

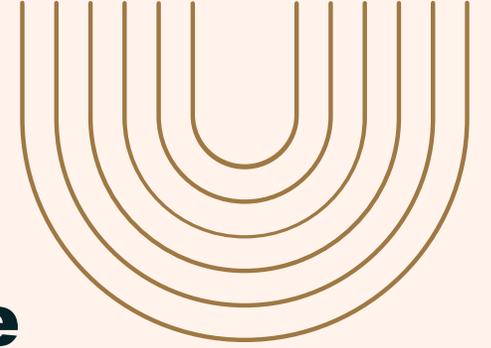
# **MISIF Trade Forum**

**Navigating Global Market Dynamics for a Sustainable Future in the Iron and Steel Industry**

## **The Global and Malaysia Economic Landscape**

Lee Heng Guie  
Executive Director  
2 November 2023

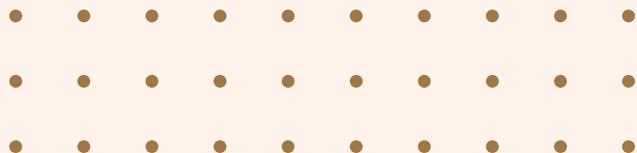




# This is What Global Economy Will Look Like in 2024

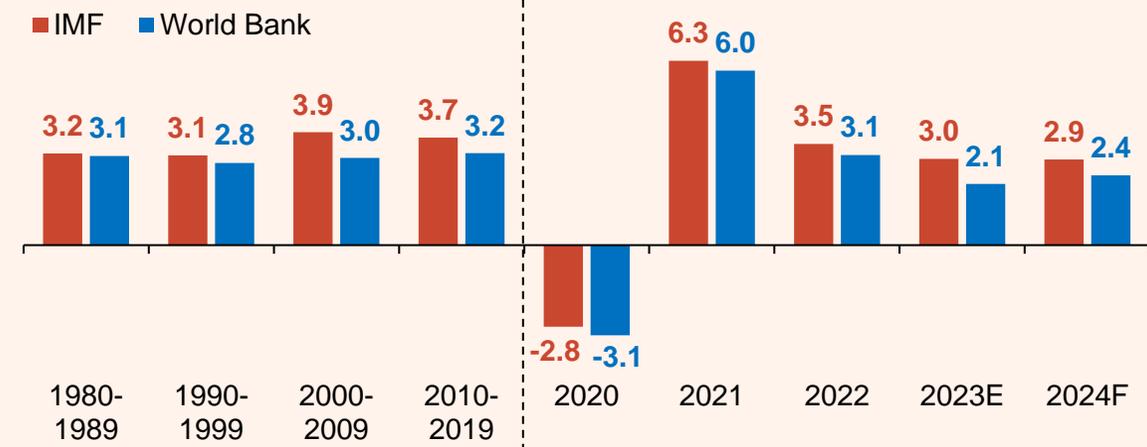
## “High for Longer” Interest Rates in Major Economies Mean Global Growth is Likely to Slow Next Year

- Technical recession risk still lurking in the US economy
- China’s recovery still fraught with challenges
- “Uncertainty” about global monetary stance – When will the Fed pivot? When will BoJ abandon its negative interest rate policy?
- Global warming impact – food security
- Renewed strength in energy and commodity prices
- Geo-economic conflicts as well as non-economic shocks

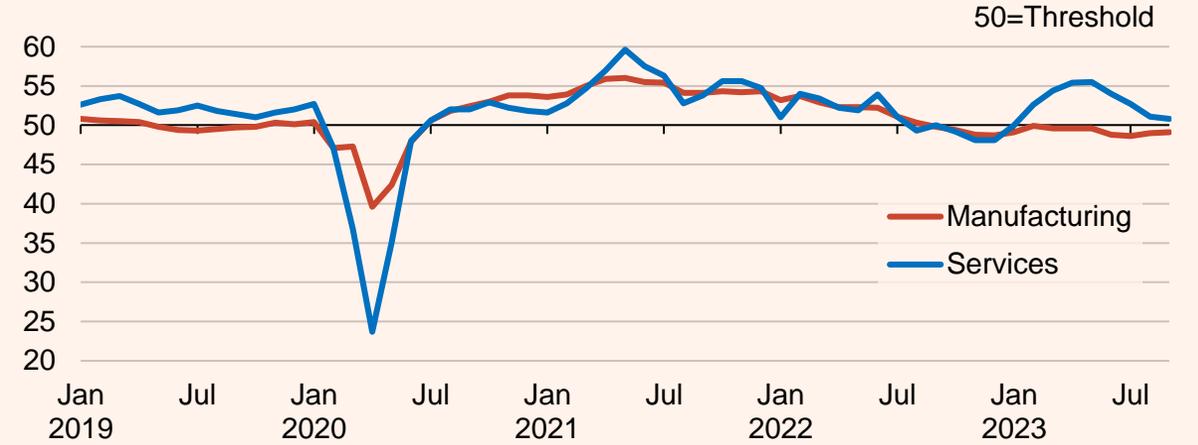


# Global Growth Continues, Albeit Still Weak

## World's real GDP growth (%)



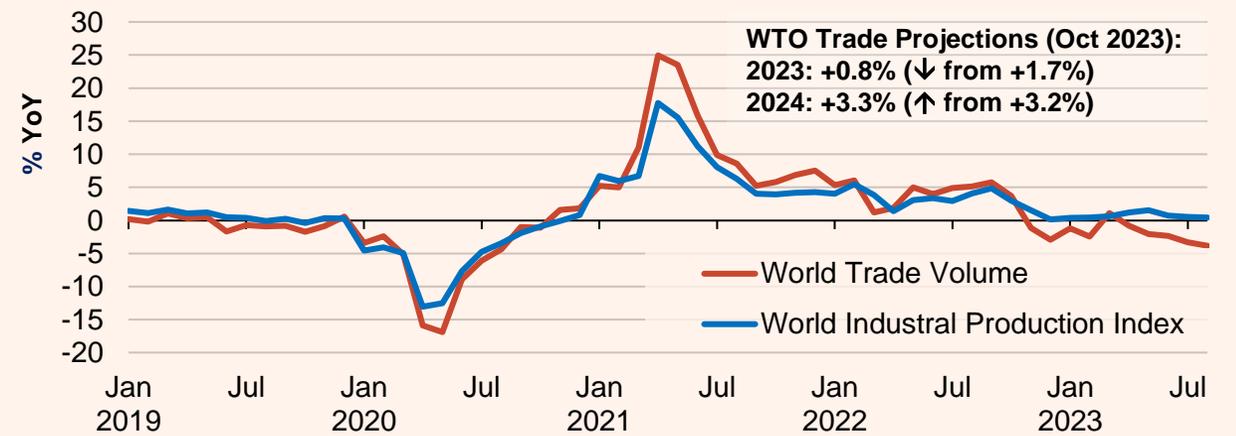
## Global PMI for manufacturing improves; services has edged lower



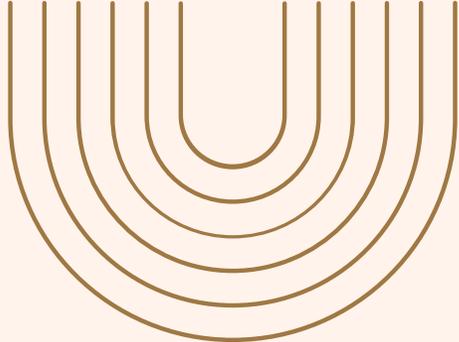
## Global semiconductor sales seemingly bottomed out



## World trade remains sluggish & industrial production trending down



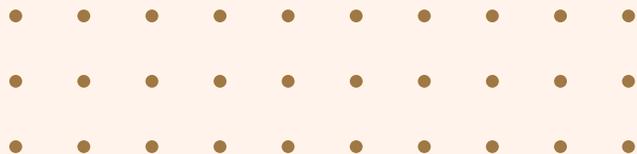
Source: International Monetary Fund (IMF); World Bank (WB); S&P Global; Semiconductor Industry Association; CPB Netherlands



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

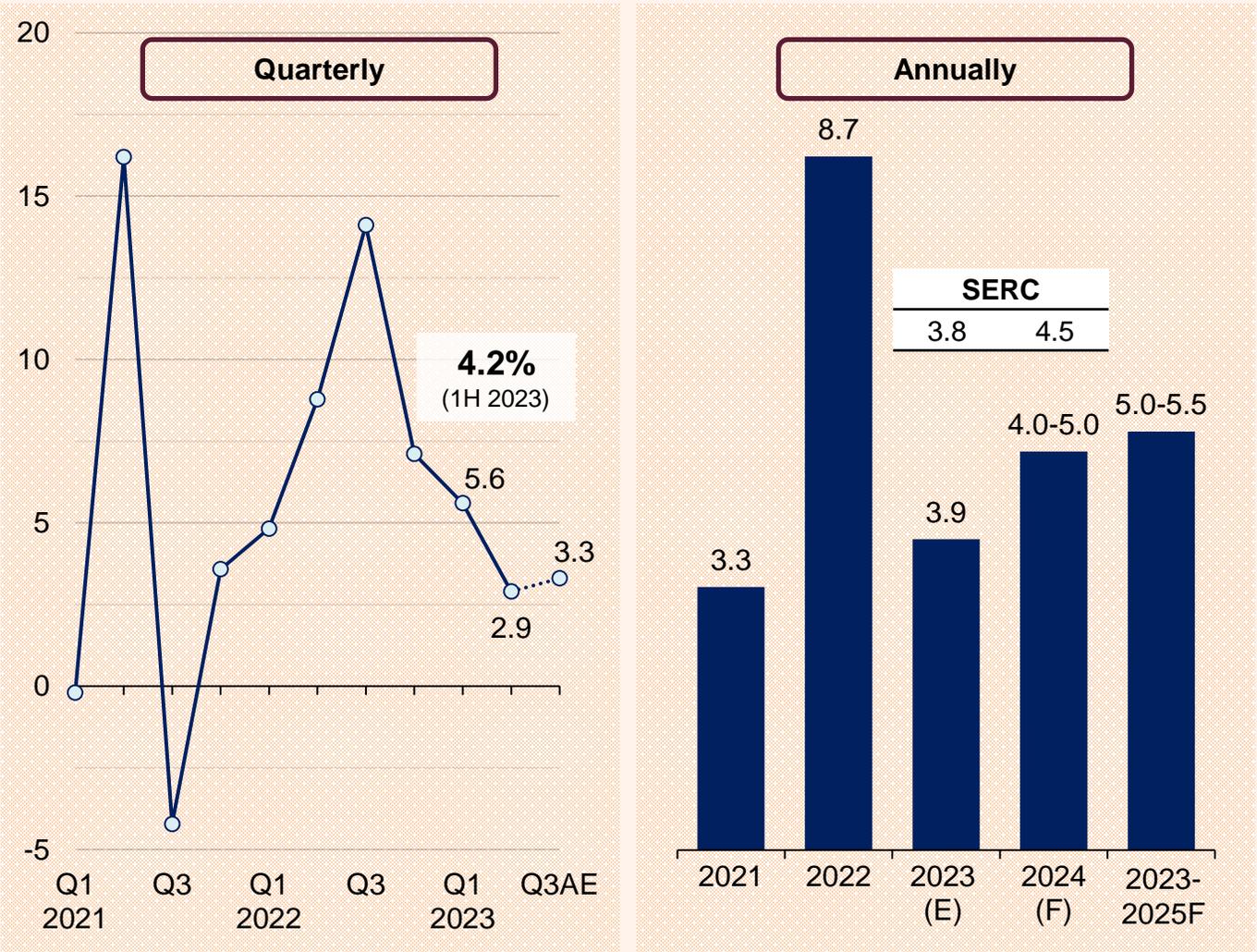
## “Levers of change” to Anchor Better Economic Prospects Over Medium-term

- 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
- Four key risks:
  - (a) The US and China's economic outlook as well as geo-political conflicts
  - (b) Delay or weak implementation of the Budget 2024
  - (c) Inflationary risk triggered by subsidy rationalisation
  - (d) 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

### Supply-side

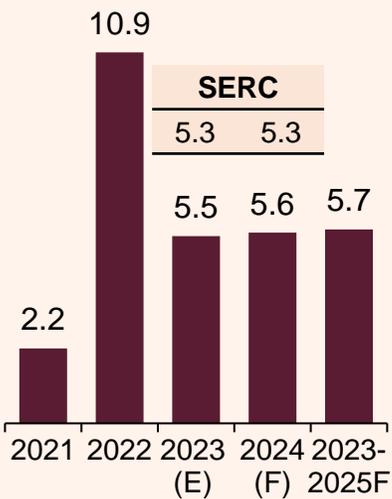
- Broad-based growth, led by the services sector as intermediate and final services groups, is anticipated to rise further, driven by sustained domestic consumption and improved export activities.
- Acceleration in the manufacturing sector, thanks a recovery in exports of electronics and electrical products.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

### Demand-side

- Driven by 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 and cost of living pressures.

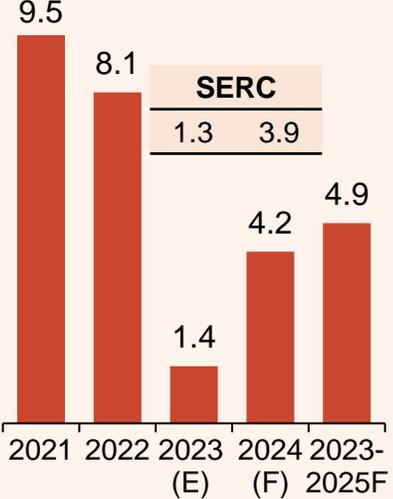
# All Economic Sectors to Register Positive Growth in 2024

## Services (%)



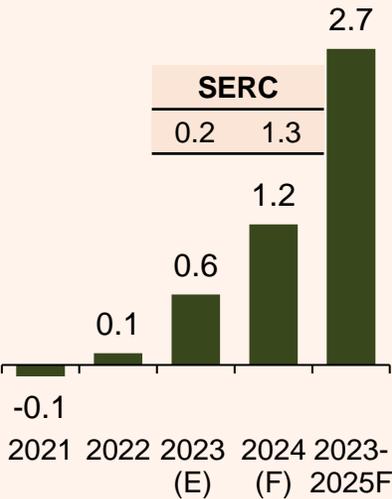
- Factors:**
- Sustained domestic consumption supports retailing, restaurants, accommodation and communication segments
  - Higher trade-related activities help the wholesale trade, transport and storage subsectors

## Manufacturing (%)



- Factors:**
- Recovering external demand helps export-oriented industries, particularly E&E products
  - Favorable domestic-oriented industries, backed by higher output in transport equipment and construction related segments, in line with continued growth in consumption and investment

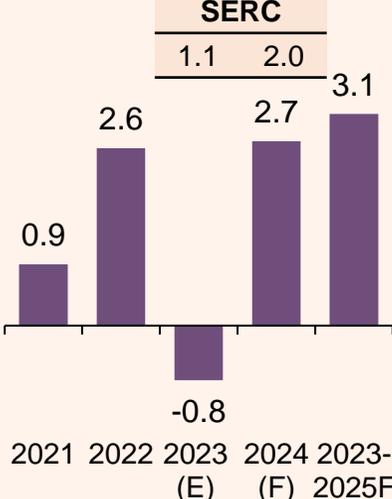
## Agriculture (%)



- 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)**

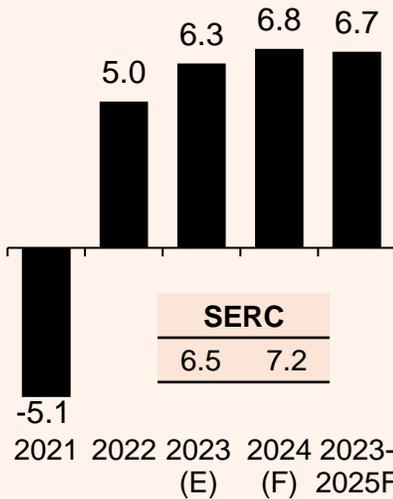
## Mining and Quarrying (%)



- 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)**

## Construction (%)



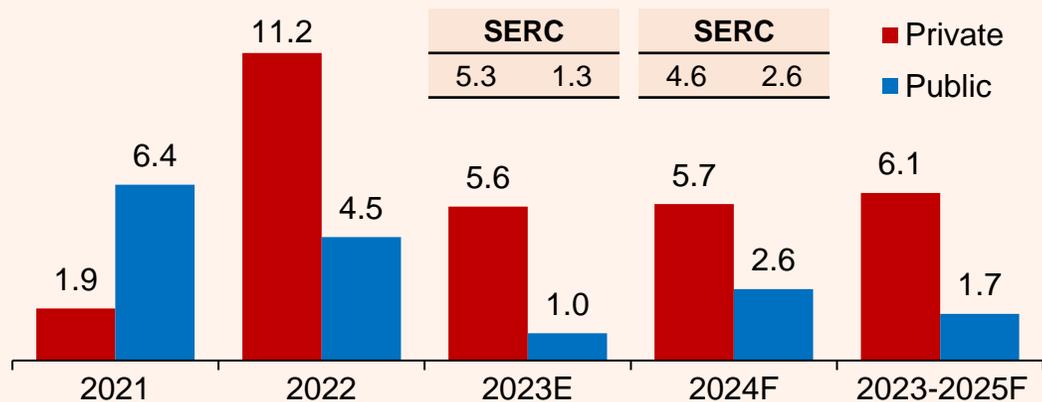
- Factors:**
- Expansion across all sub-sectors
  - Strategic infrastructure and utilities projects

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

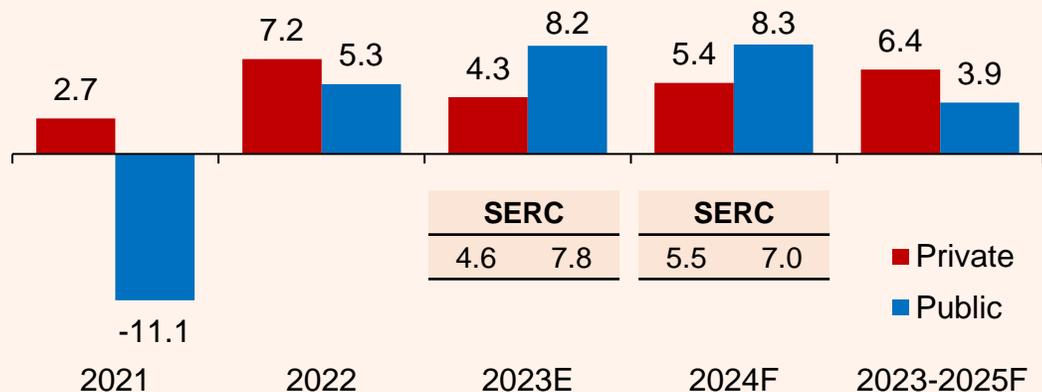
Note: 2023-2025F was forecasted in MTR of 12MP

# Domestic Demand Continues to Drive the Economy

## Private and Public consumption (%)



## Private and Public investment (%)



## Development Projects in 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 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)**
- Public housing projects **(RM2.47bn)**

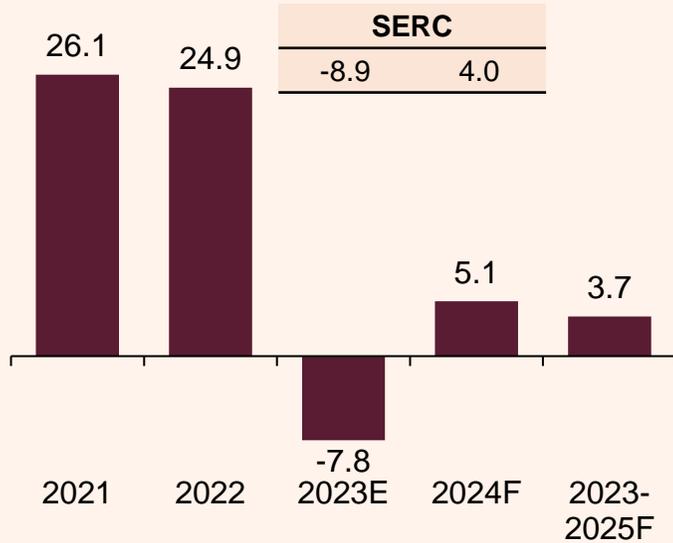
Source: Department of Statistics Malaysia (DOSM); Ministry of Finance (MOF)

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

# Exports Recovery; Inflationary Risks; Solid Job Market



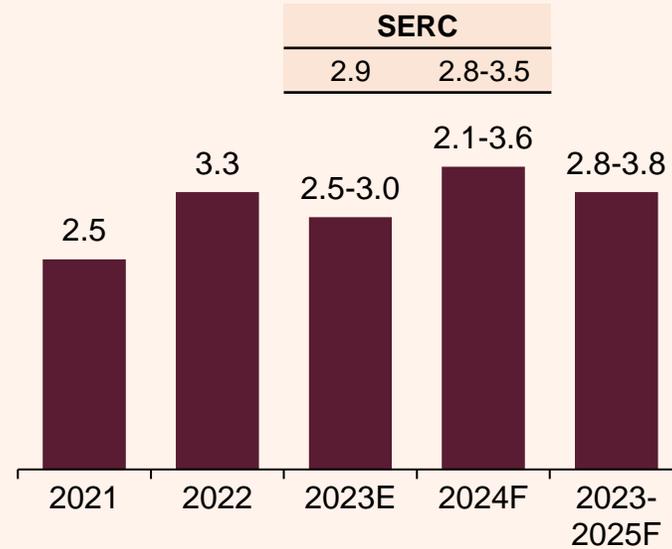
Gross exports (%)



- 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



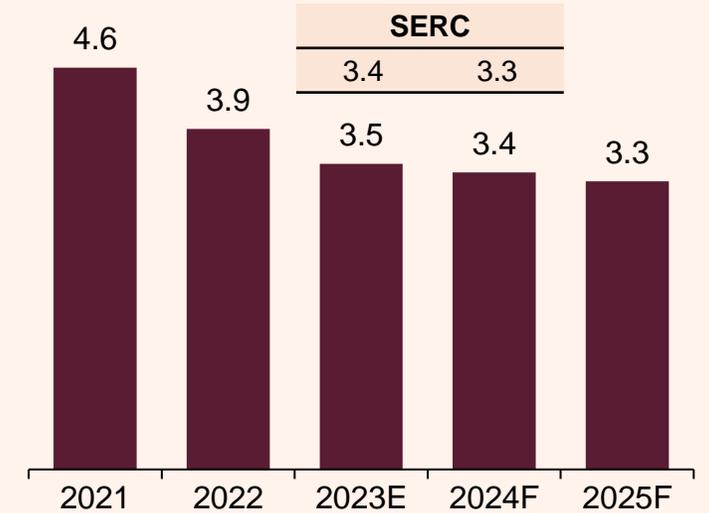
Inflation (%)



- Gradual shift towards targeted subsidy mechanism
- Risks come from fluctuation in exchange rates and supply-related factors, such as global commodity prices, geopolitical uncertainties and climatic conditions



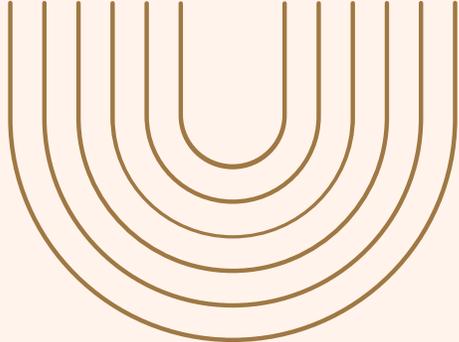
Unemployment rate (%)



- Stable domestic and external economy
- More demand-driven skill training programmes
- More conducive working environment for women
- Expanding social protection coverage to all workers

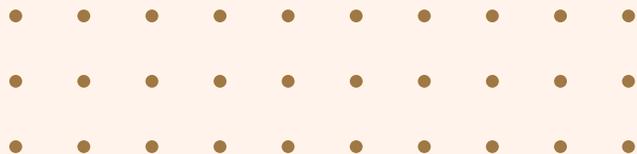
Source: Department of Statistics Malaysia (DOSM); Ministry of Finance (MOF)

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



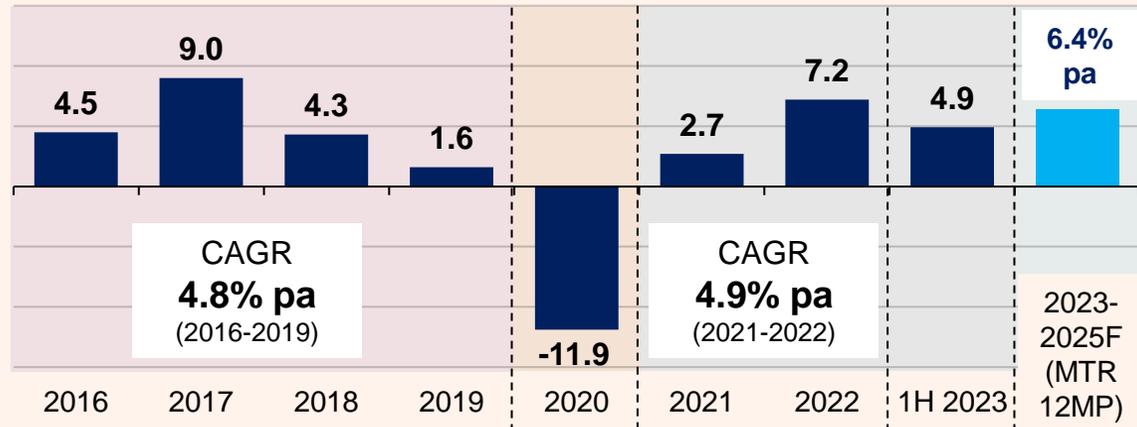
# Addressing Structural Weaknesses, Issues and Challenges to “Raise the Ceiling” and “Raise the Floor”

- 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



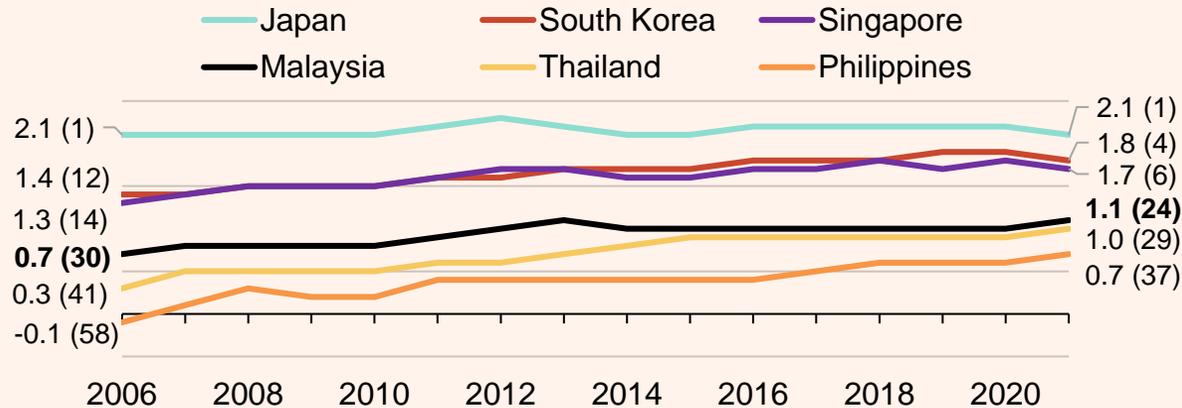
## Lack of Catalytic Investment Drivers

Private Investment Growth (%)



## Malaysia's ECI is Improving, But Others are Catching Up Rapidly

Economic Complexity Index (Ranking)

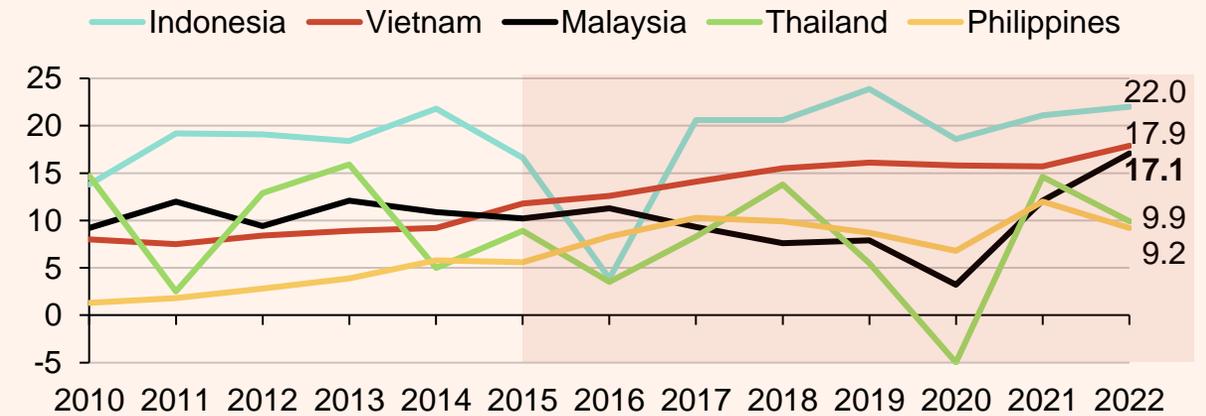


Note: Figure in parenthesis denotes ranking.

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

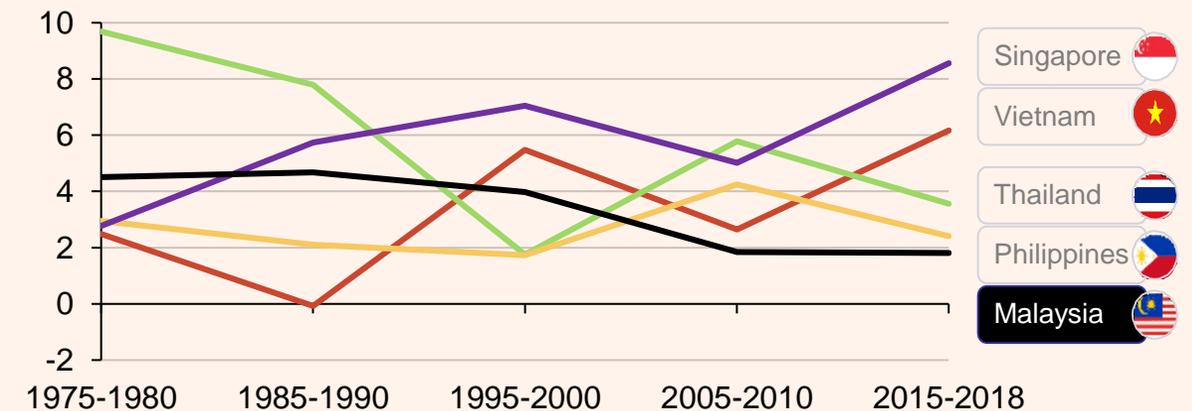
## Malaysia's FDI is Falling Behind Vietnam and Indonesia

Inward FDI (USD billion)



## Malaysia's Labour Productivity is Lagging Behind Peers

Labour Productivity Growth in Manufacturing Sector (%)



# Issues and Challenges Hindering Malaysia's Growth Path



**Economic complexity**  
Improved marginally



**Labour productivity**  
Stagnated



**Talent**  
Shortage and skills mismatch



**Product & market diversification**  
Improved marginally



**Ease of doing business**  
Need to improve



**Private investment**  
FDI hampering; DDI decreasing



**Fiscal space**  
Limited



**Demographic trend**  
Aged society

# 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

### 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**

## National 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

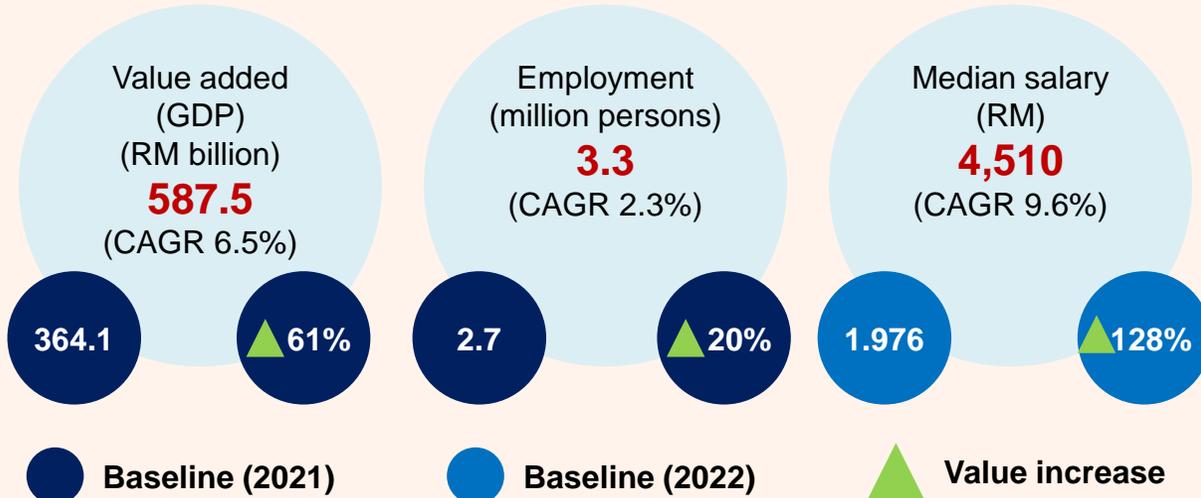


Improve inclusivity



Enhance ESG practices

Top-line Targets for Manufacturing Sector by 2030:



## The Mid-Term Review of 12<sup>th</sup> Malaysia Plan (MTR of 12MP)

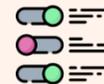
17 Big Bolds to Catalyse Socio-economic Development



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



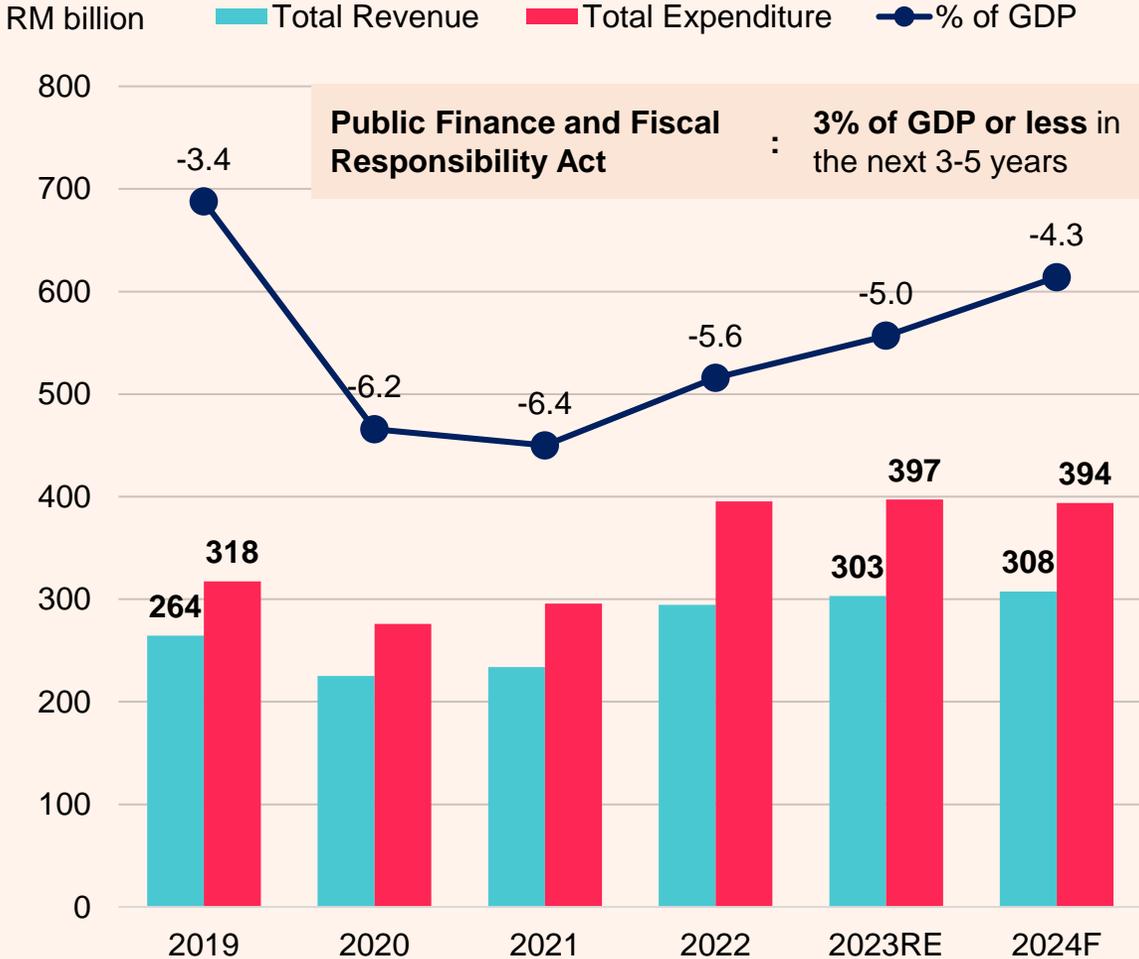
40% in compensation of employees of GDP



45% reduction in GHG emissions intensity to GDP

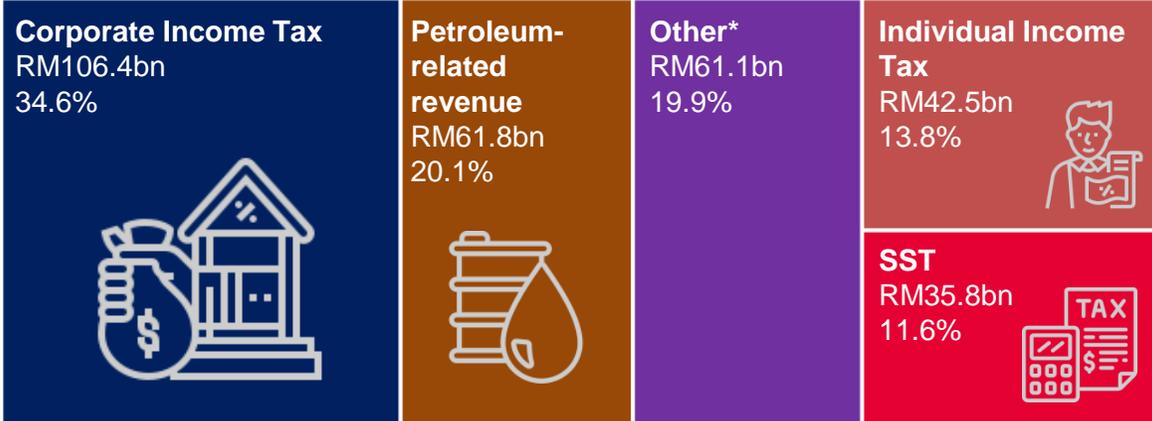
# A Look at The 2024 Budget

## What is the Government's Budget stance?



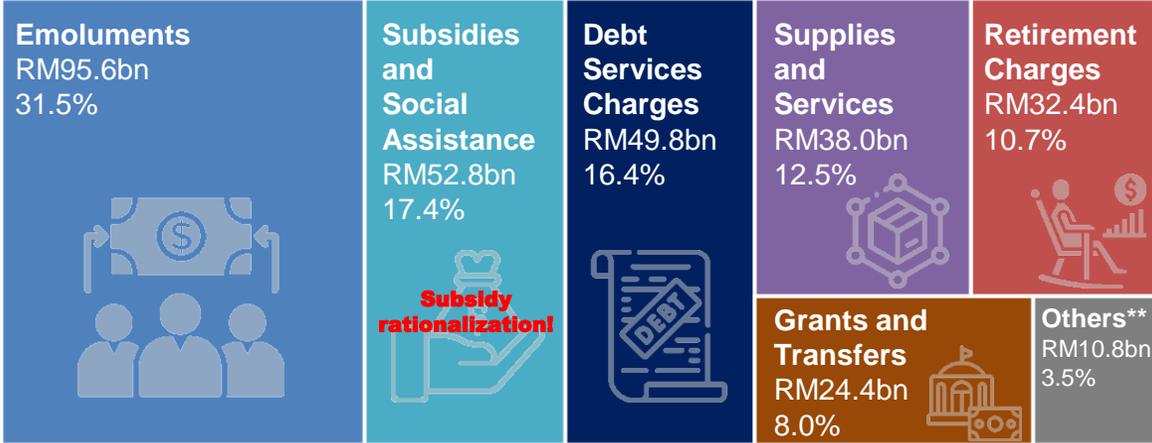
Source: MOF ((RE)=Revised Estimate; B=Budget Estimate) Note: Excludes budget measures

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



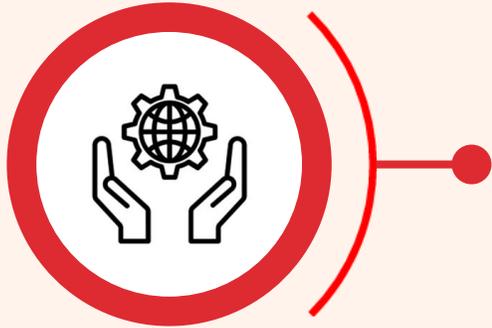
\* Include non-tax revenue, excise duty, stamp duty, etc.

## 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 the exemption for food and drink as well as telcos services. 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

**Address :** 6<sup>th</sup> Floor, Wisma Chinese Chamber,  
258, Jalan Ampang,  
50450 Kuala Lumpur, Malaysia.  
**Tel :** 603 - 4260 3116 / 3119  
**Email :** [serc@accimserc.com](mailto:serc@accimserc.com)  
**Website :** <https://www.accimserc.com>

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