

# **OpusAsset Clients Engagement**

## **2025 Economic Outlook – Insights and Trends**

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**19 October 2024**



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Global Economy is Steadying, Albeit at a Slow Pace

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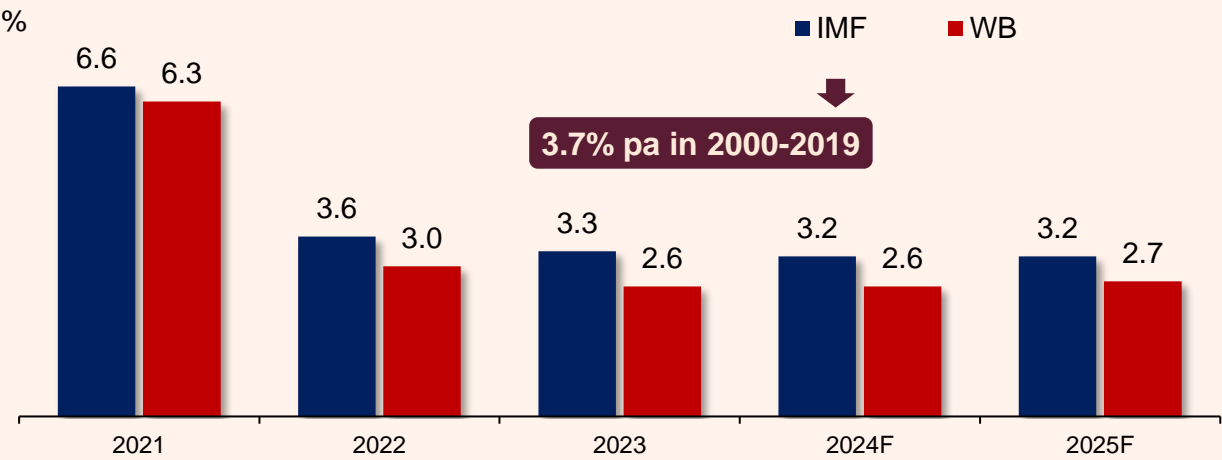
# 01

## Global Economic Outlook

1. Global growth continued amid the challenges and risks
2. The US economy is “cruising” along; can avoid a recession !
3. Trumponomics 2 in focus
4. Can the bazooka stimulus resuscitate China’s economy?
5. Geopolitical risks will remain top of mind

# Global Economic Performance and Outlook

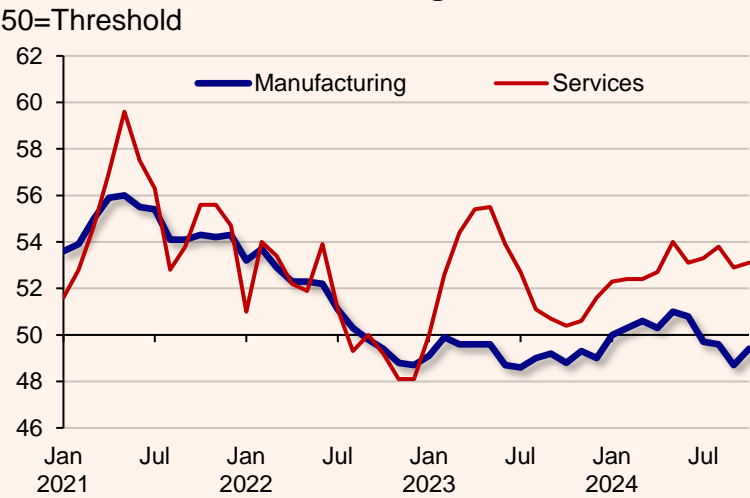
Global Growth Estimates



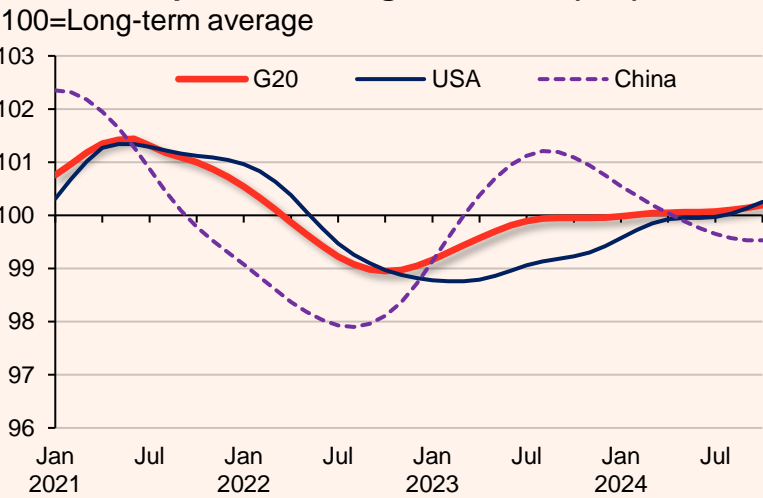
## Global Risks Profile:

- 01 Geopolitical Conflicts  
Military conflict in Ukraine;  
Escalation of tensions in the Middle East
- 02 Economic and Trade Issues  
New wave of trade and technology wars
- 03 Technological Disruption  
Misinformation and disinformation; cyber insecurity
- 04 Environmental and Climate Issues  
Climate change; pollution

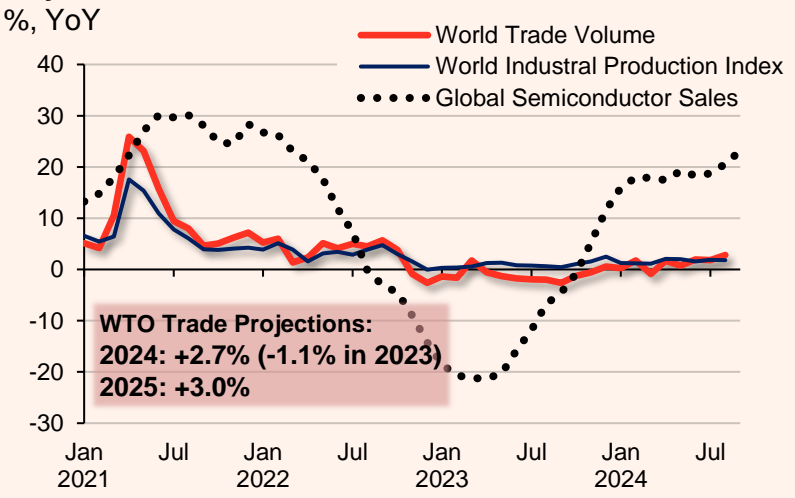
Global PMI for Manufacturing & Services



OECD Composite Leading Indicators (CLI)



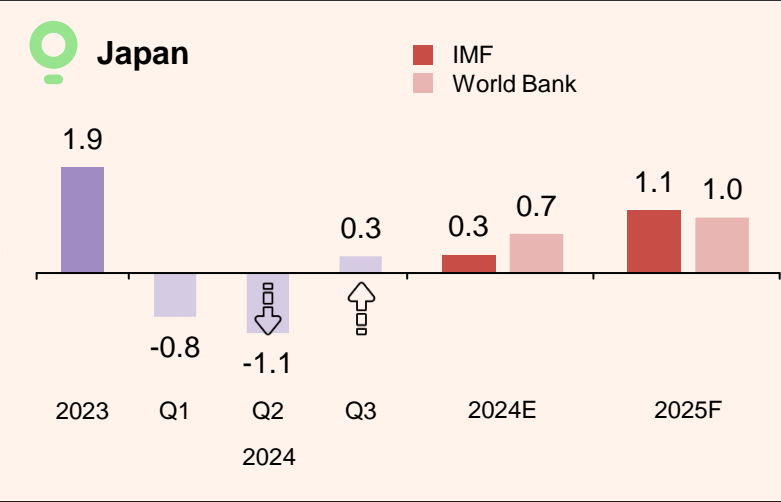
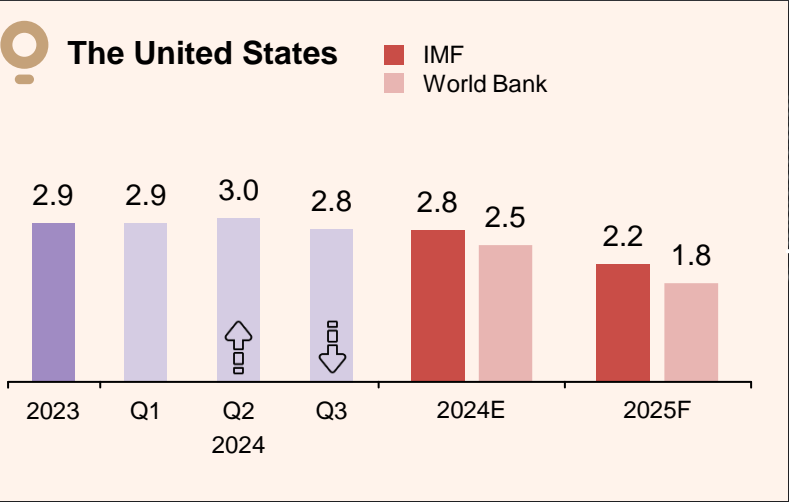
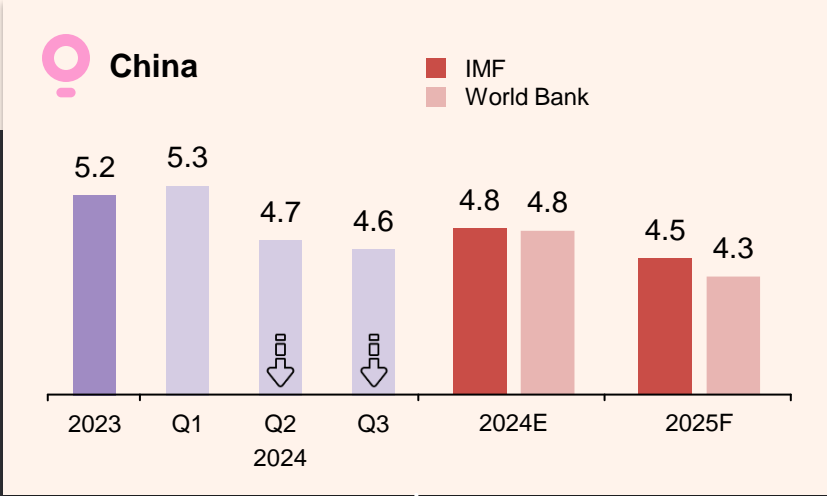
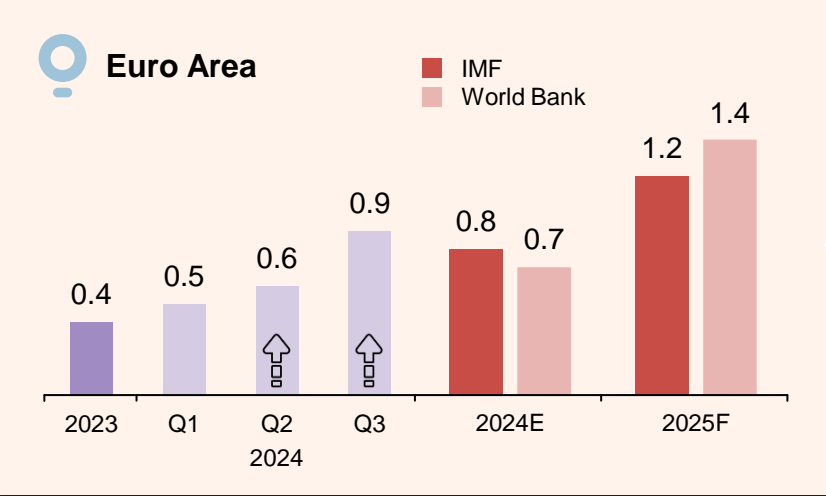
Key Economic Activities



Source: International Monetary Fund (IMF); World Bank (WB); S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands; Semiconductor Industry Association (SIA)

# Key Economic Powerhouse

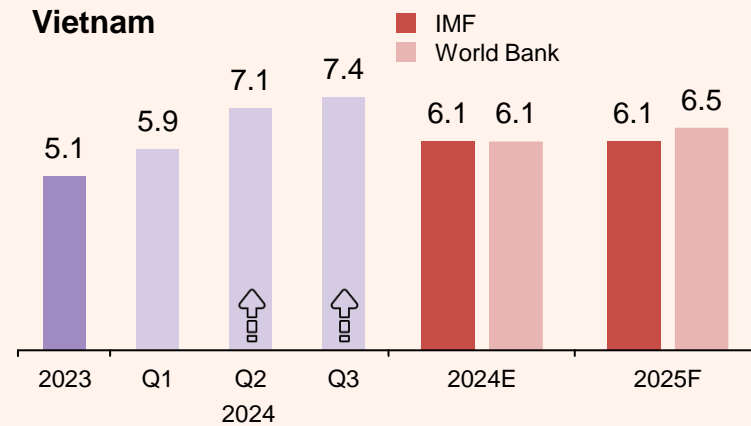
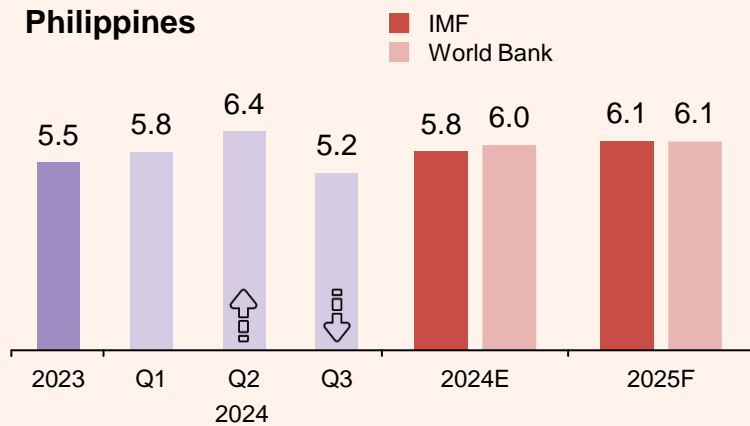
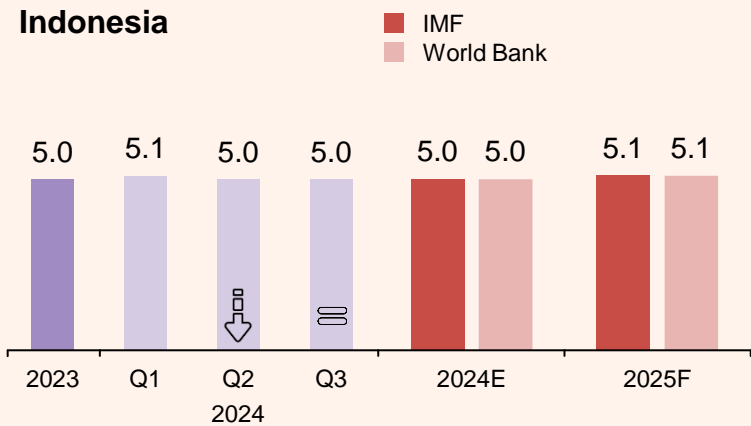
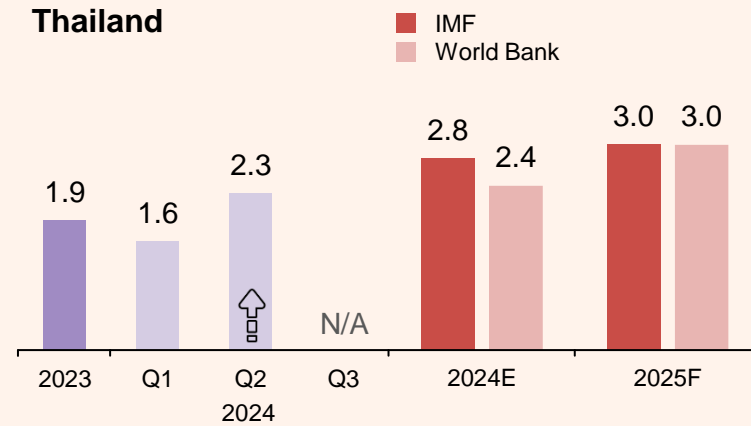
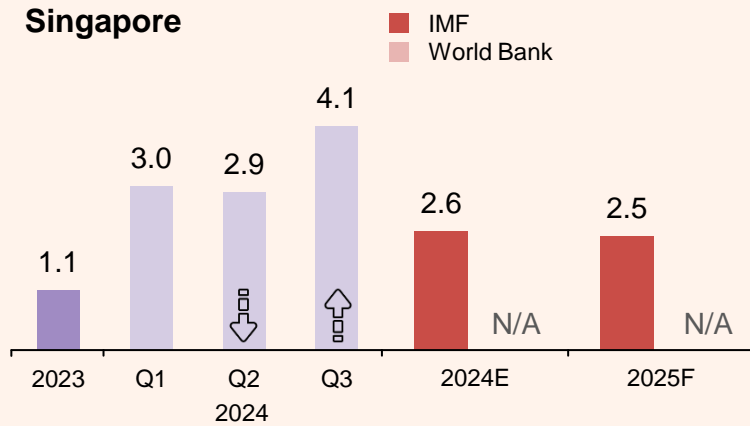
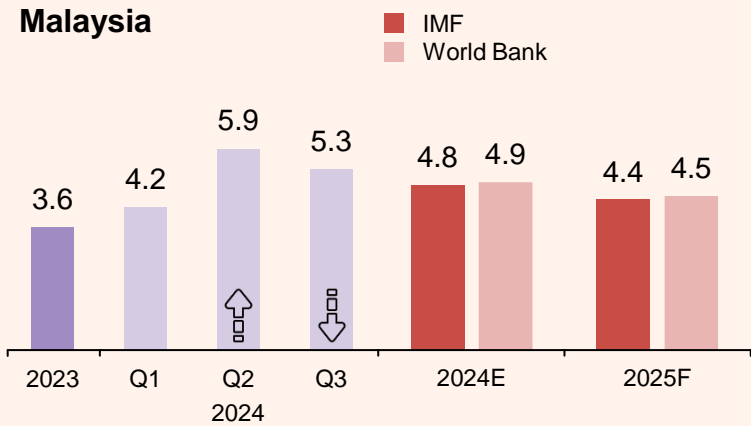
Real GDP Growth  
%, YoY



Source: Various officials (unadjusted data except for Euro Area)

# ASEAN Countries' Economic Performance

Real GDP Growth  
%, YoY



Source: Various officials



# The Likely Impact of Trumponomics 2.0



**Donald Trump**  
47th President of the United States

## Taxes:

- **Reduce corporate tax to 15%-20%**
- Permanently extend tax rates established in the Tax Cuts and Jobs Act
- Allow expanded Affordable Care Act (ACA) health insurance tax subsidies to lapse
- Eliminate income taxes on tips and Social Security benefits

## Trade Policies:

- **Implement a 10%-20% across-the-board tariffs + 60% tariff on goods from China**
- **Increase investment restrictions on key Chinese sectors tied to national security**
- **Increase restrictions on semiconductor exports to China**
- **Phase out imports of essential Chinese goods**
- Consider removing the US from the World Trade Organization

## Federal, Administrative and Other Policies:

- **Favour easy-money policies and low interest rates**; consider replacing Jerome Powell as Fed's chair
- Consider challenging the Fed's political independence
- **Offer tax incentives for oil and gas drilling**; Reduce/roll back fuel efficiency requirements; Eliminate the \$7,500 electric vehicle tax credit
- Expand carbon capture credits
- Increase spending on national defence
- **Reduce or eliminate financial/arms support of Ukraine; Emphasise US support of Israel**

Malaysia – United States (2023)		HS Code	Value
Total Exports: RM161.3 billion (11.3%)		85 Electrical Machinery and Equipment and Parts ...	RM88.3 bn (54.8%)
Total FDI: RM21.5 billion (11.4%)		84 Nuclear Reactors, Boilers, Machinery ...	RM22.1 bn (13.7%)

Source: American Century Investments

# Malaysia's Economic Outlook

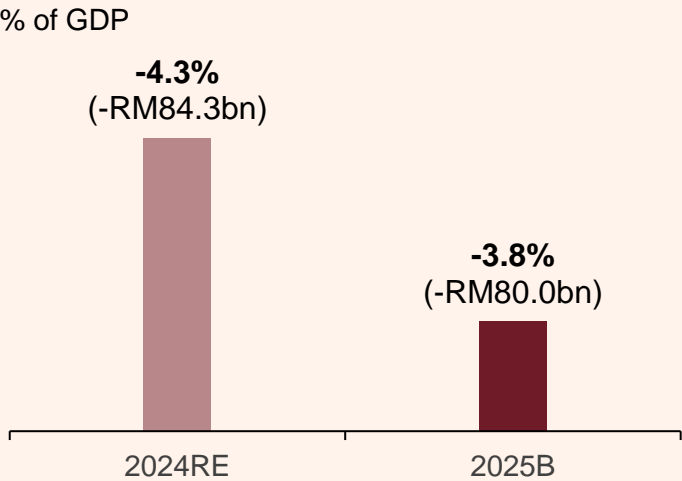
# 02

1. Positive economic outlook, driven by domestic demand and exports
2. Decent private consumption amid cost-of-living pressure and inflation risks
3. Sustaining private investment cycle
4. Services, manufacturing and construction will be the leading sectors
5. Interest rate to hold steady at 3.00% in 2025

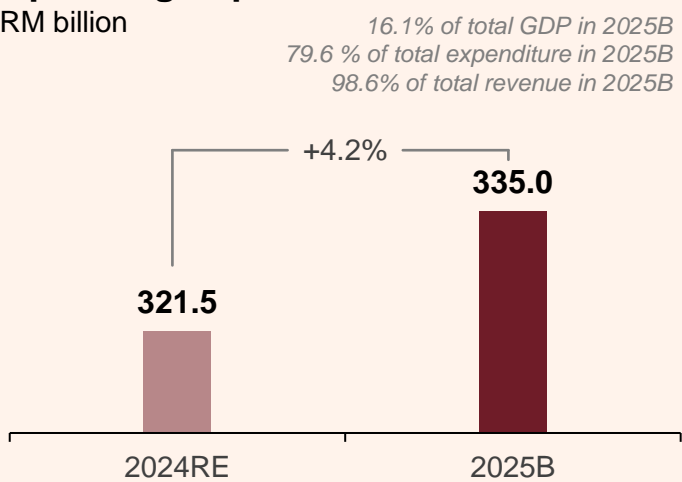


# Budget 2025: Budgetary Operations, Key Tax Measures and Subsidies

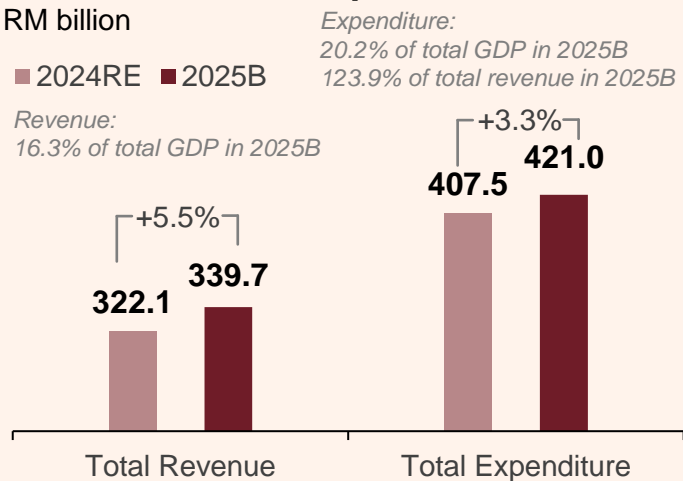
## Fiscal Deficit



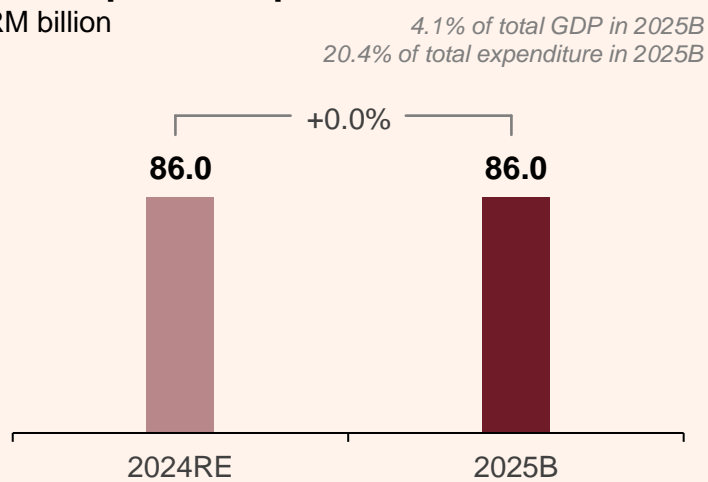
## Operating Expenditure



## Total Revenue & Expenditure



## Development Expenditure



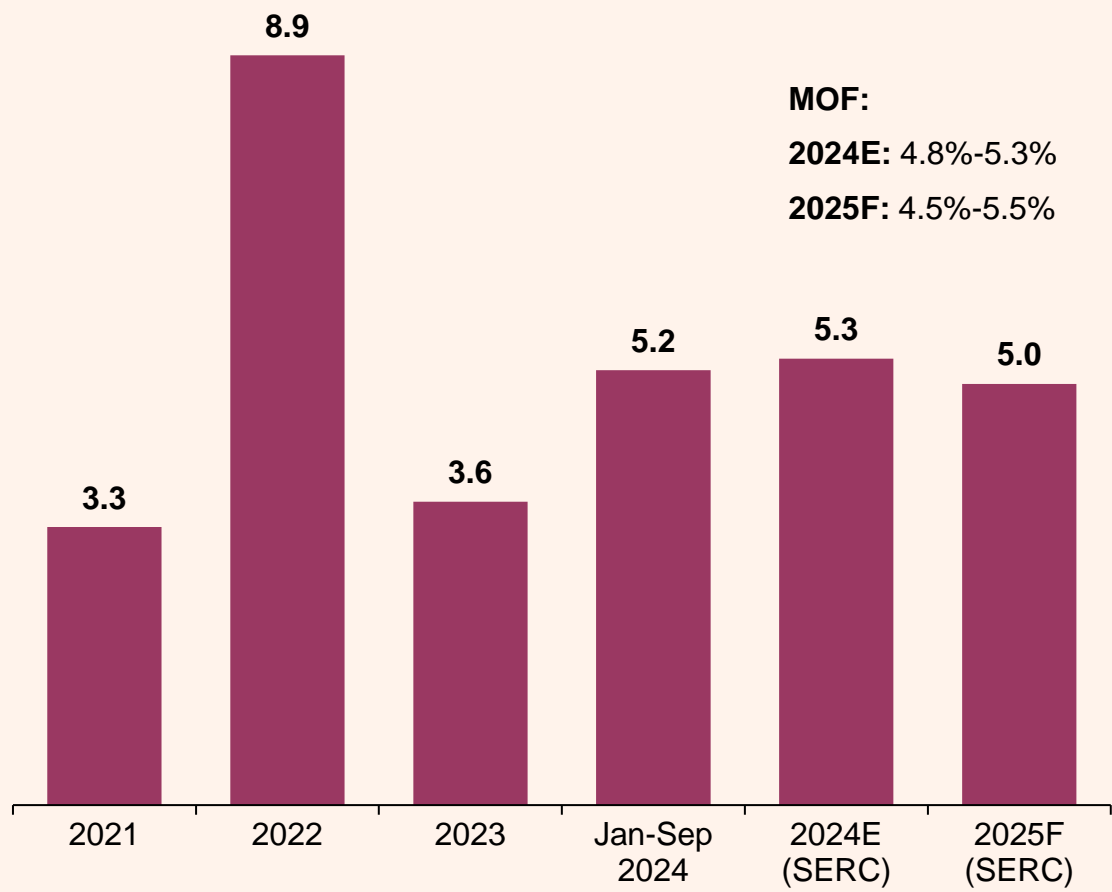
## Budget Highlights

- **Sales Tax increased on non-essential items**, such as imported premium goods
- **Service Tax includes new services**, such as commercial service transactions between businesses (B2B)
- **Dividend Tax on individual shareholders** (2% to dividend income exceeding RM100,000 started in 2025)
- Targeted **RON95 subsidy** rationalisation
- Targeted subsidy for **education and health**

Source: MOF (RE)=Revised Estimate; B=Budget Estimate Note: Excludes 2025 Budget measures

# Malaysia's Economic Performance and Outlook

Malaysia's Real GDP Growth  
%, YoY



## Supporting Drivers

Supply	Demand
<ul style="list-style-type: none"><li>Continued expansion in 2025</li><li>Service and manufacturing sectors will lead the growth while the construction sector's buoyancy continues</li></ul>	<ul style="list-style-type: none"><li>Strong private sector expenditure – firm labour market and income growth amid manageable inflation</li><li>Realisation of higher approved investments in 2021-2023, initiatives to boost domestic investment and the acceleration of strategic projects</li></ul>

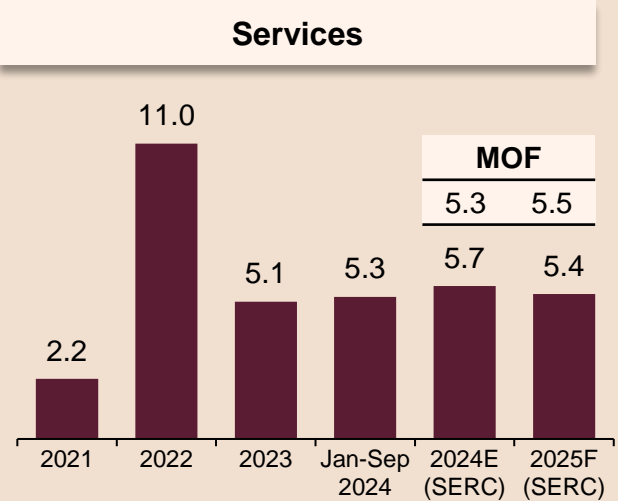
## Risks

- 01 Escalation of geopolitical tensions
- 02 Supply chains disruption
- 03 Volatility in financial market conditions
- 04 Varying growth prospects across economies

E=Estimate; F=Forecast  
Source: DOSM; MOF

# Most Sectors will Continue to Expand in 2025

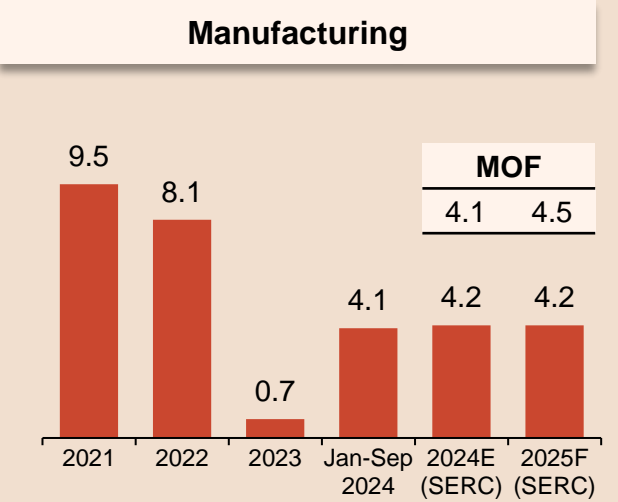
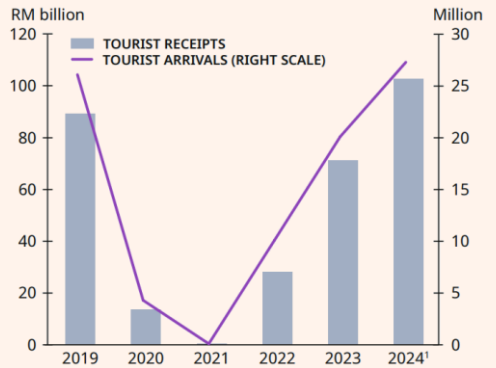
## Real GDP Growth by Sector (% YoY)



### Factors:

- Expansion in all sub-sectors; continued consumer spending and robust business- and tourism-related activities.
- Driven by retail and motor vehicle segments – higher adoption of technologies by traders; introduction of new models, specifically in EVs and hybrid vehicles.
- Surge in investment in digital infrastructure.
- Robust growth in the transportation and storage subsector.
- Sustained demand for professional services.

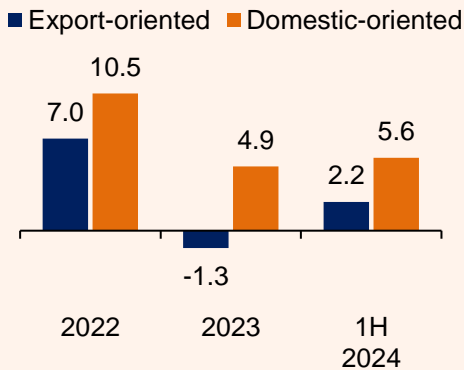
## Tourist arrivals and receipts



### Factors:

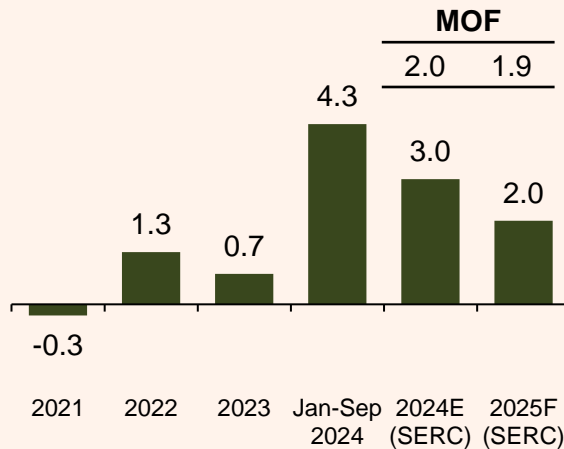
- Implementation of major policies (e.g. NIMP 2030, NSS).
- Sustained production in household and consumer goods, supported by stimulus consumer spending policy measures.
- Increasing approved and realised investment propel growth in the manufacturing of construction materials.
- Higher demand for electronic components.
- Rising realisation of approved investment in the semiconductor industry.

## Growth (% YoY) by segment



Source: DOSM; MOF

## Agriculture



### Factors:

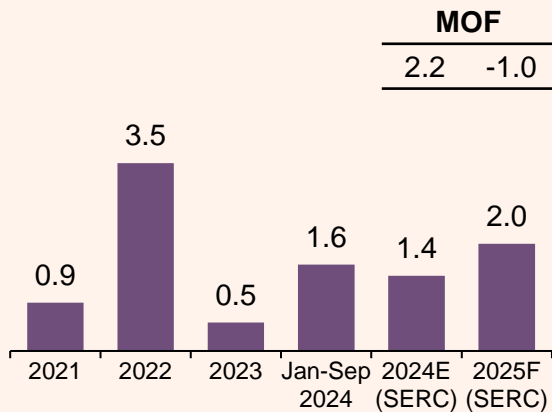
- Supported by all sectors, except forestry and logging.
- CPO: Higher FFB production and yield.
- Increase in natural rubber output and stable prices.
- Other agriculture, livestock and fishing subsectors supported by National Agrofood Policy 2021-2030.

### CPO prices:

**2025F: RM3,500-RM4,000/tonne**

**2024E: RM3,800-RM4,300/tonne**

## Mining and Quarrying



### Factors:

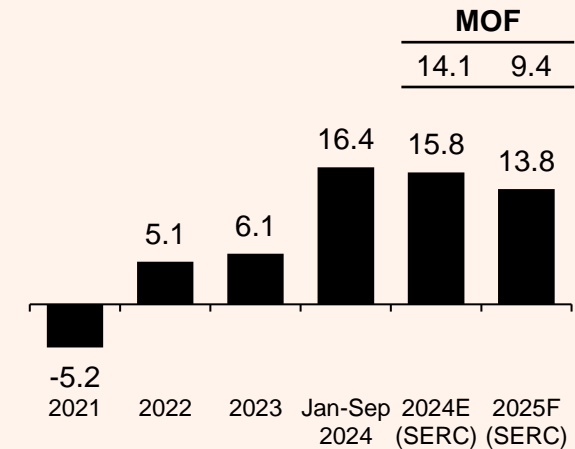
- Sluggish performance in key subsectors.
- Natural gas: Planned shutdown of two facilities in Sarawak; moderating demand from major importing countries.
- Crude oil and condensate: Lower production in Peninsular Malaysia; scheduled maintenance in 2H 2025.

### Crude oil prices:

**2025F: USD75-USD80/bbl**

**2024E: USD80-USD85/bbl**

## Construction



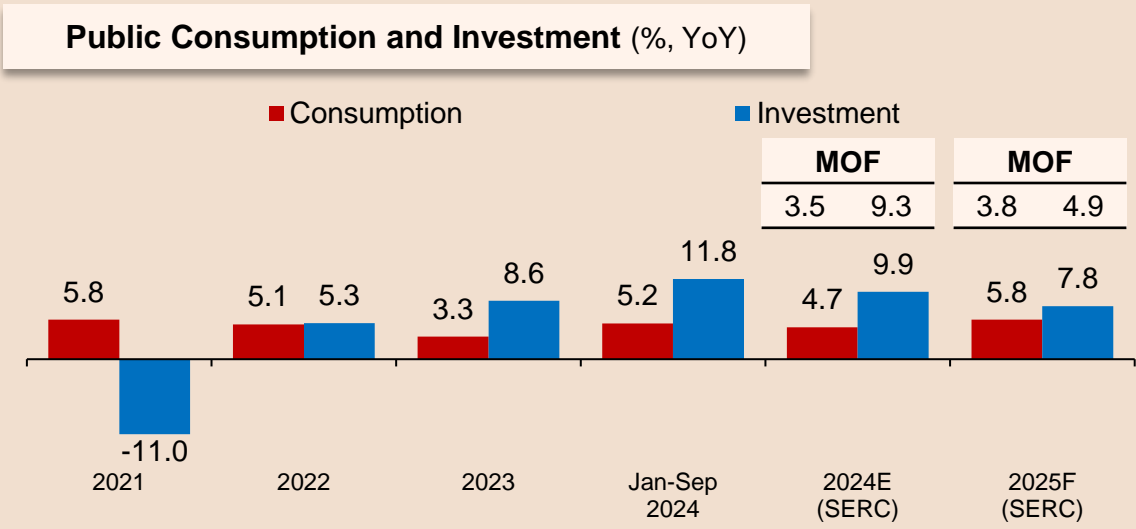
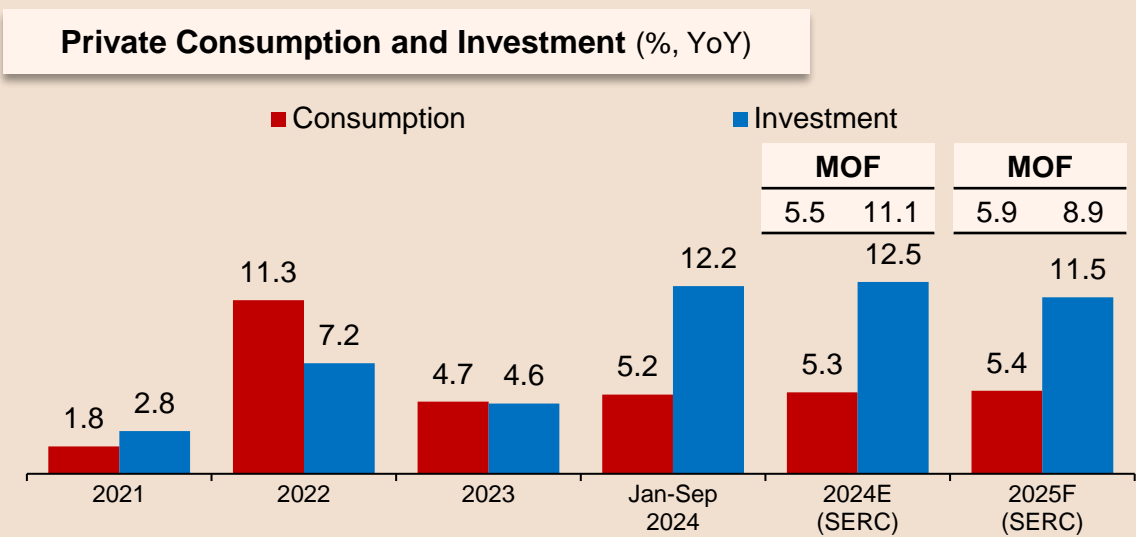
### Factors:

- Acceleration of strategic infrastructure projects, particularly from civil engineering activities.
- Strong demand for industrial facilities from the realisation of approved investments and development of new industrial areas.
- Sustained demand for affordable housing and private new development projects.

Source: DOSM; MOF

# Private Sector Remains the Key Driver in 2025

## Economic Activity



### Factors:

#### Private consumption

- Improvement in disposable income, supported by sustained domestic economic activities and robust labour market conditions, as well as the implementation of Public Service Remuneration System (SSPA).
- Continued targeted cash assistance programmes.

#### Private investment

- New and ongoing multi-year projects.
- Government's effort is to strengthen the investment ecosystem.
- Realisation of projects, especially related to semiconductors and data centres.
- RM120 billion GEAR-uP initiative over 5 years.
- Establishment of Johor-Singapore Special Economic Zone (JS-SEZ).

#### Public consumption

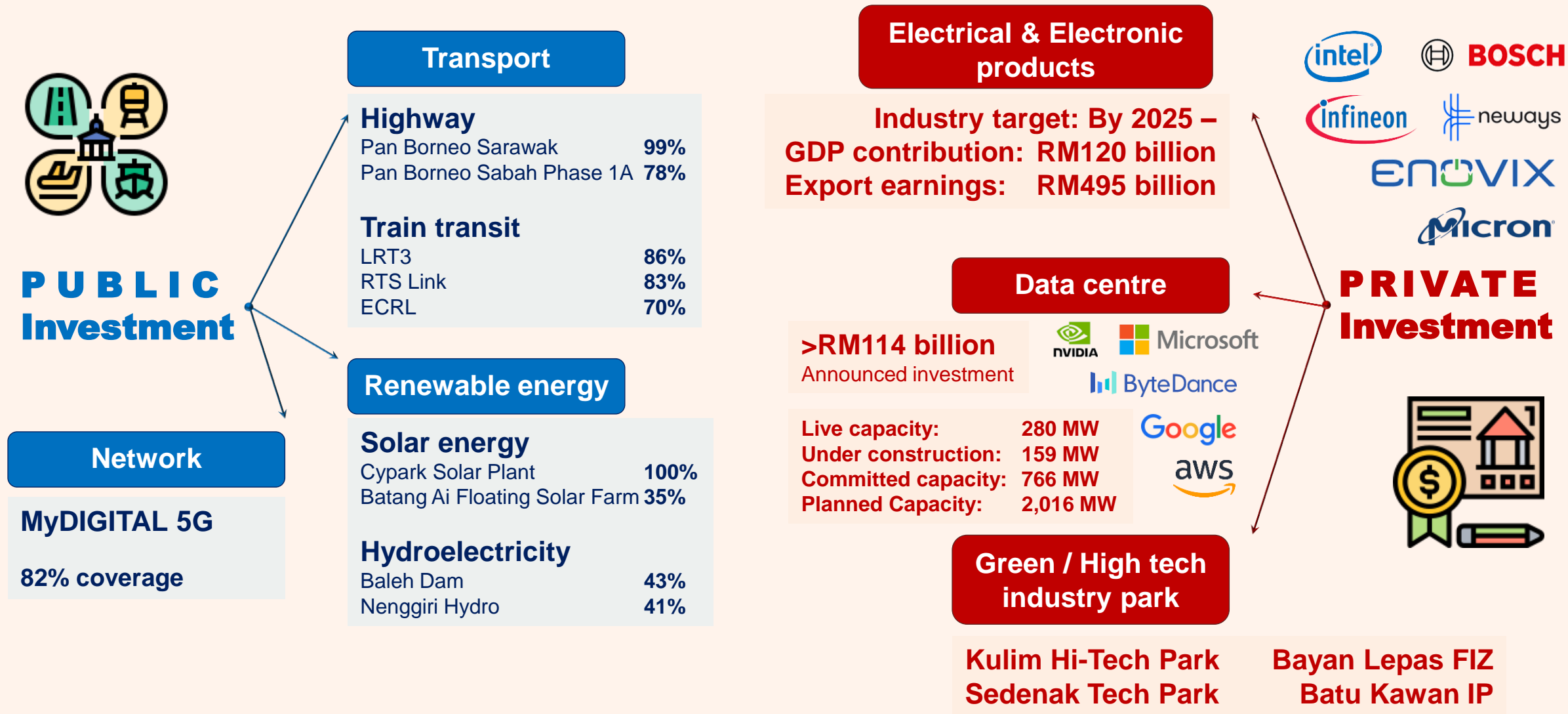
- Increased spending on emoluments following the implementation of Public Service Remuneration System (SSPA).

#### Public investment

- Higher spending on capital outlays by non-financial public corporations (NFPCs).
- Acceleration of key projects in the final year of the Twelfth Malaysia Plan.
- GEAR-uP initiative.

Source: DOSM; MOF

# Strong Investment Drives Malaysia's Future Economic Growth

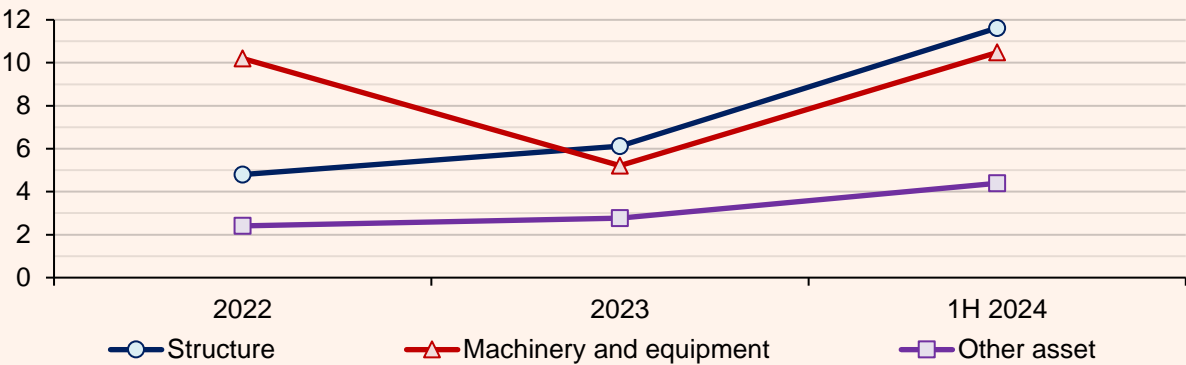


Source: Various

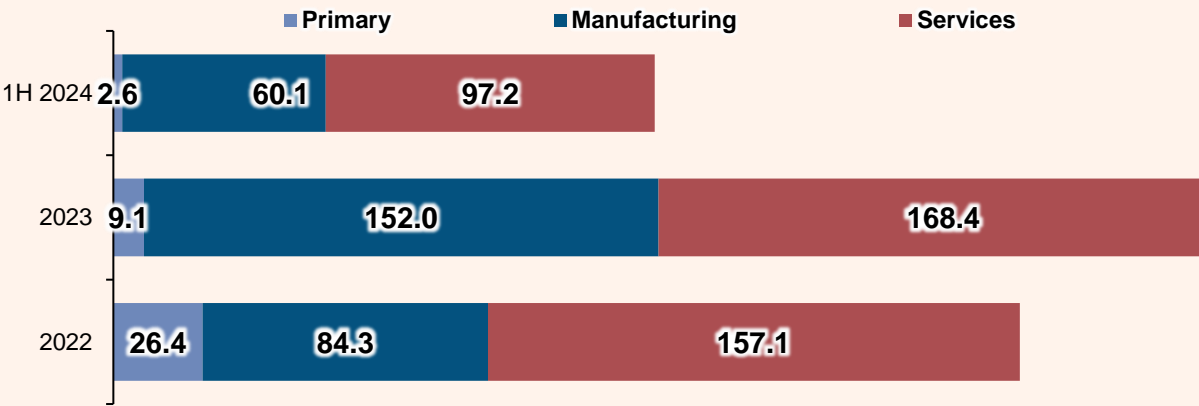


# Strong Private Investment Drives Malaysia's Future Economic Growth

Gross Fixed Capital Formation by Type of Assets  
Growth, % YoY



MIDA's Approved Investment by Major Sector  
RM billion



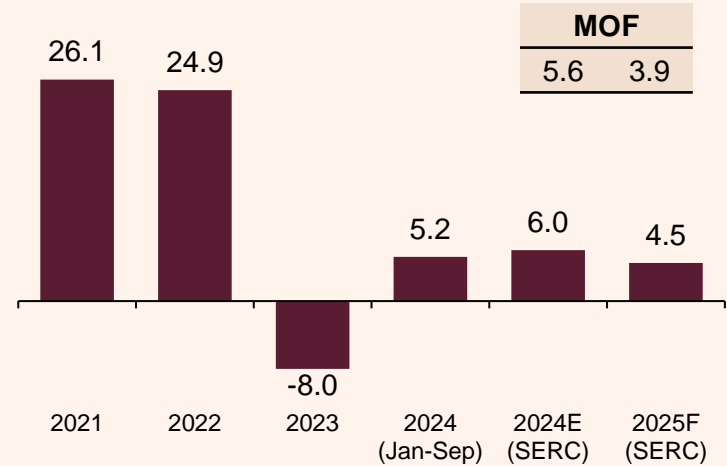
Selected Approved Investment by Subsector (RM million)	2023	1H 2024
Information & Communications	63,698.1	45,853.9
Electrical & Electronics	85,427.3	36,946.3
Real Estate	60,950.1	30,999.5
Transport Services	1,344.3	4,850.7
Transport Equipment	7,066.8	4,734.5
Utilities	11,143.9	4,010.2
Global Establishments	878.2	3,630.6
Non-Metallic Mineral Products	8,753.6	3,555.4
Chemicals & Chemical Products	8,906.1	3,104.3
Machinery & Equipment	22,558.2	2,823.7
Fabricated Metal Products	4,083.5	2,781.0
Financial Services	6,313.9	2,743.9
Mining	8,768.5	2,361.8
Distributive Trade	11,129.8	1,896.3
Support Services	10,457.6	1,641.1
Food Manufacturing	3,174.4	1,225.6
Basic Metal Products	2,371.5	1,195.7

Services sector    Manufacturing sector    Primary sector

Source: DOSM; MIDA

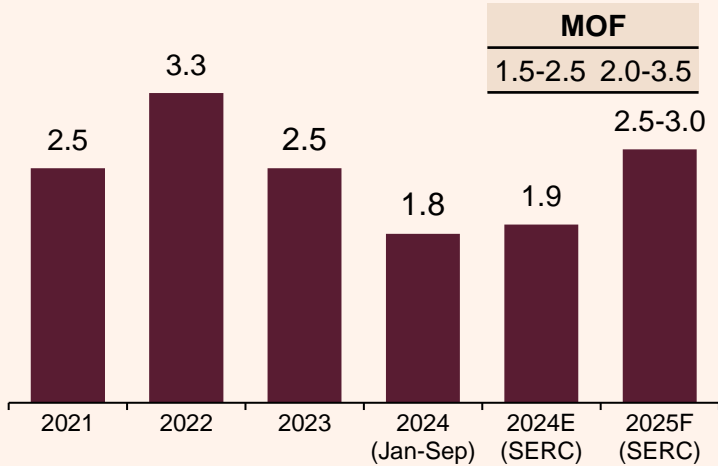
# Exports Recovery Continues amid External Risk Ahead

Gross Export Growth (%)



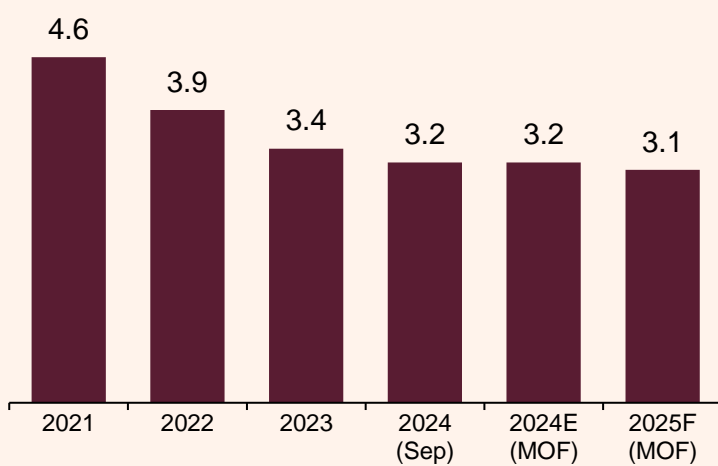
- Improved performance in global trade as well as acceleration in the demand of E&E products driven by global technology upcycle.
- Steady demand for semiconductors.
- Higher demand for non-E&E products, particularly for petroleum products, other manufactures, chemicals and chemical products, as well as machinery, equipment and parts.
- Steady global demand for palm oil and palm oil based agriculture products.
- Softer demand for LNG and crude petroleum from major markets.

Inflation (%)



- Easing supply constraints.
- Moderation of global commodity prices.
- Upward inflation pressures could emerge from:
  - Anticipated domestic policy measures, such as anticipated petrol subsidy rationalisation in mid-2025.
  - Higher minimum wages and 7%-15% salary increment for civil servants.

Unemployment Rate (%)



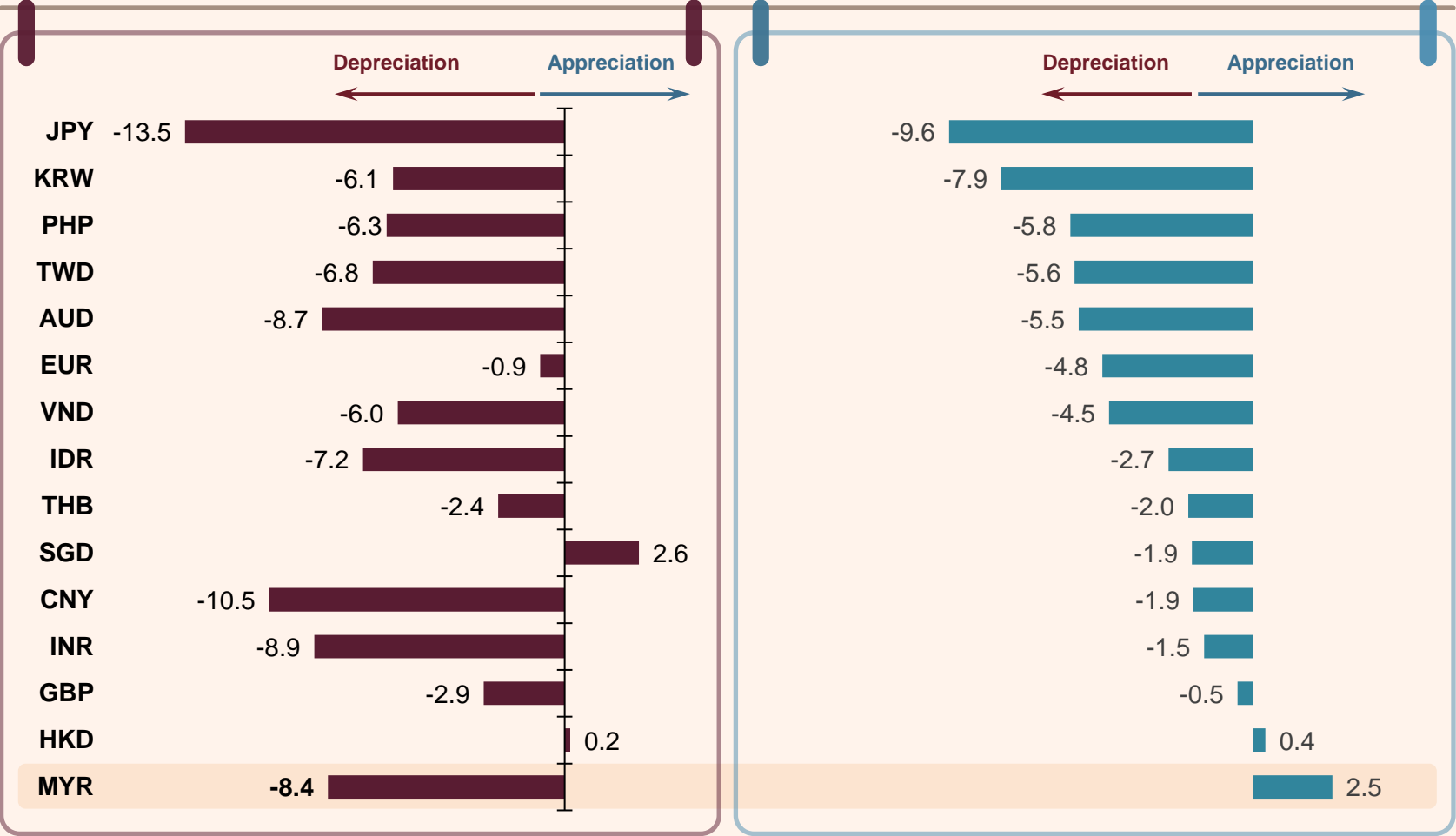
- Remain stable in tandem with better economic growth prospects anticipated in domestic and external fronts.
- Low-skilled foreign workers is expected to hover around 2.5 million persons to accommodate the needs of economic activities, particularly in labour-intensive industries.
- Expatriates hiring is expected to increase marginally to fit the demand of skilled talent in critical jobs.

Source: DOSM; MOF

# A Year of Mixed Fortunes

Selected Major and Regional Currencies against the USD  
%

31 Mar 2022 → 29 Dec 2023 → 15 Nov 2024



Source: Bank Negara Malaysia (BNM)

- Since 31 Mar 2022:
- **SGD** has outperformed all other currencies, claiming the top spot.
  - **MYR** ranked as the sixth strongest currency against the US dollar.
  - **JPY** was the worst-performing currency as of now.

Net Impact		
#15	JPY	-21.8
#13	KRW	-13.6
#10	PHP	-11.7
#11	TWD	-12.1
#14	AUD	-13.7
#5	EUR	-5.6
#8	VND	-10.2
#7	IDR	-9.7
#4	THB	-4.4
#1	SGD	0.7
#12	CNY	-12.2
#9	INR	-10.3
#3	GBP	-3.4
#2	HKD	0.6
#6	MYR	-6.1

# THANK YOU

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