

FIABCI MALAYSIA MORNING TALK

Malaysia's Economic Outlook – Navigating Cross-Current Headwinds And Tailwinds

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Executive Director
6 December 2023



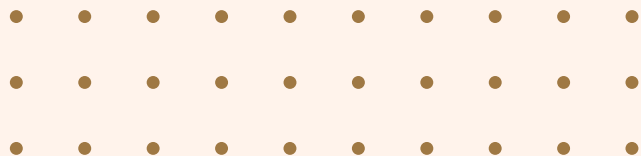


This is What Global Economy Will Look Like in 2024

“Higher for Longer” Interest Rates in Major Economies Mean Global Growth is Likely to Slow Next Year

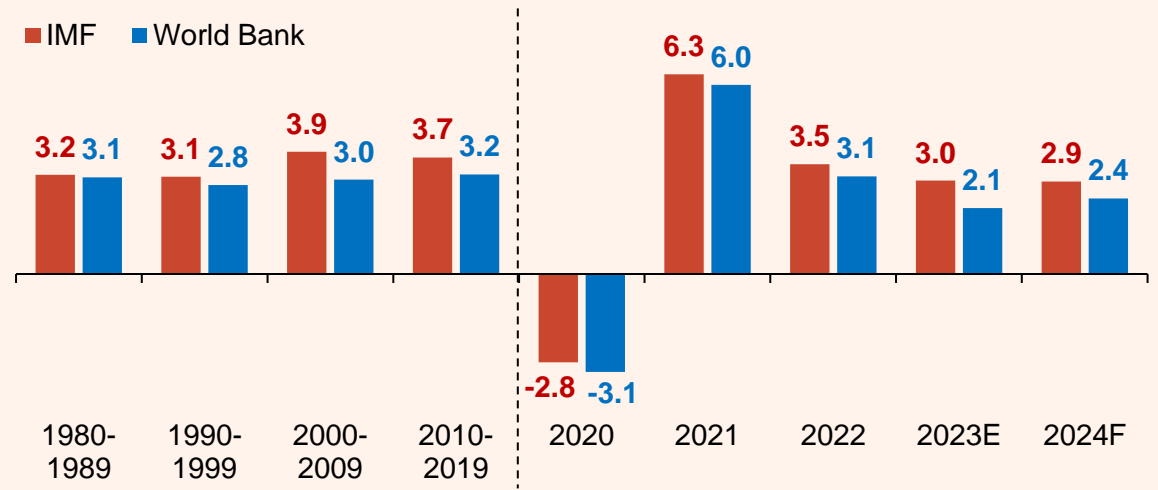
2024 Will Be A Year of Reckoning

- *Will there be a delay recession in the US?*
- *Will China’s economic risks intensify?*
- *“Uncertainty” about global monetary stance – the Fed to cut rates in 2Q-3Q 2024; Will BOJ abandon its negative interest rate in 1Q 2024*
- *Global warming impact – food security*
- *Renewed strength in energy and commodity prices*
- *Geo-economic conflicts as well as non-economic shocks*

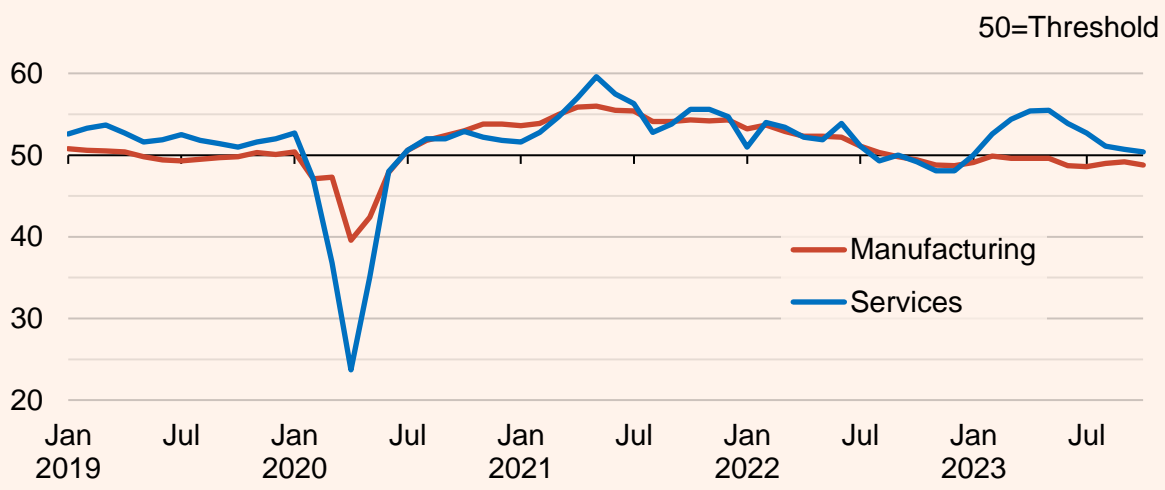


Global growth continues, albeit still weak in 2024

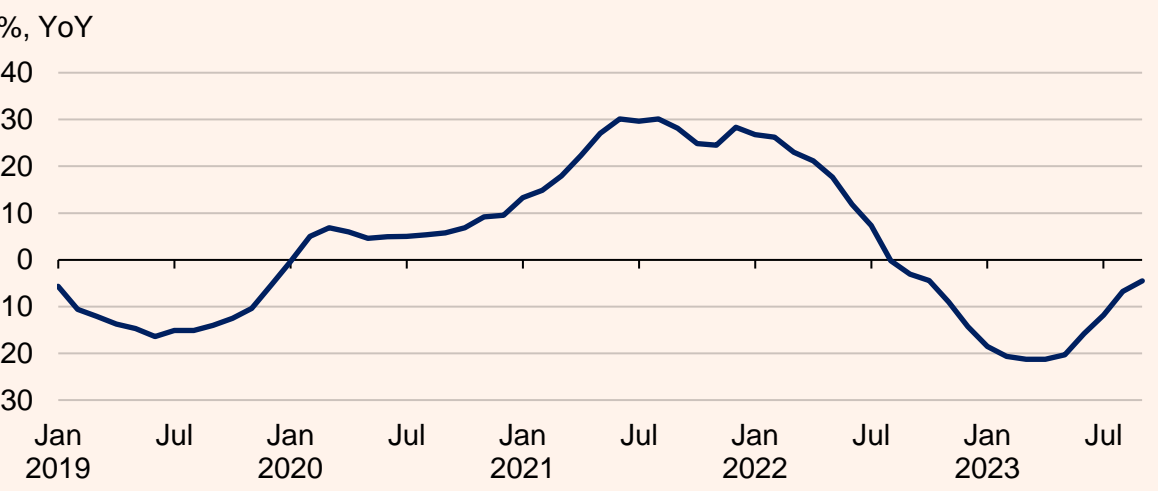
Global real GDP growth (%)



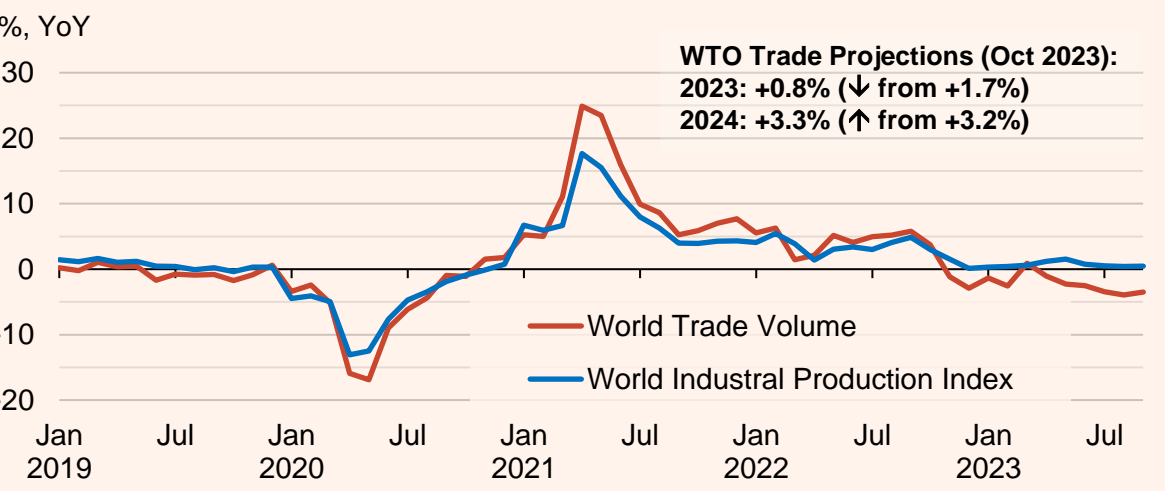
Global PMI: Manufacturing remained subdued; services has edged lower



Global semiconductor prolonged downturn has bottomed out



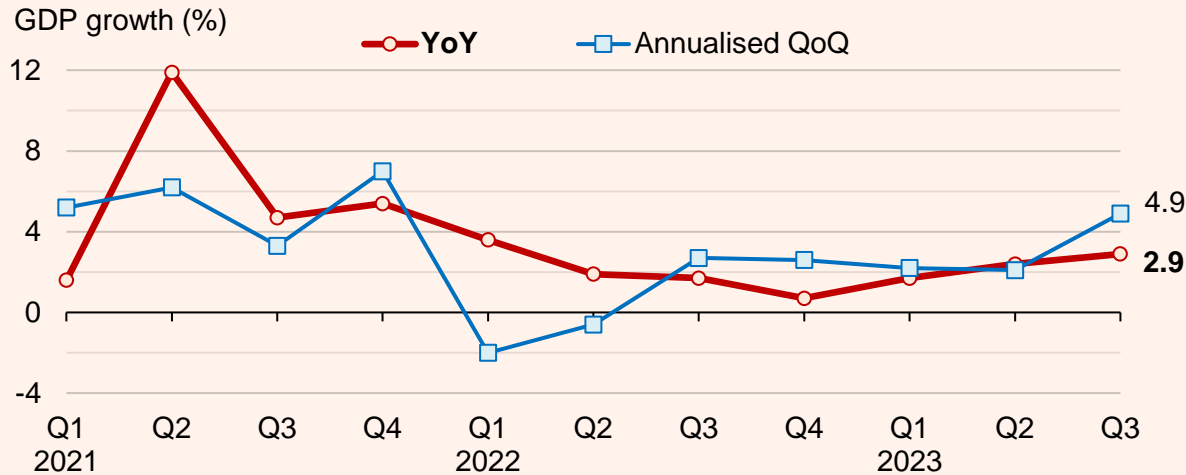
World trade remains sluggish; lacklustre industrial production



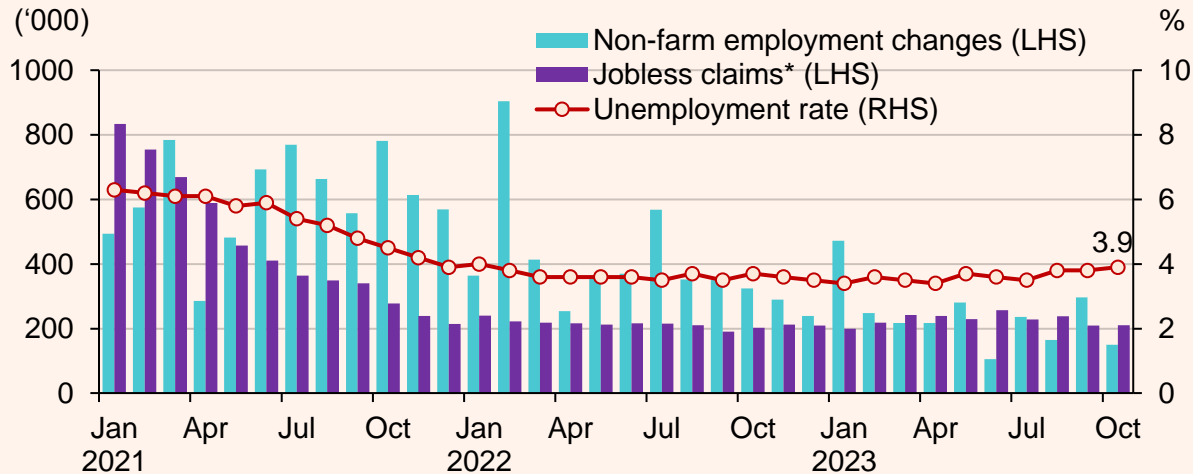
Source: International Monetary Fund (IMF); World Bank (WB); S&P Global; Semiconductor Industry Association; CPB Netherlands

The US economy still motoring along despite higher interest rates

Resilience GDP defies recession fears in 2023; Can it continue in 2024?



Labour market conditions remained broadly stable



Source: US Bureau of Economic Analysis; US Bureau of Labor Statistics; US Department of Labor

* Jobless claims represents initial claims at seasonally-adjusted 4-week moving average, for the last reporting week of the month

Labor market resilience, slowing inflation

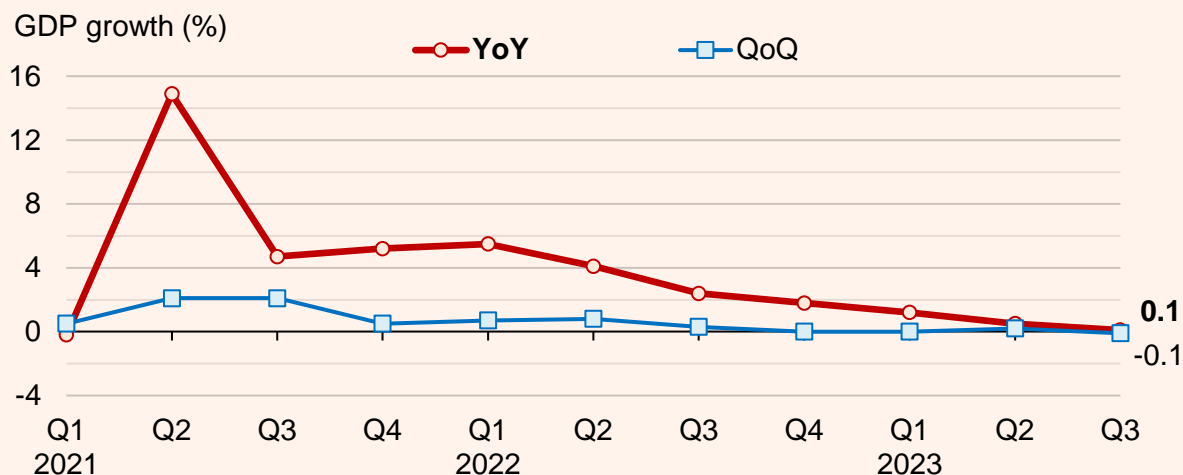
- Better-than-expected GDP growth (4.9% ann.qoq and 2.9% yoy in 3Q 2023 vs. 2.1% ann.qoq and 2.4% yoy in 2Q).
- Increasing labour force participation rate, the jobs market remains strong with a jobless rate of 3.9% in Oct 2023.
- Inflation is gradually nearing target (core PCE inflation at 3.5% in Oct 2023 vs. the Fed's target of 2%).

Interest rates to stay higher for a while

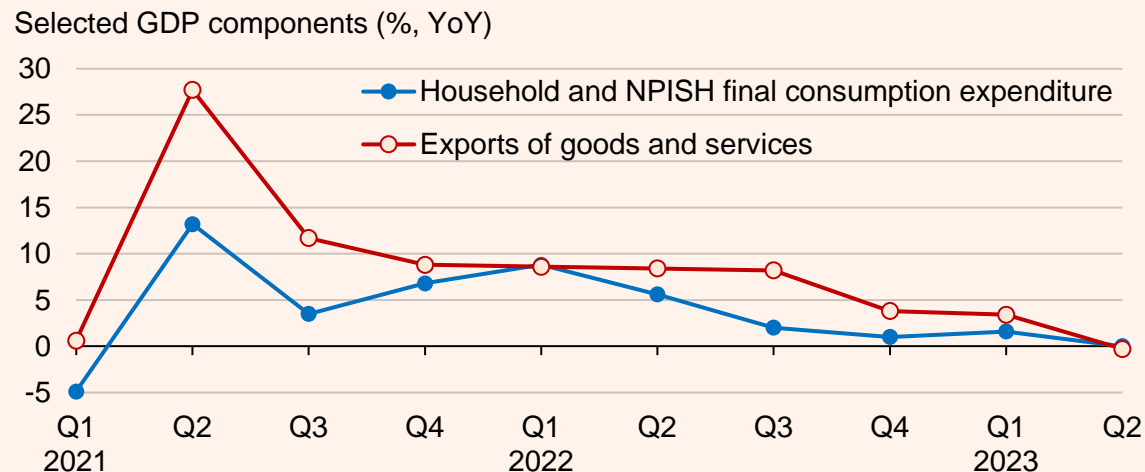
- **Certain favourable economic trends to unwind in 2024** – household savings could run out by 1Q; reinstatement of student loans repayment; fiscal largesse may recede in 2024 as major spending programs (the CHIPS and Science Act and the Infrastructure Investment and Jobs Act) have heavily front-loaded.
- Lag impact of higher rates will weigh on consumer spending and business activity.
- Mortgage activity continued to stall, with applications dipping to the slowest weekly pace since 1995.

The Euro Area sinks into recession fears

The euro area economy contracted in 3Q 2023, raising the prospect of a recession



Moderating consumption and external demand



Source: Eurostat

Slowing consumer spending and exports

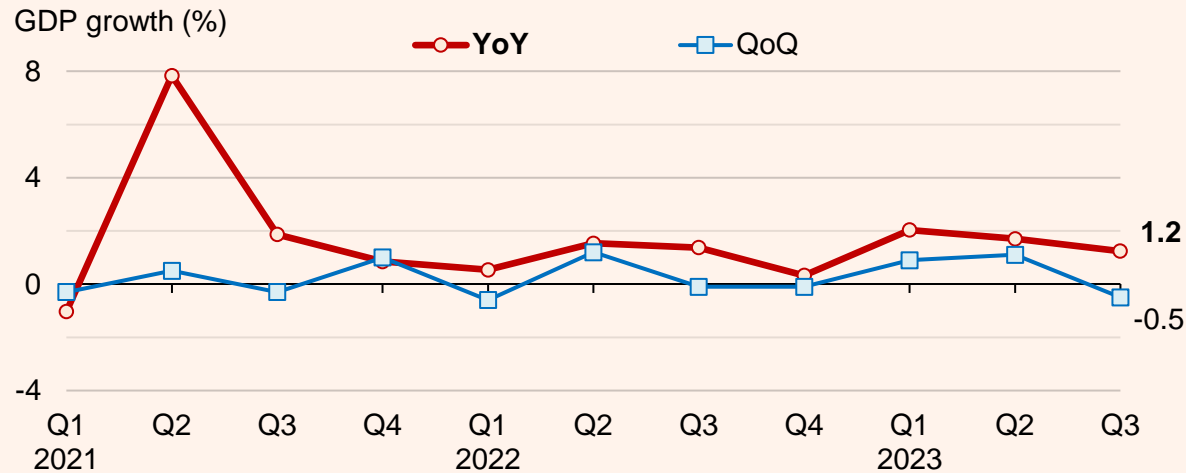
- On the brink of a winter recession (-0.1% qoq in 3Q 2023)
- Manufacturing PMI readings signalled further contraction throughout Q3 and in Oct, while the services sector was mired in contraction in Aug-Oct.
- Business surveys have pointed to further weakness in the months ahead.

ECB to hold interest rate steady in 1H 2024

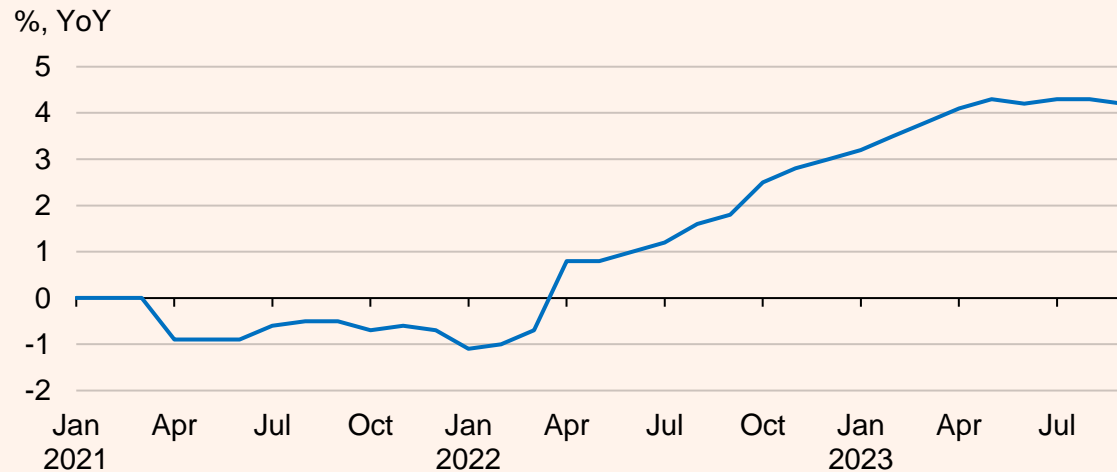
- The ECB held off raising interest rates for the first time in 15 months, keeping it at 4.00% after the Oct's meeting.
- Headline inflation rate has eased from 4.3% yoy in Sep 2023 to 2.9% in Oct.
- The central bank remains committed to bringing inflation down to its 2% target.
- The ECB stands ready to take further action on borrowing costs as inflation is still expected to stay too high for too long.

When will Bank of Japan abandon its negative interest rate policy?

Much of the recovery strength was due to the external sector



High core inflation is challenging the ultra-easy monetary policy



Source: Economic and Social Research Institute (ESRI), Cabinet Office of Japan; Statistics Bureau, Japan

External demand wanes, cautious domestic demand

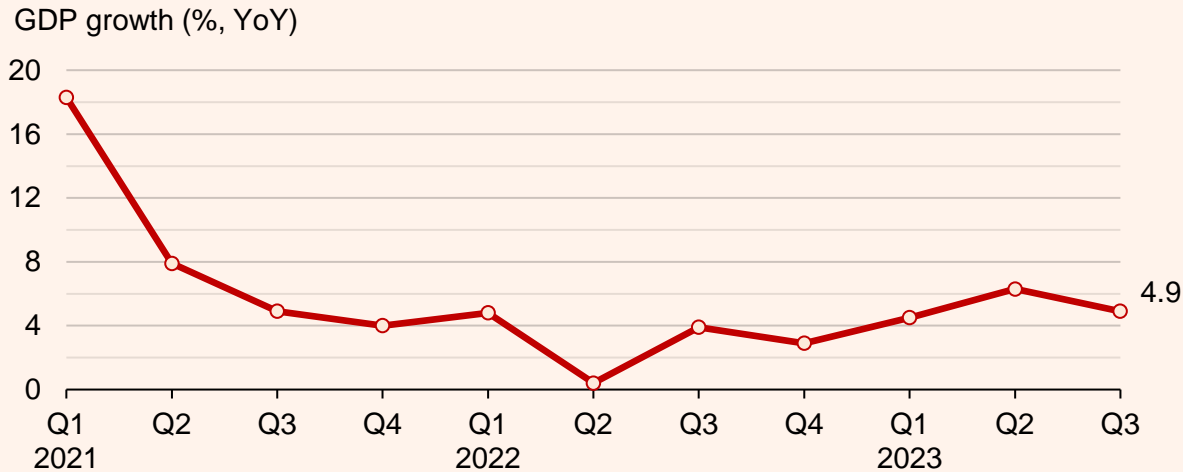
- In the near term, economic growth will likely slow down, as external demand wanes and domestic demand struggles to pick up.
- Slower economic activity will allow the BOJ to maintain its dovish monetary policy stance into 2024 amid inflation has persistently been above target.
- The yen takes a tumble, raising the probability of authorities intervening to support the yen from weakening much further.

Abandons negative interest rate policy

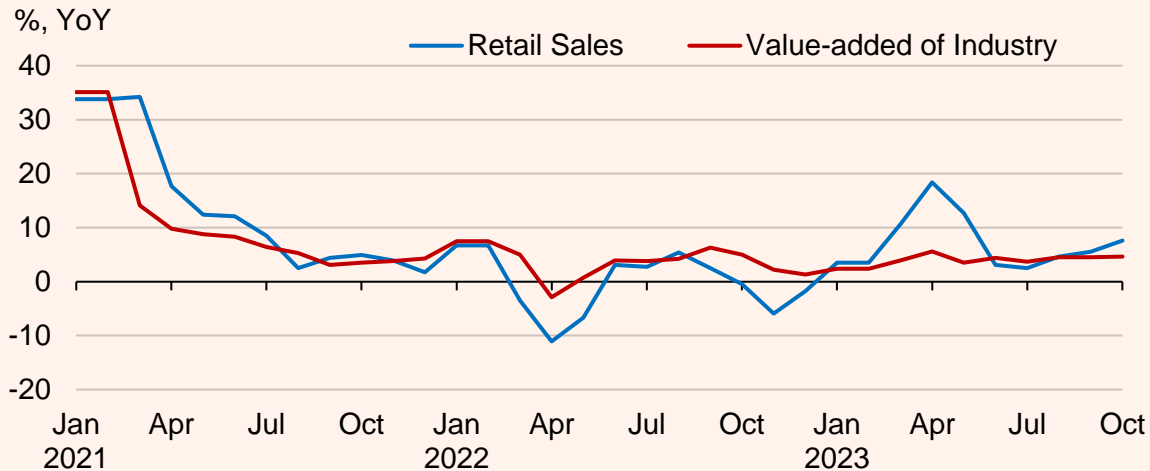
- However, we expect negative interest rates will keep upward pressure on both prices and wages and allow the BOJ to **finally raise rates in the first half of 2024**.
- The rise in interest rates could unwind the yen carry trade and spark a return of Japanese capital to its domestic bond markets, a move could trigger market volatility.

China's economic stabilisation signs seen but downside risks remained

Continued weakness in the property sector and subdued external demand could restrict GDP growth



Key economic activities are broadly in good shape



Source: National Bureau of Statistics of China

Economic stabilisation amid stress in property market

- The economy appeared to stabilize later in Q3 amid multiple rounds of policy easing.
- Property market stress continues to drag. Property developers are struggling with their debt restructuring and asset sales.
- China's 1 trillion yuan debt plan would focus on reconstruction of areas hit hard by natural disasters.

Will economic risks intensify in 2024?

- China's economic 'risks will intensify' in 2024, with EVs, property market, local government debts clouding prospects.
- Local government financing vehicles – created to aid off-budget financing, especially for infrastructure spending – collectively owe an estimated about 60 trillion yuan (US\$8.2 trillion) in debt.

Risks scenarios facing the global economy

1



High interest rates leading a global recession and financial volatility

Moderate probability

High impact

2



Recession in the United States

Moderate probability

High impact

3



Policy failures in China lead to diminished growth prospects

Low probability

High impact

4



Geo-economic rivalry and conflicts

High probability

High impact

5



Extreme weather events / climate change disrupt global supply chain

High probability

Moderately high impact

6



Green technology and technology disruption

Moderate probability

High impact

7



The Ukraine-Russia war spirals into a global conflict

Low probability

High impact

8



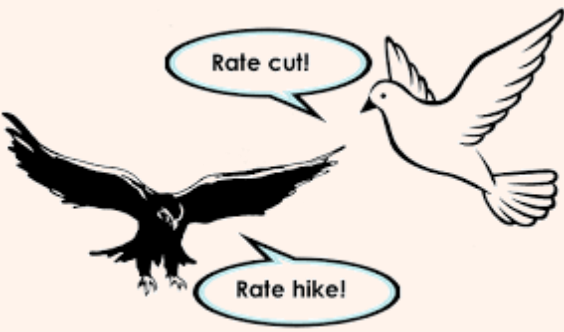
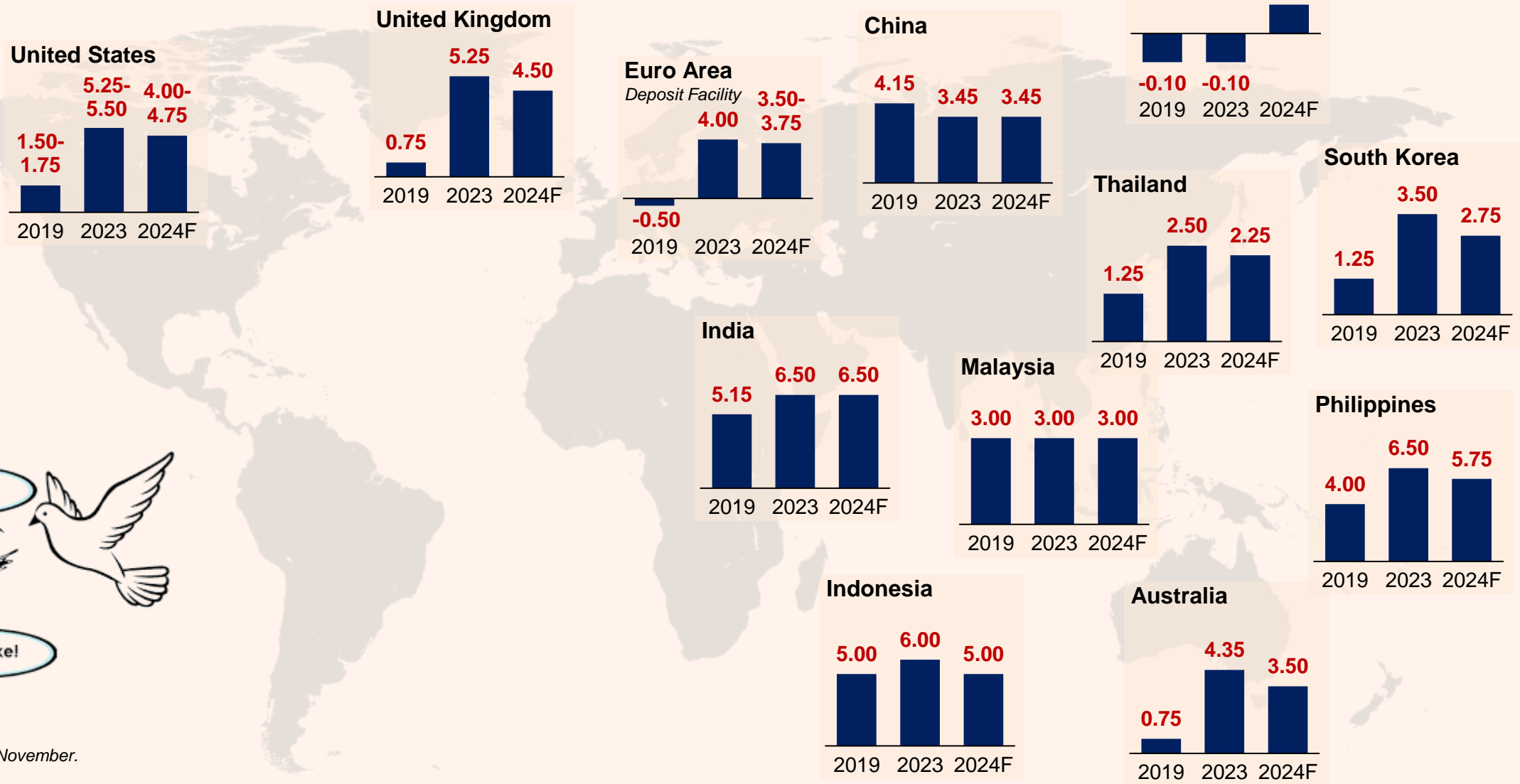
The Israel-Hamas war escalates into a regional conflict

Low probability

High impact

Higher- for longer- interest rates

Policy rate (% , end-period)



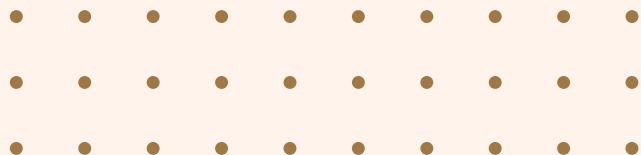
Note: For 2023, up to 30 November.
Source: Various officials



This is What Malaysia's Economy Will Look Like in 2024

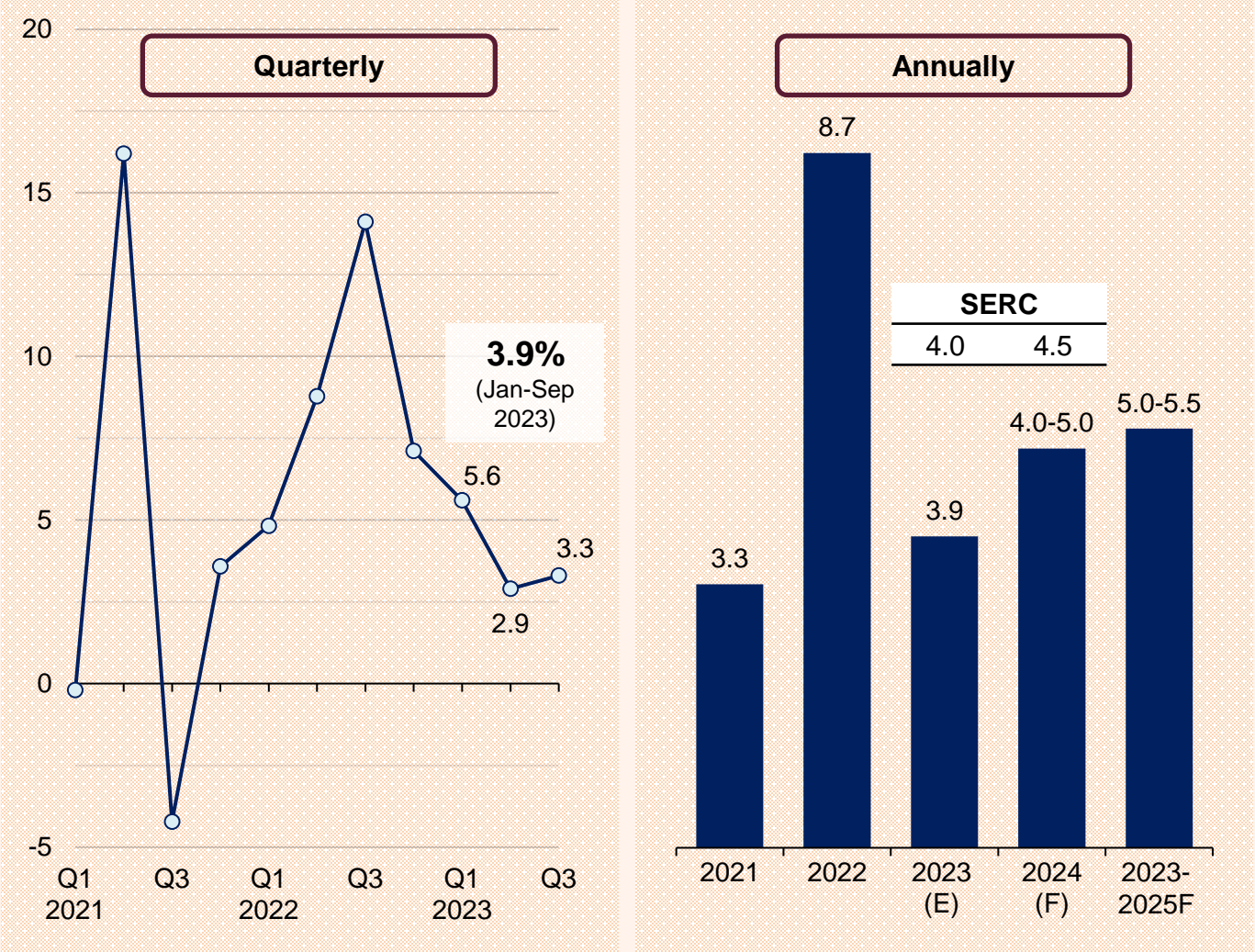
“Levers of change” to Anchor Better Economic Prospects Over Medium-term

- MADANI Economy Framework, New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), Mid-Term Review of 12th Malaysia Plan (MTR 12MP) 2021-2025
- Five key risks:
 - (a) The US and China's economic outlook
 - (b) Geo-political rivalries
 - (c) Ineffective implementation of Budget 2024
 - (d) Inflationary risk triggered by subsidy rationalisation
 - (e) Still elevating business costs



The Malaysian economy on course, but downside risks remain

Malaysia's real GDP growth (% YoY)



Source: Department of Statistics Malaysia (DOSM); Ministry of Finance (MOF)

Note: 2023-2025F was forecasted in MTR of 12MP

Drivers of Economic Growth in 2024

Positive expansion in all sectors

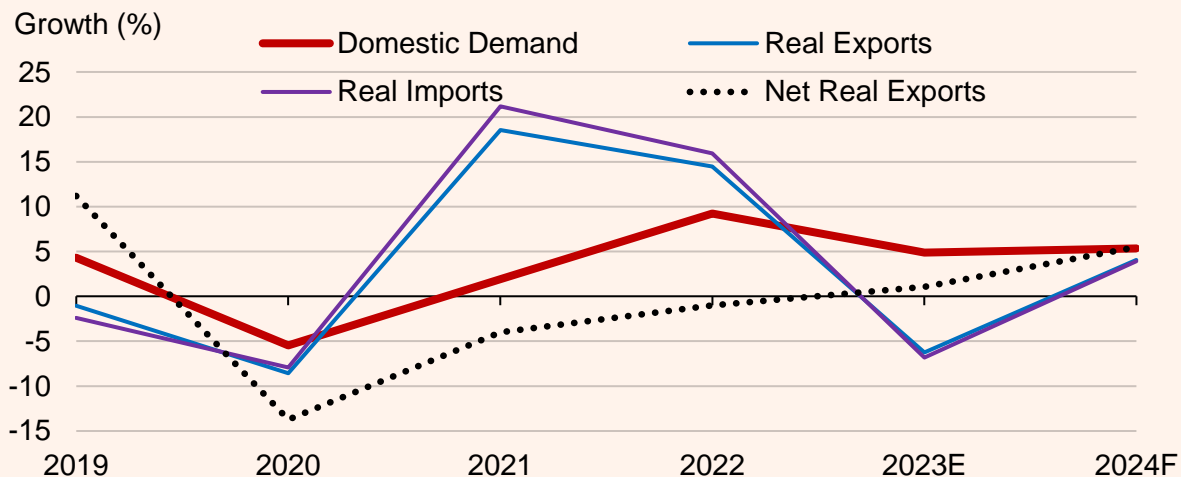
- Broad-based growth, led by the services sector as intermediate and final services groups, are anticipated to rise further, driven by sustained domestic consumption and improved export activities.
- Recovery in the manufacturing sector, thanks to a gradual recovery in exports of electronics and electrical products.
- Improved growth in the agriculture sector and a turnaround in the mining sector.
- All subsectors of the construction sector will expand.

Can domestic demand continue to hold?

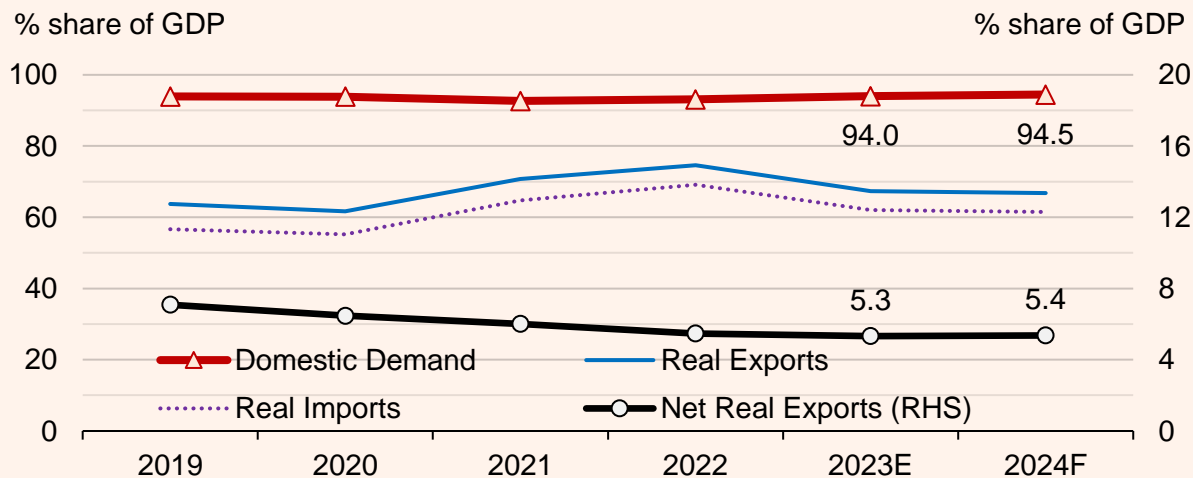
- Private sector expenditure and improving global demand.
- Implementing various business policies and blueprints are expected to provide a conducive business and investment environment.
- Private consumption supported by steady labour market conditions amid subsidy rationalisation as well as cost of living pressures.

Domestic demand continues to drive the economy

Domestic demand has been driving the economy



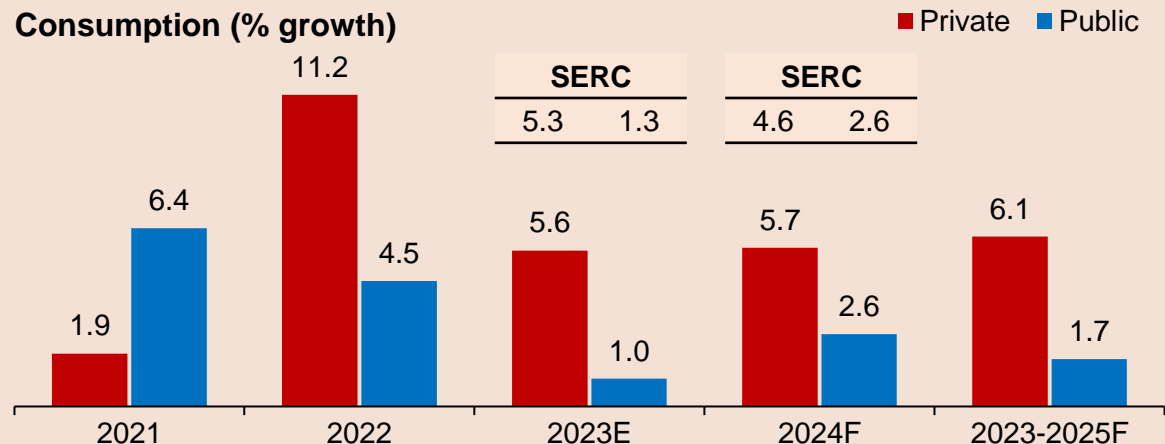
Sustaining contribution of domestic demand to GDP



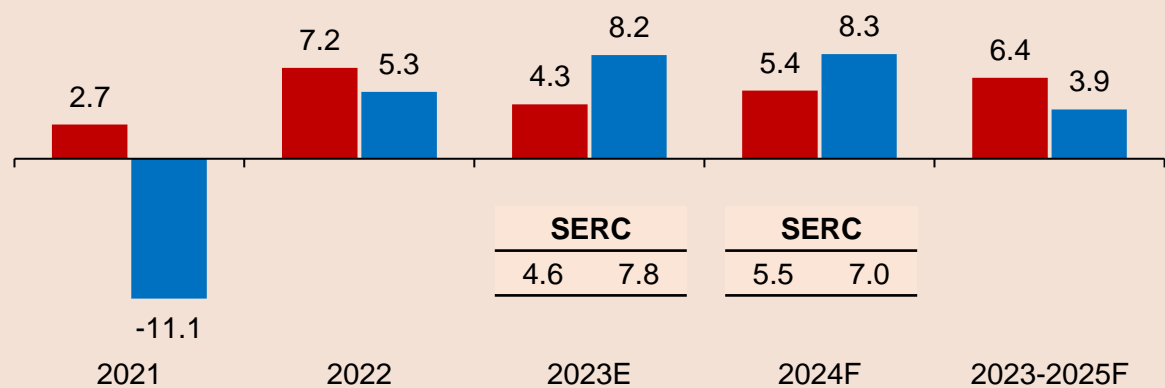
Source: DOSM; MOF

Domestic demand

Consumption (% growth)



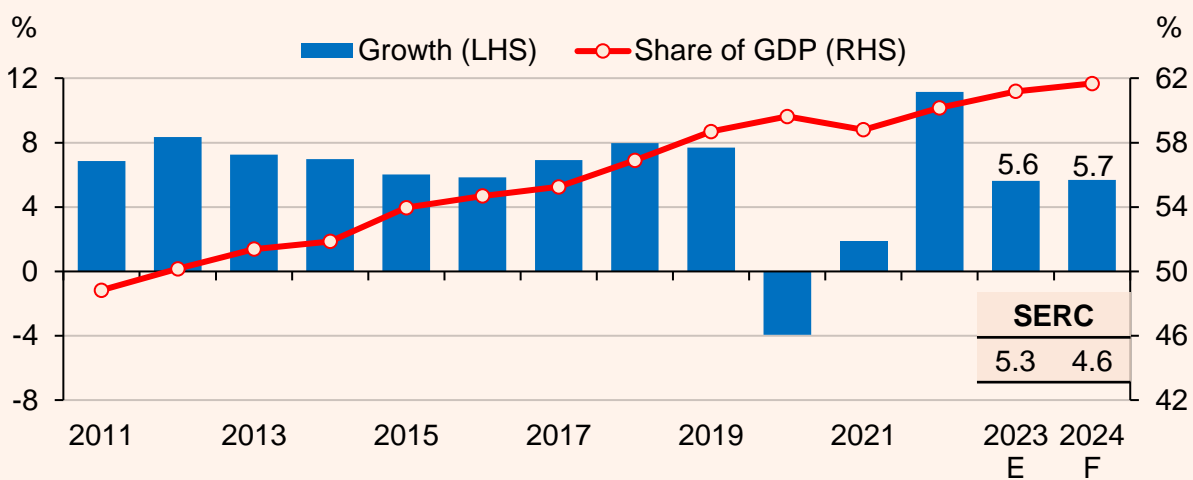
Investment (% growth)



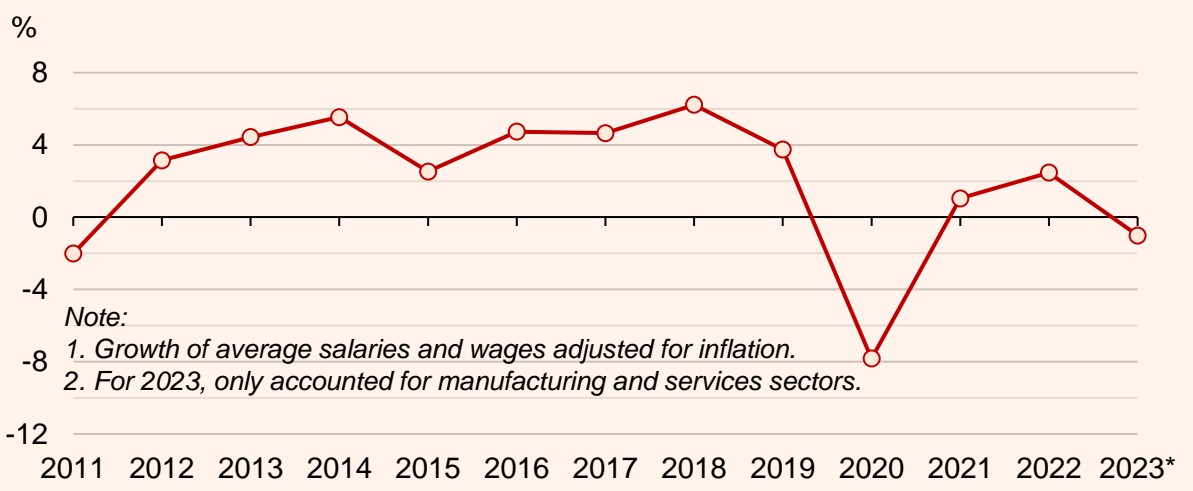
Note: 2023-2025F was forecasted in MTR of 12MP

Consumers more cautious with discretionary spending

Private consumption (61.2% of GDP in 2023E)



Real wage growth



Note:
 1. Growth of average salaries and wages adjusted for inflation.
 2. For 2023, only accounted for manufacturing and services sectors.

Source: DOSM; MOF

* Jan-Sep 2023

Supporting factors

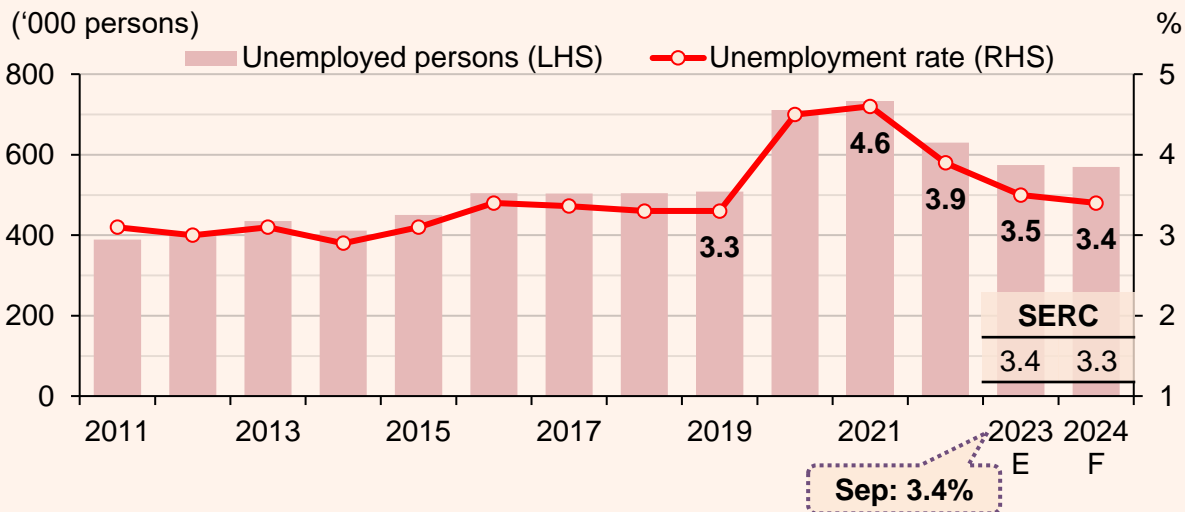
- Stable labour market conditions (Jobless rate: 3.4% at end-2024).
- Improved income growth.
- Sumbangan Tunai Rahmah (RM10.0 billion for almost 9 million recipients).
- Special cash incentives of RM2,000 for 1.7 million civil servants and RM1,000 for 971,000 pensioners.

Dampening factors

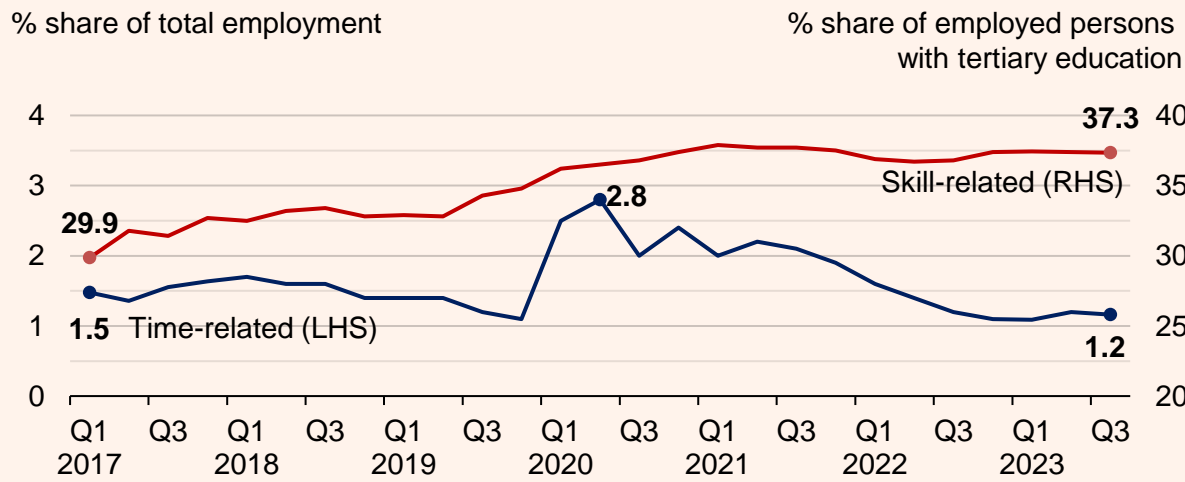
- Increasing cost of living and inflation risk.
- Service tax scope expanded (includes logistic, brokerage, underwriting and karaoke services) with rate increase to 8% from 6% (excluding food and beverages, telecommunication services, parking and logistic services).
- Targeted subsidy rationalisation in phases, e.g. diesel.
- High-Value Goods tax of 5% to 10%, starting 1 May 2024.

Stable labour market condition supports consumer spending

Unemployment is trending towards pre-pandemic level



Underemployment: Skill-related worsened; time-related improves



Source: DOSM; MOF; SERC

Supporting factors

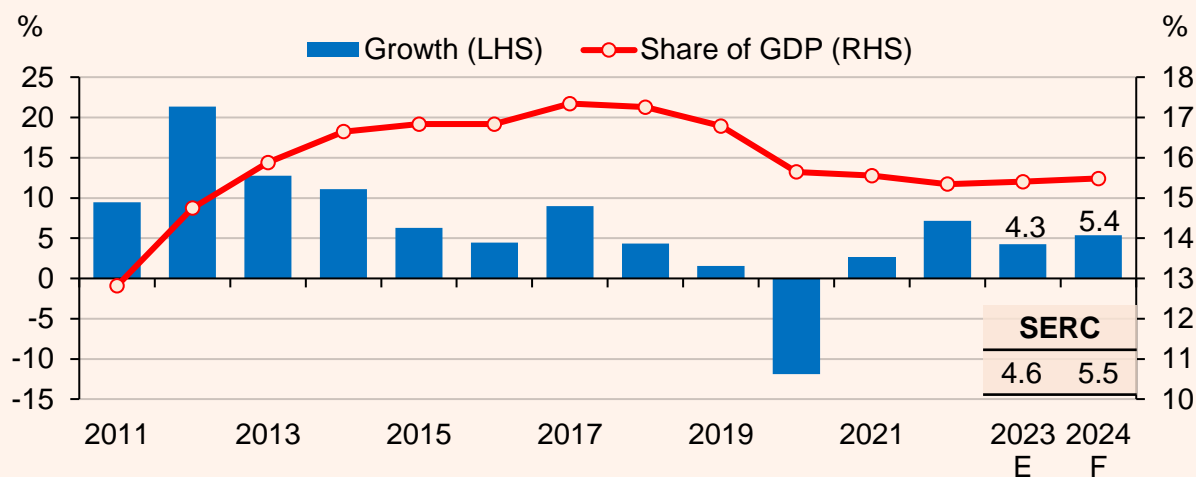
- Stable domestic and external economy.
- More demand-driven skill training programmes.
- More conducive working environment for women.
- Expanding social protection coverage to all workers.
- Progressive wage model could help to lower skill-related underemployment.
- Tiered levy on foreign workers could attract local hirings.

Dampening factors

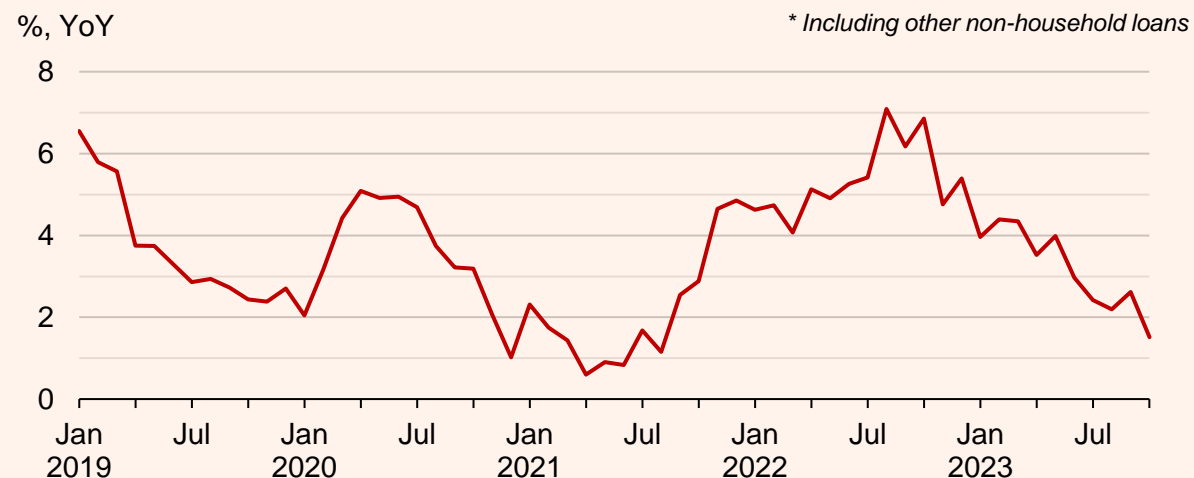
- Higher employment cost may limit recruitment.
- Risk of slower than expected demand could slow jobs creation.

Navigating private investment with increasing costs pressure

Private investment (15.4% of GDP in 2023E)



Outstanding loans to the business sector*



Source: DOSM; MOF; Bank Negara Malaysia (BNM)

Supporting factors

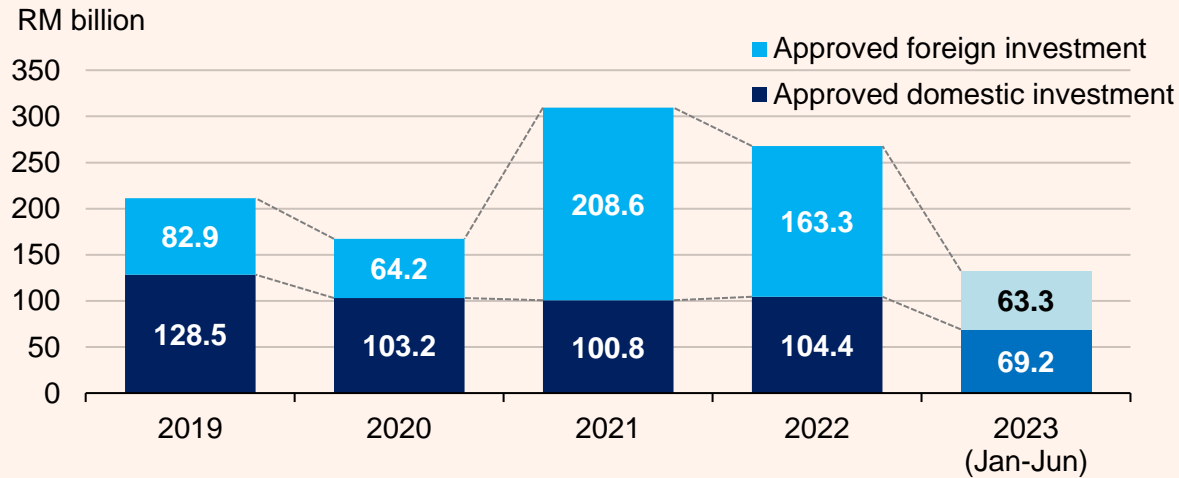
- Favourable business sentiments and improved external environment.
- Realisation of approved investments, mainly in the electronics and electrical products, transport equipment, and information and communications subsectors.
- New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR) and the Mid-Term Review of the 12th Malaysia Plan (2021-2025).

Dampening factors

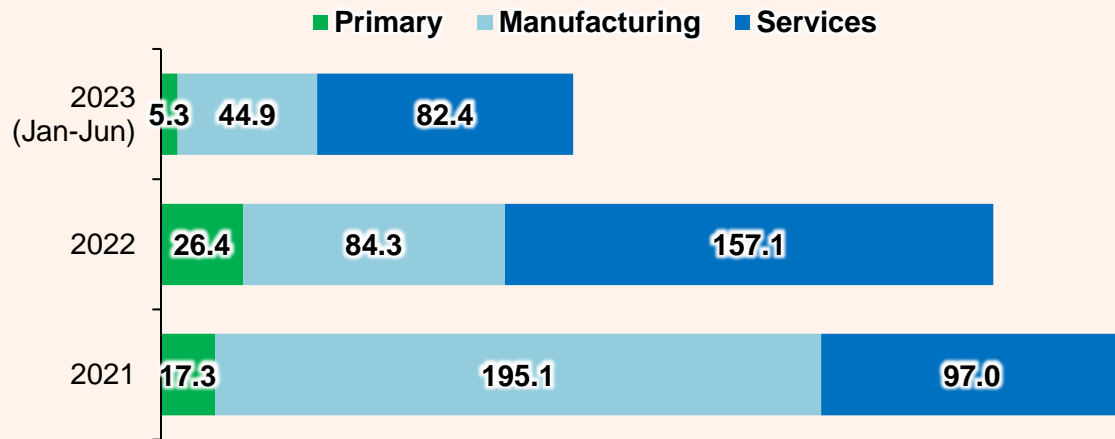
- Continued weak global economic growth.
- Concerns about business costs pressure; ESG compliance and climate change-induced disruptions.
- Targeted subsidy rationalisation in phases, e.g. diesel.
- Weak Ringgit caused higher imported value of machinery and equipment.

Catalysts to private investment

MIDA's approved DDI and FDI



MIDA's approved Investment by major sector



Source: Malaysian Investment Development Authority (MIDA)

Some notable approved investment projects



US\$8 billion for up to 10GW of renewable energy projects



RM2 billion in the next 7 years on state-of-the-art facility



Setting up a vast network of fast-charging and regular-charging stations; establish its state-of-the-art head office and service center; and experience centers



Amazon Web Services (AWS) **RM25.5 billion (USD6 billion)** by 2037 to open a Cloud Computing Infrastructure



US\$7 billion expansion for its chip assembly and testing factory.



To build the world's largest 200mm SiC (silicon carbide) Power Fab and invest additionally up to **€5 billion** over the next 5 years



Potential investment of up to **RM9.6 billion** to expand manufacturing operations



Partnering with xFusion partner to invest **RM1.7 billion** to open new facility

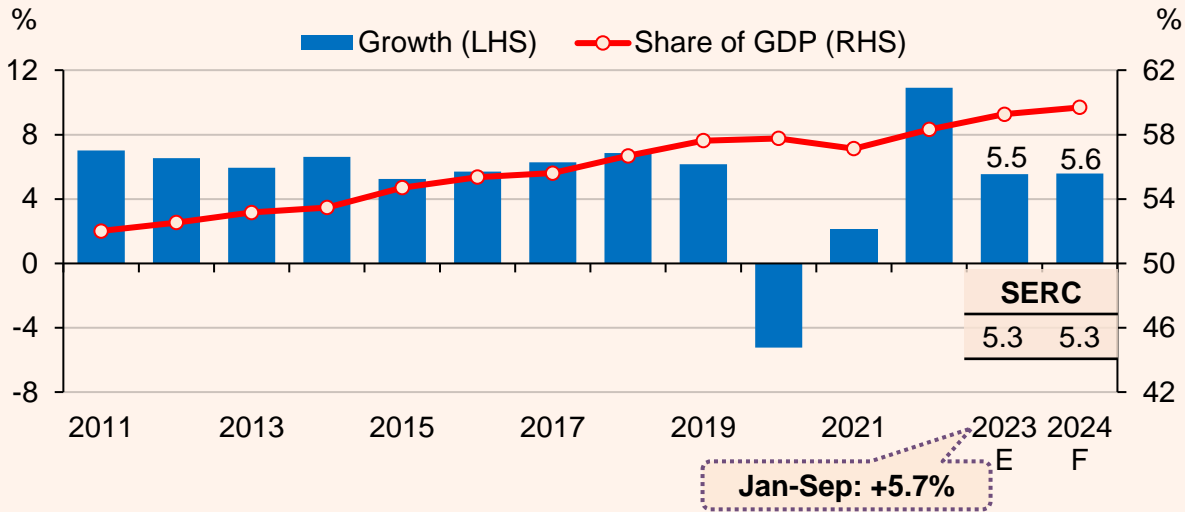


Invest **RM1.62 billion** to open semiconductor backend

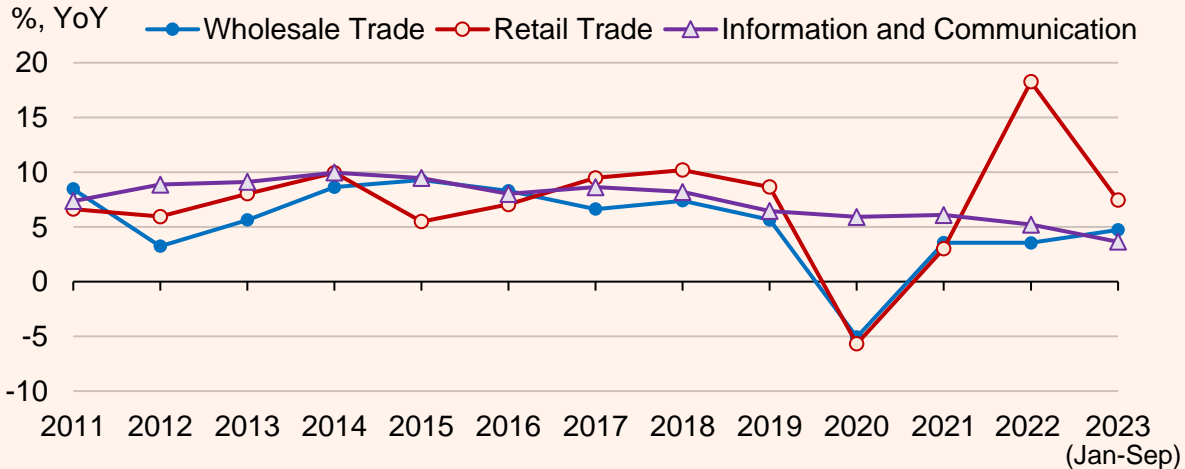
Elna PCB Deepens Root In Penang With RM1 Billion Expansion Plan

Services sector is leading the pack

Services sector has been the driving force (59.3% of GDP in 2023E)



Growth of major sub-services sectors



Source: DOSM; MOF; SERC

Supporting factors

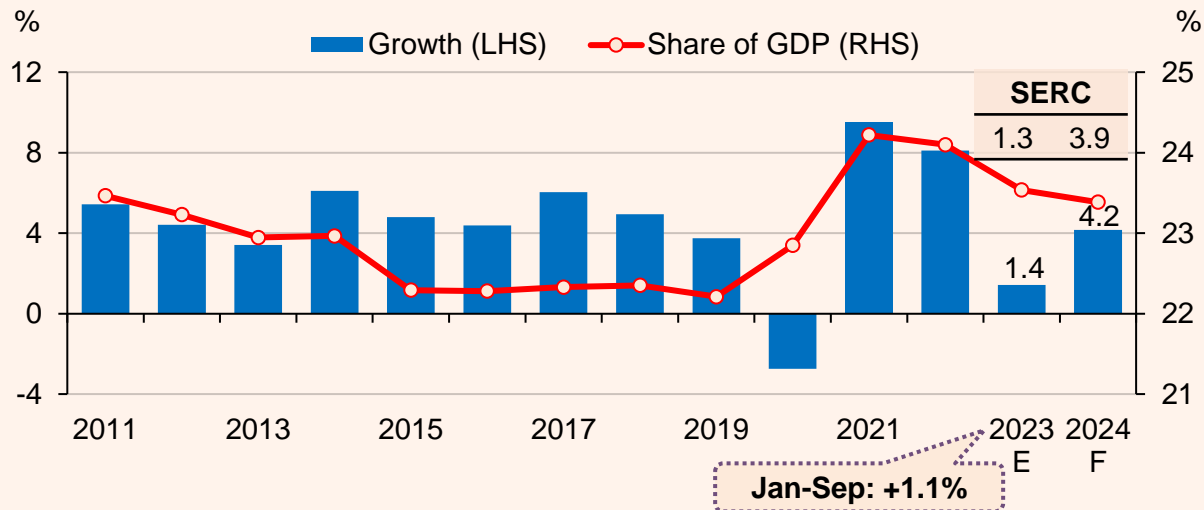
- Sustained domestic consumption supports retailing, restaurants, accommodation and communication segments.
- Higher trade-related activities help the wholesale trade, transport and storage subsectors.
- Stronger revival in tourism segment.
- Realisation of approved investments in information and communications subsectors.

Dampening factors

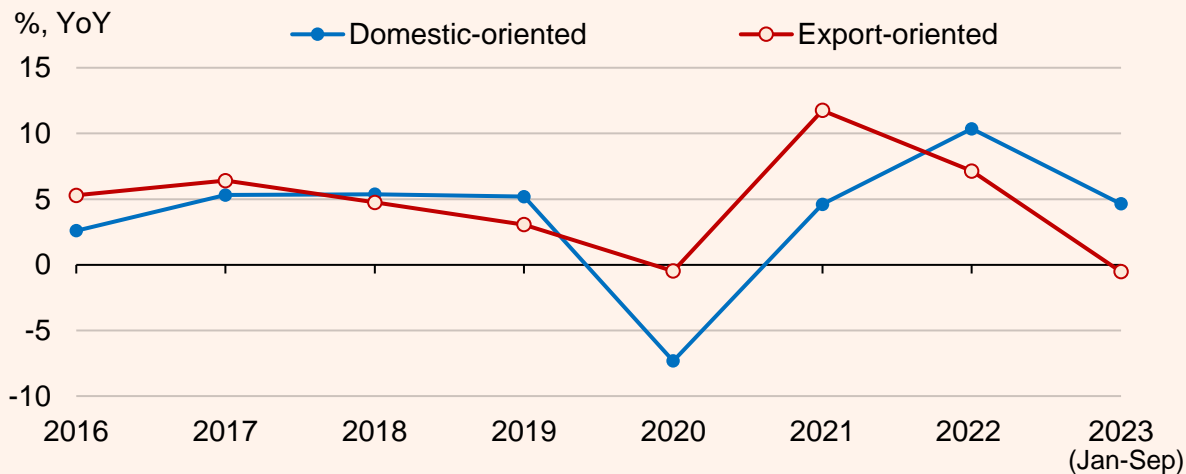
- Concerns about business costs pressure; ESG compliance and climate change-induced disruptions
- Targeted subsidy rationalisation in phases.
- High-Value Goods Tax.
- Higher service tax rate and tax scope expansion.

Manufacturing sector looks to bounce back

Recovery in E&E to revive manufacturing output (23.5% of GDP in 2023E)



Export-oriented vs. Domestic-market oriented industries



Source: DOSM; MOF; SERC

Supporting factors

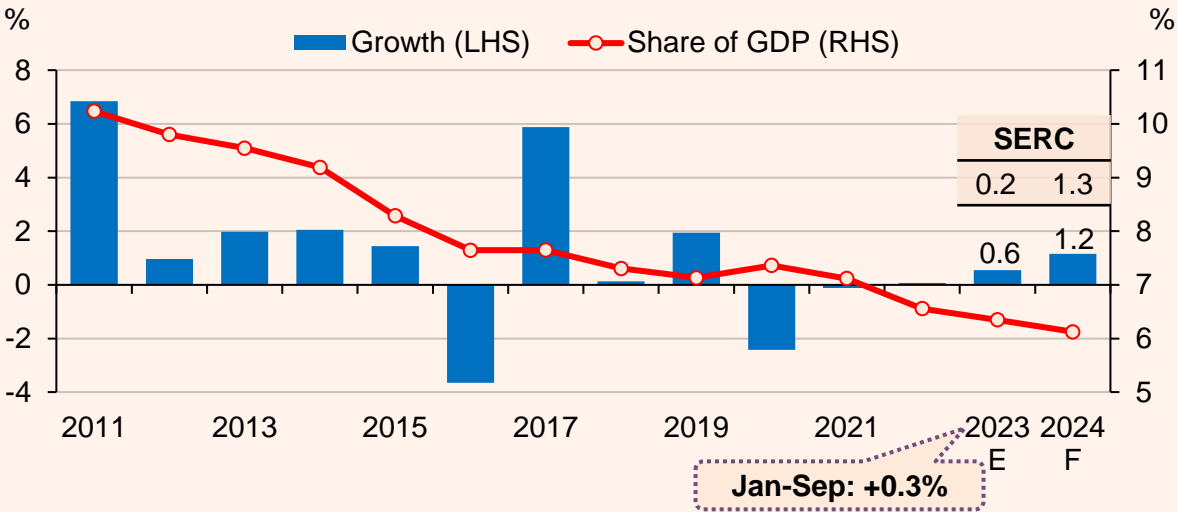
- Recovering external demand helps export-oriented industries, particularly E&E products.
- Favourable domestic-market oriented industries, backed by higher output in transport equipment and construction related segments, in line with continued growth in consumption and investment.
- Realisation of approved investments in the electronics and electrical products, transport equipment, information and communications subsectors.
- Implementation of initiatives under NIMP 2030, NETR and Chemical Industry Roadmap 2030.

Dampening factors

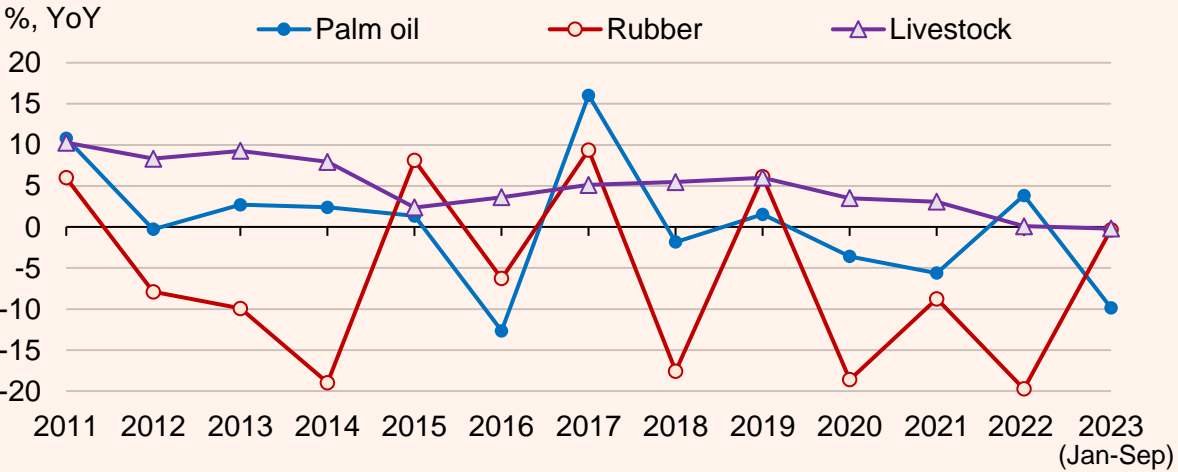
- Concerns about business costs pressure; ESG compliance and climate change-induced disruptions.
- Targeted subsidy rationalisation in phases.
- Weak Ringgit caused higher imported value of machinery and equipment.

Agriculture sector sees moderate growth

Agriculture output will increase in 2024 (6.3% of GDP in 2023E)



Growth of sub-sectors in the agriculture sector



Source: DOSM; MOF; SERC

Supporting factors

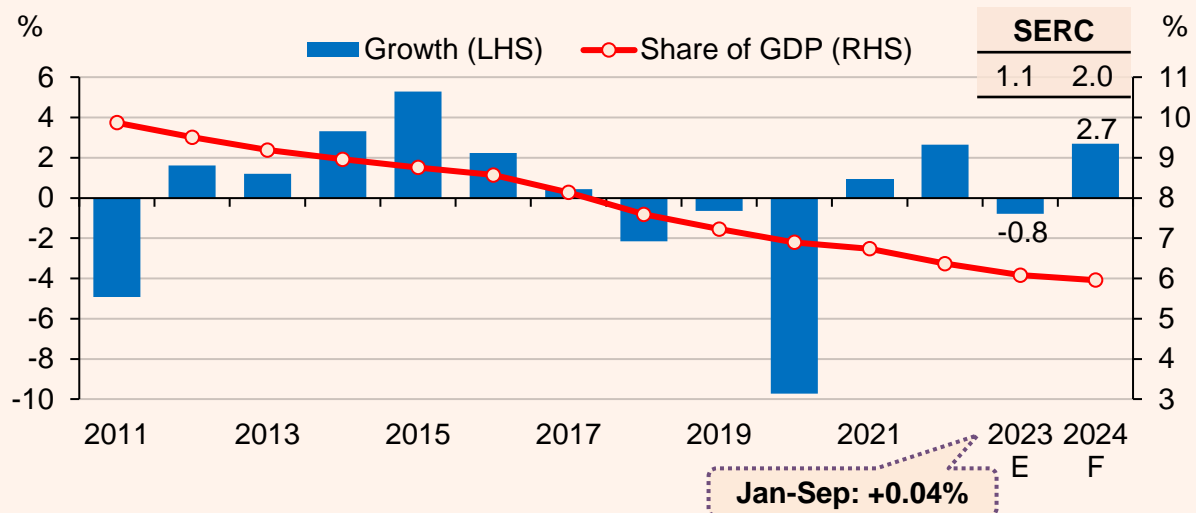
- Higher production of crude palm oil (CPO), other agriculture and livestock.
- CPO production supported by minimal impact expected from the El Nino, better labour supply, increased matured areas and higher oil extraction rate.
- CPO price: RM4,000-RM4,500/tonne (RM3,500-RM4,000/tonne in 2023) – partly attributed to anticipation of low output from other vegetable oils and higher demand for CPO from major importing countries.
- Concerted efforts to strengthen food security and modernise the agriculture would drive livestock and other agriculture subsectors.

Dampening factors

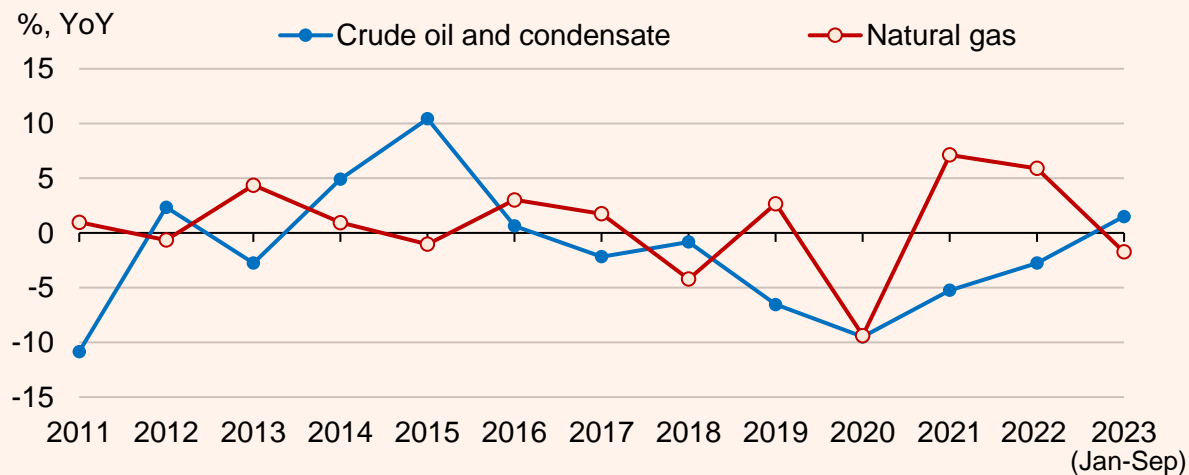
- Lingering effect on sustainability issue for palm oil.
- Price control measures could restrain supply (rice, egg).
- Risk of El Nino last longer.

Mining sector to turnaround

Recovery in crude oil and gas production (6.1% of GDP in 2023E)



Growth of sub-sectors



Source: DOSM; MOF; SERC

Supporting factors

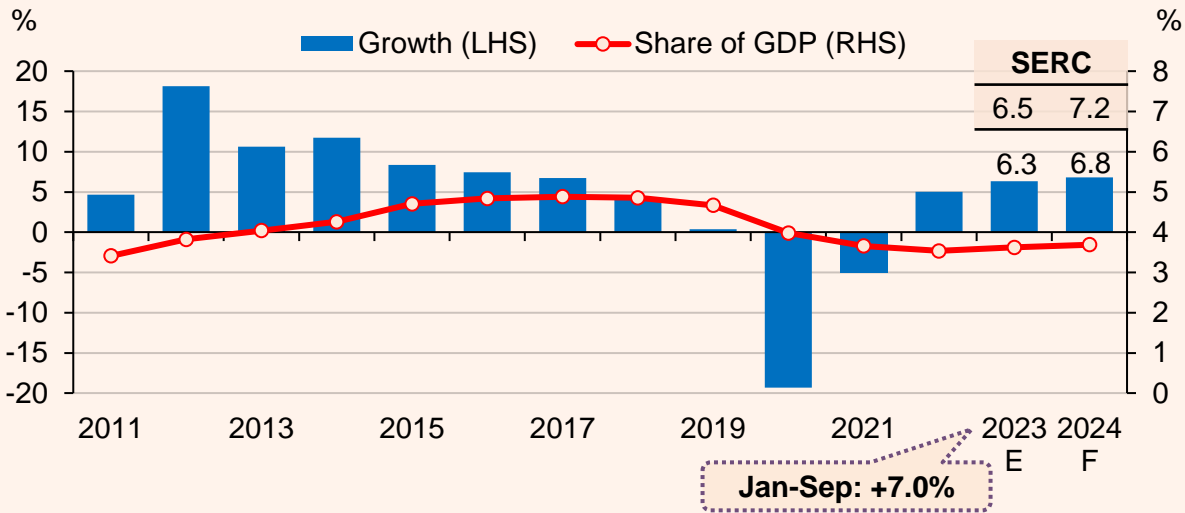
- Recovery in production of natural gas from new and existing gas fields, and crude oil and condensates.
- Anticipation of higher demand on positive global outlook.
- Brent crude oil price: US\$85/barrel (US\$80/barrel in 2023).
- Additional oil output cut among major OPEC+ members could support the crude oil prices.

Dampening factors

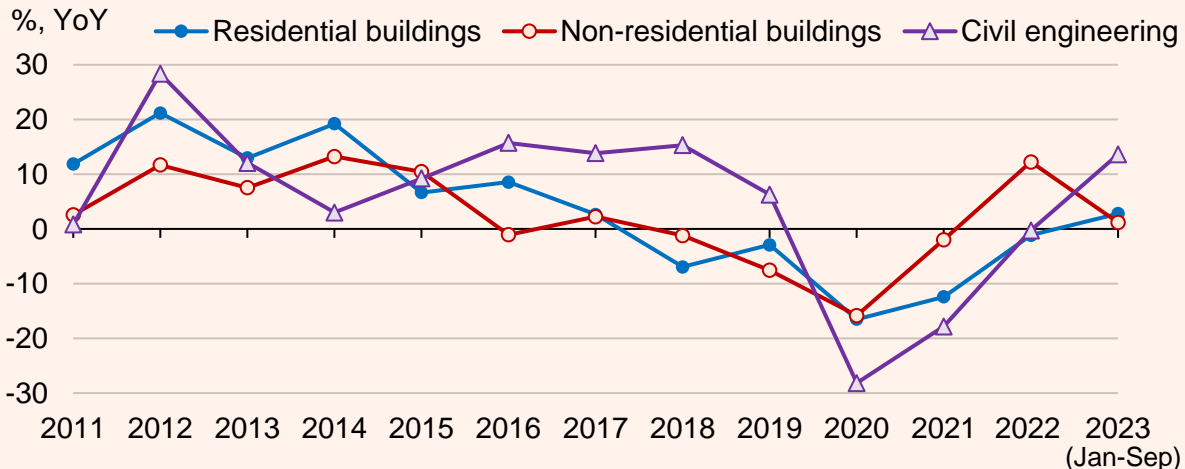
- Growing sustainability agenda limits crude oil development.
- Risk on much weaker than expected global demand.
- Malaysia targeted to cut 0.17 million barrel per day in 2024.

Construction sector expansion continues

Construction output will be sustained higher (3.6% of GDP in 2023E)



Growth of sub-sectors in the construction sector



Source: DOSM; MOF; SERC

Supporting factors

- Expansion across all sub-sectors.
- Strategic infrastructure and utilities projects, include ongoing projects, e.g. Central Spine Road (CSR), Pan Borneo Sabah Highway and acceleration of projects under the Twelfth Malaysia Plan.
- Development of affordable public and private housing.

Dampening factors

- Risk from slow and inefficient implementation of projects.
- Overhang in the residential segment remained high, albeit has reduced from the peak.
- Occupancy rate in the commercial buildings below optimum level of 72.4% as at Q2 2023.

List of projects related to the construction and housing from the Budget 2024

Selected infrastructure projects in the Budget 2024



Road Maintenance and Building

- Maintain federal roads and bridges **(RM2.8bn)**
- Build and upgrade village roads **(RM1.63bn)**
- Widening of the PLUS highway from Sedenak to Simpang Renggam **(RM931m)**



Public Housing (RM2.47bn)

- 36 Public Housing Program (PPR) **(RM546m)**
- 14 Program Mesra Rakyat **(RM358m)**
- Building new and repair of dilapidated houses **(RM460m)**
- Maintain low and medium cost stratified public and private housing **(RM100m)**



Public Transportation

- Early estimates for LRT Pulau Pinang to Seberang Perai **(RM10bn)**
- Reinstate 5 cancelled LRT stations in Klang Valley **(RM4.7bn)**
- Improve passenger facilities for Tioman Airport, including extending the runway by 1.3km **(RM47m)**

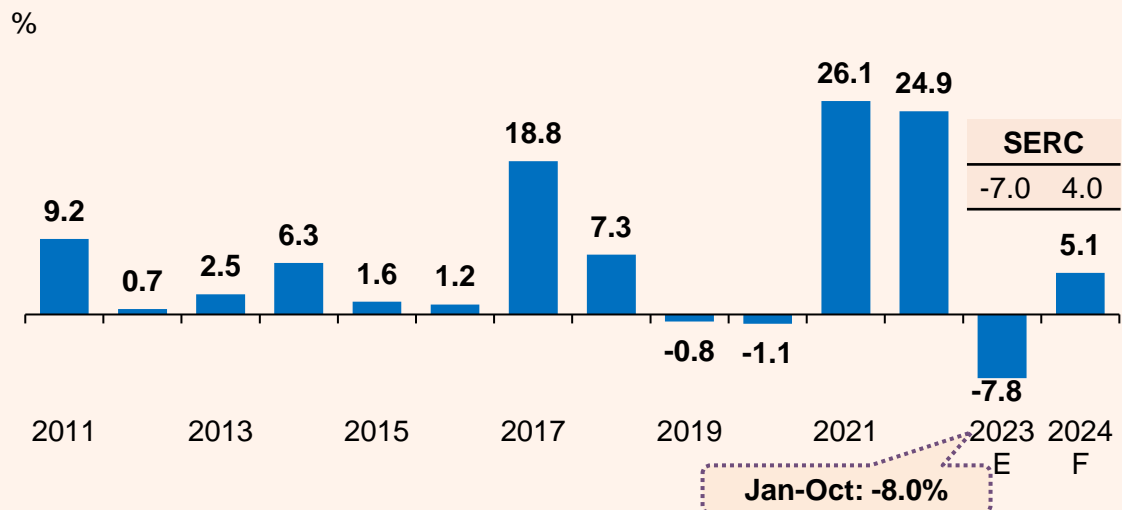


Others

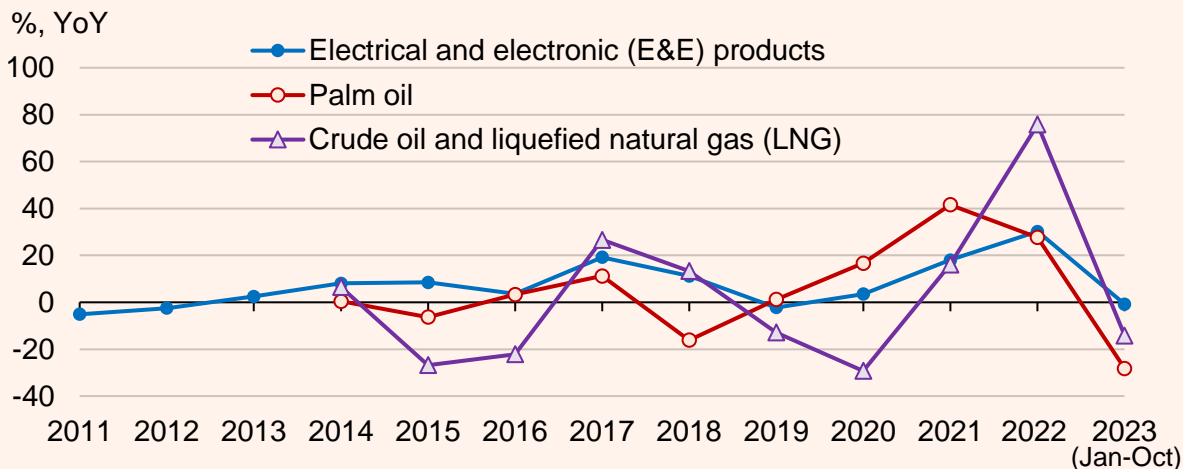
- 33 High Priority Flood Mitigation Projects **(RM11.8bn)**
- Building of 26 new schools **(RM2.6bn)**
- Build, maintain and refurbish the quarters of civil servants **(RM2.4bn)**
- Water to 5,150 households and electricity to 2,200 households **(RM939m)**
- USM teaching hospital **(RM938m)**

Exports contracting to bottom out; turnaround in 2024

Gross exports will recover gradually in 2024



Growth of selected export products



Source: DOSM; MOF; SERC

Supporting factors

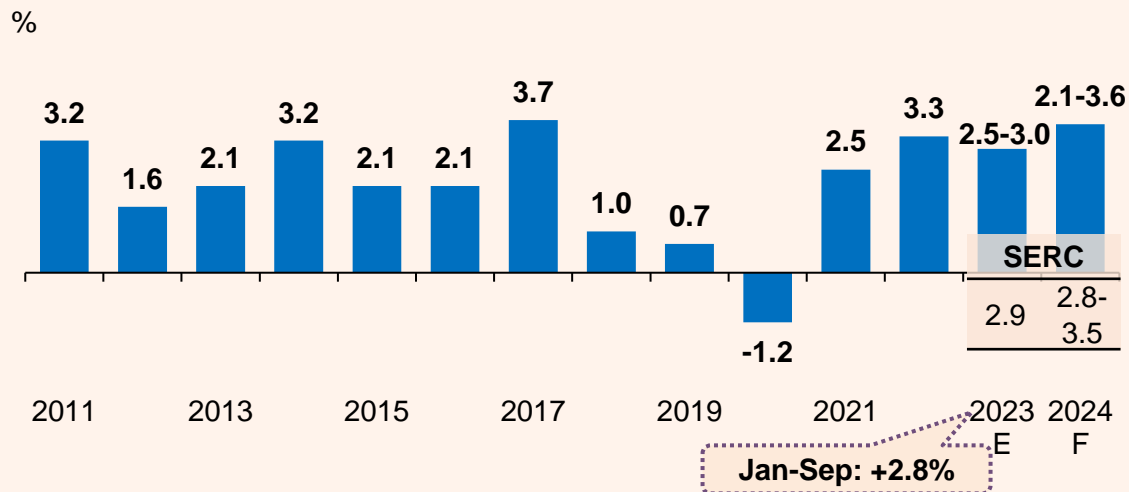
- Anticipate better performance in global trade and improved prospects in the commodity sector.
- The trade expansion effects from RCEP and CPTPP.
- Steady demand for semiconductor and upcycle trend in E&E.
- Higher demand for petroleum products, chemicals and chemical products, manufactures of metal, palm oil and mining goods.

Dampening factors

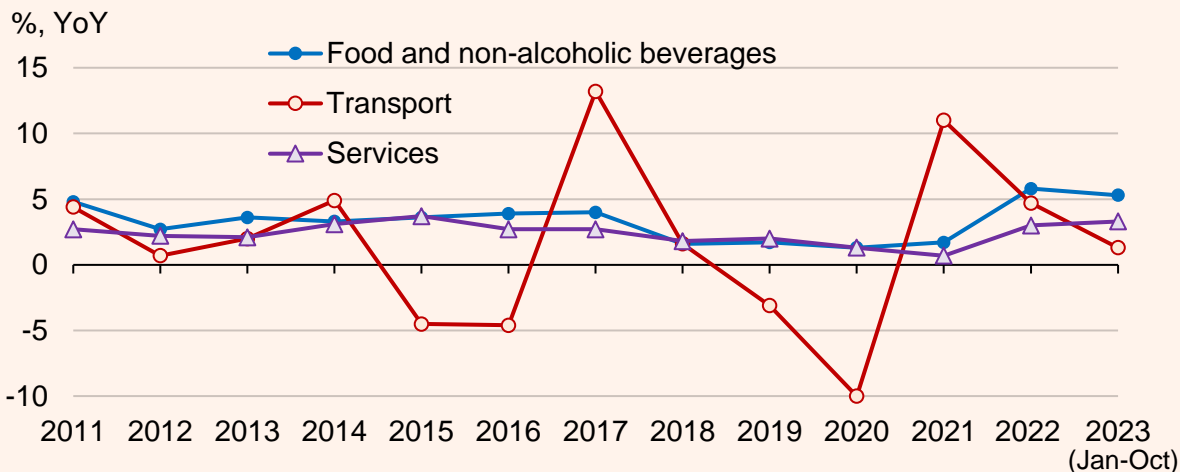
- Risk on global demand not making a strong comeback.
- Moderating global commodity prices.

Inflation may re-emerge on review of price controls and subsidies

Headline inflation will remain high 2024



Food inflation remains a risk



Source: DOSM; MOF; SERC

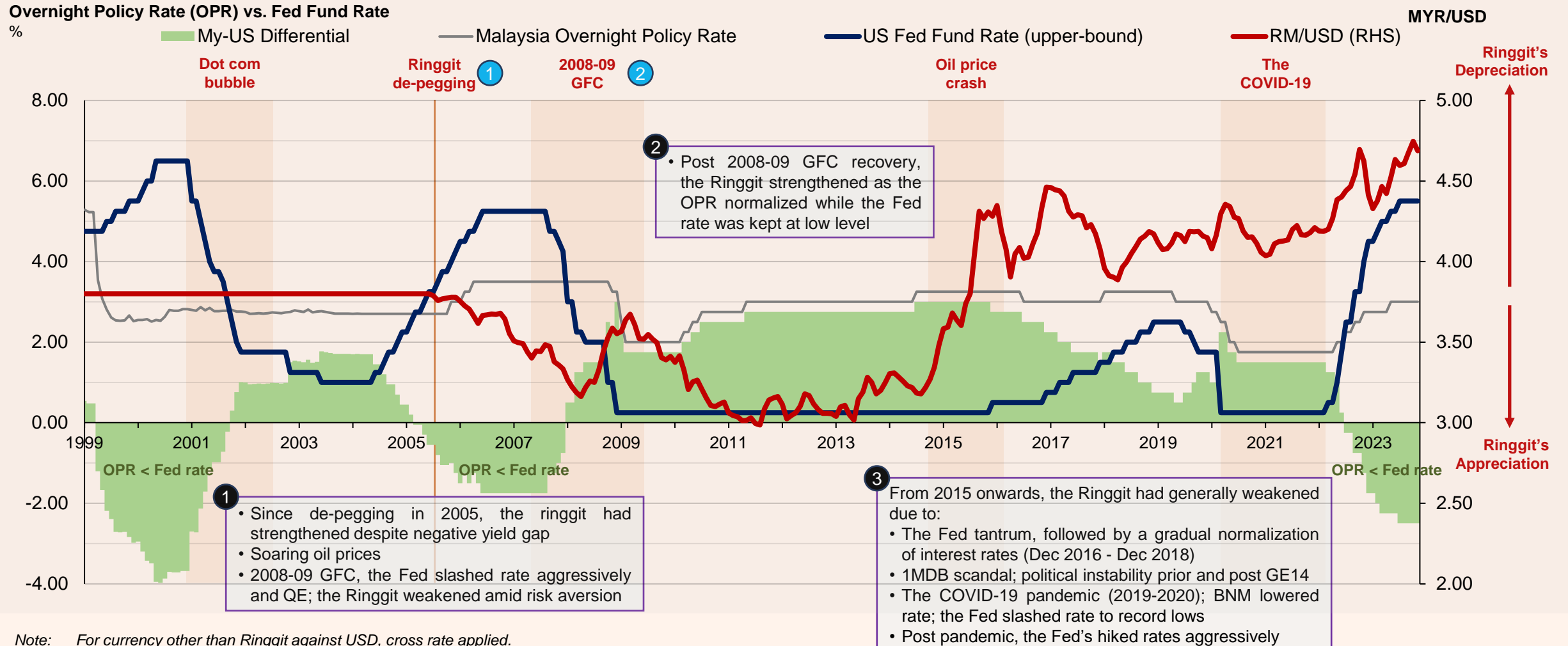
Inflation is cooling, but prices are high

- Both headline and core inflation have moderated, mainly due to easing cost pressures.
- Inflation is expected to rise higher to 2.8%-3.5% in 2024 (estimated 2.5% in 2023).
- The Government's intention to review price controls and subsidies in 2024 will affect the outlook for inflation and demand conditions.

Dampening factors

- Gradual shift towards targeted subsidy mechanism. Targeted subsidy for RON95 petrol is expected to roll out in 2H 2024.
- Risks come from fluctuation in exchange rates and supply-related factors, such as global commodity prices, geopolitical uncertainties and climatic conditions.

Since 2015, the Ringgit had depreciated by an average of 0.9% pa against the US dollar in 2005-2023 (appreciated in nine years: 2005, 2006, 2007, 2009, 2010, 2012, 2017, 2019, 2020)

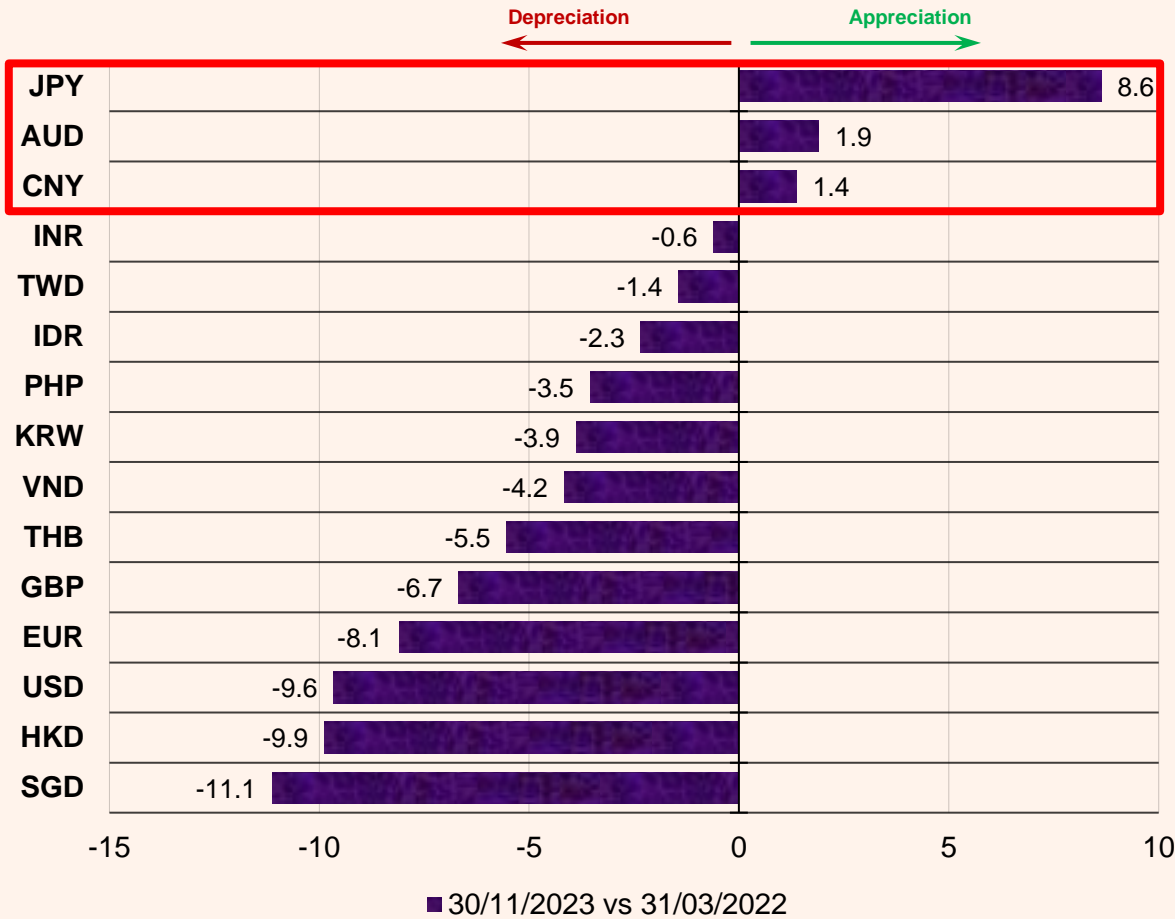


Note: For currency other than Ringgit against USD, cross rate applied.

Source: BNM

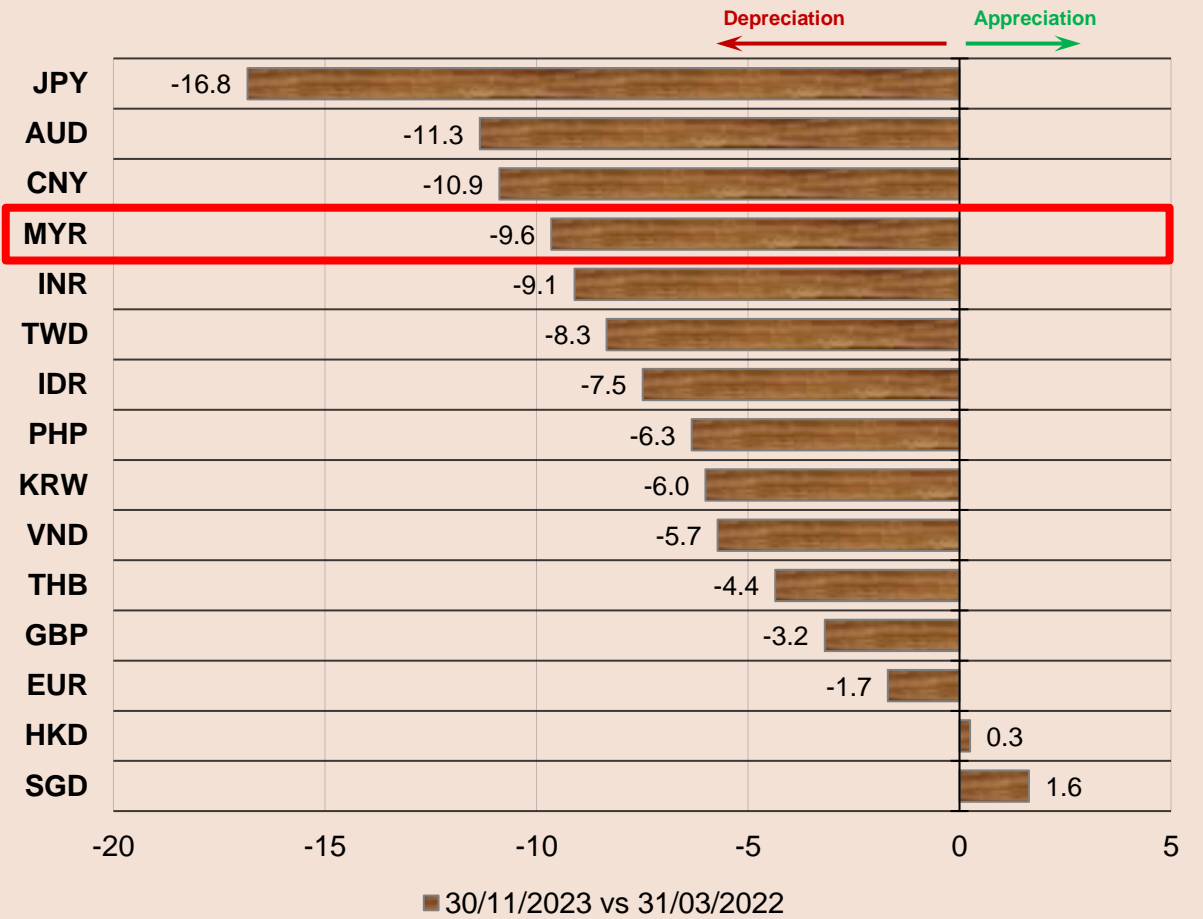
The Ringgit's movement since the Fed's rate hike cycle starting in March 2022

The Ringgit against major and regional currencies (%)



Note: For currency other than Ringgit against USD, cross rate applied.
Source: BNM

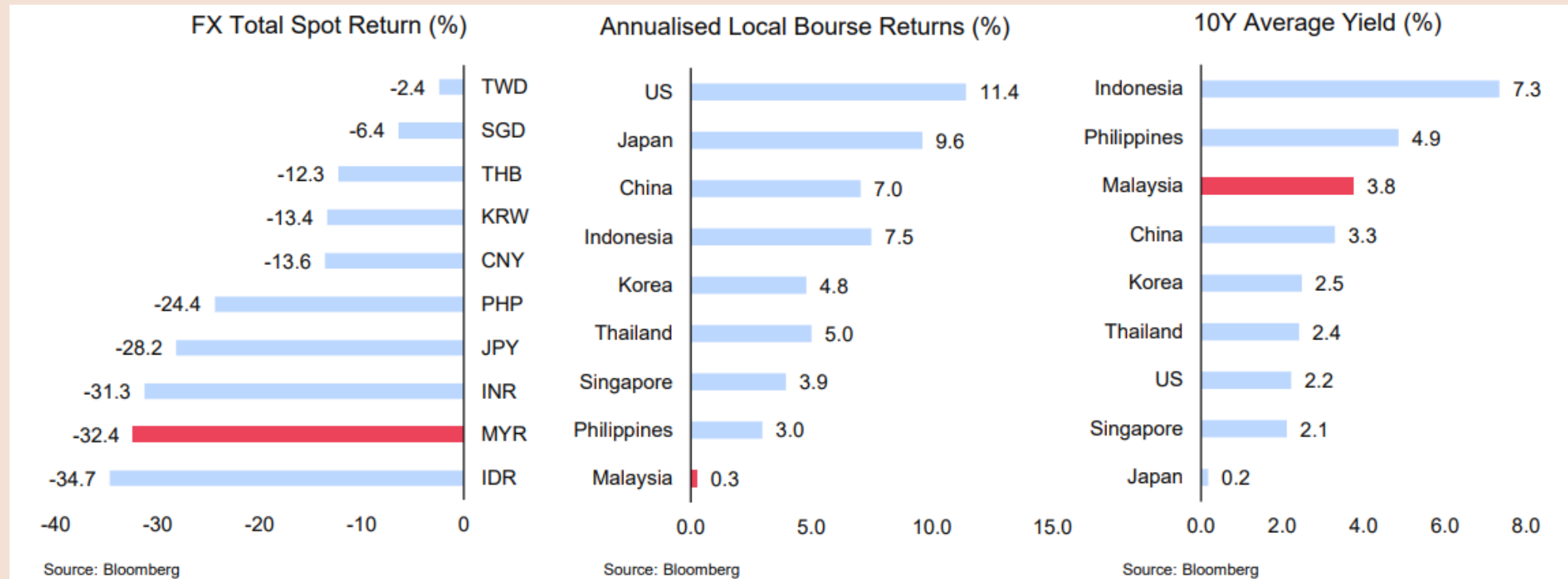
Major and regional currencies against the USD (%)



Returns on MYR assets over 10-year period

The Ringgit Conundrum

- Will the Ringgit reverse its depreciation trend against the US dollar?
- Relative interest rate and inflation; exports performance; balance of payments
- Budget deficit and debt sustainability
- Political stability; market sentiment
- Structural reforms key to supporting the economy and ringgit



Budget 2024 – What's on the property sector?

Positive

- Relaxation of Malaysia My Second Home (MM2H) conditions
- Guarantees of up to RM10 billion for the Housing Credit Guarantee Scheme (HCGS) to benefit 40,000 borrowers
- Property transfer documents involving beneficiaries relinquishing their rights to eligible beneficiaries as per will, inheritance or the Distribution Act 1958 will only be subject to a stamp duty of RM10, instead of the previous ad-valorem rate
- RM2.47 billion for public housing projects, including RM1 billion to revive identified abandoned projects
- Residents' approval threshold for en-bloc sales will be reduced from 100% to a level consistent with international practices, such as in Singapore, between 80-90%
- RM2.4 billion to build, maintain, and refurbish quarters for civil servants which are in shameful state due to their dilapidated conditions

Negative

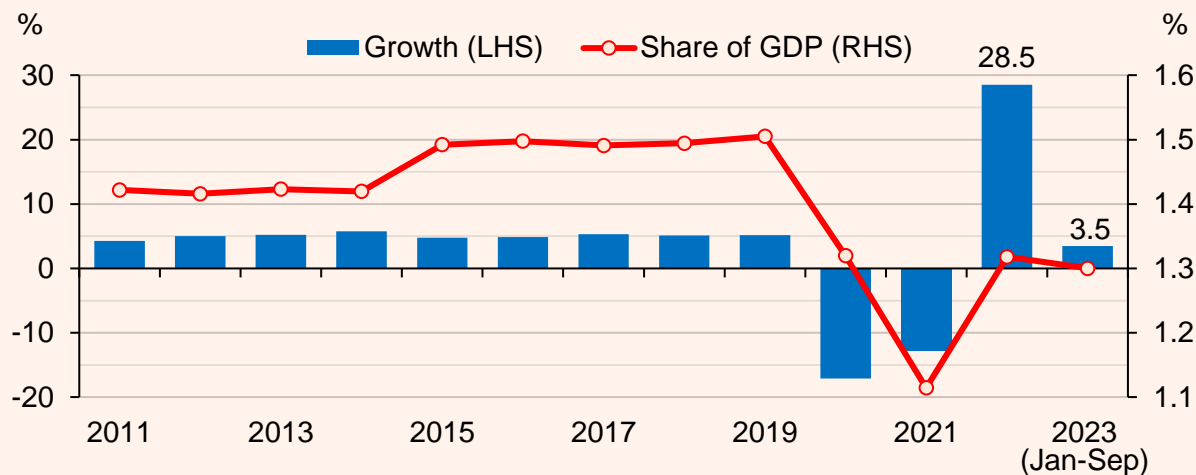
- Service tax rate increase to 8% from 6%
 - *Taxable service: Provision of all types of surveying services, including valuation, appraisal, estate agency or professional consultancy services*
 - *Increase the cost of transaction*

Uneven impact

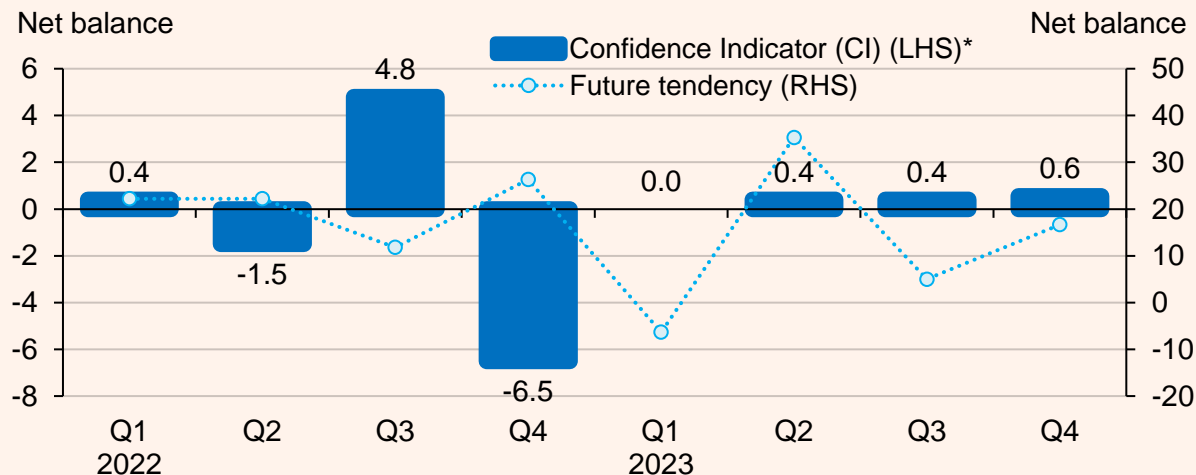
- A flat rate stamp duty of 4% on the transfer of land ownership documents by non-citizens and foreign-owned companies, except for individuals with permanent residency status in Malaysia
 - *May somewhat discourage MM2H*

Cautious outlook in Malaysia's real estate sector

Services subsector: Real estate (1.3% of GDP in 2022)



DOSM's Business Tendency Statistics: Real estate industry

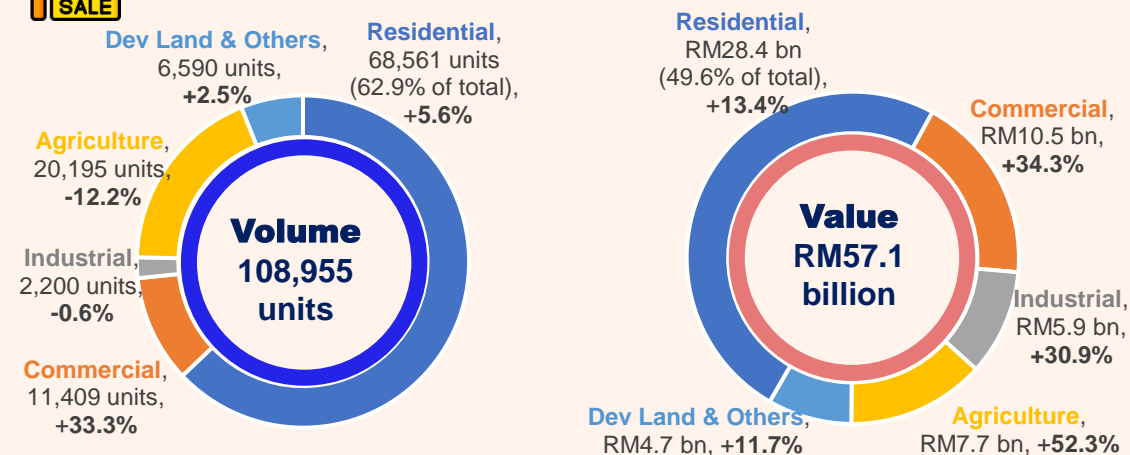


Source: DOSM; NAPIC

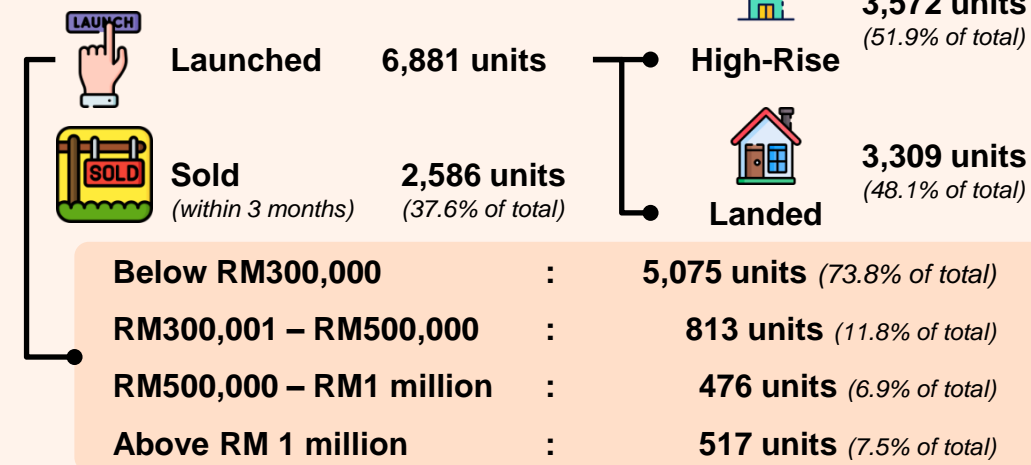
*Real Estate CI = (BS + CD + ED) / 3; where BS=Current business situation; CD=Present tendency (volume of demand); and ED=Future tendency (volume of demand)



Volume and value by sub-sector (Q3 2023; YoY)



Units Newly Launched & Sold in Q3 2023



Note: The percentage not added-up to 100% due to missing data.

Lower overhang albeit still high

1

Units Newly Launched & Sold in Q3 2023



Launched 6,881 units



Sold 2,586 units
(within 3 months) (37.6% of total)



High-Rise

3,572 units
(51.9% of total)



Landed

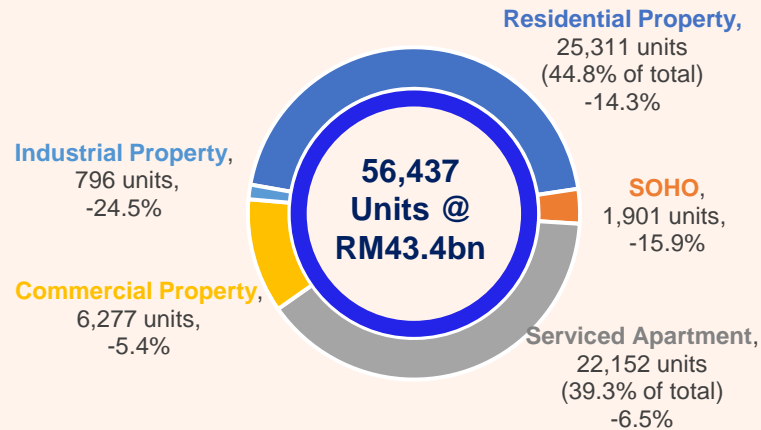
3,309 units
(48.1% of total)

Below RM300,000	:	5,075 units (73.8% of total)
RM300,001 – RM500,000	:	813 units (11.8% of total)
RM500,000 – RM1 million	:	476 units (6.9% of total)
Above RM 1 million	:	517 units (7.5% of total)

3

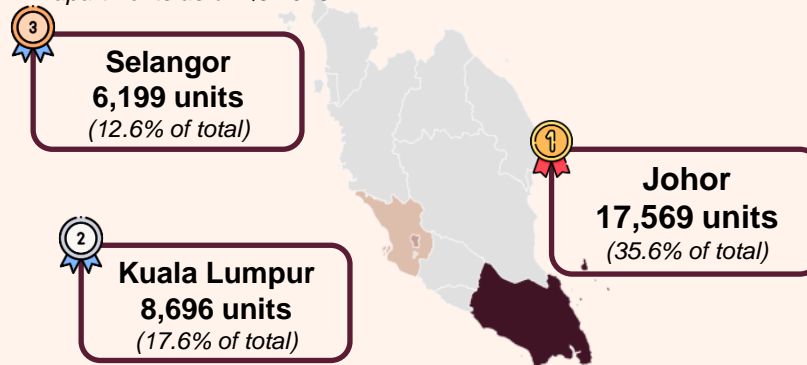
Note: The percentage not added-up to 100% due to missing data.

Overhang Units by Type as of Q3 2023



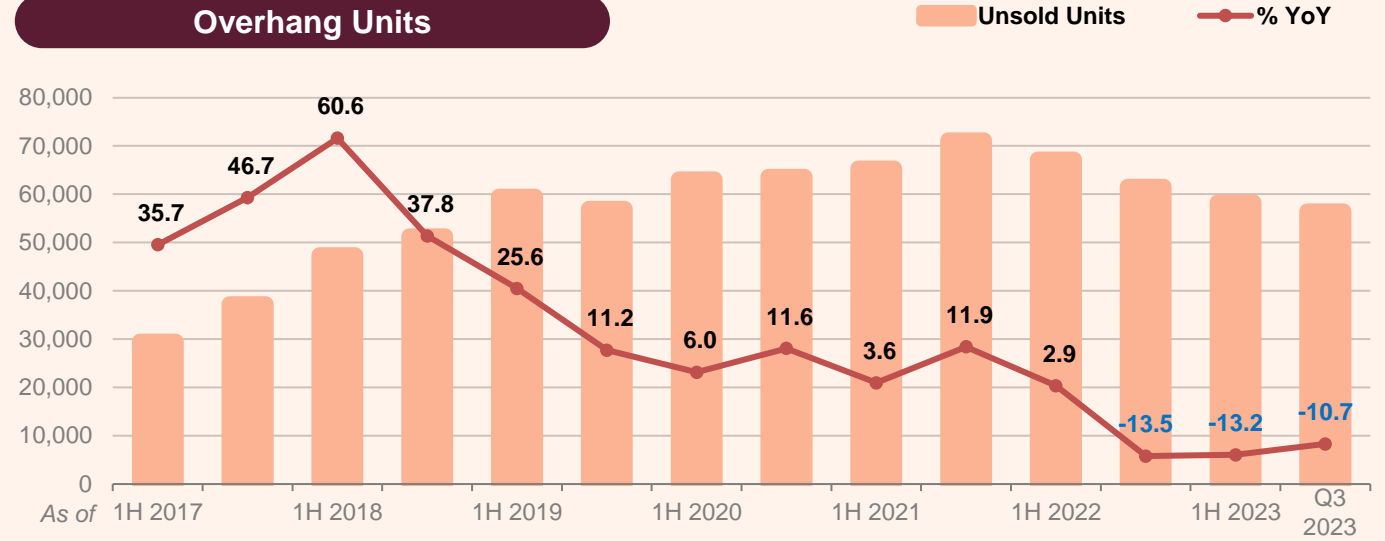
States with High Overhang Volume*

* Includes residential properties, SOHO, and serviced apartments as of Q3 2023.



2

Overhang Units



Overhang by Price Range

As of Q3 2023

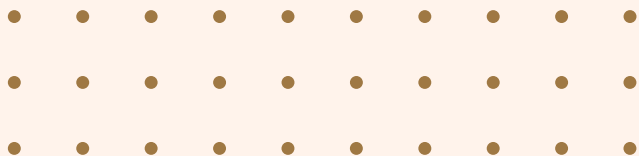
Property Type	Price Range	Units	% of Total
Residential Properties	Below RM300,000	6,955 units	27.5% of total
	RM300,001 – RM500,000	6,955 units	27.5% of total
	RM500,000 – RM1 million	7,448 units	29.4% of total
	Above RM 1 million	3,953 units	15.6% of total
Serviced Apartment	Below RM300,000	462 units	2.1% of total
	RM300,001 – RM500,000	3,150 units	14.2% of total
	RM500,000 – RM1 million	13,566 units	61.2% of total
	Above RM 1 million	4,974 units	22.5% of total

Source: NAPIC



Addressing Structural Weaknesses, Issues and Challenges to “Raise the Ceiling” and “Raise the Floor”

- We know what went wrong and what needs to change. We have to endure the painful transition costs and adjustments when making radical reforms and overhauling the system.
- It is a call to action to move the agenda forward; to address a broad spectrum of critical issues that we collectively face; and aim to shed light on what future we face, what future we want and what must be done to get there



Issues and challenges hindering Malaysia's growth path

1



Economic Complexity

Improved marginally

2



Labour Productivity

Stagnated

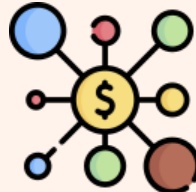
3



Talent

Shortage and skills mismatch

4



Product & Market diversification

Improved marginally

5



Ease of Doing Business

Need to improve

6



Private Investment

FDI hampering; DDI decreasing

7



Fiscal Space

Limited

8

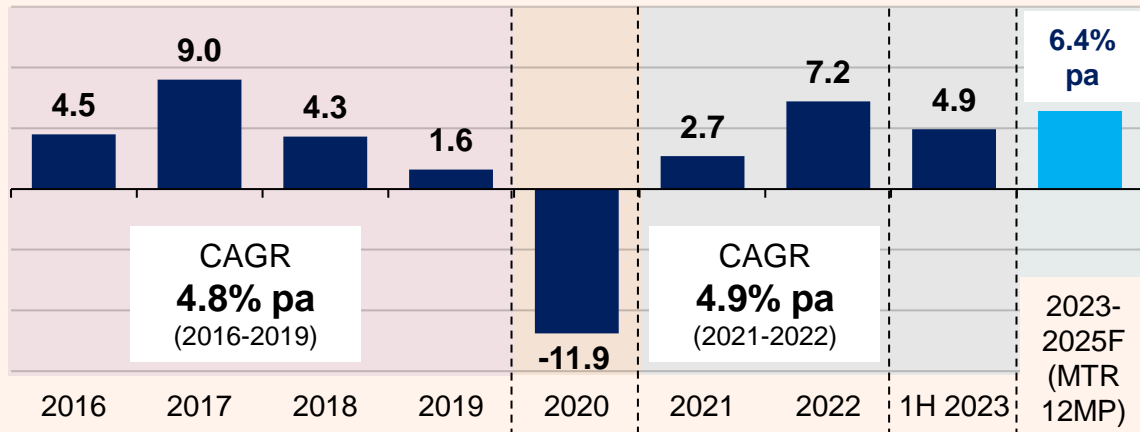


Demographic Trend

Aged society

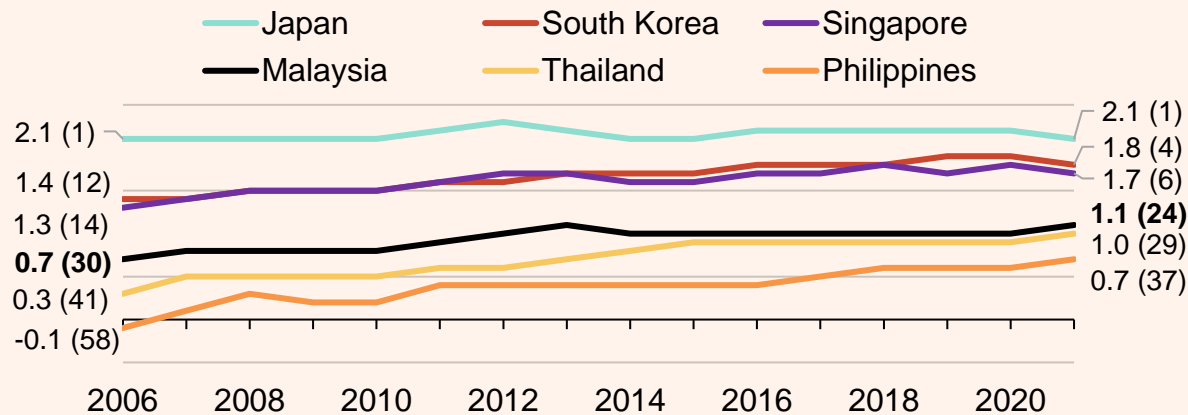
Lack of catalytic investment drivers

Private Investment Growth (%)



Malaysia's ECI is improving, but others are catching up rapidly

Economic Complexity Index (Ranking)

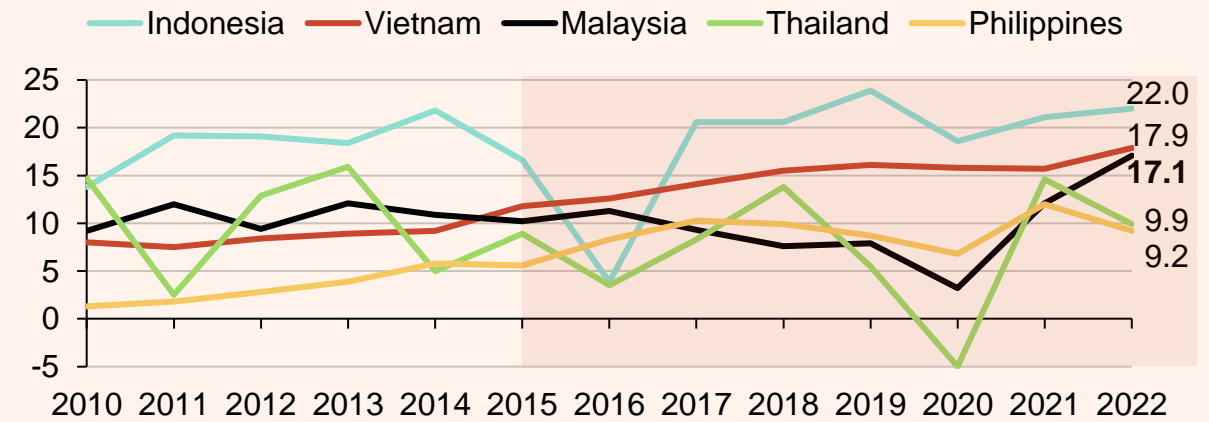


Note: Figure in parenthesis denotes ranking.

Source: DOSM; ASEAN Secretariat, The Observatory of Economic Complexity (ECI Trade)

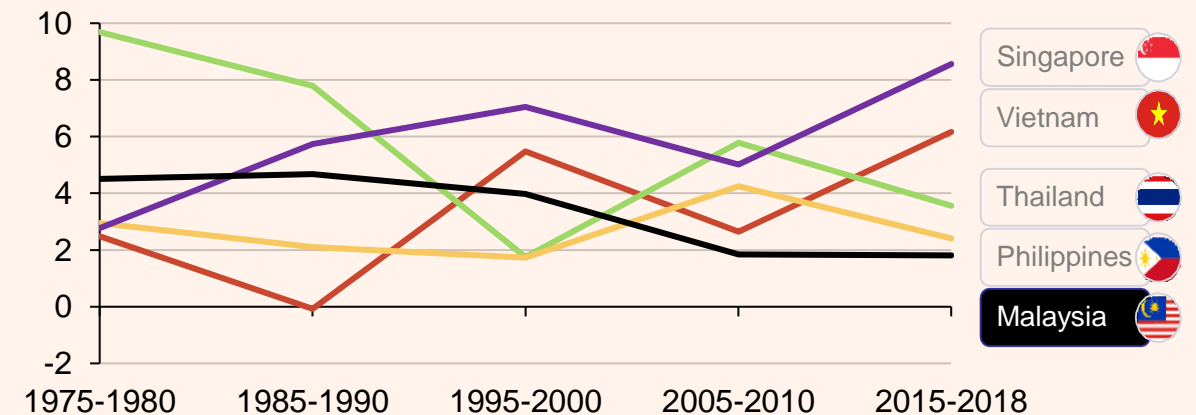
Malaysia's FDI is falling behind Vietnam and Indonesia

Inward FDI (USD billion)



Malaysia's labour productivity is lagging behind peers

Labour Productivity Growth in Manufacturing Sector (%)



Levers of change for the transformation of Malaysia

Malaysia MADANI Economy

Whole-of-Malaysia approach

Raise the Ceiling Leading Asian Economy

- Competitive & World Class Investment Destination
- Digital & Innovation-led Industry
- Global Leader in Islamic Finance
- MSMEs as Regional Champions
- Security & Sustainability of Economy

Raise the Floor Quality & Just Life for All

- Respectable Jobs & Decent Standard of Living
- Equality & Inclusive Opportunities
- Universal Access to Quality Education & Healthcare Services
- World-Class Basic Infrastructure & Public Services
- Social & Protection for All

7 intermediate indicators:



Top 25 in Corruption Perception Index
2022: Ranked #61



Top 30 largest economy
2022: Ranked #35



45% in labour share of income
2022: 32.4%



Top 12 in global competitiveness
2023: Ranked #27



≤ 3% of fiscal deficit
2022: -5.6%



Top 25 in Human Development Index
2021: Ranked #62



60% of female labour force participation rate
2023-Q1: 56.1%

Source: World Bank, IMD Business School; United Nations Development Programme; Transparency International; DOSM; MOF

National Energy Transition Roadmap (NETR)

6 Energy Transition Levers



Energy Efficiency (EE)



Renewable Energy (RE)



Hydrogen



Bioenergy



Green Mobility



Carbon Capture, Utilisation and Storage (CCUS)

10 Flagship Catalyst Project

Efficient Switch

Renewable Energy Zone (RE Zone)

Energy Storage

Energy Secure

Green Hydrogen

Hydrogen for Power

Biomass Demand Creation

Future Mobility

Future Fuel

CCS for Industry

A pilot RE Zone will be established encompassing an industrial park, zero-carbon city, residential development and data centre

Selected targets by 2030:



23% in industry and commercial energy efficiency savings



0% in coal share of installed capacity



70% in renewable energy share of installed capacity



3-6 units in CCUS cluster

New Industrial Master Plan (NIMP) 2030

Goals (supported by 4 missions + enablers)



Increase economic complexity



Create high-value job opportunity



Extend domestic linkages



Develop new & existing clusters

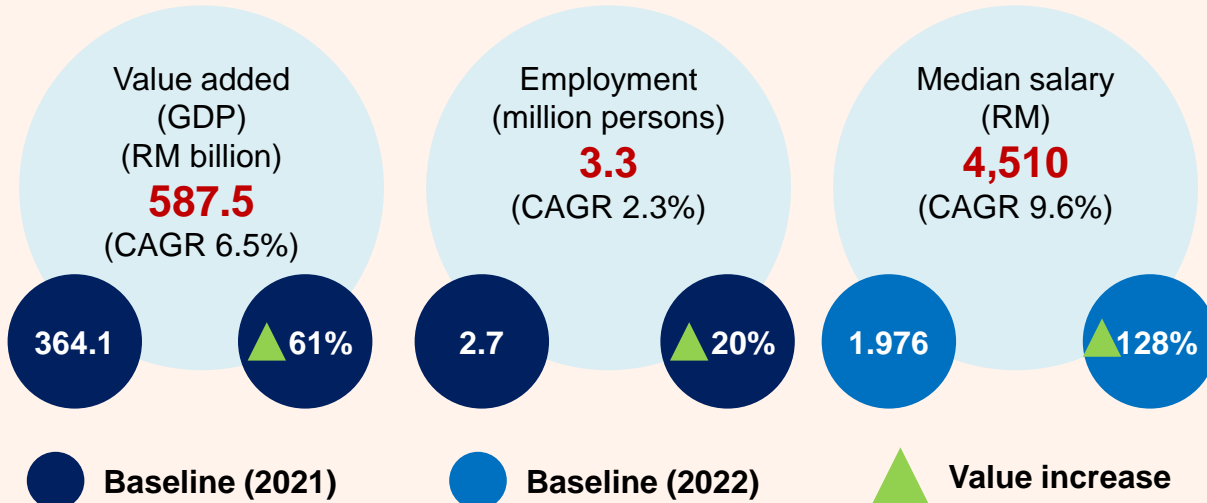


Improve inclusivity



Enhance ESG practices

Top-line Targets for Manufacturing Sector by 2030:



The Mid-Term Review of 12th Malaysia Plan (MTR of 12MP)

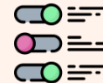
17 Big Bolds to Catalyse Socio-economic Development



Focus Area

- Strengthening sustainability (3 Big Bolds)
- Building prosperous society (5 Big Bolds)
- Achieving high-income nation (7 Big Bolds)

3 Focus Areas
1 Enabler
17 Big Bolds
71 Initiatives



Enabler

- Strengthening efficiency of the public service delivery (2 Big Bolds)

Selected Multidimensional Goals 2021-2025:



5%-6% in GDP growth per annum



RM61,000 in GNI per capita



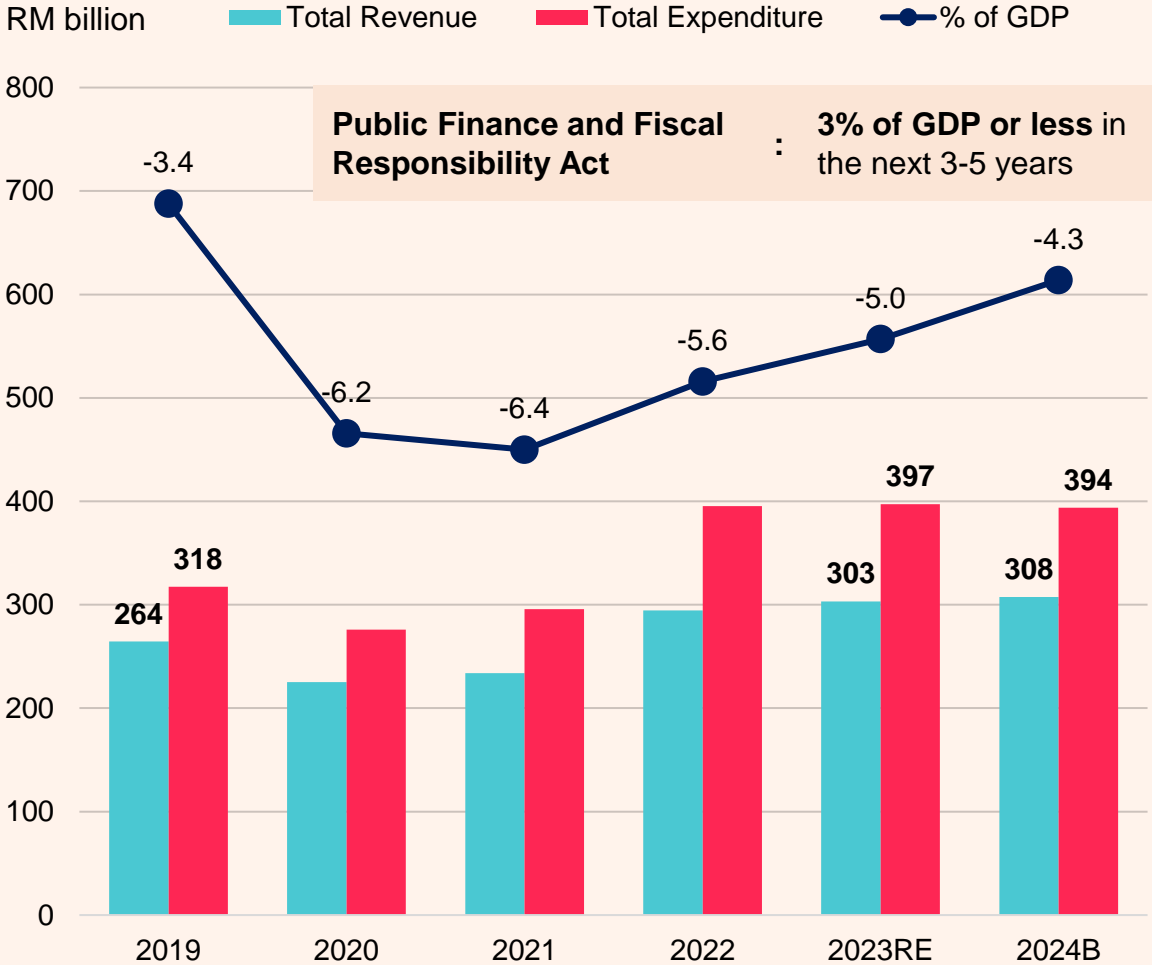
40% in compensation of employees of GDP



45% reduction in GHG emissions intensity to GDP

A look at the 2024 Budget

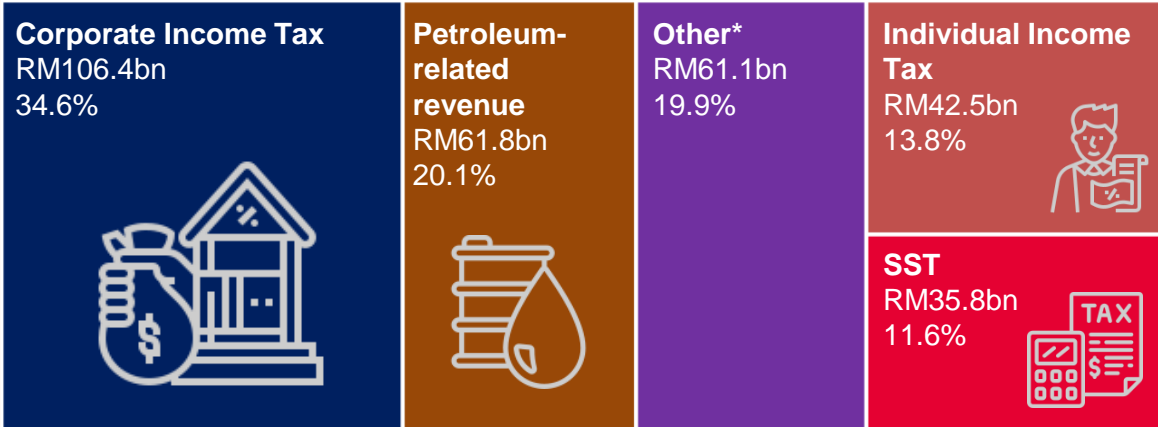
What is the Government's Budget stance?



Source: MOF RE=Revised Estimate; B=Budget Estimate

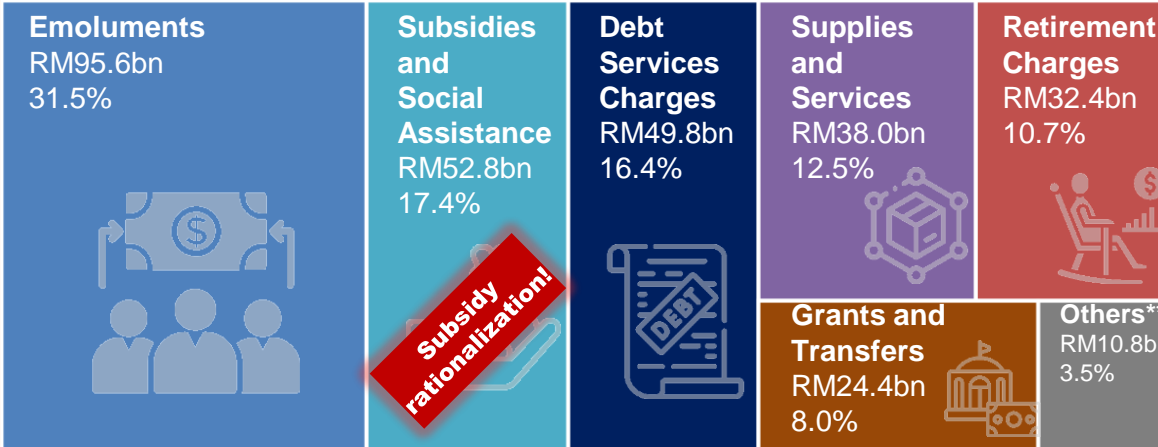
Note: Excludes budget measures

Where are the sources of Government's revenue in 2024B?



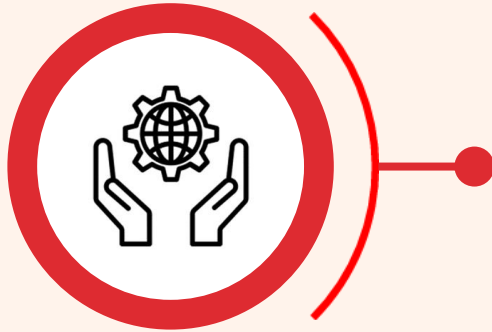
* Include non-tax revenue, excise duty, stamp duty, etc.

How does Government manage its operating expenditure in 2024B?



** Includes asset acquisition, refunds and write-offs, grants to statutory funds, etc.

The 2024 Budget focuses on three areas:



Focus Area 1 Good Governance for Service Agility



Focus Area 2 Restructuring of the Economy to Boost Growth



Focus Area 3 Raising Rakyat's Standard of Living

Key measures



Increase Service Tax rate to 8% from 6%, with some exemptions e.g. food and drink, telcos services, etc. It widens the scope of service tax to include logistics services, brokerage, underwriting and karaoke services.



Capital Gains Tax (CGT) on the disposal of unlisted shares (10% on the net gain of share disposal; with option of 2% on the gross sales value for shares acquired before 1 Mar 2024).



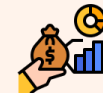
High-Value Goods tax (5% to 10%), starting 1 May 2024.



Table the **Government Procurement Act in 2024**.



RM44bn of loan facilities and financing guarantees for MSMEs.



MIDA is tasked to facilitate FDI and DDI from the investment applications until the realisation of approved investment.



Tax deduction on Environmental, Social and Governance (ESG)-related expenses up to RM50,000/year in YA 2024-YA 2027.

THANK YOU

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