6.62 million (52%) of EPF members aged under 55 have savings of less than RM10,000, and 3.2 million members aged under 55 have savings of less than RM1,000. We need at least RM600,000 to retire after factoring in inflation and among other things, medical bills.

Source: The Star, 28 November 2022

Bank Negara expected to further tighten policy

Core inflation in Malaysia has been rising, forcing Bank Negara to boost interest rates again. The core inflation, which excludes administered and volatile price items, reached a new peak in October at 4.1% year-on-year (y-o-y), even though the country's headline inflation has been moderating to 4% in the same month. In August and September, the core inflation rates were 3.8% and 4% respectively. A number of analysts believe that Bank Negara would tighten monetary policy even more in the 1Q of 2023, perhaps by means of two additional overnight policy rate (OPR) increases. Rising costs for housing, transportation, utilities, and fuels all contributed to October's core inflation rate, while increases in the cost of food and nonalcoholic beverages, transportation, and recreational services and culture were also notable. It is, however, noteworthy that Malaysia's headline inflation has slowed down in recent months as the low base effect wears off, together with the decrease in commodity prices.

Source: The Star, 30 November 2022

MSME NEWS IN SOUTHEAST ASIA

INDONESIA
Indonesia November inflation cools further but stays above target

Official data revealed that despite rising food prices and transportation costs, Indonesia's inflation fell in November but remained above the central bank's target range for the sixth consecutive month. The headline annual inflation rate eased to 5.42% in November, compared with 5.71% in October and 5.50% expected by analysts polled by Reuters. Bank Indonesia's inflation target range is 2% to 4%. The annual core inflation rate, which excludes government-controlled prices and volatile food prices, edged lower to 3.30% from 3.31% in October. The Reuters poll had expected a rate of 3.40%. After September's gasoline price revisions, Setianto, the deputy head of Statistics Indonesia, told reporters that rising prices for fuel, airline tickets, and local transportation were major factors in inflation. Despite the reduced rate of increase seen in recent weeks, the price of rice, an essential commodity in Indonesia, continued to rise last month. According to governor In order to keep a lid on prices, according to Perry Warjiyo, Governor of the Bank of Indonesia (BI), next year's interest rate policy would continue to be front-loaded and pre-emptive. Warjiyo stated that inflation expectations had remained high, thus BI was working to moderate such expectations and drive core inflation back into its goal range within the first half of 2023.

Source: The Star, 01 December 2022

THAILAND
Thailand raises rate a third time as price pressures linger

For the third consecutive meeting, Thailand hiked its benchmark interest rate by a quarter point. It also boosted its inflation forecast for 2023 and reaffirmed its willingness to modify the pace and magnitude of its tightening if necessary. The Bank of Thailand (BoT)'s monetary policy committee voted unanimously to raise the one-day repurchase rate by 25 basis points to 1.25% yesterday, as seen by 20 of 21 economists in a Bloomberg survey, with one predicting no change. The central bank revised its forecast for 2023 headline inflation to 3% from a previous 2.6% estimate while it slightly lowered economic growth projection to 3.2% for 2022 and 3.7% next year. The revised forecast for the return of headline price gains to target is for the third quarter of next year, rather than the second quarter as was previously expected. Recovery of the economy will proceed as planned, albeit inflationary pressures pose some uncertainty. With increased global uncertainty, the committee is prepared to modify the amount and timing of policy normalization if the GDP and inflation forecast changes. Thailand is sticking to its gradual tightening approach even as some analysts previously thought the moves were too little to cool price gains at a 14-year high and a currency hitting a 16-year low. Since then, the baht has rebounded and headline consumer prices eased to a six-month low.

Source: The Star, 01 December 2022

SINGAPORE
Wages in Singapore up despite inflation

This year's higher inflation caused Singaporeans' take-home pay to decrease, but the real median income nevertheless increased by 2.1%, which is an improvement over 2021's 0.9% growth rate. The Ministry of Manpower (MoM) recently has released its preliminary 2022 labor force report, which showed that real income growth this year was lower than the pre-Covid-19 average of 3.8% for the years 2014 to 2019, when inflation was lower. The report draws on data from MoM's mid-year Comprehensive Labor Force Survey. Specifically, it indicated that real income for a worker in the 20th percentile of income rose 4.8%, which is higher than the median income growth of 3.6%. The increase is greater than what was experienced between 2014 and 2019, and also in 2021, and it suggests that workers in the 20 percentile should expect their pay to be 55% of the median by the end of the forecast period. This is the smallest difference between the two since 2004. Meanwhile, the employment rate for Singaporeans and permanent residents (PRs) rose for the second straight year to 67.5% in June, higher by 2.3 percentage points than the Pre-COVID rate of 65.2% in 2019 and up from 67.2% in 2021.

Source: The Star, 02 December 2022