



# ECONOMIC OUTLOOK REDEFINED 2023

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# Global Issues

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The political and economic  
backdrop

The war in Ukraine

China zero-Covid vs Reopening

Global political outlook

- United States
- Europe
- Asia-Pacific

Megatrends – Alternative Analysis

# Global Growth

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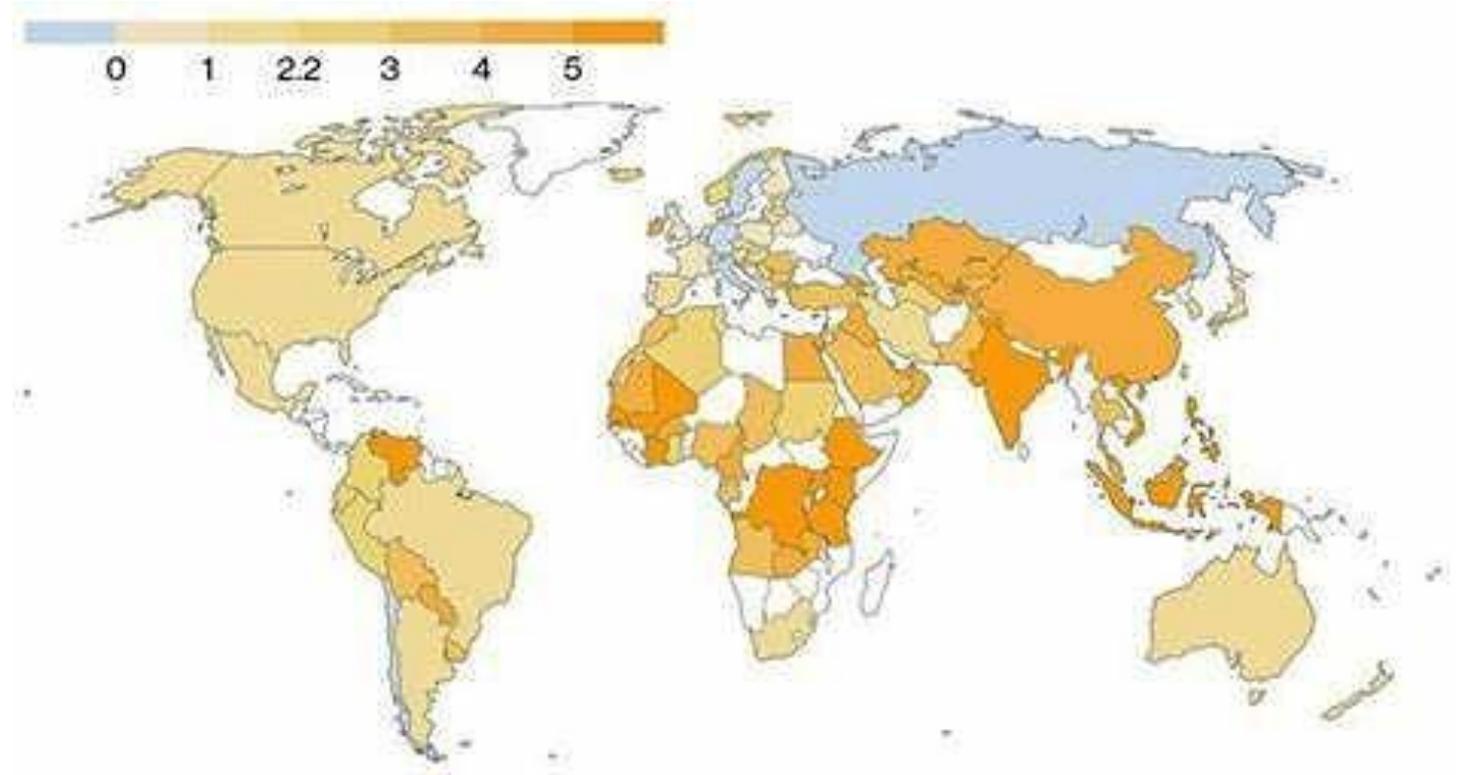
Source:  
World Bank,  
World Economic Outlook,  
January 2023

	2021	2022(F)	2023(F)
ASEAN-5 (-0.2%)	3.8	5.2	4.3
China (+0.8%)	8.4	3.0	5.2
United States (+0.4%)	5.9	2.0	1.4
E.U (Euro Area) (+0.2%)	5.2	3.5	0.7
Japan (+0.2%)	2.1	1.4	1.8
Global (+0.2%)	6.2	3.4	2.9
Asia (+0.4)	7.4	4.3	5.3
Advanced (+0.1%)	5.7	2.7	1.2
Emerging / Dev (+0.3%)	6.7	3.9	4.0

# Global Recession?

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- IMF/World Bank forecasts suggest that one third of the world (measured by GDP) risks recession
- But two-thirds will see growth
- The downturn is in developed markets and China



Source: International Monetary Fund

# Global Inflation

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Source:

International Monetary Fund,  
World Economic Outlook,  
October 2022

	2022 (F)	2023 (F)
Advanced	7.5	3.1
Emerging / Developing	10.9	6.1
China	2.2	2.2
United States	8.1	3.5
Germany	8.5	7.2
Japan	2.0	1.4

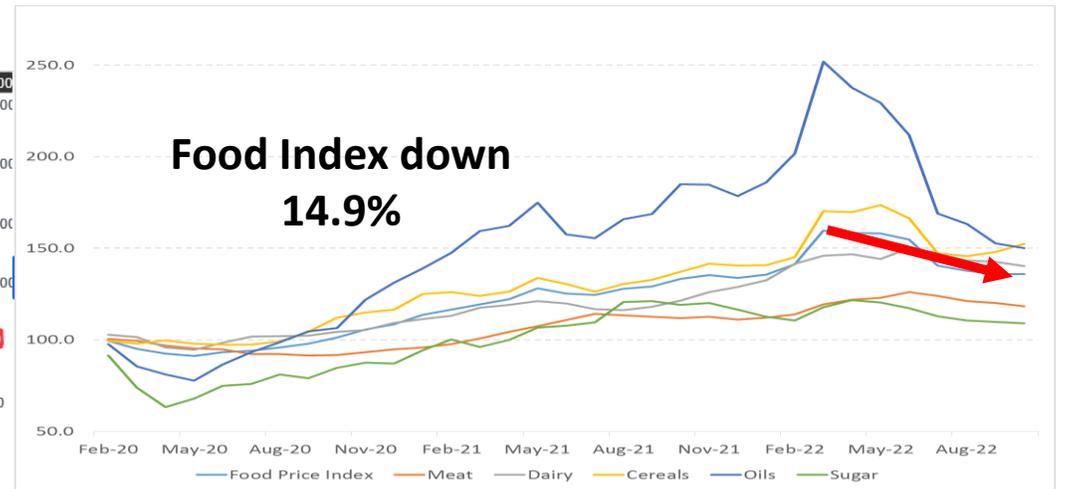
# Asian Inflation

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Source:  
International Monetary Fund,  
World Economic Outlook,  
October 2022

	2022 (F)	2023 (F)
Brunei	2.5	2.0
Malaysia	3.2	2.8
Thailand	6.3	2.8
Singapore	5.5	3.0
Cambodia	5.2	3.8
Vietnam	3.8	3.9
Philippines	5.3	4.3
Indonesia	4.6	5.5
Lao P.D.R.	15.0	9.0
Myanmar	15.5	12.0
Korea	5.5	3.8
Hong Kong	1.9	2.4
Taiwan	3.1	2.2

# Input Costs are falling



Sources: Brent Crude Prices (US\$); Crude Palm Oil Index (US\$); Freightos Baltic Index (FBX); Global Container Freight Index (<https://fbx.freightos.com/>); UN Food and Agriculture Organisation (FAO) Food Price Index (FFPI)

# Global Policy

- The data suggests that the 2023 contraction is an advanced country problem
- High inflation in Europe and the US will be followed by the normal policy responses
  - Higher interest rates
  - Contractionary fiscal policy
- There is nothing that Malaysia can do about this, except to anticipate it
- But we are likely to see stable interest rates and prudent fiscal policy in Budget 2023 in Malaysia

# Impact on Malaysia

- Growth – there was a big 12% push on government spending in the proposed Budget 2023 but this will be revised now
- Inflation – we have moved from specific price rises in the CPI (oil, food and utilities) to a broader rise in prices and embedded inflationary expectations
- Exchange rate – there is nothing Malaysia can do about the exchange rate and this will revert to trend according to international issues
- Trade – recent trade performance is positive and the forecast in major Asian markets is positive
- Investment and FDI – Malaysia is competing against regional peers

# Policy Options

- “Better than the others” – investment grants, regulations, approvals, facilities, ownership and joint-ventures, local tax exemptions and foreign talent programmes must match and beat competitors
- “Look and feel” – for Malaysia a more friendly approach to visas and residency as well as a more welcoming attitude to the international community has to improve
- “Blue Ocean” – investment and FDI opportunities that make the competition irrelevant, look again at the future of work, promote “technology resistant” jobs – healthcare, welfare, creative industries – that use technologies but do not replace people with technology must be emphasised

# Major Risks

- **Global**

- Overreaction to Covid-19
- Escalation of the Ukraine conflict
- Policy overreaction to inflation
- Financial Crisis and Contagion
- Political instability
- Civil Unrest
- Digital system collapse / Cyberterrorism

- **Malaysia**

- Overreaction to Covid-19
- International Contagion
- Domestic political instability
- Further international shaming

# Megatrends

- Megatrends include macro socio-economic processes that impact businesses, economies, societies, cultures and personal lives in a way that might define the future world.
- Megatrends impact on a large scale and are often global and sustained transcending geopolitical and physical boundaries.

