



Socio-Economic Research Centre (SERC)

Quarterly Economy Tracker

Jan-Mar 2022

Is Malaysia in Multitude Shocks?

12 April 2022





COPING WITH A DUAL SHOCK

- **Global recovery continues in 2022, but still facing multi-faceted risks ahead.** After two years of raging pandemic impact, the global economy continues to recover, but still facing multitude shocks. Amid uneven pace of vaccinations worldwide and the virus still lurking round the corner, the global economy has not fully recovered from the COVID-19 pandemic-triggered recession and deep scarring. Many consumer and economic sectors are still in the healing process amid persistent consumer inflation and business cost pressures.

The prolonged supply chain disruptions, first round of price increases and rising business costs due to higher energy and commodity prices as well as input, material and logistic costs were further worsened by Russia's invasion of Ukraine-induced massive negative supply and price shocks.

Persistent high inflation and oil price shocks represent a double-blow to the world economy by further denting global growth prospects and driving higher inflation at a time when inflation expectations are already becoming unanchored in some advanced economies.

- **Barometer for Q1 2022 suggests slowing momentum.** Global PMI for March reported that global manufacturing production recorded the slowest rate of expansion in 18-month as persistent disruptions on supply chains, rising inflationary pressures and Russia-Ukraine conflicts hampered output and demand.

The **US economy** will slow due to disappearing of favourable base effects as elevated price pressures and tighter monetary policy as well as sanctions on Russia will weaken consumer sentiment and spending. In **Eurozone**, the surges in energy and food prices triggered by the Russia-Ukraine war are hitting consumers' purchasing power and causing supply disruptions to businesses. Harsh economic sanctions on Russia and its counter retaliation would hit the European economies as they purchase 25% of oil and nearly 40% of gas from Russia.

Japan's economic prospects weakened heading into March as surging COVID-19 cases led to widening lockdowns across the country, and the Russia-Ukraine war has led to much higher global commodity prices, and could feed into domestic inflation. **China's** economic slowdown has deepened in 4Q 2021, will be further dampened by the slowdown in the property market, crackdown on risky debt and the continuation of the "zero-COVID" strategy.

- **Global stagflation pressures are now a serious risk.** This scenario of global stagflation-induced recession is a worrying policy risk for the US Federal Reserve and other central banks as they face a delicate balancing act to contain the strongest price pressures in decades without derailing the economy. **Policy missteps by the central banks would be costly and detrimental to the global economy.**

To act or not to act tough on inflation? With inflation is rising and de-anchoring inflation expectations, the central banks are already behind the curve. If the central banks delay the interest-rate hikes or opt to slowly tighten the pace of monetary policy to save growth, this will accelerate the pace of inflation expectations and exacerbate stagflation. The US Fed has already hiked interest rate in March, and will continue to maintain hawkish stance to tame rising inflation.

Investors are deeply concerned about a looming recession in the US economy due to the Fed's resolve to reduce inflation through aggressive interest rate hikes combined with the impact from the supply and oil price shocks. We have seen the Fed's hawkish moves to stem a surge in inflation pressure has caused severe recessions during the first and second oil-price shocks in 1973-74 and 1978-79 respectively.

Multi-faceted headwinds to the global economy. The risks to the global economy remain tilted to the downside: (a) **The COVID-19 variants** – The World Health Organisation (WHO) said that a more dangerous variant of concern than Omicron could be lurking round the corner though it sees a likely case that the severity of disease would wane over time due to greater public immunity; (b) **Elevated inflation and cost pressures**; (c) **Aggressive interest rate hikes and the associated risk of policy missteps**; (d) **Prolonged escalation of Russia-Ukraine war**; (e) **Climate change**; and (f) **Geopolitical tensions, trade and technology conflicts**, especially between the US and China.



IS MALAYSIA IN MULTITUDE SHOCKS?

- **A year of recovery in 2022 amid downside risks to the growth outlook.** We concur with Bank Negara Malaysia's latest assessment that **Malaysia's economic recovery remains on track in 2022**, supported by continued global growth, a revival in domestic demand and the reopening of our international borders.
- **Maintained our 2022's GDP growth estimate at 5.2%.** Amid the reopening of international borders starting 1 April 2022, **we are keeping our GDP estimate of 5.2% in 2022** (3.1% in 2021), underpinned largely by a sustained rebound in domestic demand, especially private consumption and public spending. Our estimate fall slightly below Bank Negara Malaysia (BNM)'s estimate of 5.3%-6.3% for 2022.
- **High frequency data show continued economic recovery in Jan-Feb, albeit unevenly:** (a) The **Leading index** in January 2022 suggests slowing economic growth in the months ahead amid the headwinds; (b) **Industrial production** growth also paced at a slower rate of 4.3% yoy in January (+5.9% in December 2021) due to slower manufacturing output (+6.8% vs. 8.4% in December) and continued decline in mining output; (c) **Exports** continued to grow by 16.8% in February, albeit lower compared to 23.9% in January; (d) **Banking system's outstanding loan** growth was stable at 4.7% in February. Household loans continued to expand by 4.7%, reflecting broadly sustained growth across most purposes. Businesses' outstanding loan growth increased by 5.5% in February (5.3% in January) amid higher lending to SMEs and sustained growth in working capital loans.
- **Domestic demand will anchor the recovery in 2022.** While **SERC revises higher private consumption growth estimate to 6.5% in 2022 from 5.9% previously**, it is lower than Bank Negara Malaysia's estimated 9.0%.

While we reckon that pent-up demand, cash handouts and the fourth round of EPF withdrawal will support consumer spending, but the repairing of impaired households' balance sheet and rebuilding of depleted savings as well as the pick-up in inflation will mean prudent discretionary spending. **Higher inflation and cost of living concerns will crimp the households' disposable income (purchasing power) and dampen consumer sentiments.** In addition, the expected gradual improvement in the labour market condition (estimated unemployment rate at 4.0% in 2022 vs. 4.6% in 2021) and moderate increases in income would restrict spending.

We expect private investment to remain cautiously this year due to increased operating costs, supply disruptions, rising material costs as well as the shortage of workers amid the on-going Russia-Ukraine war. **Private investment is estimated to pick up moderately to 5.0% in 2022** from 2.6% in 2021, which is in line with BNM's estimate of 5.3%.

- **A strong rebound in services sector.** The **services sector** will regain the strongest growth estimated 6.1% in 2022 (1.9% in 2021), mainly due to the revival in domestic demand on the anticipated rebound in tourism and related services sectors, thanks to the reopening of international borders. The anticipated tourists' arrival will be gradual with the Ministry of Tourism, Arts and Culture targets of two million international tourist arrivals and RM8.6 billion tourist receipts this year. The manpower shortages and increased operating costs would dampen the revival of hospitality sector.

The **manufacturing sector** will grow at a moderate pace (estimated 4.8% in 2022 vs. 9.5% in 2021), backed by the continued demand of electronics and electrical products as well as recovery in domestic market industries such as construction building materials. But, the shortage of workers and supply disruptions would dampen the sector's expansion.

The **construction sector** will rebound to grow by 6.5% in 2022 from -5.2% in 2021 following the resumption of construction activities related to residential and commercial development. The implementation of on-going public infrastructure projects such as ECRL, MRT 2, Pan Borneo Highway and Johor Bahru–Singapore Rapid Transit System (RTS) as well as the small projects under the 2022 Budget will support the growth of civil engineering.

We caution that increases in building materials and other operating costs such as logistics, utilities and labour costs (due to the shortage of workers) have impacted the cost of construction. Building material price fluctuations represent a profound and lasting risk to construction projects. These fluctuations are not only causing unanticipated spikes in construction costs, but are also threatening to delay the projects' completion dates due to material rationing or unavailability.

- **The external sector will have a moderate impact on the economy.** Our revised **higher exports growth estimate to 5.9% in 2022** from 1.8% previously (26.0% in 2021) is lower than 10.9% estimated by BNM.

While the continued external demand of electronics and electrical products, rubber products, wood products as well as higher commodity and crude oil prices are expected to sustain positive growth, but a slowdown in the global economy due to inflation, tighter global monetary, Russia's invasion in Ukraine, the prolonged continued supply chain disruptions, higher inputs and business costs as well as the worker shortages would dampen exports.

- **Headline and core inflation will move higher.** **Headline inflation** moderated for the third straight month to 2.2% yoy in February (2.3% in January) due to slower transportation inflation. Food and non-alcoholic beverages price inflation accelerated to more than four-year high of 3.7% (from 3.6% in Jan), due to higher food inflation at home and food away from home. Recreation services & culture price inflation also increased higher (1.6% vs. 1.2% in January), reflecting the reopening of economic and social activities.

Core inflation, which covers all goods and services except for volatile items of fresh food and government-controlled prices paced higher to 1.8% in February from 1.6% in January.

Consumer price pressures come from the pass-through effect from rising non-energy commodity prices, which have exerted price pressures on food and services. Fuel inflation is contained by the price ceiling on domestic retail fuel prices. However, continued increases in cost of production, as measured by Producer Price Index, which up 9.7% yoy in February 2022 could result in some pass-through of increased costs onto consumer inflation ahead. The sustained high global crude oil prices and non-energy commodity prices remain a wild card amid the implementation timing of the fuel subsidy rationalization.

SERC estimates headline inflation to increase by 3.0%-3.5% in 2022, higher than BNM's estimated between 2.2% and 3.2%.

- **Bank Negara Malaysia to maintain a delicate balancing act between growth and inflation.** Policy rate adjustments will be gradual and measured. Bank Negara Malaysia indicates that the interest rate policy will be data dependent, and any adjustment in policy rate will be gradual and measured so as not to disrupt the recovery pace.

- **Should Bank Negara Malaysia raise interest rate to tame inflation risk and anchor inflation expectations?** Some would argue that it is a supply shock and cost-driven inflation risk, and that interest rate hikes cannot affect exogenous negative supply shock. If the central bank's priority is to save growth, and decides to delay interest rate hikes or a gradual pace of monetary tightening, this could accelerate the de-anchoring of inflation expectations, which will be incorporated into decisions and contracts. The situation today is different as the inflation risk already rising, and continued business costs have compelled them to partially pass through onto consumers. **SERC expects the central bank to raise the overnight policy rate (OPR) by 25-50% to 2.00-2.25% in 2022.**
- **Risks to domestic economic growth remained tilted to the downside.** We concur with Bank Negara Malaysia's assessment of the following risks to the economy:
 - a) On the external front, worsening supply chain disruptions and heightened financial volatility could significantly affect Malaysia's growth and trade outlook;
 - b) Prolonged and further escalation of the geopolitical tensions would impact Malaysia via the tension's impact to global growth and trade, prices and financial market volatility;
 - c) On the domestic front, the emergence of severe vaccines resistance variants; reimposition of containment measures; slow rollout of public infrastructure projects;
 - d) More persistent labour shortages and supply chain disruptions; and
 - e) Higher than expected inflation would reduce disposable income and dampen consumer sentiments.
- **Reforms beyond pandemic.** We concur with Bank Negara Malaysia that it is important for us to maintain and prioritise on the key areas of structural reforms. These include a shift towards high quality investment, the development of a future-ready workforce, acceleration of social protection reforms, rapid adoption of automation and digitalization, and the continued push to adopt the Environmental, Social and Governance (ESG).

In our view, the economic despair experienced during the pandemic gives us an opportunity to reflect on current structural issues and constraints that require us to recalibrate and undertake politically feasible reforms to deliver a more inclusive, resilient, and sustainable future.

- a) **Leaner government and rebuild public savings.** The Government needs to fix its budget and should stop dis-saving during the good times and resource boom (especially high crude oil prices). The Federal government's spending on operating and development expenditures must be closely scrutinized and prioritized to ensure that they are productive (getting good value for money in public spending), and contribute to the expansion of productive capacity in the economy.

It would be better for Government to get leaner and rebuild savings for rainy days. We need the Government to spend prudently and run budget surpluses, and add to national savings, and ramp up investments in productive assets that will boost economic growth and raise our living standards. Large fiscal space allows it to adopt counter cyclical short-term fiscal stimulus programs.

The unsustainable deficits and public debt would have negative effect on households' savings as they have pay high taxes to help funding the budget deficit and servicing the debt service charges. This means that persistent budget deficits constrain the lowering of future tax rate as it reduces tax revenue collection.

- b) **Politically feasible tax system reforms.** The tax system must reward greater work efforts and productivity -- relying less on labour and capital income taxes and more on consumption taxes would encourage household savings.
- c) **Reduce compliance and regulatory costs.** For businesses, too many taxes, regulatory and compliance costs, notably corporate income taxes and property taxes raise costs and encourage distribution of earnings rather than reinvestment. These taxes are expected to tilt private investment away from investing in plant, machinery, equipment and intellectual property and toward speculative and quick gains investment such as real estates.

Real GDP growth (% , YoY)

Economic Sector [% share to GDP in 2021]	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022E
By kind of economic activity								
Agriculture [7.2%]	2.0	-2.2	-0.2	0.2	-1.5	-1.9	2.8	1.5
Mining & Quarrying [6.7%]	-0.6	-10.6	0.7	-5.0	13.9	-3.6	-0.9	1.8
Manufacturing [24.3%]	3.8	-2.6	9.5	6.6	26.6	-0.8	9.1	4.8
Construction [3.7%]	0.4	-19.4	-5.2	-10.4	40.3	-20.6	-12.2	6.5
Services [57.0%]	6.2	-5.5	1.9	-2.3	13.5	-4.9	3.2	6.1
By type of expenditure								
Private Consumption [58.8%]	7.7	-4.3	1.9	-1.5	11.7	-4.2	3.7	6.5
Public Consumption [13.8%]	1.8	3.9	6.6	5.9	9.0	8.1	4.3	1.0
Private Investment [15.6%]	1.6	-11.9	2.6	1.3	17.4	-4.8	-3.0	5.0
Public Investment [4.5%]	-10.7	-21.3	-11.4	-18.6	12.0	-28.9	-3.8	9.4
Exports of Goods and Services [69.2%]	-1.0	-8.9	15.9	11.9	37.4	5.1	13.3	4.4
Imports of Goods and Services [63.2%]	-2.4	-8.4	18.5	13.0	37.6	11.7	14.6	4.9
Overall GDP	4.4	-5.6	3.1	-0.5	16.1	-4.5	3.6	5.2

Source: Department of Statistics, Malaysia (DOSM); SERC estimates and forecast

Global Economic and Monetary Conditions

Real GDP growth (% , YoY)

	2019	2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022F (IMF)	2022F (WB)
World	2.8	-3.1	4.4*	N/A	N/A	N/A	N/A	4.4	4.1
United States	2.3	-3.4	5.7	0.5	12.2	4.9	5.5	4.0	3.7
Euro Area	1.6	-6.4	5.3	-0.9	14.6	4.0	4.6	3.9	4.2
China	6.0	2.2	8.1	18.3	7.9	4.9	4.0	4.8	5.0
Japan	-0.2	-4.5	1.6	-1.8	7.3	1.2	0.4	3.3	2.9
India	3.7	-6.6	8.9	2.5	20.3	8.5	5.4	9.0	8.7
Malaysia	4.3	-5.6	3.1	-0.5	16.1	-4.5	3.6	5.7	5.5
Singapore	1.1	-4.1	7.6	2.0	15.8	7.5	6.1	3.2	N/A
Indonesia	5.0	-2.1	3.7	-0.7	7.1	3.5	5.0	5.6	5.1
Thailand	2.2	-6.2	1.6	-2.4	7.7	-0.2	1.9	4.1	2.9
Philippines	6.1	-9.5	5.7	-3.8	12.1	7.0	7.8	6.3	5.7
Vietnam	7.0	2.9	2.6	4.7	6.7	-6.0	5.2	6.6	5.3

Note: World GDP growth for 2019, 2020 and 2021 by IMF (* 2021E); Annual GDP for India is on fiscal year basis; N/A = Not applicable or not available

Source: Officials (unadjusted data except quarterly GDP for Euro Area); IMF (World Economic Outlook (WEO)); World Bank (Global Economic Prospects)

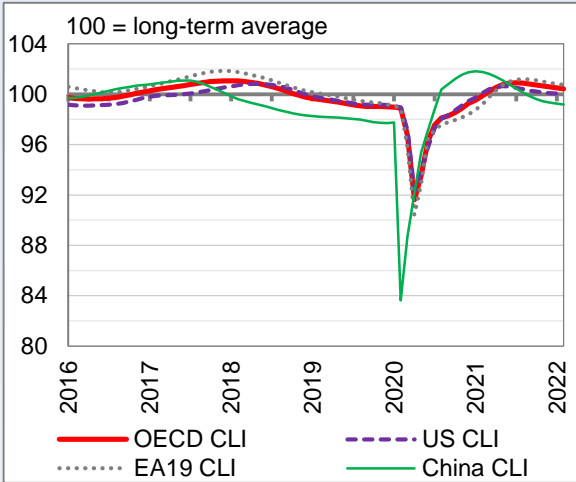
Policy rate (%)

End-period of	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 (Mar/ Apr)	2022f
US, Fed Federal Funds Rate	0.00- 0.25	0.00- 0.25	0.00- 0.25	0.25- 0.50	0.50- 0.75	1.25- 1.50	2.25- 2.50	1.50- 1.75	0.00- 0.25	0.00- 0.25	0.25- 0.50	1.75- 2.00
Euro Area, ECB Deposit Facility	0.00	0.00	-0.20	-0.30	-0.40	-0.40	-0.40	-0.50	-0.50	-0.50	-0.50	-0.50
Japan, BOJ Short-term Policy I/R	0.00- 0.10	0.00- 0.10	0.00- 0.10	0.00- 0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
China, PBC 1-Year Loan Prime Rate	6.00	6.00	5.60	4.35	4.35	4.35	4.35	4.15	3.85	3.80	3.70	3.45
India, RBI Policy Repo Rate (LAF)	8.00	7.75	8.00	6.75	6.25	6.00	6.50	5.15	4.00	4.00	4.00	4.50
Korea, BOK Base Rate	2.75	2.50	2.00	1.50	1.25	1.50	1.75	1.25	0.50	1.00	1.25	1.75
Malaysia, BNM Overnight Policy Rate	3.00	3.00	3.25	3.00	3.00	3.00	3.25	3.00	1.75	1.75	1.75	2.00- 2.25
Indonesia, BI 7-Day RR Rate	5.75	7.50	7.75	7.50	4.75	4.25	6.00	5.00	3.75	3.50	3.50	4.50
Thailand, BOT 1-Day Repurchase Rate	2.75	2.25	2.00	1.50	1.50	1.50	1.75	1.25	0.50	0.50	0.50	0.75
Philippines, BSP Overnight RR Facility	3.50	3.50	4.00	4.00	3.00	3.00	4.75	4.00	2.00	2.00	2.00	2.75

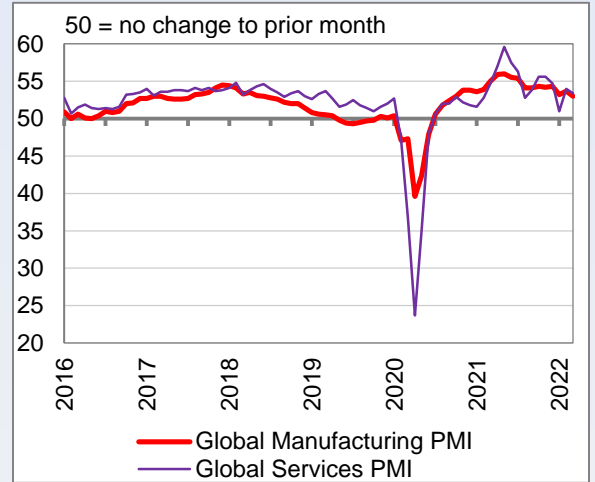
Source: Officials; SERC

Global Current and Forward Indicators

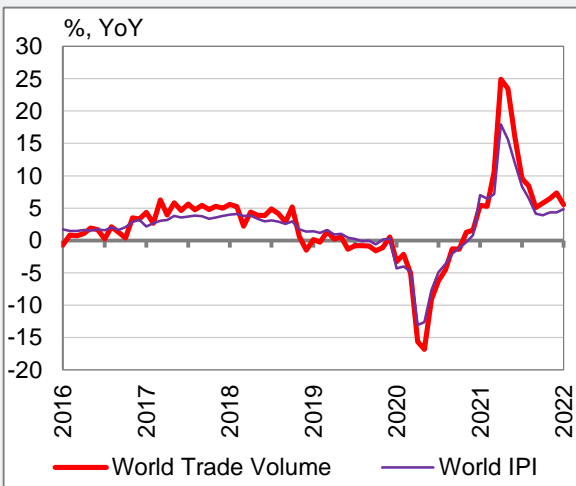
OECD leading indicators continue pointing to moderating growth in several major economies



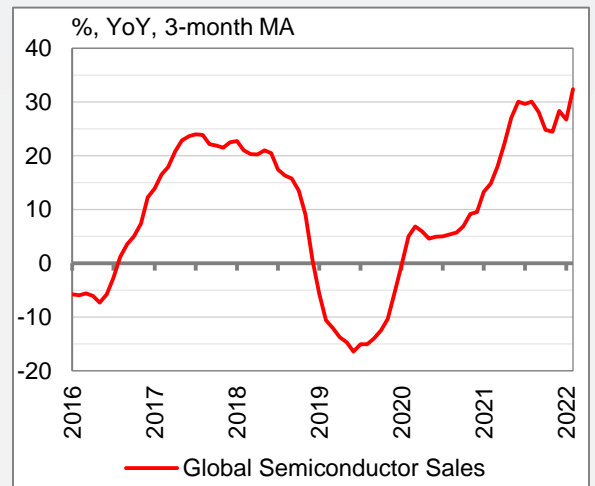
Global Composite PMI: Global economic growth eases at end-Q1 2022



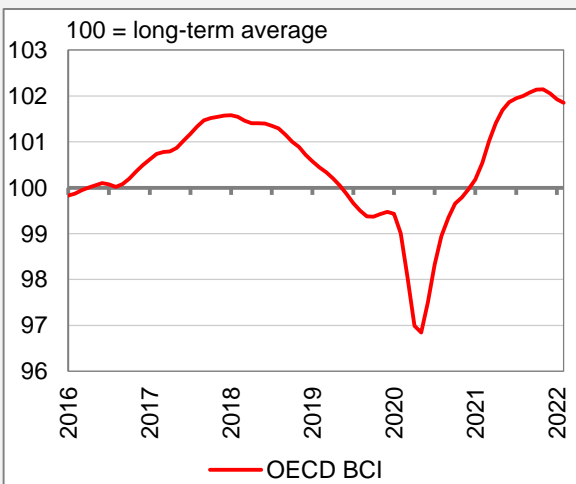
WTO projects world trade growth will slow to 4.7% in 2022



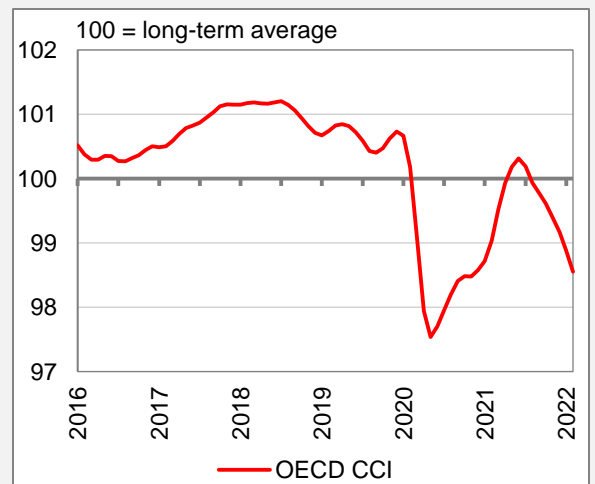
WSTS expects semiconductor sales to grow by 10.4% in 2022 (26.2% in 2021)



Business Confidence Index rises

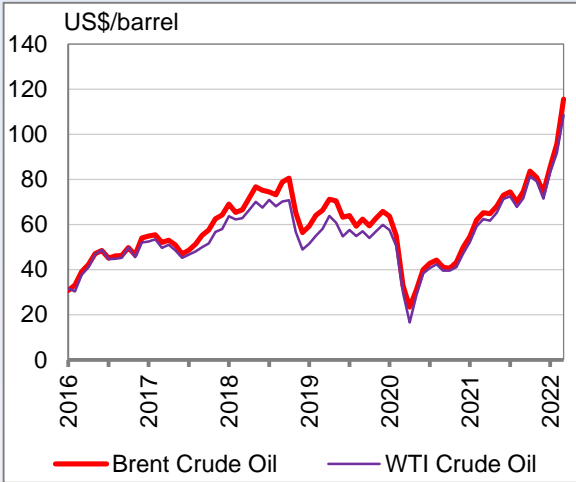


Consumer Confidence Index dips

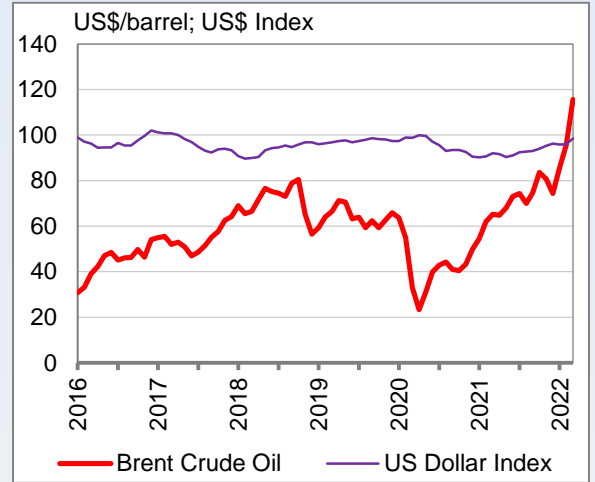


Global Current and Forward Indicators (cont.)

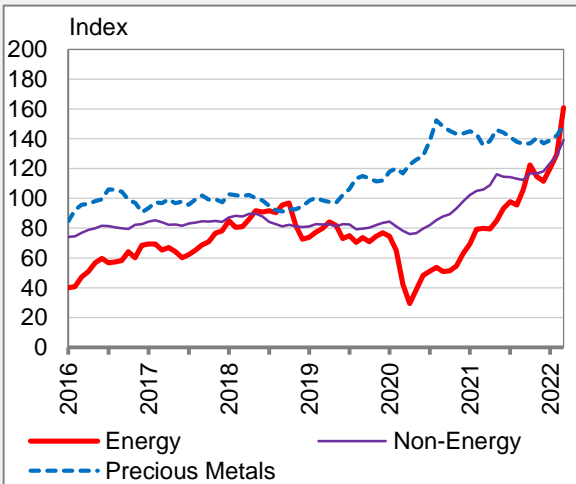
Crude oil prices surged above US\$100/bbl level



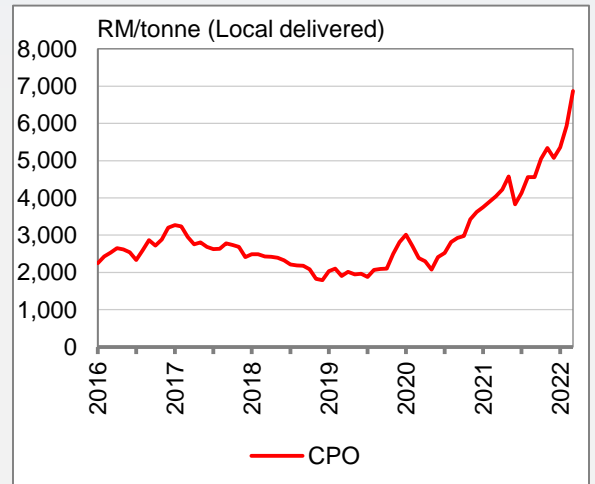
Brent crude oil price vs. the US dollar index



Prices of energy and non-energy commodities spiked up



Crude palm oil prices continued to chalk a new high

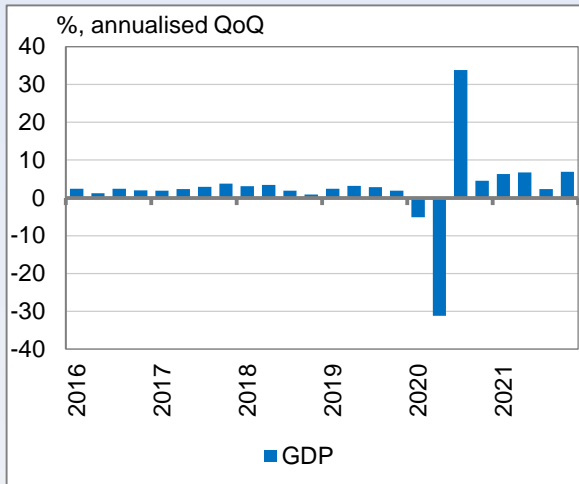


Source: Organisation for Economic Co-operation and Development (OECD); Markit; CPB Netherlands Bureau for Economic Policy Analysis; Semiconductor Industry Association (SIA); World Bank; The Wall Street Journal; Malaysian Palm Oil Board (MPOB)

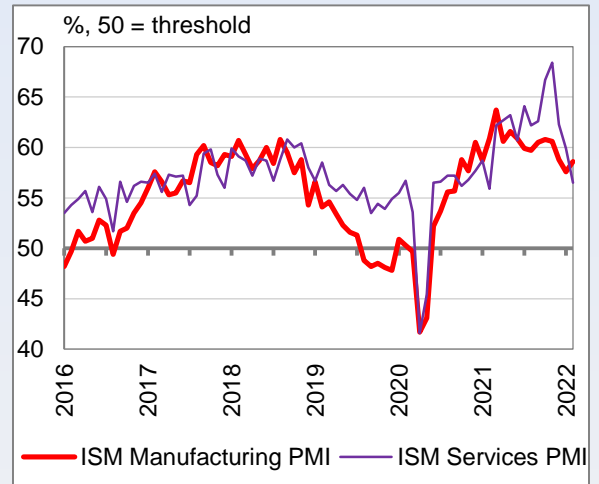


The United States – Inflation risk; rate hiking cycle

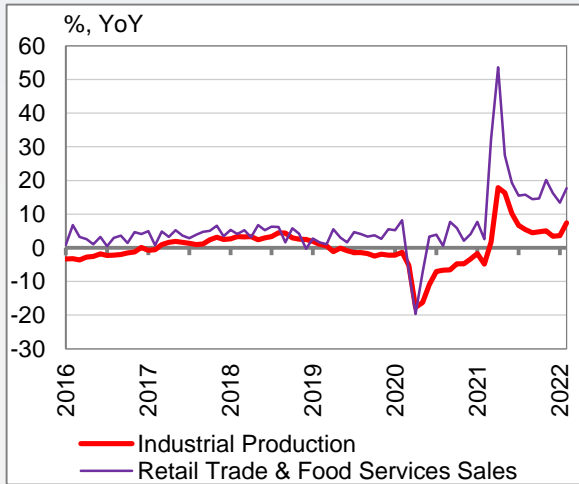
The economy will slow on inflation and aggressive interest rate hikes



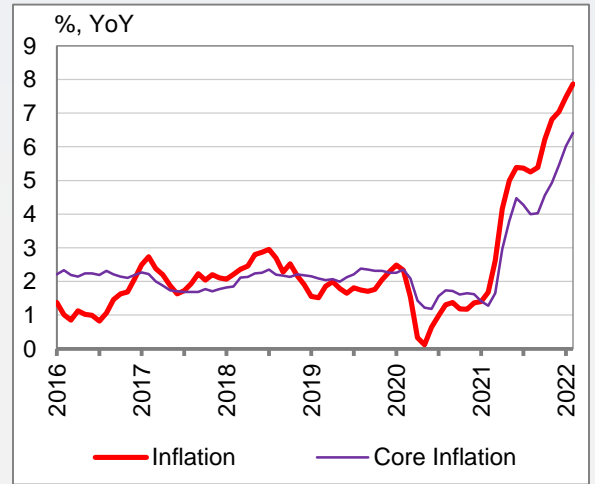
Continued manufacturing and services expansion, albeit slower



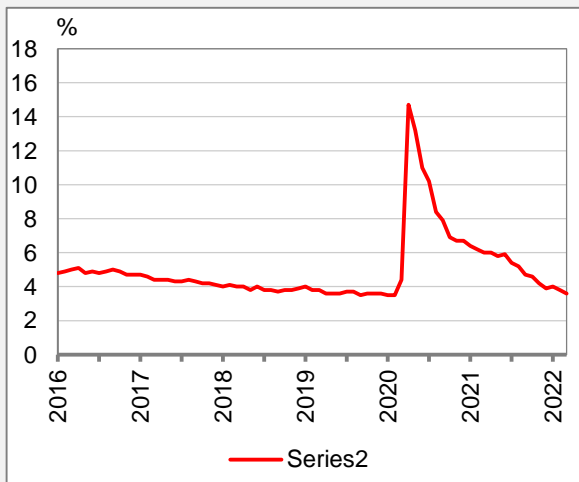
Economic activities are broadly recovering steadily



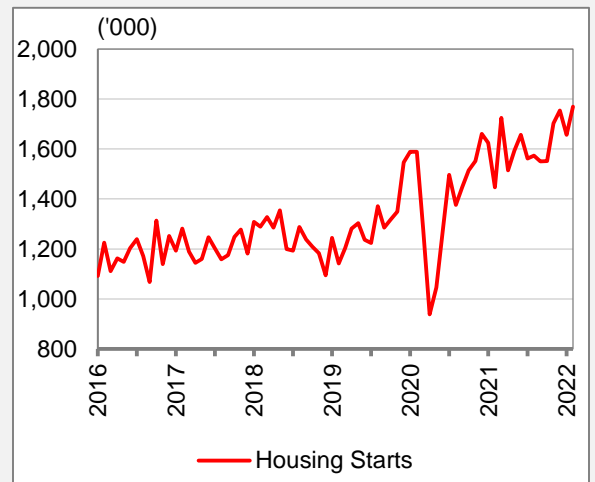
Steepest inflation level since Jan 1982



Unemployment rate returned to pre-pandemic level



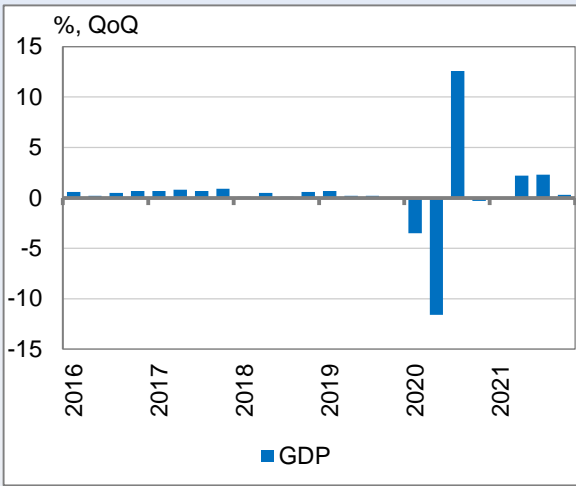
Housing starts rebounded strongly at the highest level since Jun 2006



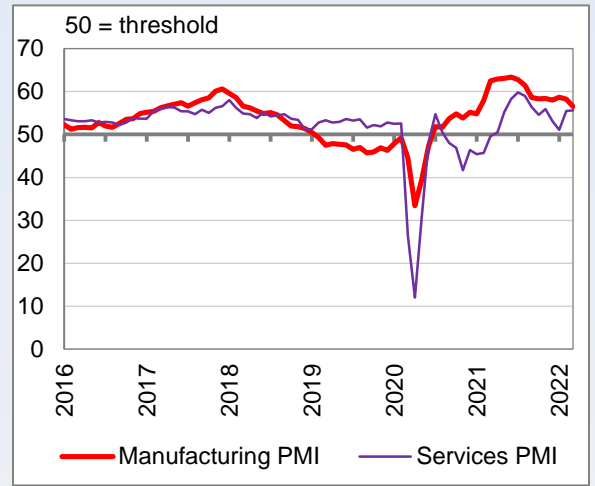
Source: Bureau of Economic Analysis (BEA); Institute for Supply Management (ISM); Federal Reserve System; US Census Bureau; US Bureau of Labor Statistics

Euro Area – High inflationary pressures

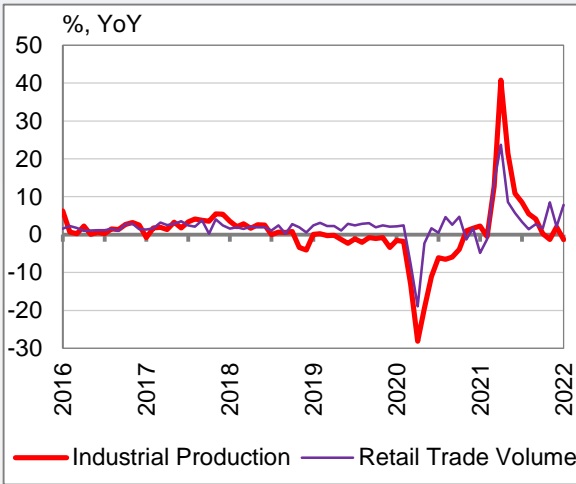
GDP growth will be dampened by supply and energy shocks



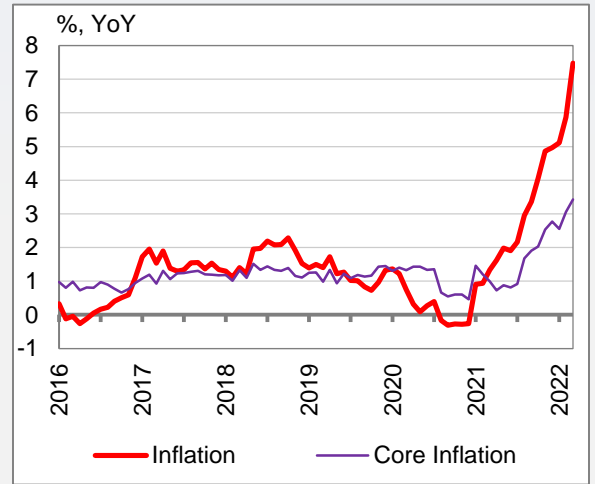
Manufacturing and services growth continue amid headwinds



Industrial production off to a weak start in 2022



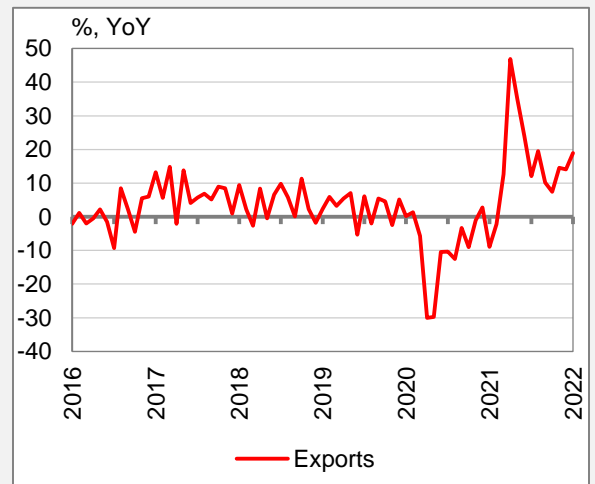
Inflation surges to record high on elevated energy and commodity prices



Jobless rate at its record low level



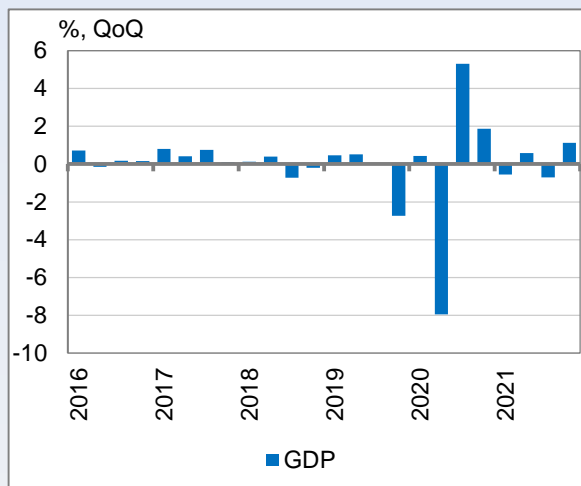
External demand still strong amid global supply chain disruptions



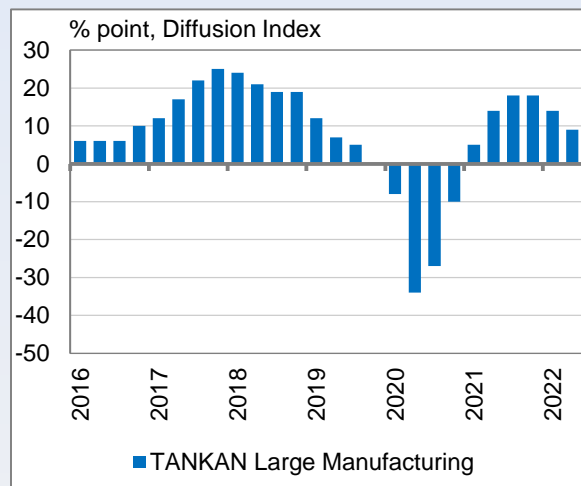
Source: Eurostat; Markit

Japan – Weakened growth prospects

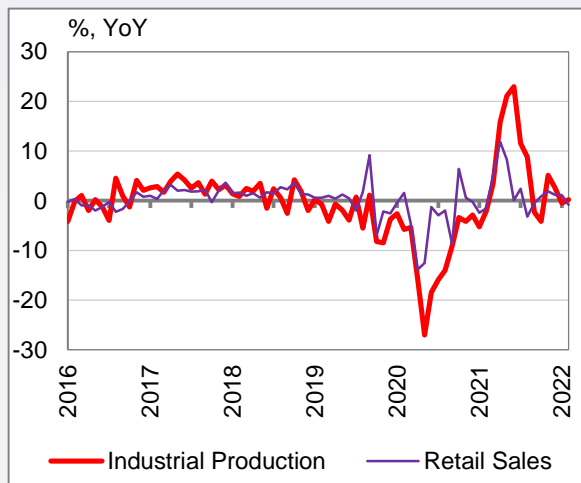
The economy cannot spared from the Russia-Ukraine war



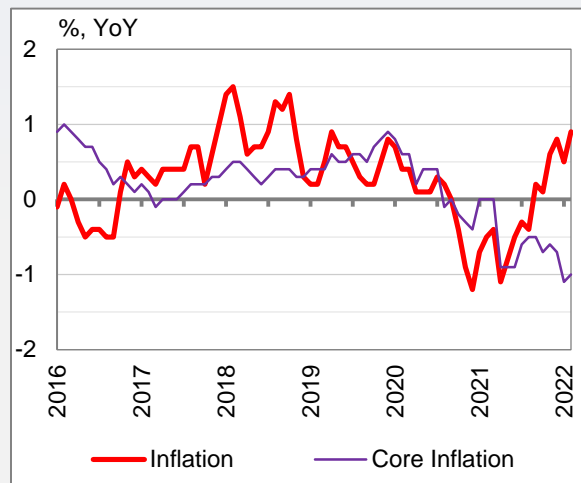
TANKAN survey suggests moderating expansion



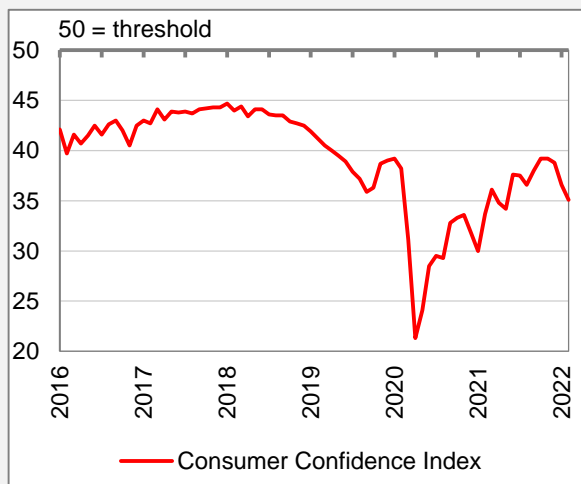
Lacklustre in both industrial and retail activities



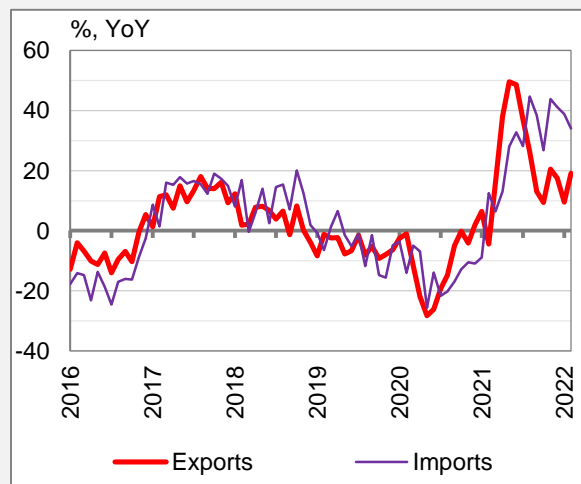
Is this the right type of inflation Japan looking for?



Consumer confidence index has been dipping below the threshold



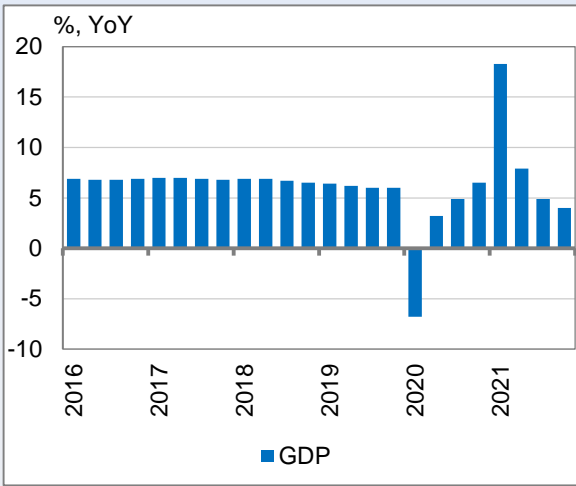
Trade deficit for seven consecutive months in Feb 2022



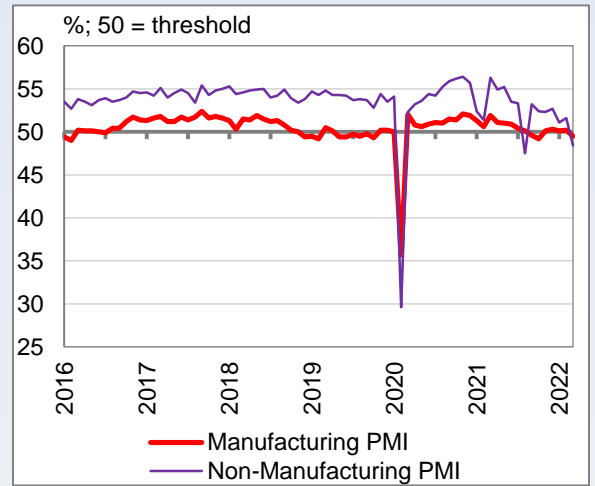
Source: Economic and Social Research Institute (ESRI), Cabinet Office of Japan; Bank of Japan (BOJ); Ministry of Economy, Trade and Industry (METI), Japan; Japan Customs; Statistics Bureau, Japan

China – A deepening slowdown?

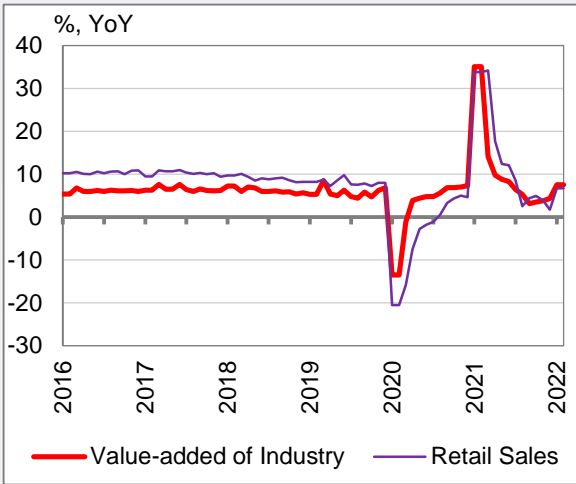
The economy is dampened by property woes and zero COVID approach



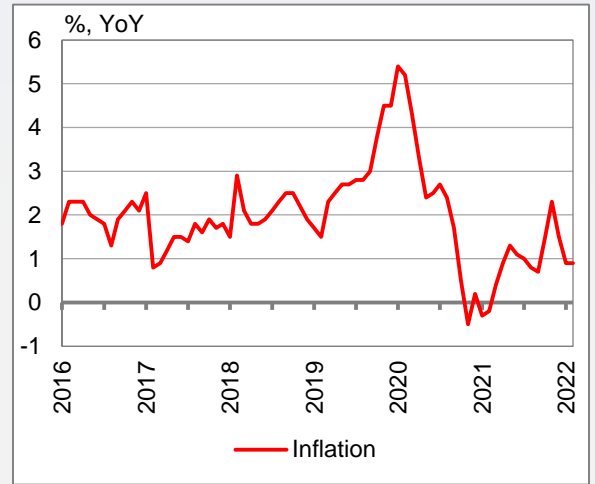
Both PMI slipped below threshold in Mar 2022 on rising virus caseloads



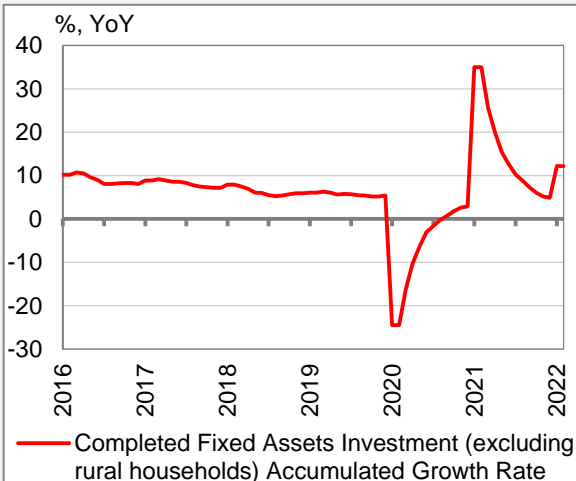
Reimposition of containment measures will hit the economic sectors



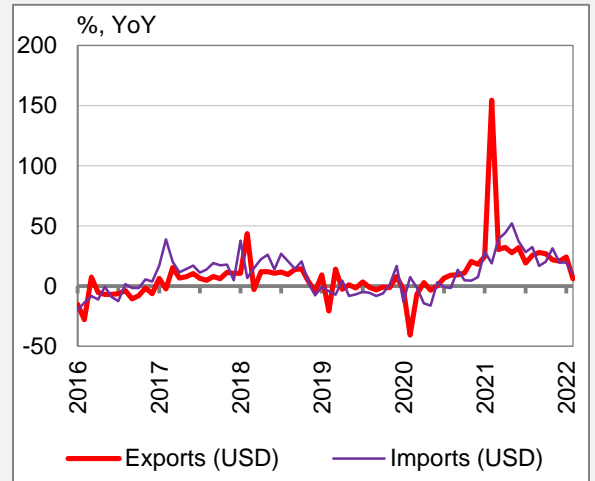
Overall price level is manageable



Fixed investment growth mainly driven by secondary sector



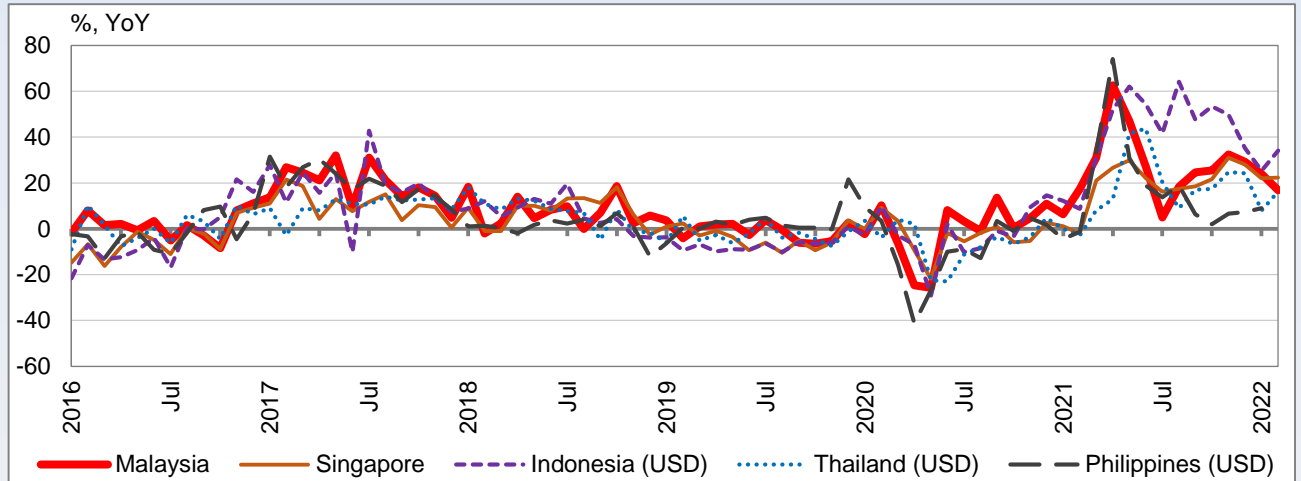
Containment measures will dampen the external sector



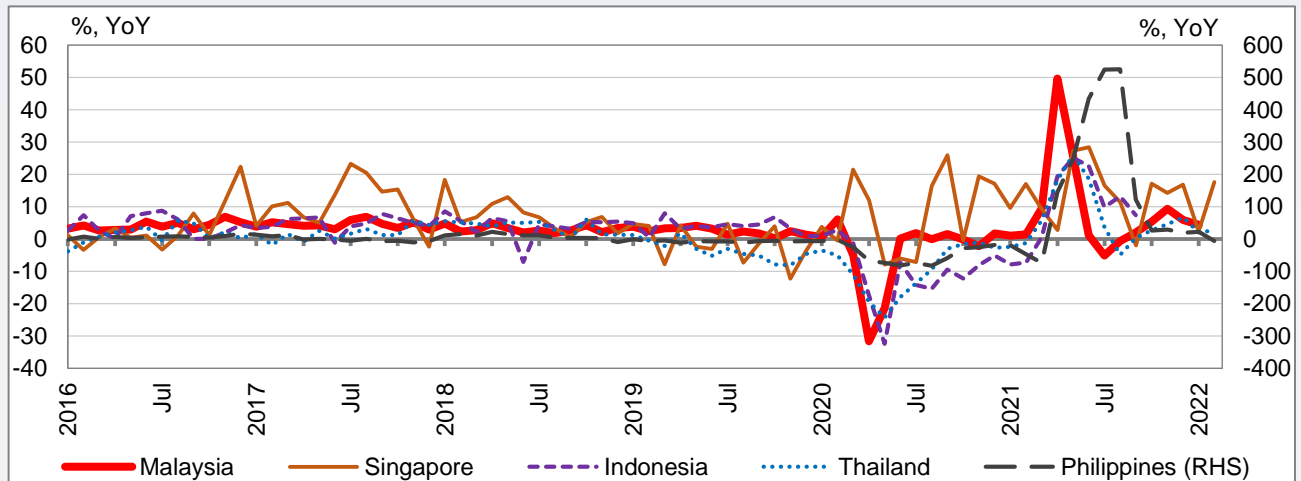
Source: National Bureau of Statistics of China; General Administration of Customs, China

ASEAN Economies

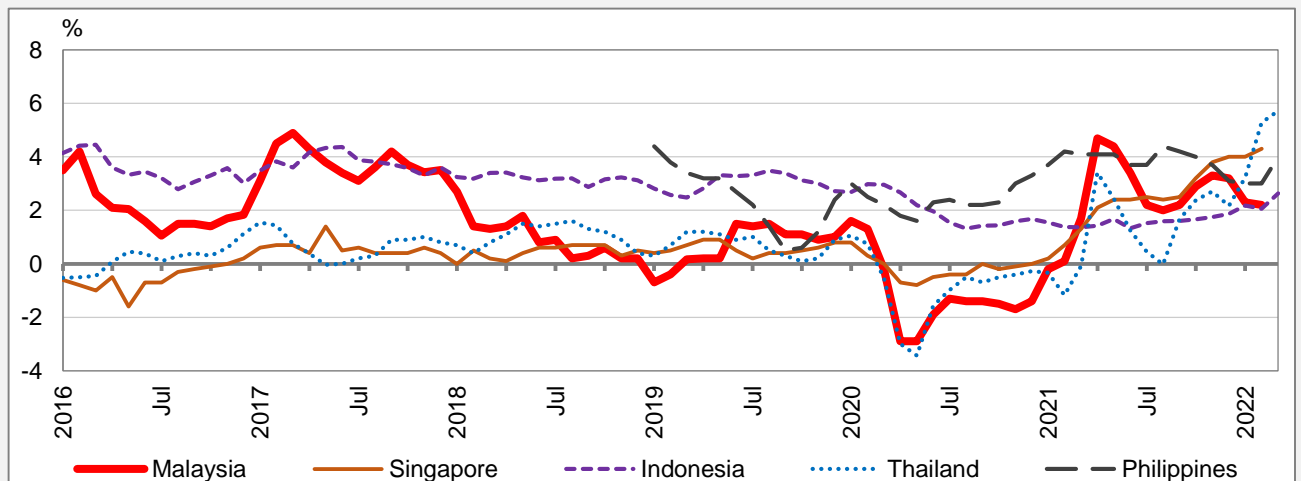
Export growth trend



Industrial production growth trend



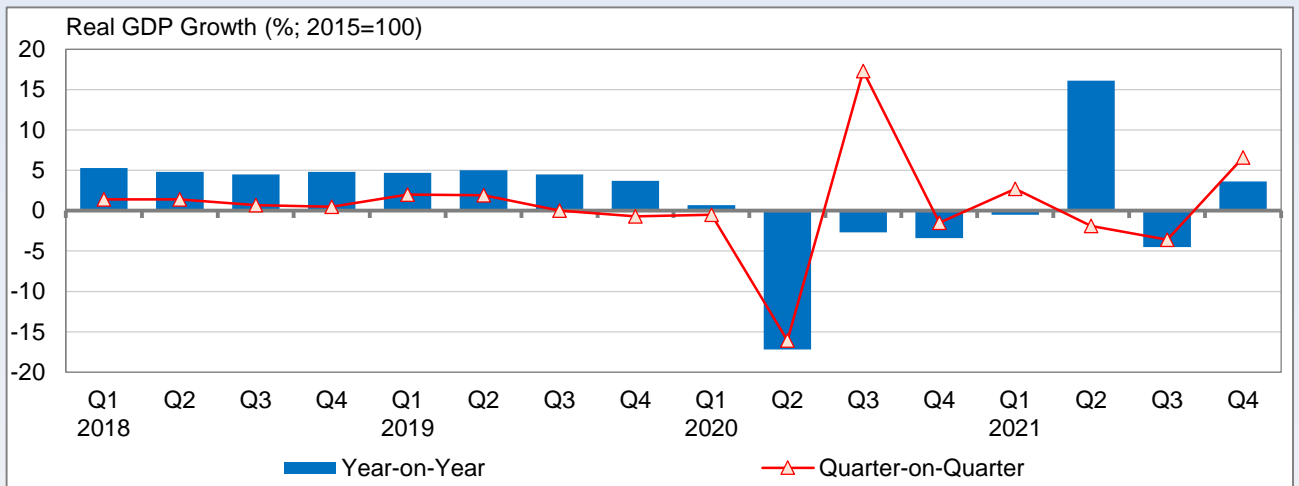
Inflation trend



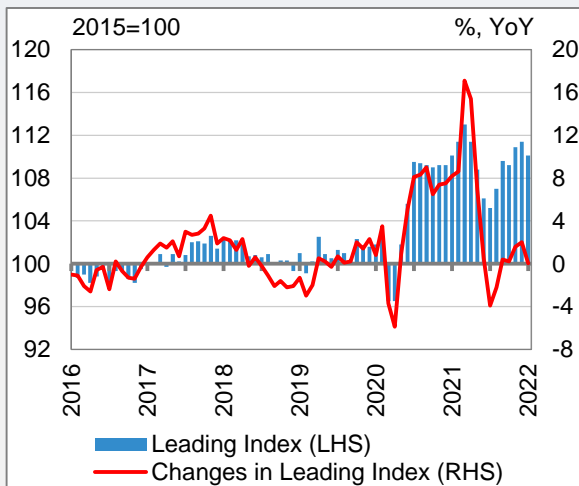
Source: Department of Statistics, Malaysia; Singapore Department of Statistics; Statistics Indonesia; Bank Indonesia; Bank of Thailand; Office of Industrial Economics, Thailand; Ministry of Commerce, Thailand; Philippine Statistics Authority

Spotlight on the Malaysian Economy

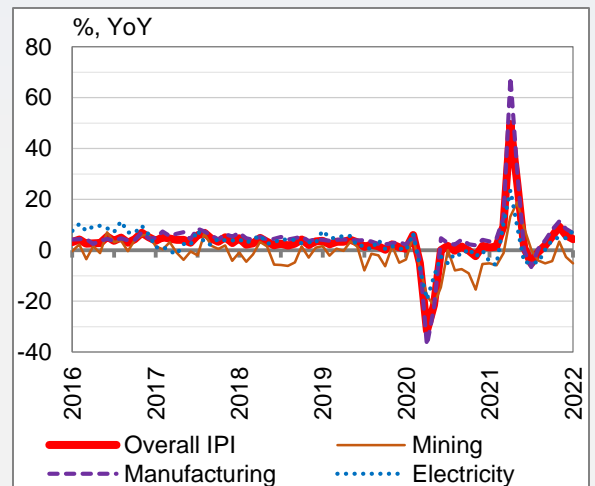
The economy has hit the trough and remains on the recovery path



Leading Index (LI) expects economic momentum to grow, albeit slower

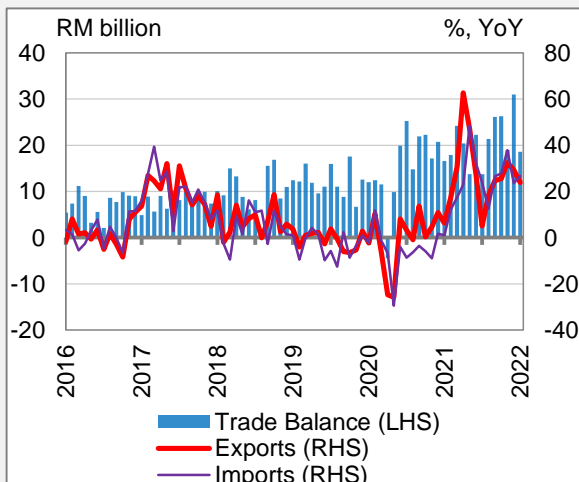


Industrial production on a moderating growth

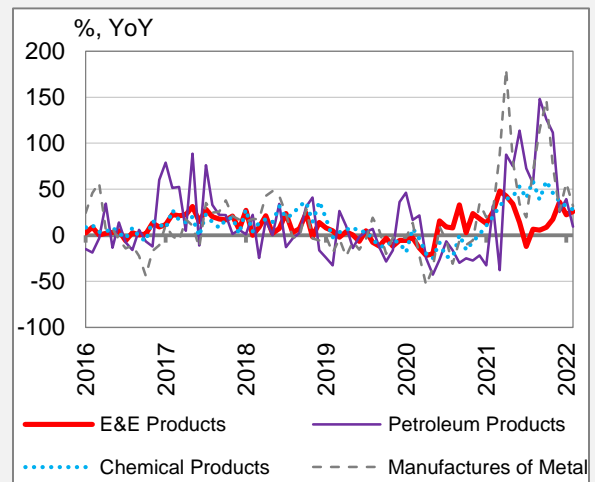


External Sector

External trade remained resilient at strong double-digit growth



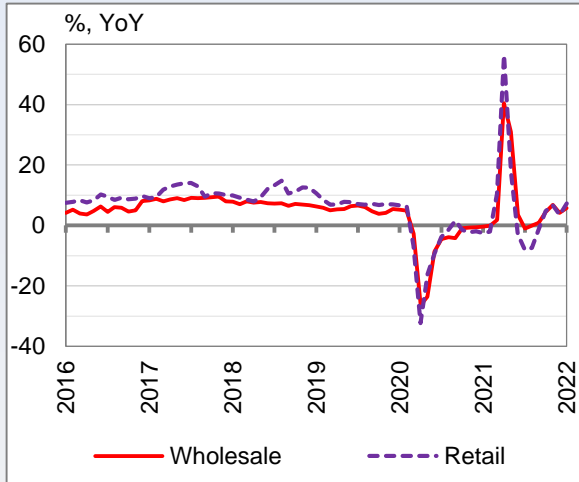
Exports by major products



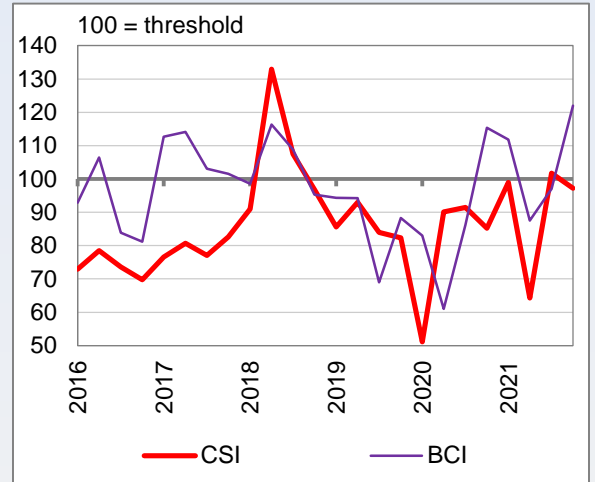
Spotlight on the Malaysian Economy (cont.)

Domestic Demand to anchor the recovery

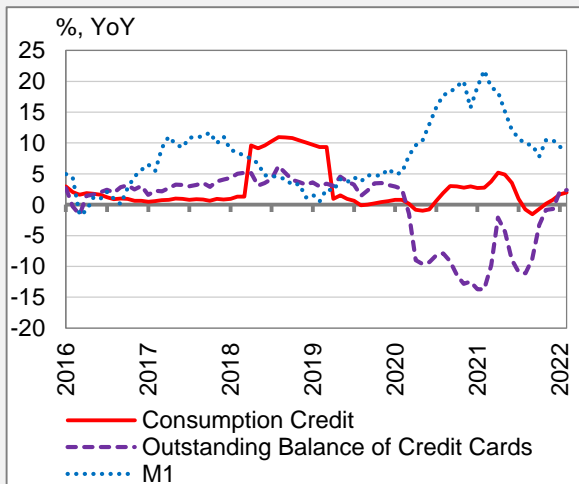
Distributive trade growth has normalised gradually to pre-pandemic level



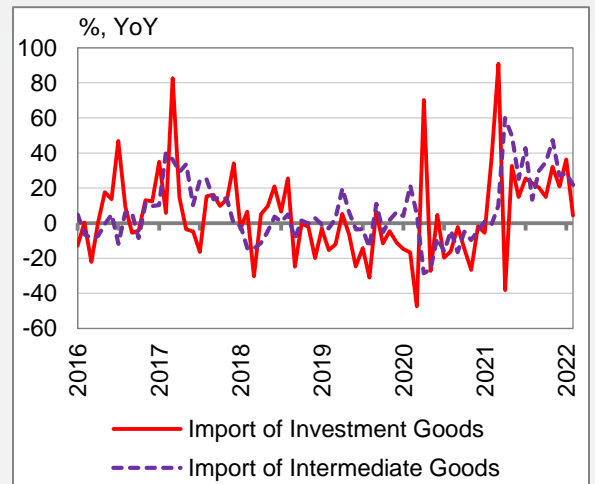
MIER's Consumer Sentiments Index (CSI) and Business Conditions Index (BCI)



Selected private consumption indicators



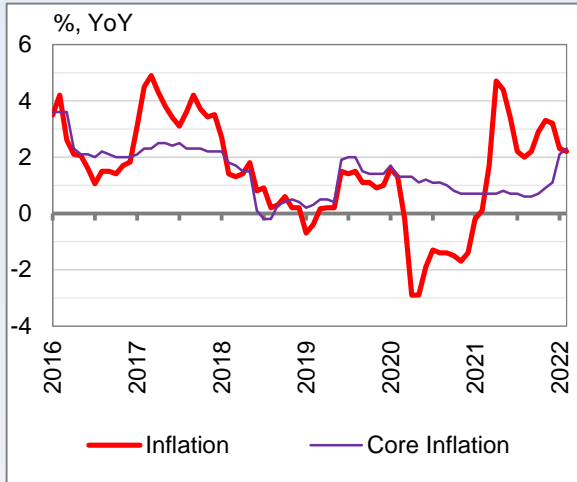
Selected private investment indicators



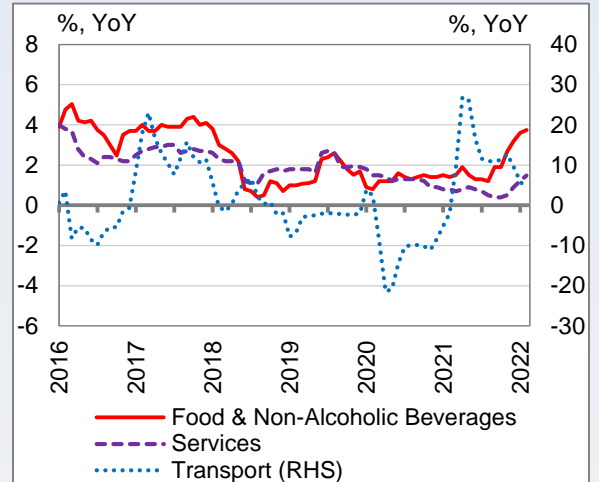
Spotlight on the Malaysian Economy (cont.)

Price Indicators and Labour Market

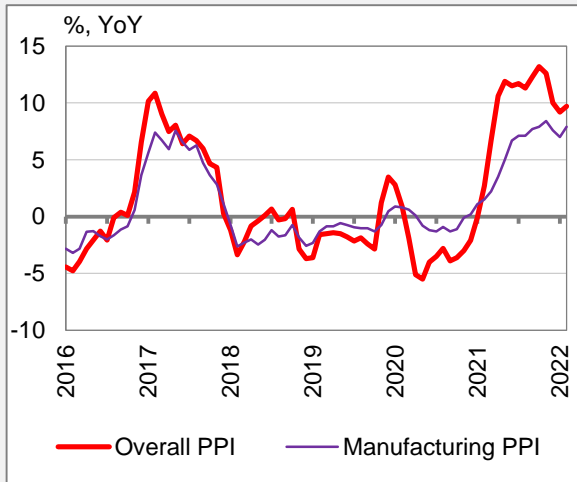
Headline inflation softened on stable petrol price; Core inflation on the rise



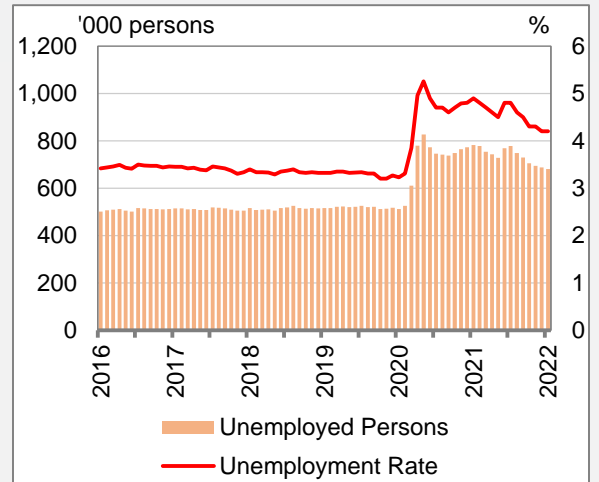
Transport prices are muted by the ceiling retail prices of RON95



Producer Price Index (PPI) remains on the high side; further rises likely due to increases in input costs



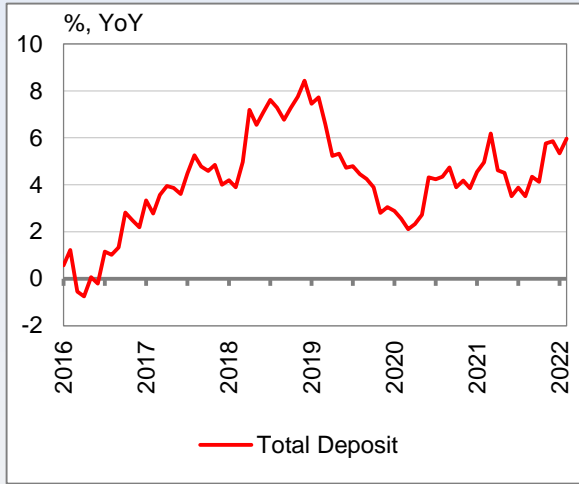
Unemployment rate continued to improve though still higher than pre-pandemic level



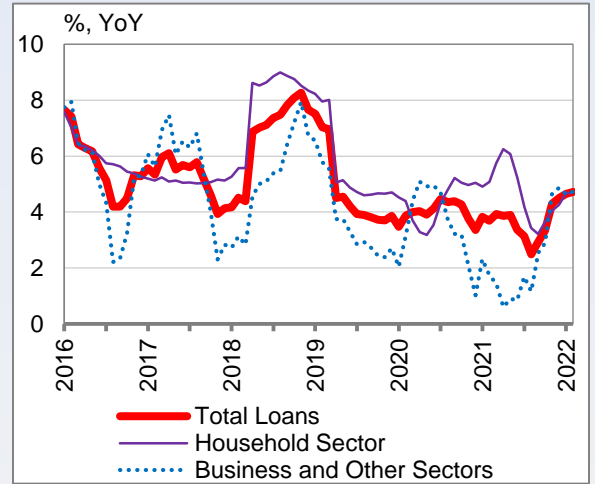
Spotlight on the Malaysian Economy (cont.)

Banking and Financial Indicators

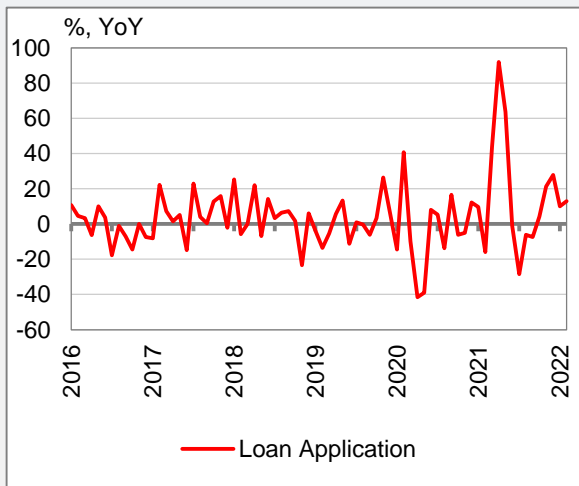
Banking deposit growth is increasing on high precautionary savings



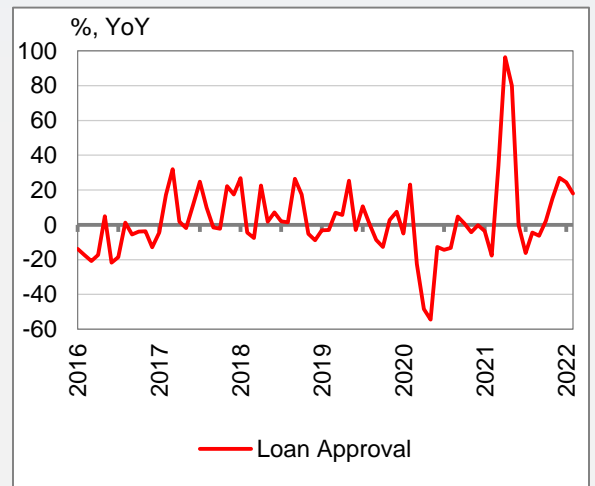
Total outstanding loan growth trending higher on business and household demand



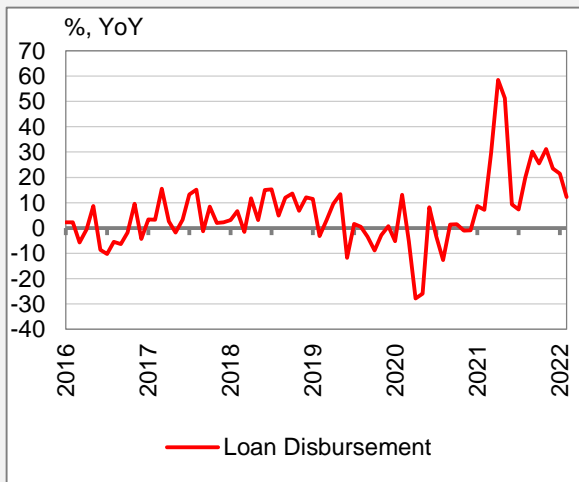
Loan applications growth



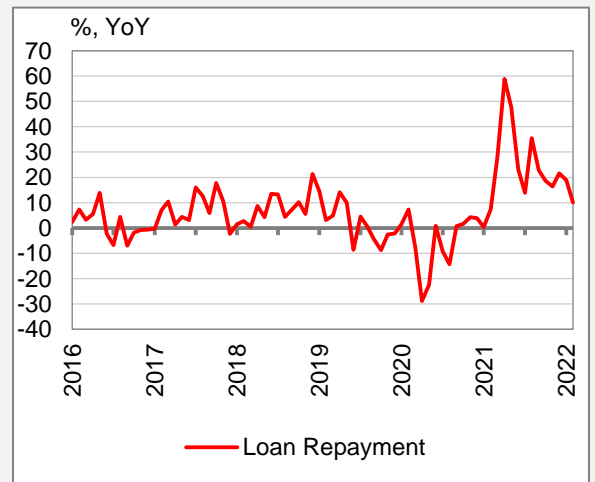
Loan approvals growth



Loan disbursements growth

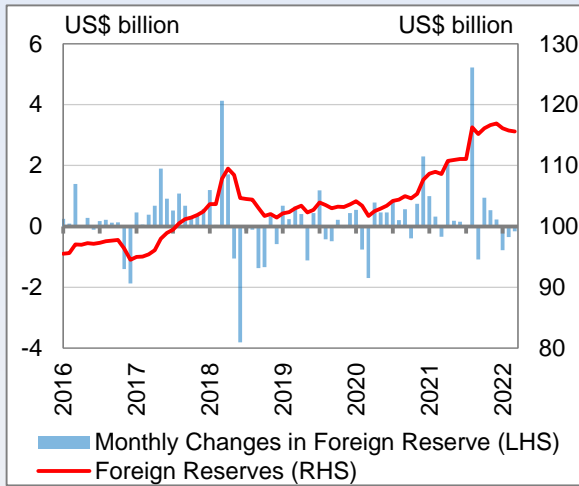


Loan repayments growth

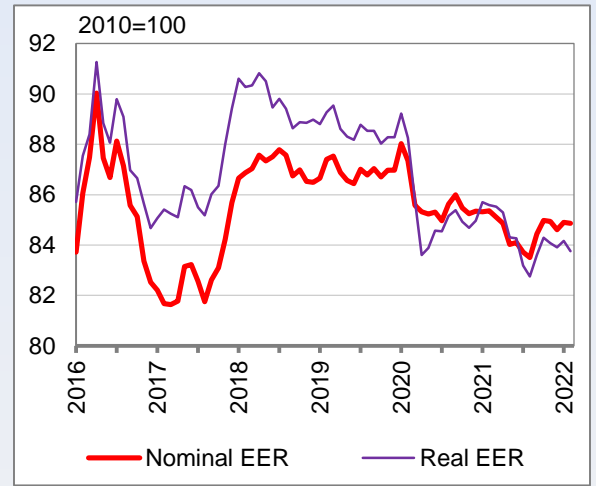


Spotlight on the Malaysian Economy (cont.)

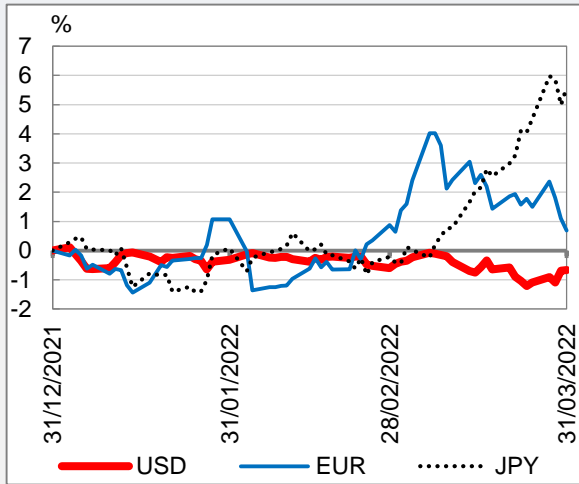
Foreign reserves shrank a little for third successive month starting 2022



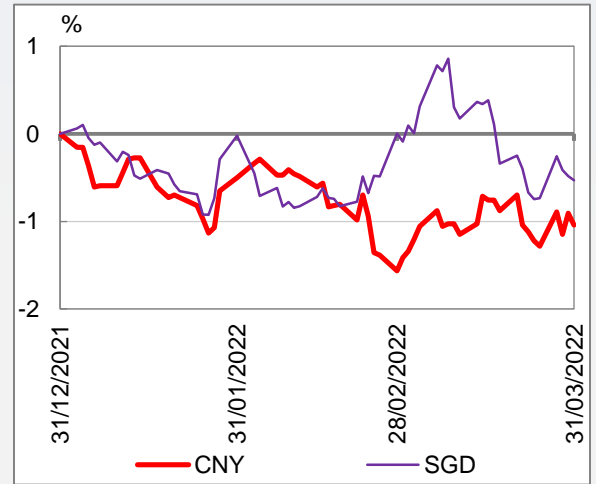
Ringgit's Effective Exchange Rate (EER)



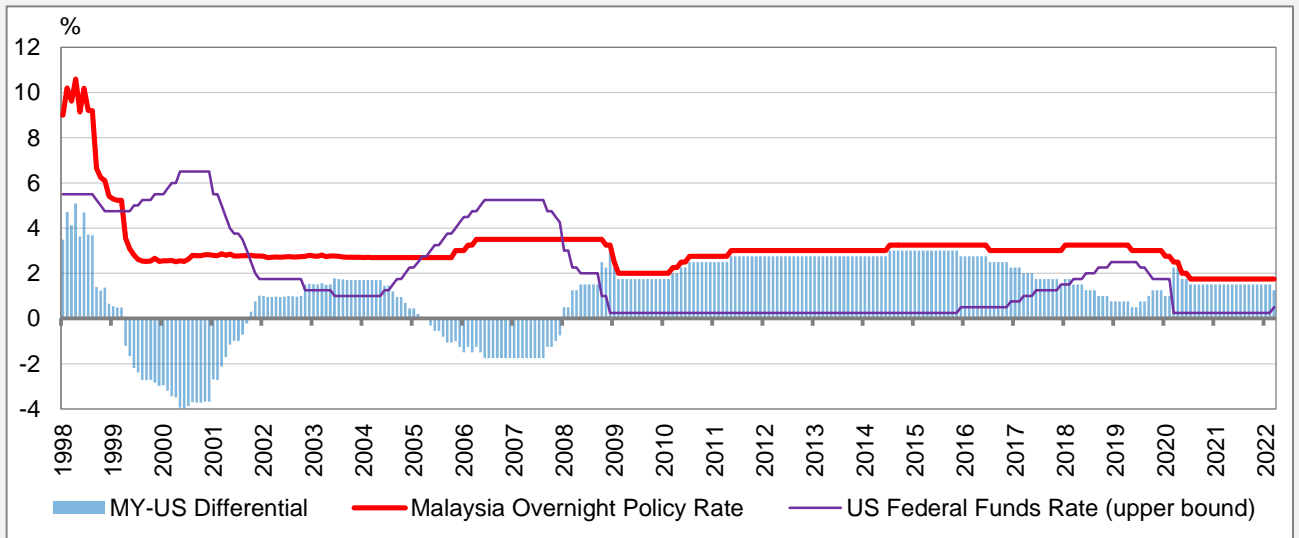
The Ringgit against the US dollar, euro and Japanese yen



The Ringgit against the Chinese renminbi and Singapore dollar



Malaysia-US's interest rate differentials



Source: Department of Statistics, Malaysia (DOSM); Malaysian Institute of Economic Research (MIER); Bank Negara Malaysia (BNM); Bank for International Settlements; Federal Reserve



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The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)'s Socio-Economic Research Centre (SERC Sdn. Bhd.) was established as an independent and non-profit think tank on 19 October 2010. Officiated by YAB Prime Minister on 28 April 2011, SERC is funded by ACCCIM SERC Trust.

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The organization will identify and explore issues and future trends that impact domestic economic and business environments. It will also focus on sharing knowledge and promoting public understanding of socio-economic issues of national importance.