



Socio-Economic
Research Centre

社会经济研究中心

Quarterly Economy Tracker (Jan-Mar 2024)

Positive Signals Amid Downside Risks

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23 April 2024



Agenda

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Global Economy: Still Growing Moderately amid Multifaceted Risks

2

Malaysia: Positive Signals amid Downside Risks

3

How Oil Shocks Can Be Less Shocking?

4

China Plus One Strategy: Opportunities yet Challenges for Malaysia



Global Economic Outlook

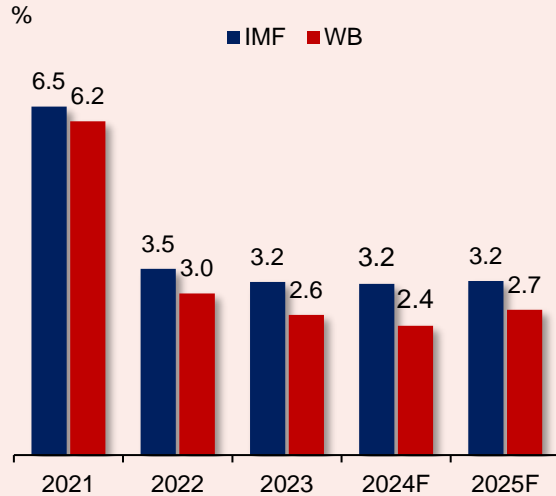
Global Growth Still Growing amid Multifaceted Risks

- *Global economy maintains momentum in 2024, supported by domestic demand amid a gradual improvement in global trade activity.*
- *Global leading and lagging indicators show a continued expansion.*
- *The last mile to tame inflation will be bumpy; the central banks need more time to set the dial for interest rate easing.*
- *Downside risks to global growth: An escalation of geopolitical conflicts in Ukraine and the Middle East, higher-than-anticipated inflation outturns, the US Presidential election and volatility in global commodity and financial markets.*

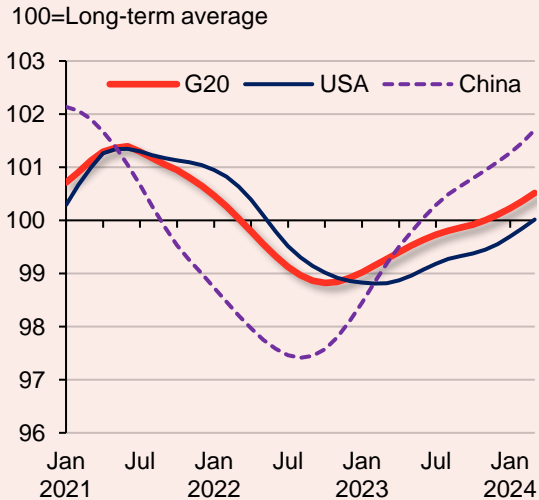


Global growth continues, albeit moderate in 2024

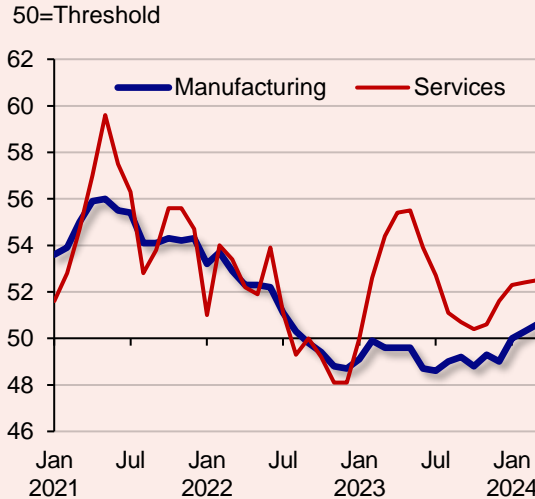
Global growth estimates



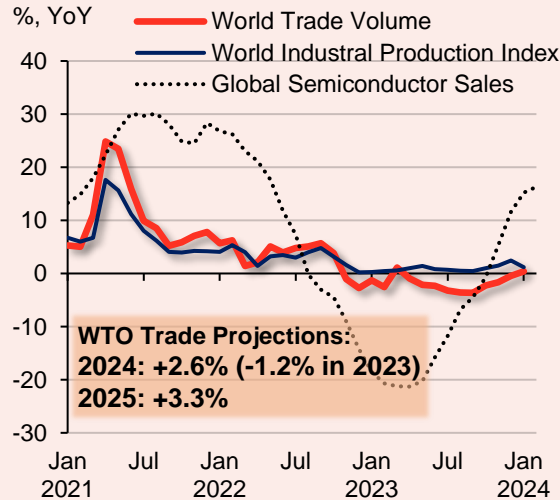
OECD Composite Leading Indicators (CLI)



Global PMI for manufacturing & services



Key economic activities



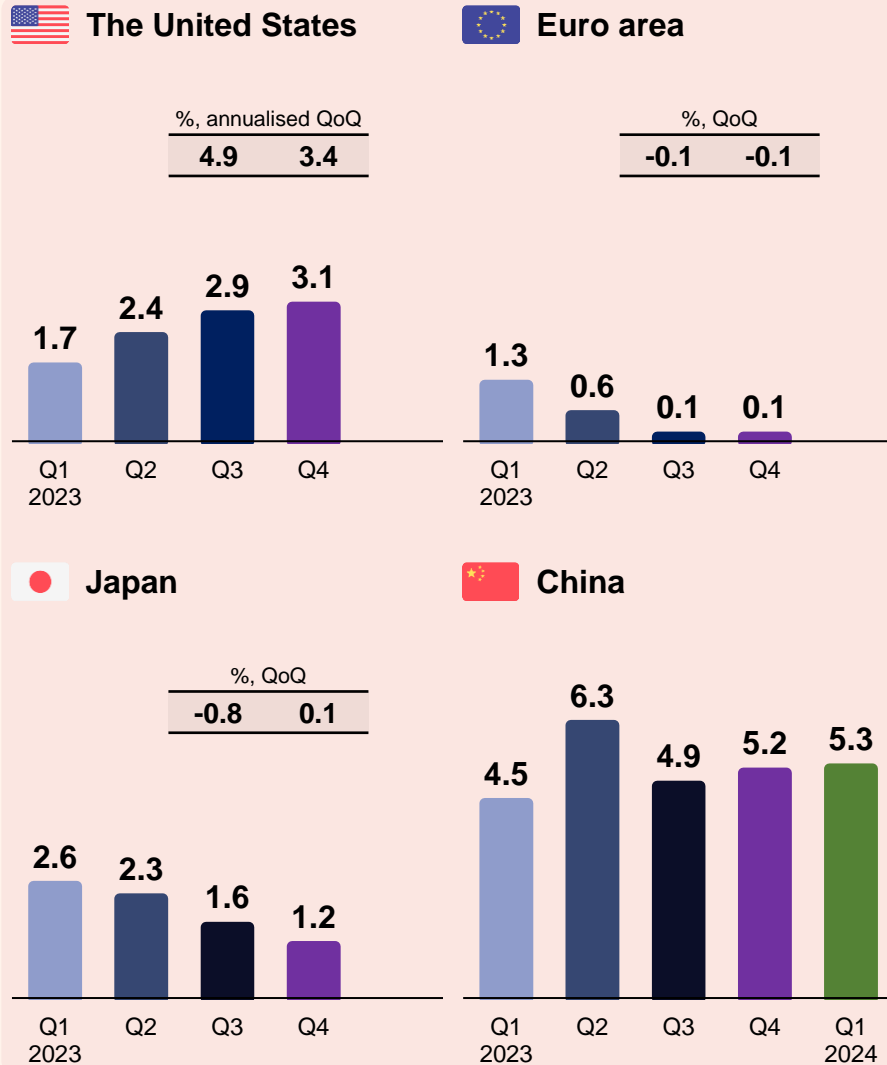
Positive indications:

- Global manufacturing PMI returned to 50-pt in January 2024 and increased gradually to 50.6 in March after trapping below the threshold for 16 consecutive months.
- OECD composite leading indicators continued its upward trajectory.
- Global semiconductor sales have bottomed out, registering positive growth since November 2023.
- World trade volume growth has returned to positive trajectory after contracting for nine consecutive months in Apr-Dec 2023.

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

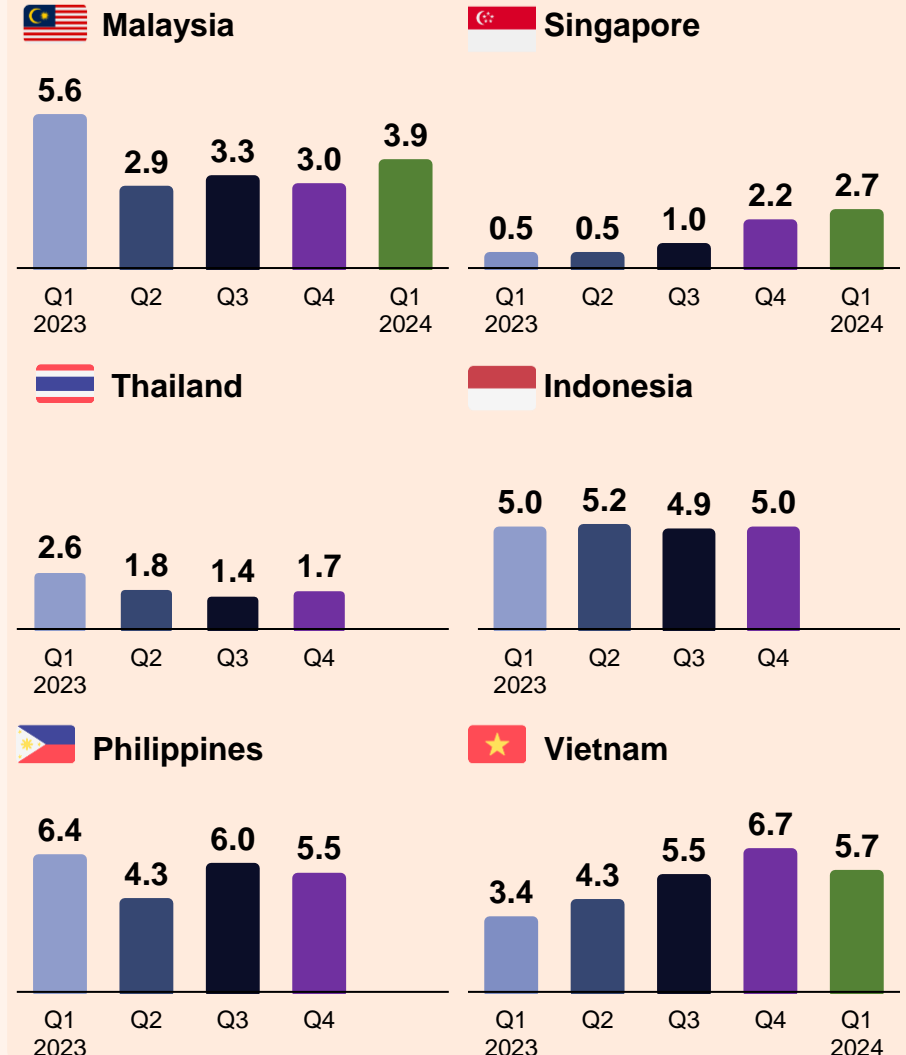
GDP growth heatmap for advanced and emerging economies

Key economic powerhouse



Regional economies

%, YoY



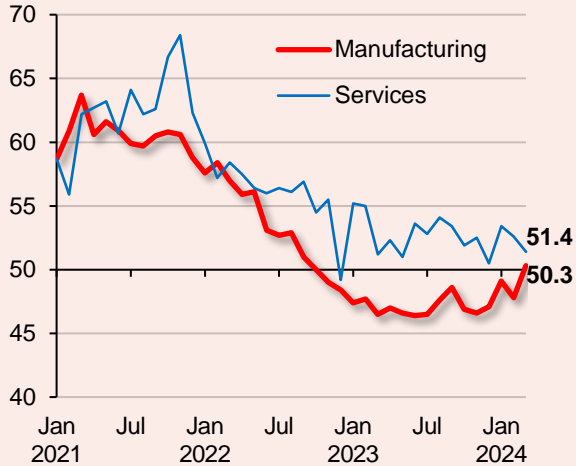
Source: Various officials (unadjusted data except for Euro Area)

Mixed performance in key economic powerhouses

United States

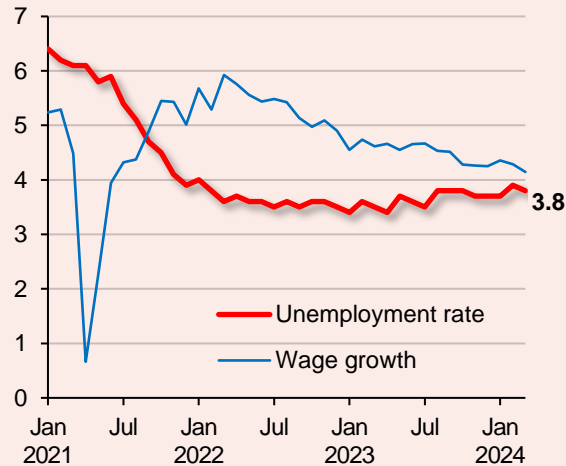
Manufacturing and services PMI

50=Threshold



Unemployment rate and wage growth

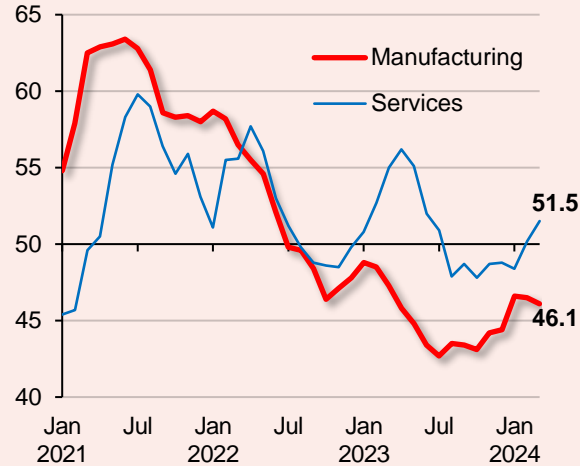
% / %, YoY



Euro Area

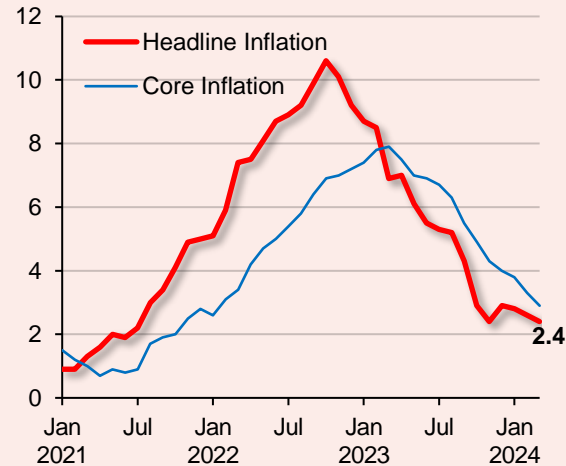
Manufacturing and services PMI

50=Threshold



Headline & core inflation

%, YoY



The United States

Soft landing remains intact

- The US economy remains resilient, underpinned by households spending and robust exports.
- A slew of data suggests continued economic expansion in Q1 2024.

Euro Area

Imminent rate cut to stem economic contraction

- The incoming economic data still weak, suggesting subdued growth in Q1 2024.
- Soft inflation bolsters the case for the ECB to cut rate.

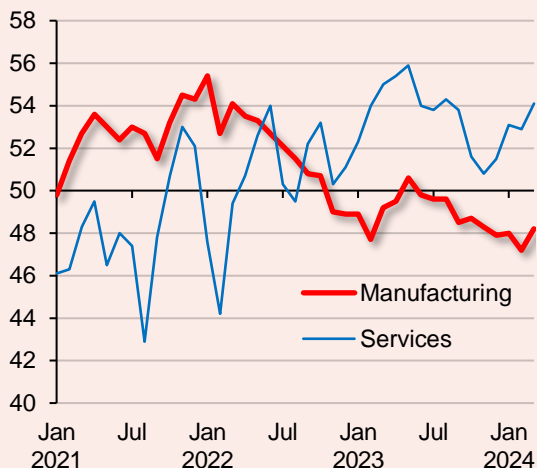
Source: Institute for Supply Management (ISM); US Bureau of Labour Statistics; S&P Global; Eurostat

Mixed performance in key economic powerhouses (cont.)

Japan

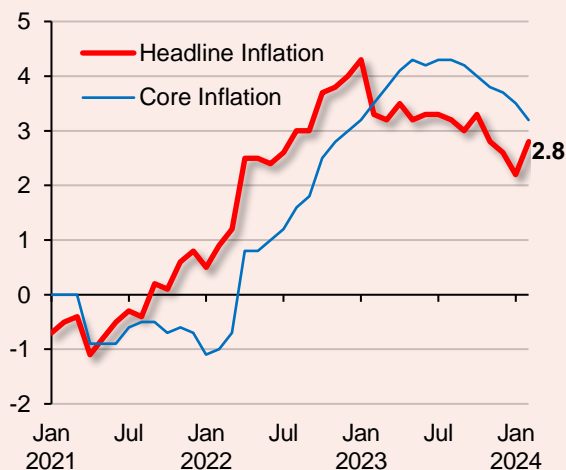
Manufacturing and services PMI

50=Threshold



Headline & core inflation

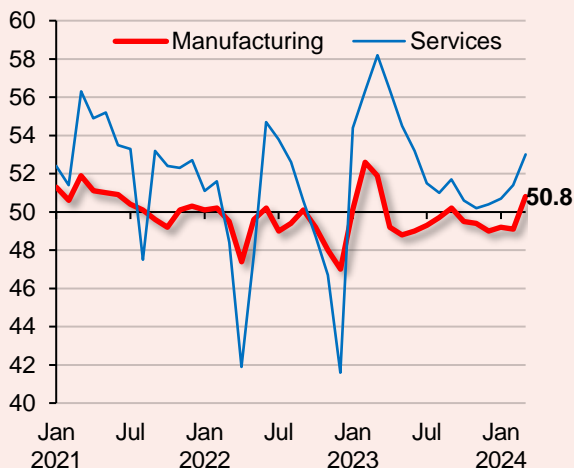
%, YoY



China

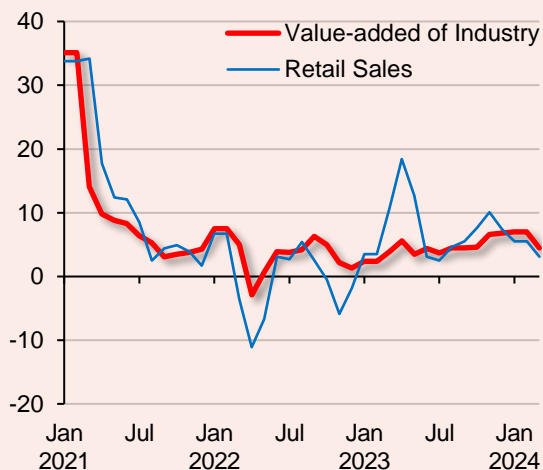
Manufacturing and services PMI

50=Threshold



Industrial and retail activities

%, YoY



Japan

An end of negative policy rate

- Escaped from a technical recession in Q4 2023.
- High inflation has crimped private consumption.
- Latest data suggest improved economic showing in Q1 2024.

China

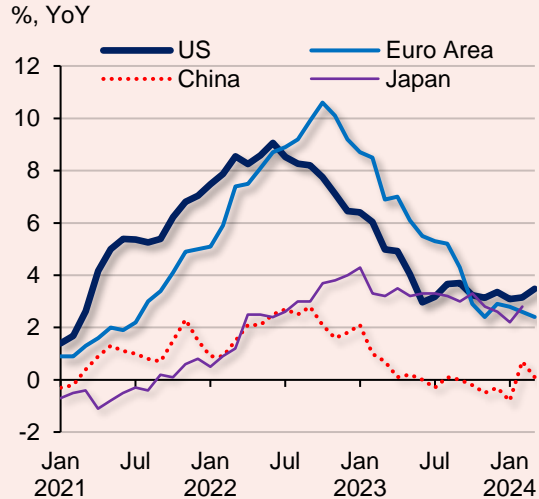
Accelerating growth

- A good start for the year 2024 with 5.3% growth in Q1 amid still stressing property sector.
- Incoming economic data displayed a mixed performance.

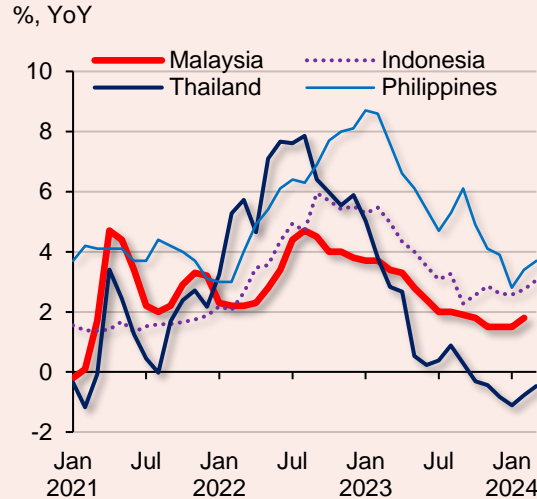
Source: S&P Global; Statistics Bureau of Japan; National Bureau of Statistics of China

Global inflation has normalised, upside risks remain

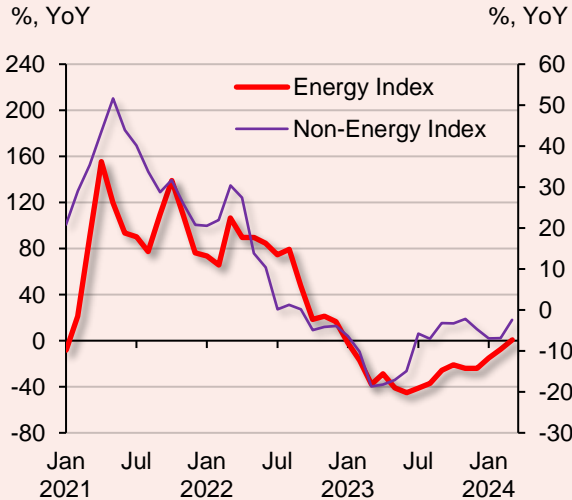
Inflation – Key economies



Inflation – Selected ASEAN economies

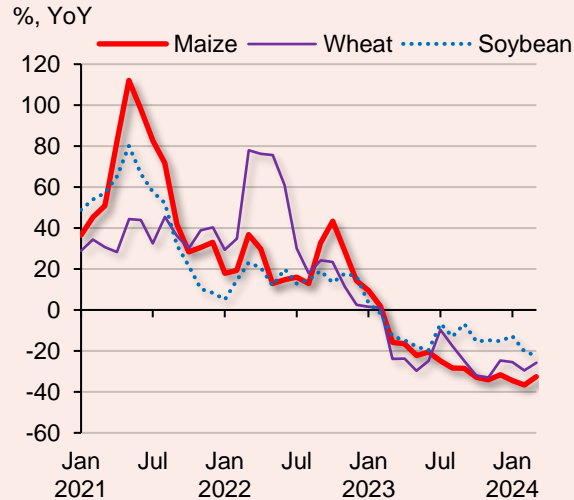


Energy index



Non-energy index

Selected global food prices

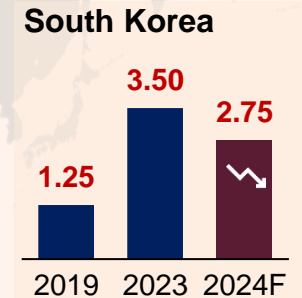
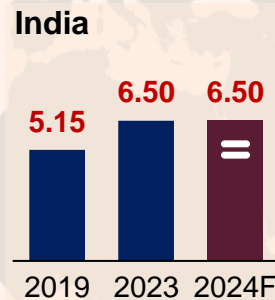
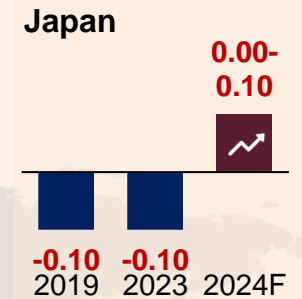
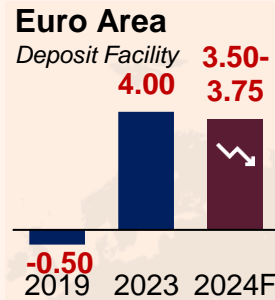
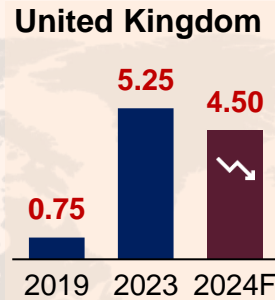
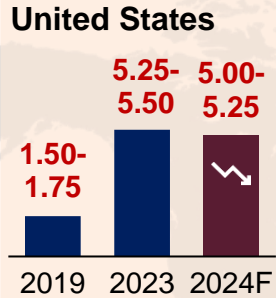


- Headline inflation has consistently slowed, price trend is moving closer to the central banks' target.
- However, some signs of resurgence in inflation seen as commodity prices have started to pick up.
- The Middle East tensions pose a risk to temper the current slowing inflation trajectory.
- While the rate cut is on the horizon, the central banks are waiting for more confirmation of price data before cutting rate.

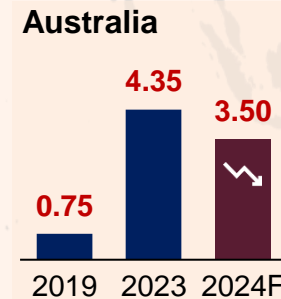
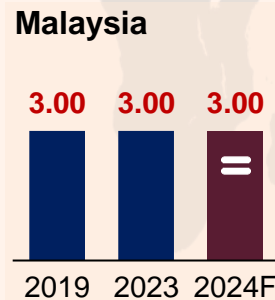
Source: World Bank; Various officials for inflation data

Global monetary policy tracker

Policy rate (% , end-period)



Federal Reserve Chair Powell: “However, the recent data has not given us greater confidence that inflation is heading towards the 2% target”



Source: Various officials; SERC's forecasts



Malaysia Economic Outlook

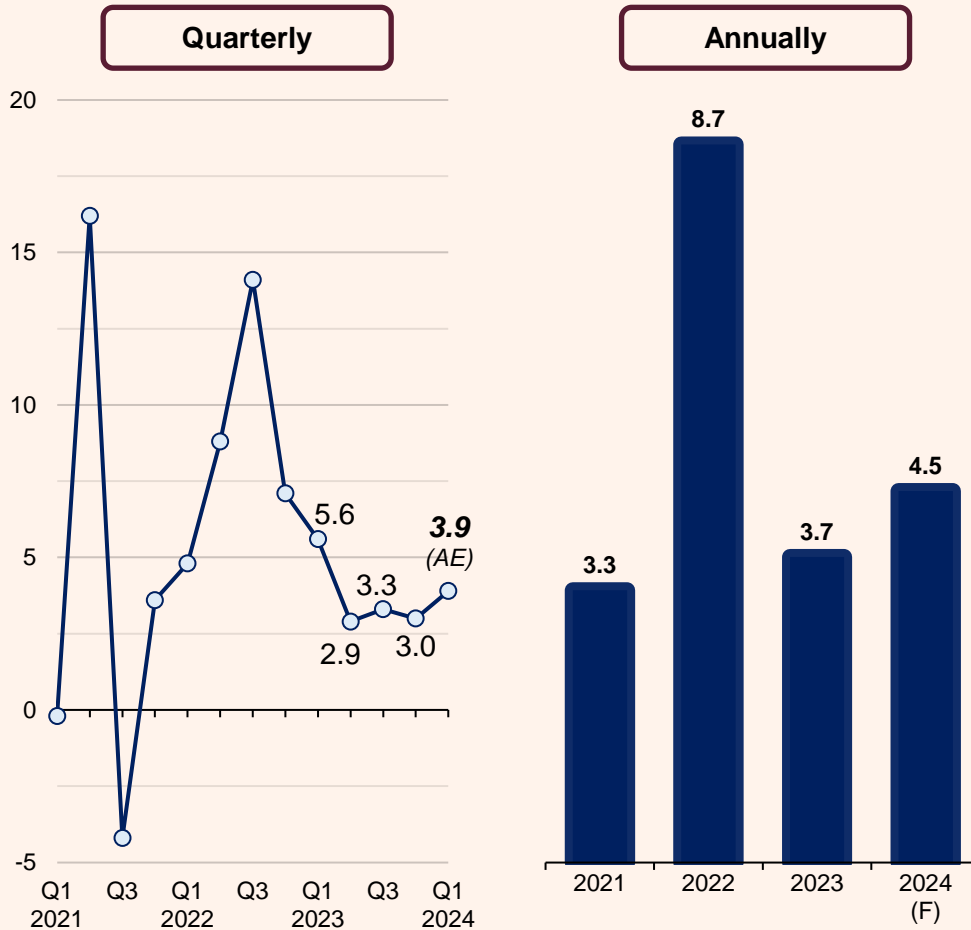
Positive Signals amid Downside Risks

- *Cautiously better economic growth in 2024.*
- *High frequency indicators provide a good head start for the year.*
- *Gradual exports recovery, cautious discretionary spending and higher investment.*
- *The on-going implementation of multi-year infrastructure projects, continued capacity expansions and the realisation of some approved investments in previous years (2021-2022).*
- *Upside risks to headline inflation.*
- *BNM's Overnight Policy Rate to stay put 3.00% in 2024.*



The Malaysian economy in a positive direction

Malaysia's real GDP growth (% YoY)



AE = Advance estimates by DOSM

Source: Department of Statistics Malaysia (DOSM); SERC's forecast

Drivers of economic growth in 2024

Supporting drivers

- Higher income growth and continued expansion in employment.
- New and ongoing multi-year projects as well as the implementation of national master plans.
- Rebound in global trade and tech upcycle.
- Higher tourist arrivals and spending.

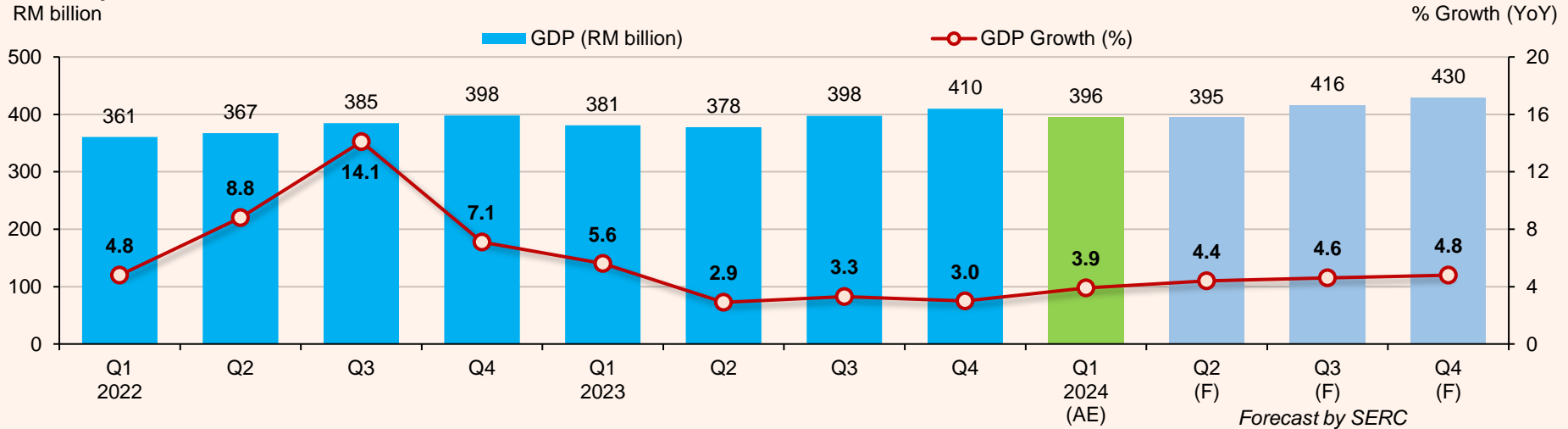
Dampening drivers

- Increased cost of living and business costs.
- The US-China trade and technology tensions, the military conflicts in Russia-Ukraine and Middle East pose a significant geopolitical risk to the world economy. An escalation in the Middle East has given rise to greater risk exposures in capital flows, trade flows and commodity markets worldwide.
- Climate change and unfavourable weather conditions could dampen commodity production.

Advance estimates of 3.9% yoy GDP growth in Q1 2024

Quarterly GDP

RM billion



Economic performance by production approach



Services

4.4%
(Q1 2024)

4.2% in Q4 2023



Manufacturing

1.9%
(Q1 2024)

-0.3% in Q4 2023



Agriculture

4.9%
(Q1 2024)

3.8% in Q4 2023



Mining and Quarrying

1.3%
(Q1 2024)

1.9% in Q4 2023



Construction

9.8%
(Q1 2024)

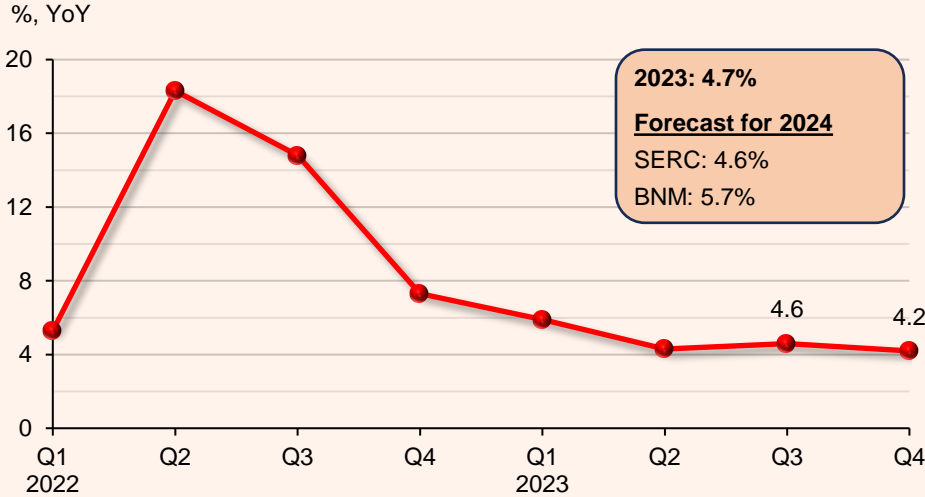
3.6% in Q4 2023

AE = Advance estimates by DOSM

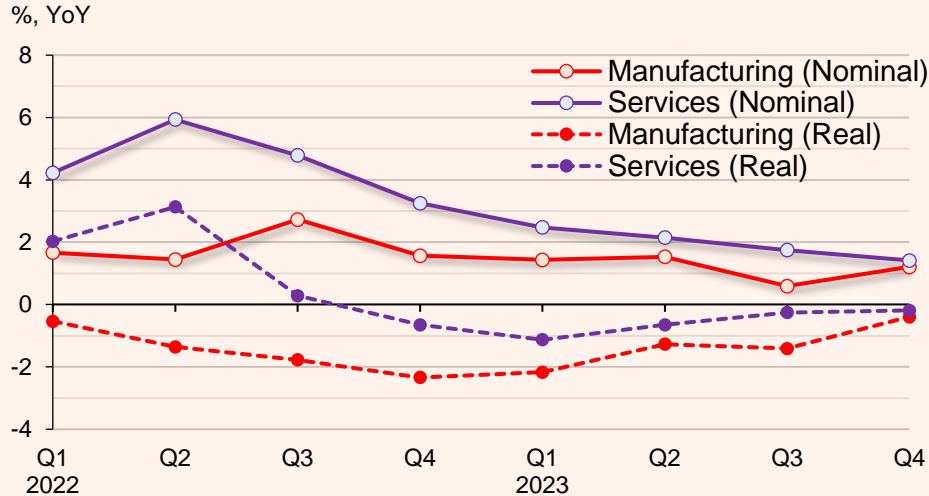
Source: Department of Statistics Malaysia (DOSM); SERC's forecast

Can consumer spending continue to hold firm?

Private consumption growth (60.8% of GDP in 2023)



Real wage growth per employee



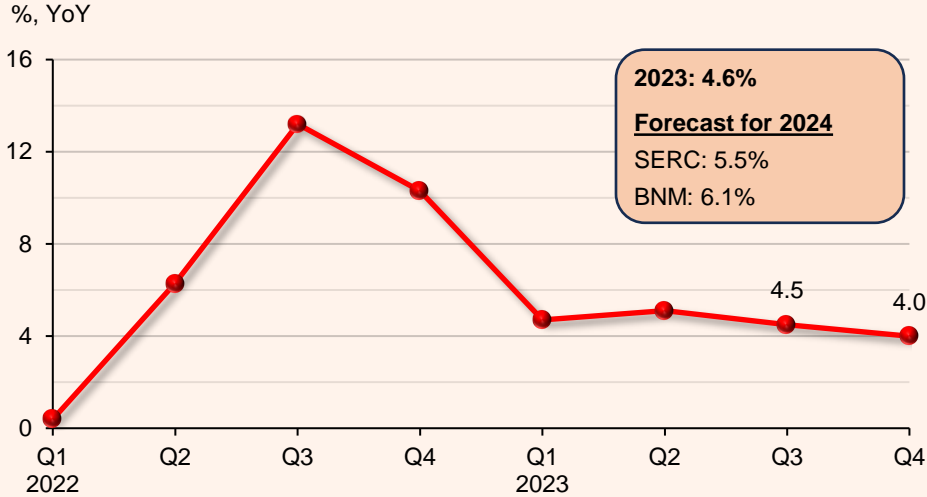
Source: DOSM

Key focuses

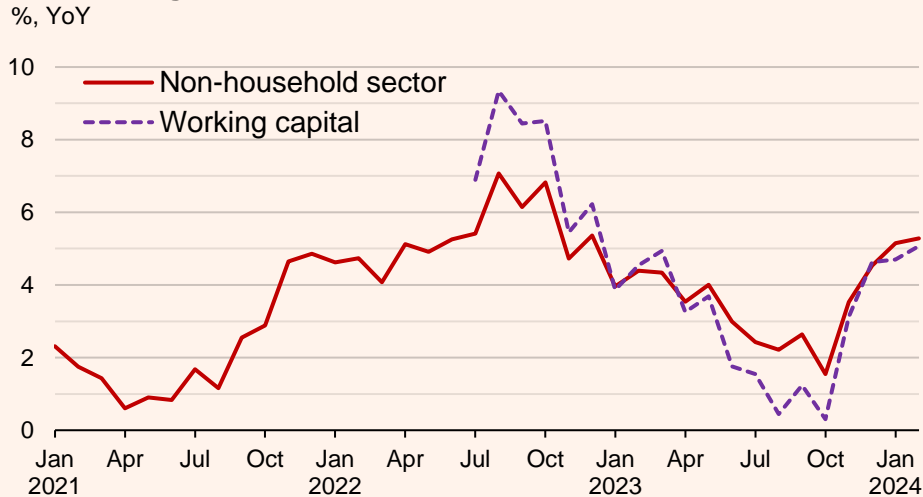
- Labour market conditions remain intact: Continued expansion in employment; unemployment rate has normalised and healthy.
- Higher tourist arrivals and spending. Malaysia targets 27.3 million tourist arrivals (of which 5 million from China) with RM102.7 billion in total tourism receipts in 2024.
- Consumers will be more cautious on discretionary spending as real wage growth has declined.
- The **dampening factors**:
 - Continued high cost of living
 - Increases in prices of food and beverages
 - Higher service tax rate for selected categories and new scope of tax
 - Impact of weakening ringgit
 - Anticipated implementation of targeted fuel subsidy rationalisation
- The **mitigating factors**:
 - RM10.0 billion Sumbangan Tunai Rahmah
 - Festive financial incentives and Early incentive payment (RM2,000) for civil servants
 - The Flexible Account (Account 3) of the EPF

Catalysts for private investment growth have to be sustained

Private investment growth (15.5% of GDP in 2023)



Outstanding loans to the business sector



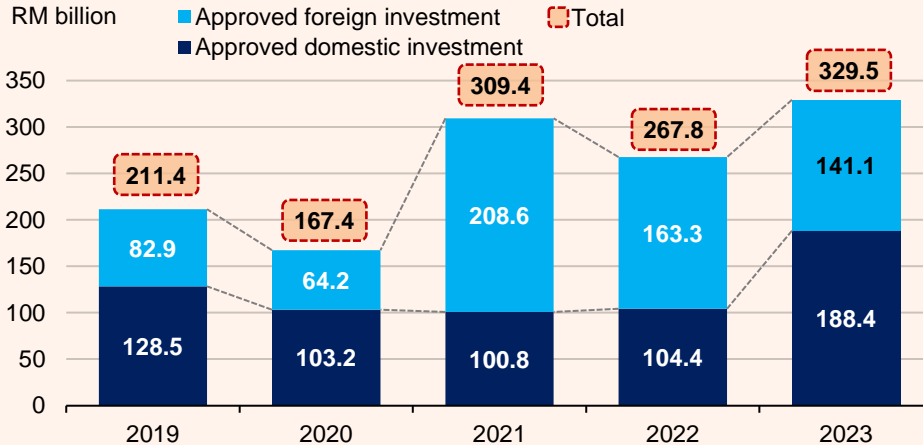
Key focuses

- Drivers that underpinning private investment growth:
 - On-going implementation of multi-year infrastructure projects
 - Continued capacity expansions
 - Realisation of some approved investments in previous years (2021-2022).
- The benefits of several economic policies, particularly New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR) and the Mid-Term Review of the 12th Malaysia Plan (2021-2025), are gradually materialising.
- Notwithstanding, increasing business operating costs and high cost of raw materials, coupled with weak Ringgit, would dampen the business spending, especially the small and medium enterprises (SMEs).

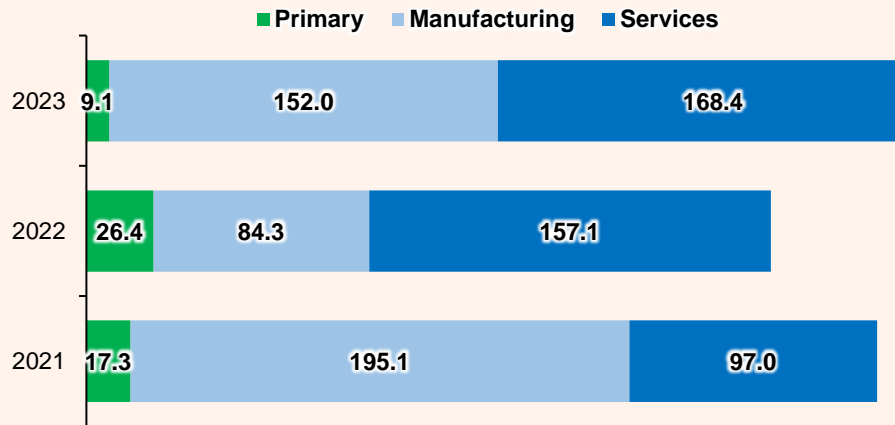
Source: DOSM; BNM

More than 85% of manufacturing projects approved in 2021 to 2023 being implemented

MIDA's approved DDI and FDI



MIDA's approved Investment by major sector



Some notable investment projects



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



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



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



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



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



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



Inaugurates Southeast Asia's First IC Substrates Manufacturing Plant Valued **RM8.5 billion** in Kulim



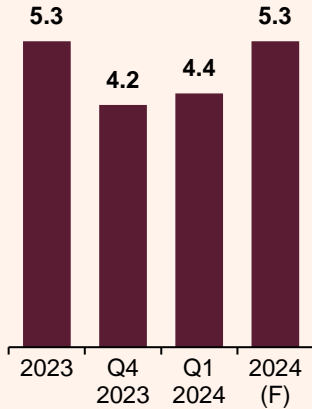
Establishes Its First **RM5.8 billion** High-Volume Manufacturing Facility In Malaysia

Source: Malaysian Investment Development Authority (MIDA)

Most sectors are going to register better growth in Q1 2024

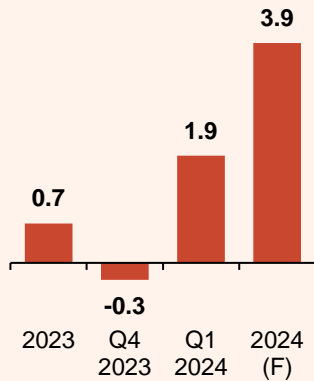
Real GDP growth by sector (%)

Services



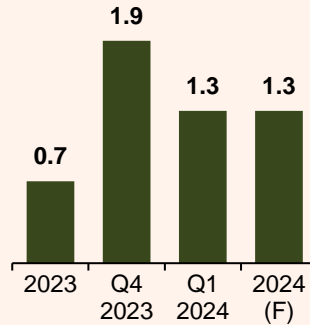
- Tourism-related activities support consumption and retail segment
- Improvements in business-related subsectors

Manufacturing



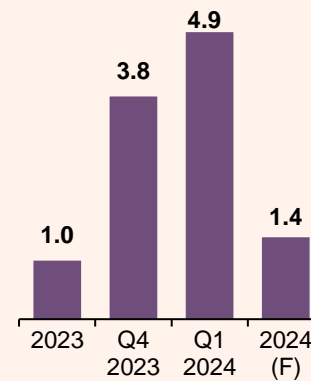
- Recovering external demand helps export-oriented industries
- Global tech upcycle
- Favourable domestic-oriented industries

Agriculture



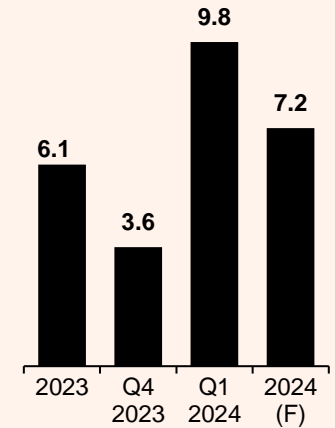
- Higher production of crude palm oil (CPO), and other agriculture segments

Mining and Quarrying



- Increase in production of natural gas from new and existing gas fields, and crude oil and condensates

Construction



- New and ongoing large infrastructure and small-scale projects
- Improvement in housing demand, rising loan in purchase of residential properties

Note: Q1 2024 is advance estimates by DOSM

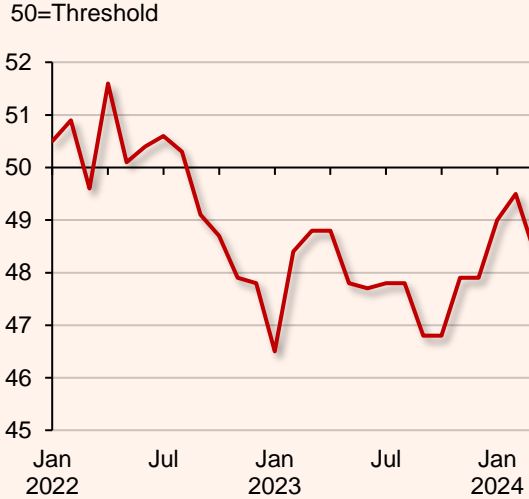
Source: DOSM; SERC's forecasts

Tracking Malaysia's economic indicators

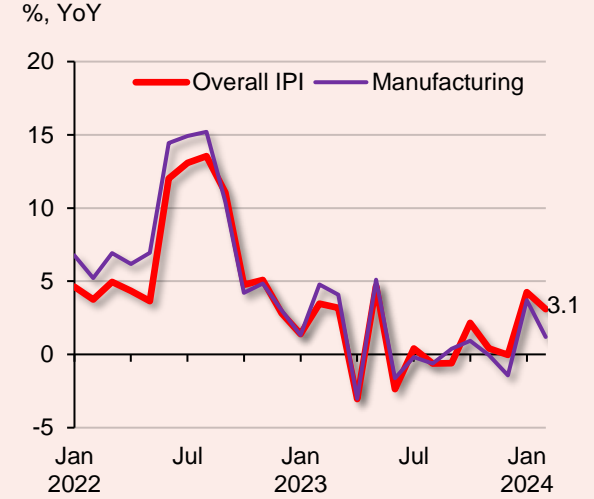
Leading indicators



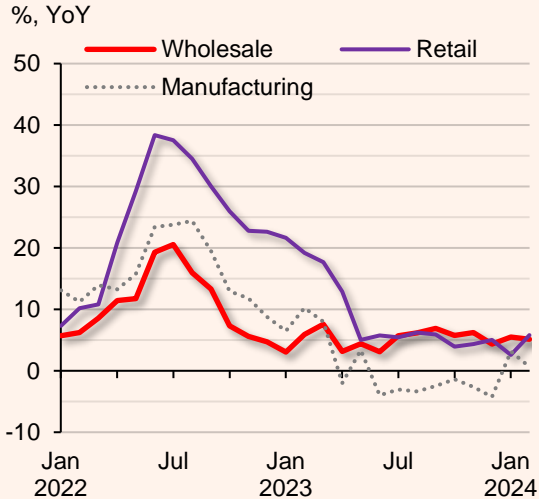
Purchasing Managers' Index (PMI)



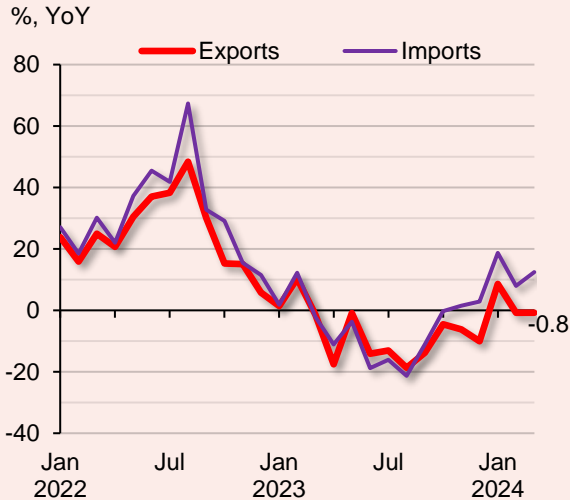
Industrial production index (IPI)



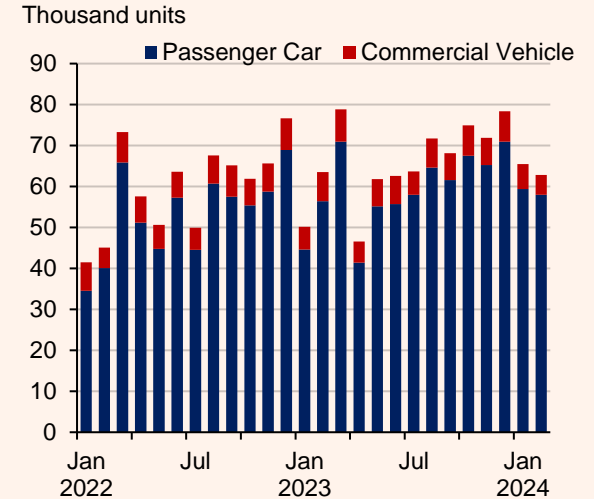
Wholesale, retail & manufacturing sales



External trade



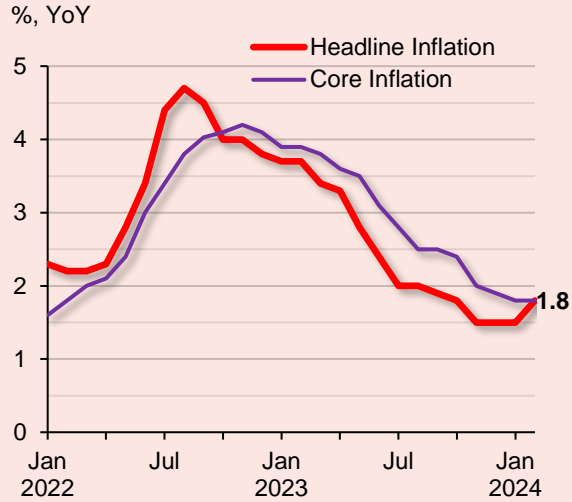
Sales of passenger & commercial vehicles



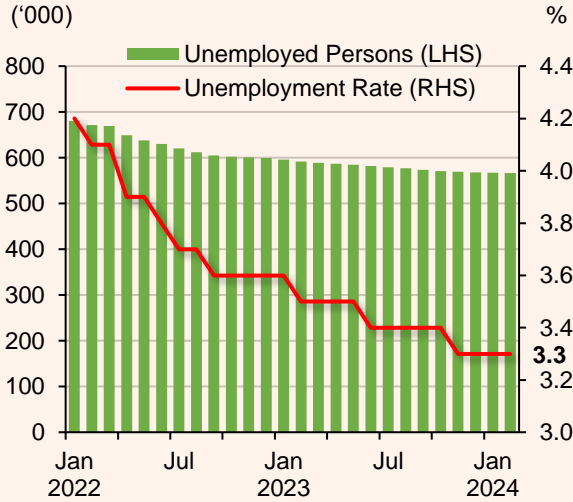
Source: S&P Global; DOSM; Malaysian Automotive Association (MAA)

Tracking Malaysia's economic indicators (cont.)

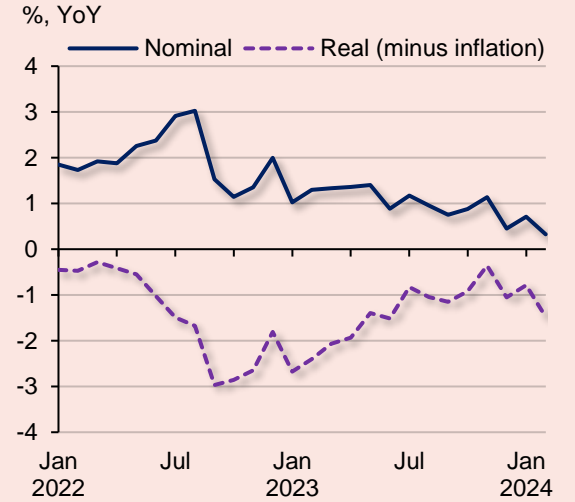
Inflation



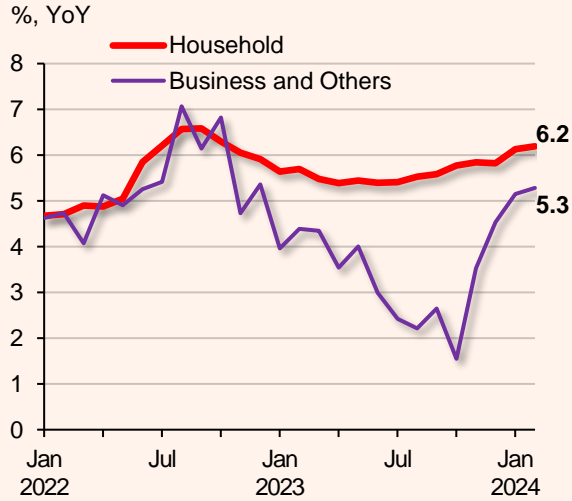
Unemployment



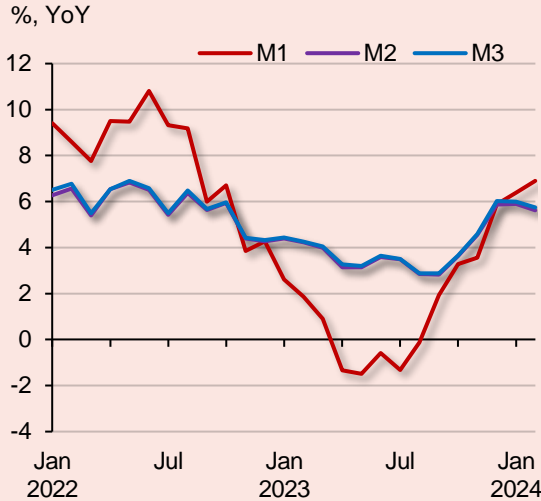
Manufacturing wage (per employee) growth



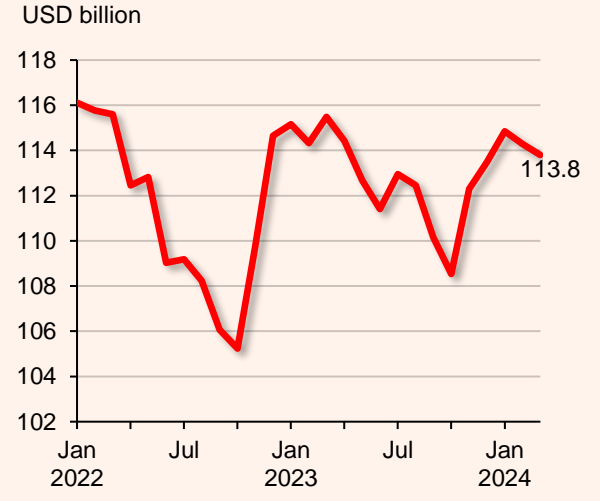
Outstanding banking loan growth



Money supply












Foreign reserve



Source: DOSM; BNM; MIDA

Selected economic indicators at a glance

Indicators	Dec 2023	Jan 2024	Feb 2024	Mar 2024
 Leading index %, YoY	110.2 +0.4%	112.0 ↑ +3.2% ↑		-
 Purchasing Managers' Index	47.9	49.0 ↑	49.5 ↑	48.4 ↓
 Industrial production index %, YoY	130.1 -0.03%	132.8 ↑ +4.3% ↑	124.4 ↓ +3.1% ↓	-
 Distributive trade %, YoY	RM143.9bn +4.8%	RM142.4bn ↓ +5.4% ↑	RM141.1bn ↓ +5.5% ↑	-
 Exports %, YoY	RM118.4bn -10.1%	RM122.4bn ↑ +8.7% ↑	RM126.1bn ↑ -0.8% ↓	RM128.6bn ↑ -0.8% ↔
 Headline Inflation Core Inflation	+1.5% +1.9%	+1.5% ↔ +1.8% ↓	+1.5% ↔ +1.8% ↔	
 Unemployed persons Unemployment rate	567,800 3.3%	567,300 ↓ 3.3% ↔	567,000 ↓ 3.3% ↔	-
 Outstanding banking loan %, YoY	RM2,131bn +5.3%	RM2,137bn ↑ +5.7% ↑	RM2,147bn ↑ +5.8% ↑	
 Foreign reserve	US\$113.5bn	US\$114.8bn ↑	US\$114.3bn ↓	US\$113.8bn ↓

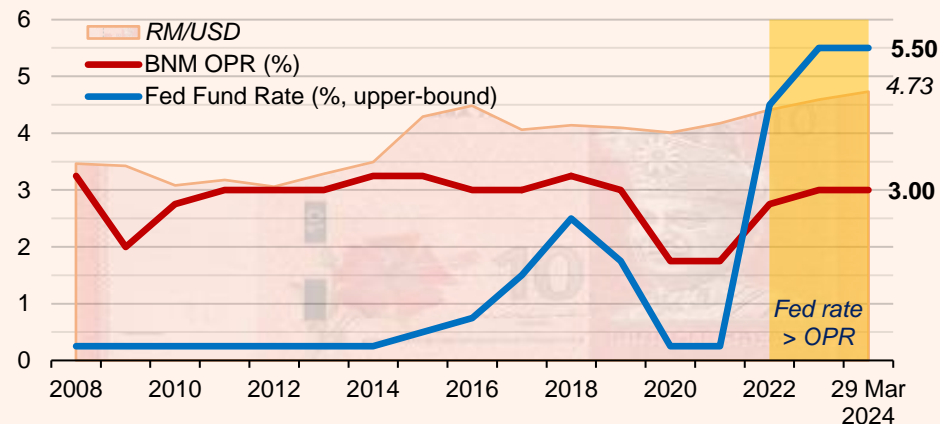
Source: DOSM; BNM

Note: Arrow indicates the performance compared to previous month.

BNM's OPR to hold steady at 3.00% in 2024

BNM OPR vs. Fed Funds Rate vs. RM/USD

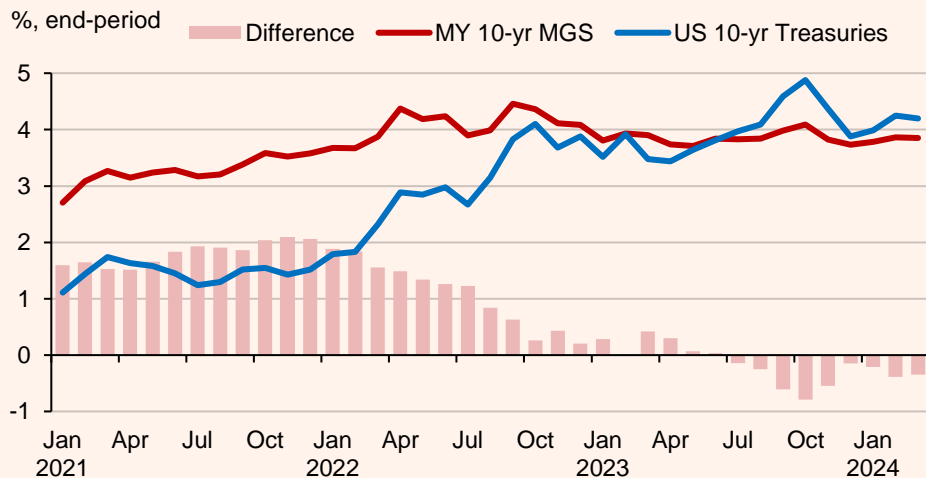
Rate at end-period



OPR set to stay put at 3.00%

- Growth supporting remains the policy priority.
- Subsidy rationalisation-induced inflation will restrain demand.
- MY-US interest rate differentials would cap the Ringgit's appreciation against the US dollar.
- BOJ's abandon of negative interest rate policy could induce financial volatility.

Yields: MY 10-year MGS vs. US 10-year Treasuries

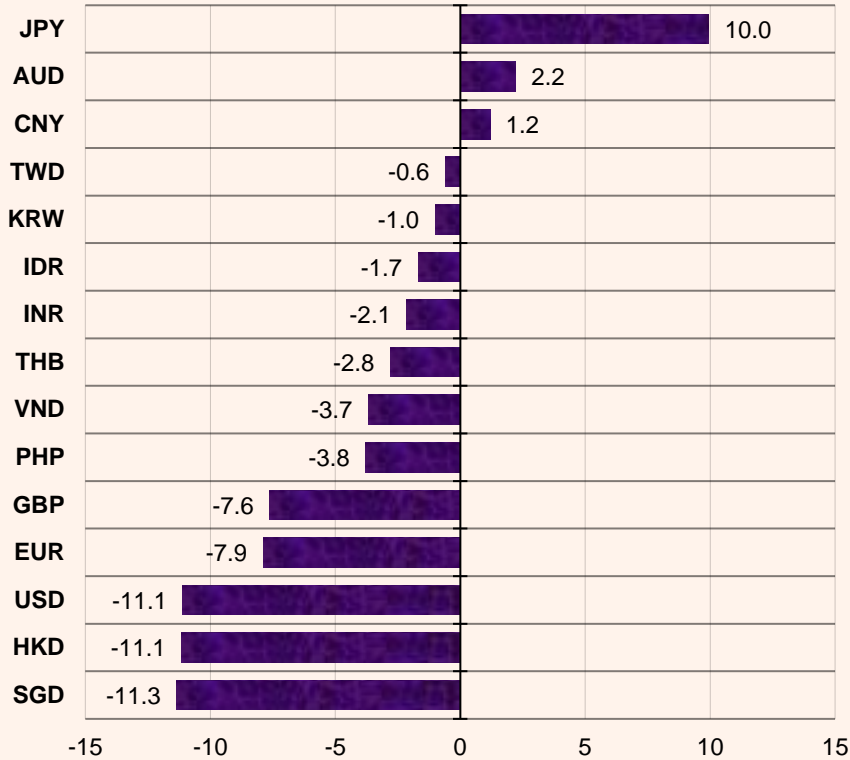


Source: Fed; BNM; US Treasury Department

The ringgit's performance since the Fed's rate hike cycle starting in March 2022

The Ringgit against major and regional currencies (%)

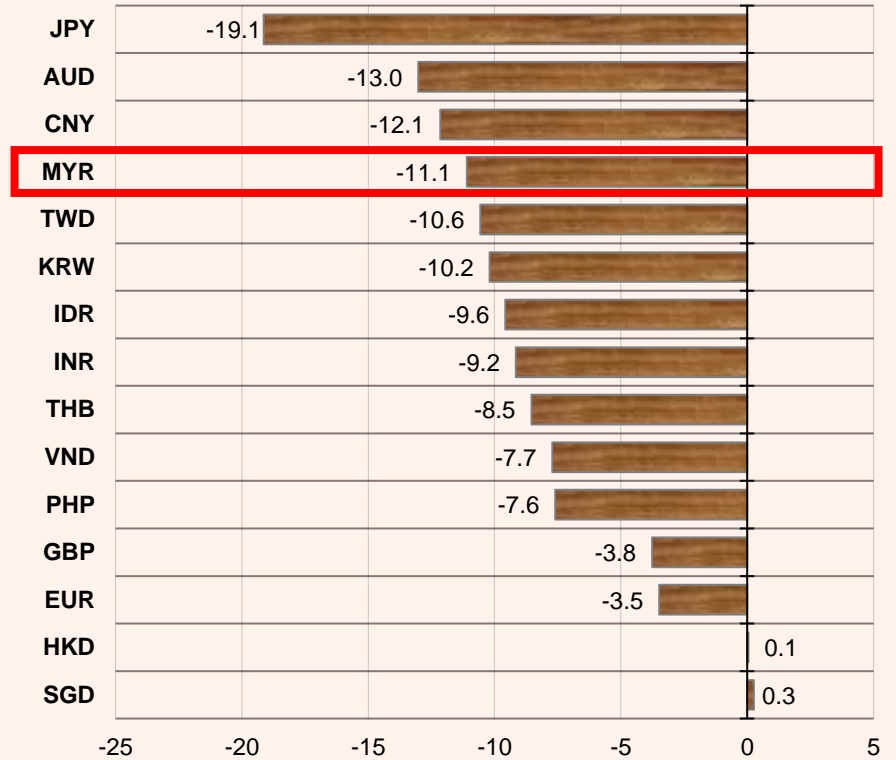
Depreciation ← Appreciation →



■ 29/03/2024 vs 31/03/2022

Major and regional currencies against the USD (%)

Depreciation ← Appreciation →



■ 29/03/2024 vs 31/03/2022

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

Source: Bank Negara Malaysia (BNM)

The ringgit is undervalued

Have our fundamentals deteriorated?

Malaysia



Positive:

- **Economic growth prospects** – Growing, albeit downside risks
- **Budget deficit** – Reducing
- **Monetary policy** – OPR held steady
- **Banking system** – Strongly capitalised
- **Capital market** – Deep and diversified
- **Approved MIDA investment** – High levels



Negative:

- **Inflation outlook** – Rising
- **BOP current account surplus** – Decreasing
- **Higher repatriation of profits and dividends by FDI**
- **FG debt and liabilities** – Rising



Neutral to negative:

- **FDI flows** – Uneven
- **Portfolio flows in equity and debt** – Net selling of equities; lower debt inflows; domestic residents investing abroad

External sources



Negative:

- **US interest rate to stay high and for longer**
- **Wide interest rate differential; better return on investment**
- **Market concerns and investors' sentiment**

BNM has taken concerted measures to manage the pressure:



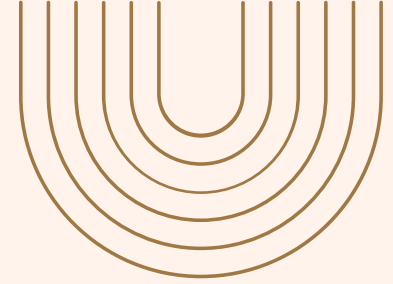
Encourage conversion of FCY income by GLCs and GLICs



Actively engage Corporates and Investors



Monitor conversion of export proceeds and import payments



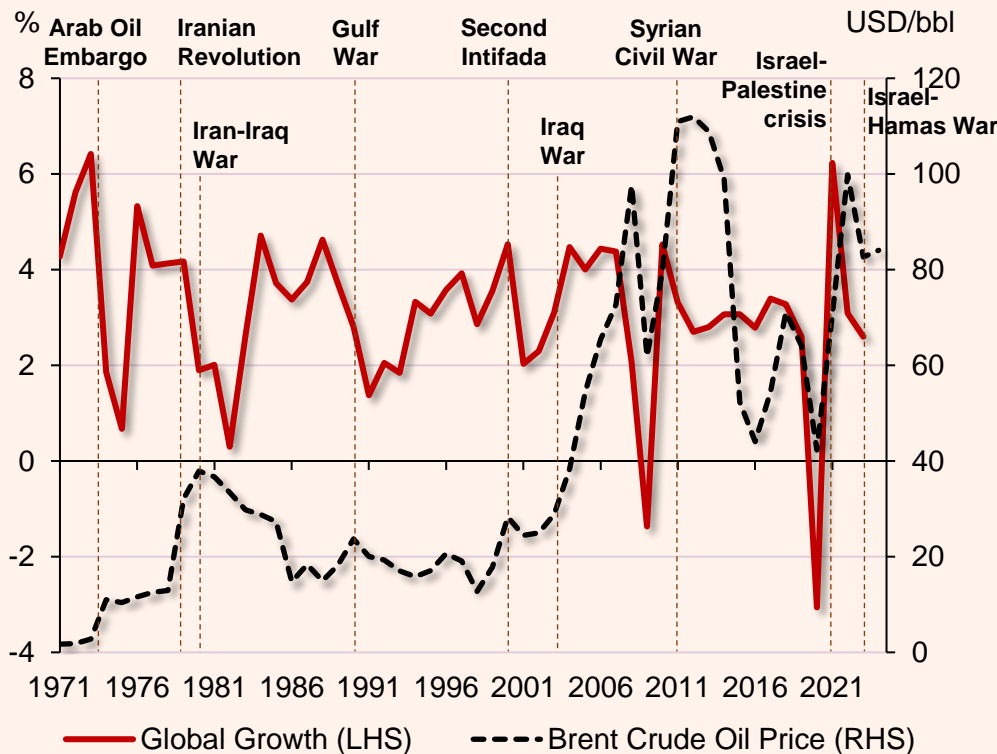
How Oil Shocks Can Be Less Shocking?



Spotlight on the impact of military conflicts in the Middle East

- The military conflicts are high in the Middle East. An escalation into a full-scale war could send volatility in global commodity, energy and minerals markets, trade flows, financial and foreign exchange markets.
- Year-to-date, Brent crude oil prices have risen by 12.9% to USD87.72/bbl on 19 April (averaged USD82.92 per barrel in Q1 2024) from USD77.69/bbl on 29 December 2023.

The Middle East inflicted Major Oil Shocks



Source: IMF; World Bank

How would higher oil prices impact the global economy?

The transmission impact of an oil price shock on the global economy depends on several factors as follows:


1. The size of an oil price shock, the durability of the shock and its perceived duration;
2. The prevailing global economic conditions and political environment;
3. The level of energy intensity; energy-intensive countries will feel a shock more than ones that do not heavily rely on oil;
4. Policy responses (fiscal and monetary) of policymakers and central banks.

How would higher oil prices impact the Malaysian economy?

A. Trade channel

Trade balance RM million	Crude oil (2023: 2% of exports)	LNG (2023: 4.2% of exports)	Petroleum products (2023: 10.1% of exports)	Total	Total trade balance / GDP
2019	1,101	37,004	-5,969	32,137	2.1%
2020	304	24,964	1,881	27,149	1.9%
2021	4,241	36,731	6,659	47,631	3.1%
2022	-21,094	58,411	15,566	52,884	3.0%
2023	-32,240	52,607	5,561	25,928	1.4%
2024 (Jan-Mar)	-7,021	15,750	-2,947	5,783	N/A

 **Higher oil prices should be positive for Malaysia's oil and gas exports.**

 **Second order effect on our exports** – dampen global demand due to slower consumer spending (high inflation) and investment demand (increased energy cost).

Supply chain disruptions, higher costs, and delays in global trade flows could be impacted by the shutdown or increased risk of Eastern Mediterranean and Persian Gulf or even airways resulting from conflict in these areas.

B. Financial channel



- **Investors become more uncertain** → higher equity risk premia, putting additional downward pressure on stock prices.
- **Volatility in global stock markets will generate volatility spillover on Malaysia's equity market risk** → adverse foreign investors would seek shelter in safe-haven assets such as foreign bonds, foreign currencies and gold to hedge against inflation.

C. Domestic prices channel



Two spillover transmission channels on Malaysia's inflation:

(i) Imported inflation

- The share of import content in domestic consumption is approximately 26%, including key necessities such as food and beverages, restaurants and hotels (7%) and transportation (5%). Persistent weakening Ringgit will compound the impact of imported price inflation.

(ii) Direct inflation

- Diesel and petrol carries weightage of 0.2% and 5.5%, respectively in CPI basket. **Every 10% increase in petrol retail price is estimated to contribute about 0.55 percentage points to the headline inflation.**
- Targeted fuel subsidy rationalisation will not lead to a complete floating of the retail petrol prices, rather a gradual adjustment in prices, the impact on headline inflation will be manageable though the **indirect impact arising from increases in prices of other goods and services could mean higher inflation rate.**

D. Budget deficit



The 2024 Budget was based on estimated crude oil price of US\$85/bbl.

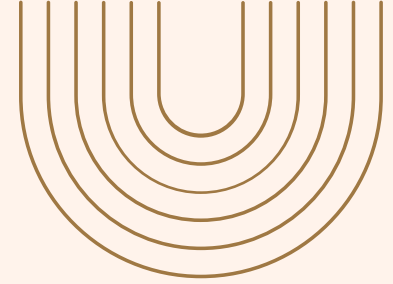
For every USD10/bbl increase in oil price:

- **Fuel subsidies are projected to increase by RM4.7 billion per year**
- **Oil-related revenue will increase by RM3.0-3.5 billion**
- **Overall fiscal balance to deteriorate by RM1.2-1.7 billion or 0.06%-0.09% of GDP.**

E. Interest rate



Given the implementation of a gradual targeted fuel subsidy rationalisation and also largely cost-driven inflation, which itself will act to moderate consumer spending, Bank Negara Malaysia is **unlikely to raise interest rate to act on an increase in inflation.**



China Plus One Strategy

Opportunities yet Challenges for Malaysia



Reaping the benefits by leveraging China+1 Strategy

- The “**China Plus One**” strategy was long mooted since 2013 as multi-national companies (MNCs) seek to diversify their sources of supply and production from over-dependency on China over concerns about supply chain disruptions and costs.
- This approach has gained more tractions in recent years and will accelerate further given tetanic shifts in global economic landscape and economic security.
- The significant drivers of de-globalisation and protectionist policies have been fuelled by the years of rising trade and technology tensions between the US and China, the COVID-19 pandemic crisis, the military conflicts in Ukraine, climate risk and ESG (environment, social and governance), disruptive technology as well as cybersecurity.
- Some emerging and frontier-market economies in Asia, especially ASEAN with untapped potential in the manufacturing sector, have upped the ante to be prime candidates for global manufacturers seeking more resilient and conflict-free supply chains as well as diversifying their operations and establishing additional lines in other countries in addition to China.
- While Indonesia, Thailand, Vietnam and the Philippines will rival Malaysia to be one of the prime beneficiaries, **Malaysia still has the right ingredients and advantages by presenting herself as an attractive alternative location for MNCs and businesses looking to diversify their production and sourcing activities.**

Assessing Malaysia's competitiveness among the peers

IMD World Competitiveness Ranking

Note: Green indicates increase in ranking; Red indicates decrease in ranking.







Ranking	2019	2020	2021	2022	2023
Singapore	1	1	5	3	4
Malaysia	22	27	25	32	27
Thailand	25	29	28	33	30
Indonesia	32	40	37	44	34
Philippines	46	45	52	48	52

3rd
out of 78

(Maintained)
[1st in ASEAN]

2023 Kearney Global
Services Location Index

Economic Complexity Index (ECI) on Trade

Ranking	2010	2015	2019	2022
 Singapore	10	10	6	5
 Malaysia	29	25	27	28
 Thailand	42	29	30	29
 Philippines	54	48	43	38
 Vietnam	83	77	62	60
 Indonesia	75	73	64	67

8th
out of 44

(↓5)
[1st in ASEAN]

2023 Kearney Global
Retail Development Index

Source: International Institute for Management Development (IMD); The Observatory of Economic Complexity (OEC)

Assessing Malaysia's competitiveness among the peers (cont.)

Global Opportunity Index (2024)

Ranking	BP	EF	FS	IF	ISP	Total
Singapore	6	29	18	3	18	14
Malaysia	25	31	27	25	46	27
Thailand	21	22	29	51	68	37
Indonesia	57	44	75	52	55	55
Vietnam	75	23	73	90	73	65
Philippines	86	78	94	101	80	91

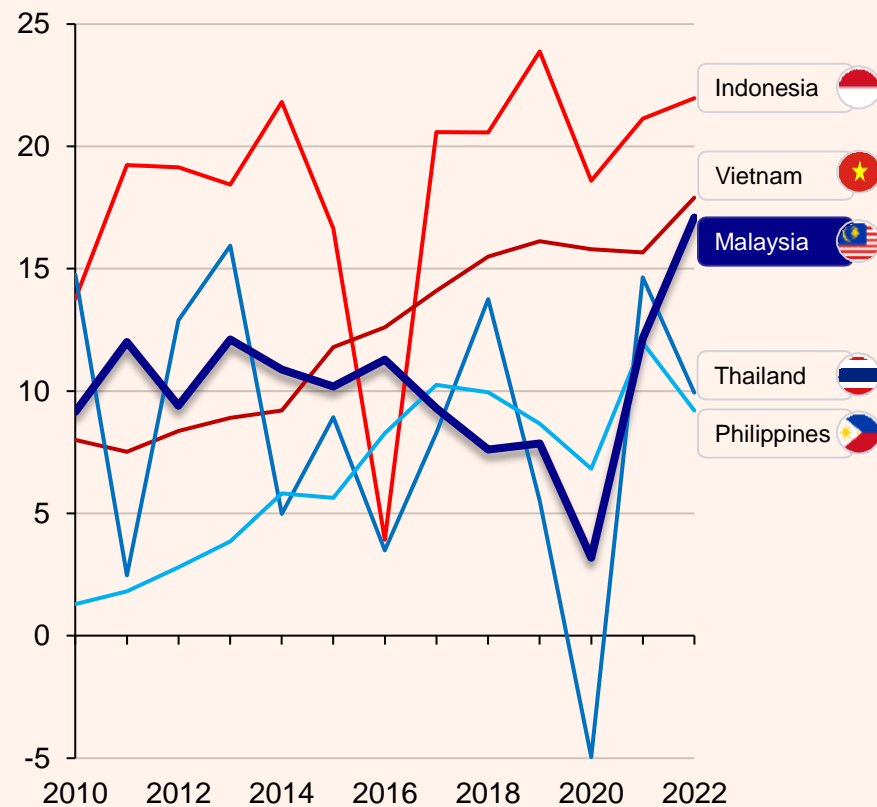
Legend

- BP** Business Perception
- EF** Economic Fundamentals
- FS** Financial Services
- IF** Institutional Framework
- ISP** International Standards and Policy

Note: Highlighted number indicates better ranking than Malaysia.

Inward FDI in selected ASEAN countries

USD billion



Regional peers have received more FDIs in recent years

Source: Milken Institute; ASEAN Secretariat

Nine opportunities yet challenges for Malaysia to derive maximum benefits

1 Geographical Edge

- Situated between the Indian Ocean and the South China Sea, **Malaysia is strategically positioned to act as shipping and logistics hub to serve key intermediary points between the East and the West** in global trade and business dynamics as well as global supply chains.
- Port Klang and the Port of Tanjung Pelepas (PTP) continue to remain the top 20 busiest ports in the world. The Kuantan Port has also grown its prominence to connect with East Asian markets. The operational of the East Coast Rail Link (ECRL) in 2027 will significantly boost the handling capacity for both container and conventional cargo at the main shipping hub of Port Klang.

3 Ensuring Political Stability

- Malaysia has had more than three years political instability until the formation of a unity government after the 15th General Election (GE15) in late November 2022.
- **Political stability and good governance are critical factors** in ensuring the effective implementation of public policies and attracting foreign investment.

2 Resilience Economic and Financial Fundamentals

- Malaysia's **diversified economic sectors, products and markets as well as export structure** has had contributed to its economic resilience amid weathering through the years of economic and financial shocks.
- In the post COVID-19 pandemic crisis period, real GDP growth has recovered to grow by an average growth of 5.2% per annum in 2022-2023 (5.1% pa in 2011-2009). Putrajaya remains committed to reduce its fiscal deficit and contain debt and liabilities through the implementation of fiscal reforms in phases.
- The financial sector is strongly-capitalised and provides a well-developed capital market for financial intermediation.

4 Conducive Business and Investment Ecosystem

- Post the COVID-19 pandemic, the government has enhanced **investment climate through improving the ease of doing business, targeted tax incentives and strategic industrial funds, simplification of investment application and approval processes as well as better coordination between the Federal government, state and local authorities.**
- The Special Task Force to Facilitate Business (PEMUDAH) has been re-activated to remove administrative red tape and make Malaysia a more business-friendly destination.
- Additionally, the government has launched (i) MADANI Economy Framework to put Malaysia in the top 30 of the world's largest economies and top 12 in the Global Competitiveness Index; (ii) New Industrial Master Plan (NIMP) 2030 to transform the manufacturing sector of high value added, high tech and ESG compliant; and (iii) National Energy Transition Roadmap to catalyse green investment in renewable energy (RE) for achieving zero carbon emission.

5 Gateway to Global and Regional Markets

- **Malaysia's proximity to Asia – especially ASEAN – makes it an ideal gateway** for businesses to penetrate these emerging markets. To date, Malaysia has signed and implemented a total of 16 Free Trade agreements (FTAs) – seven bilateral FTAs and nine regional FTAs.
- Notably, Malaysia has implemented two mega-FTAs in 2022, namely the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

6 Advanced Manufacturing and Broad-Based Services Sector

- Malaysia has an **advanced specialisation in the manufacturing of electrical and electronics (E&E) products, machinery and equipment, petroleum products as well as chemical and chemical products.**
- It is the sixth largest exporter of integrated circuits, contributing to 7.0% of global market share. Malaysia controls 13% of global market for packaging, assembly and testing services for semiconductors. Malaysia is the surprise winner of the US-China chip war.
- Potential investment opportunities in data centres, EV, renewable energy, advanced materials, smart agriculture and food security.

7 Rich Natural Resources and Abundant Land

- Malaysia has a **diverse range of rich natural resources**, including minerals such as crude oil, natural gas, palm oil, rubber, copper ore, iron and steel, rare earth and advanced materials.
- The supply and readily access to raw materials and intermediate inputs would ease the concern of supply disruptions and lower cost of inputs. Additionally, Malaysia has great potential of developing hydrogen green energy in addition to access to numerous RE sources.

9 Well-developed Infrastructure

- Malaysia boasts a **well-developed and modern infrastructure**, including ports, airports, and road networks as well as enhanced connectivity and telecommunication networks. These infrastructures enhance supply chain reliability, and global accessibility for businesses.

8 Trainable Manpower

- While Malaysia has a smaller pool of workforce compared to Indonesia, Thailand and Vietnam, **the country's working age population (23.4 million individuals or 70% of total population) is diverse, well-educated, multi-lingual, and trainable workforce.**
- The country's immigration policy is a powerful tool to win global talent race. Its Xpats Gateway is an initiative to make the application process for expatriate work pass more efficient, easy and faster.



Notwithstanding all these advantages, it is imperative for Putrajaya to **address structural challenges that could impede Malaysia's competitiveness and attractiveness as a favourable investment destination.**

These include **enhancing the efficiency and effectiveness of one-stop centre; government delivery system; streamlining bureaucratic complexities; removing regulatory hurdles and reducing compliance costs; skills mismatch and occasional inconsistency; and lack of clarity in public policies.**





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