

Experian's Clients Engagement

Malaysia's Narrative for A Better Future

Lee Heng Guie
Executive Director
10 October 2024



Agenda

1

Global Economy is Steadying but at a Slow Pace

2

All Stars are Aligned for Malaysia's Second Economic Take-off

3

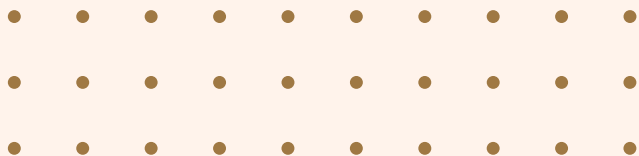
Budget 2025 – Sustaining Growth with Fiscal Stability



Global Economic Outlook

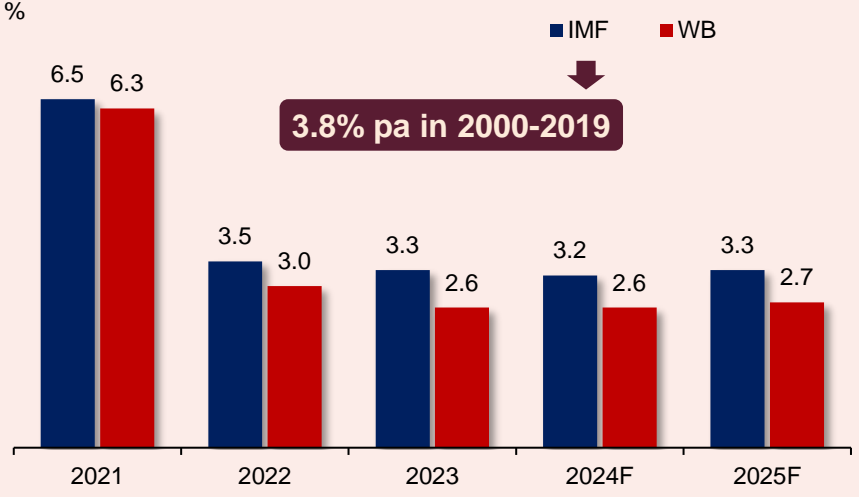
Global Economy is Steadying but at a Slow Pace

1. *Global growth continued amid the challenges and risks*
2. *The US economy is “cruising” along; can avoid recession*
3. *Inflation “emergency” is over ; the start of the Fed’s rate easing cycle*
4. *All eyes on the US Presidential Elections on 5 November 2024*
5. *China’s economy is hitting the wall; bazooka stimulus comes to rescue*
6. *Geopolitical risks will remain top of mind*

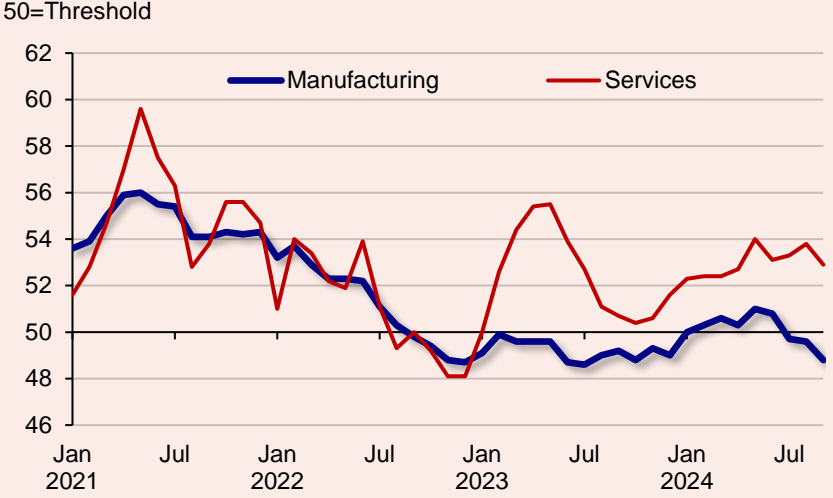


The global economy continues to grow at a slower pace

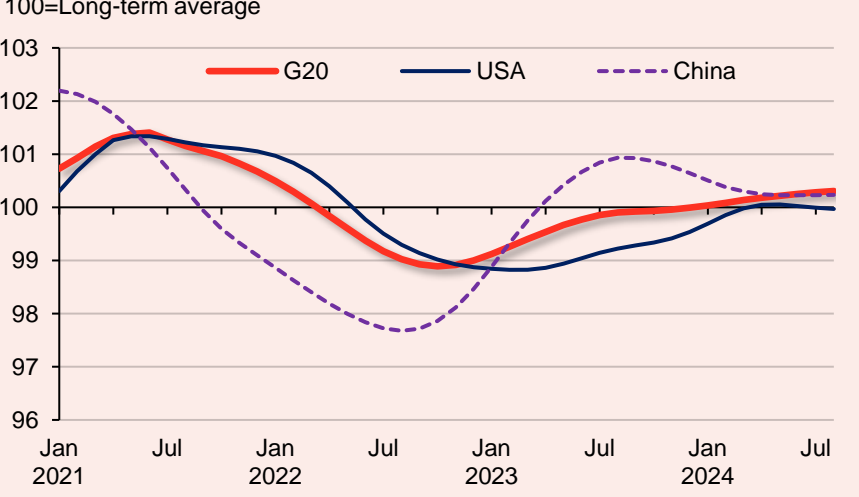
Global growth estimates



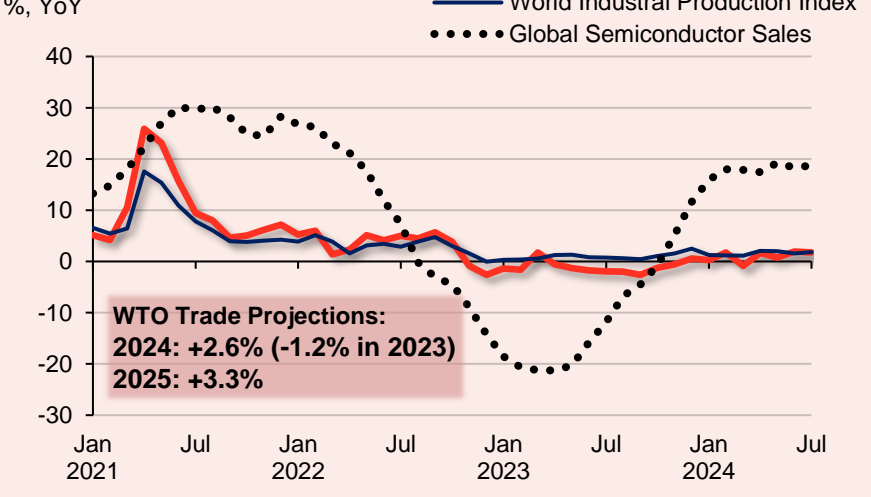
Global PMI for manufacturing & services



OECD Composite Leading Indicators (CLI)



Key economic activities



Mixed indicators:

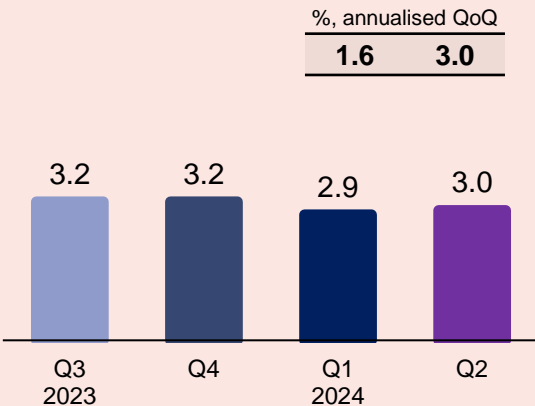
- Global Manufacturing PMI fell below threshold for all three months in the third quarter of 2024 (49.7 in Jul; 49.6 in Aug and 48.8 in Sep), after maintaining positive momentum in the first six months of 2024. Global Services PMI remains on an expansion.
- The OECD composite leading indicators (CLI) for G20 were pointing a stable growth ahead.
- Global semiconductor sales recorded strong double-digit growth since Dec 2023.
- World trade volume growth remained uneven.

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

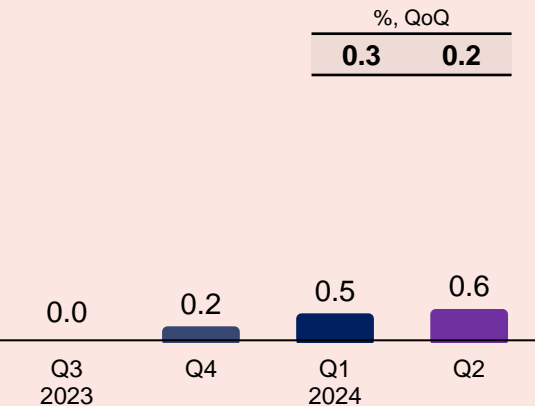
GDP growth heatmap for advanced and emerging economies

Key economic powerhouse

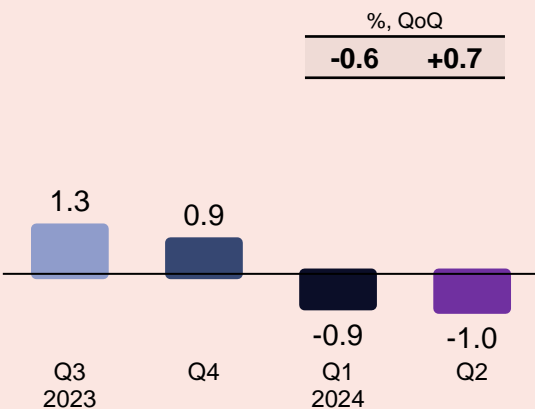
The United States



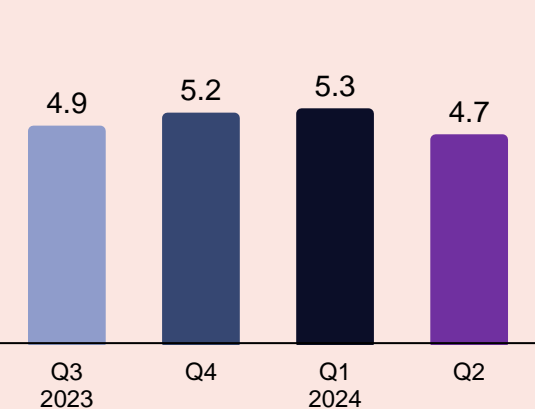
Euro area



Japan



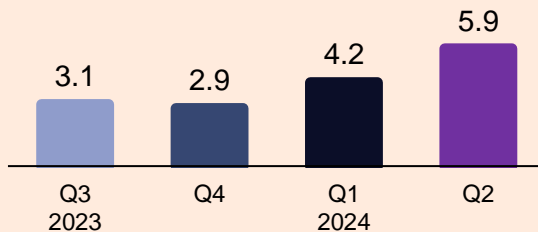
China



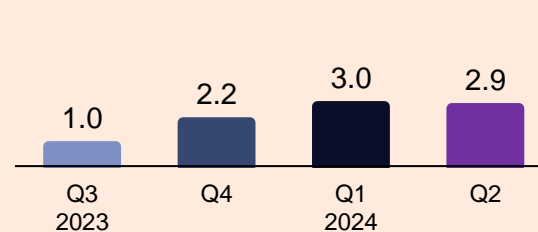
Regional economies

% YoY

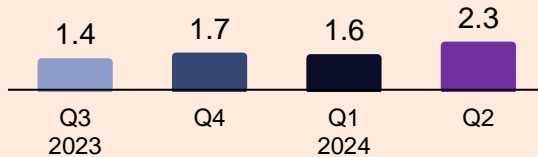
Malaysia



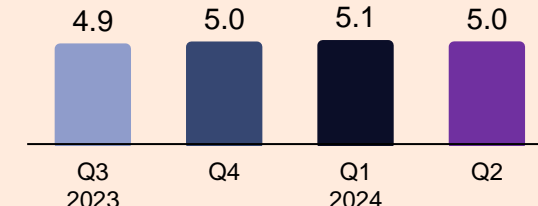
Singapore



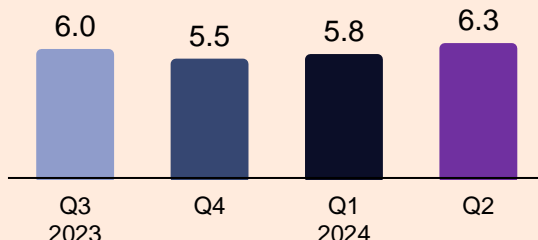
Thailand



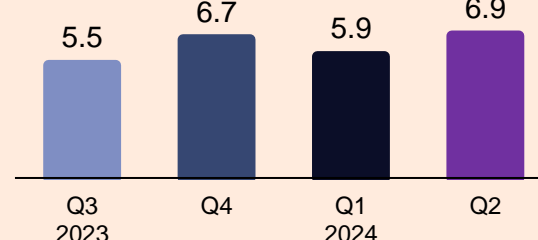
Indonesia



Philippines


















Vietnam








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

Harris and Trump: Compare on where they stand on key issues

	 Harris	 Trump
 Corporate tax	<ul style="list-style-type: none"> • Raise top corporate tax rate to 28% 	 <ul style="list-style-type: none"> • Reduce corporate tax rate to 15%-20%
 Individual tax	<ul style="list-style-type: none"> • Permanently extend tax rates established in the Tax Cuts and Jobs Act to all individuals except those earning more than \$400,000 • Permanently extend expanded Affordable Care Act (ACA) health insurance tax subsidies • Eliminate income taxes on tips and Social Security benefits • Reduce estate and gift tax exemptions; Decrease standard deductions; Impose a wealth tax; Raise top capital gains tax rate; Consider additional tax increases for individual income exceeding \$400,000 • Permanently extend child tax credit; Provide tax credits for newborns; Provide tax credits for first-time homebuyers 	   <ul style="list-style-type: none"> • Permanently extend tax rates established in the Tax Cuts and Jobs Act • Allow expanded Affordable Care Act (ACA) health insurance tax subsidies to lapse • Eliminate income taxes on tips and Social Security benefits
 Trade policies against China	<ul style="list-style-type: none"> • Target tariffs at industry/geopolitical rivals, including Chinese technology products • Increase investment restrictions in key Chinese sectors tied to national security 	  <ul style="list-style-type: none"> • Implement a 60% tariff on goods from China • Increase investment restrictions on key Chinese sectors tied to national security • Increase restrictions on semiconductor exports to China • Phase out imports of essential Chinese goods
 Trade policies against all	 Trade policies by both presidential candidates will have direct and indirect impacts on the world	
 Regulatory	<ul style="list-style-type: none"> • Raise the federal minimum wage to \$15/hour from \$7.25 • Expand antitrust initiatives/enforcement 	 <ul style="list-style-type: none"> • Implement 10-20% across-the-board tariffs • Consider removing the US from the World Trade Organization • Reduce/roll back actions on consumer fees and other Consumer Financial Protection Bureau activities • Cut regulations substantially across the board

Source: American Century Investments

 Against
  Same
  Similar direction
  By Harris
  By Trump

(cont.)



Harris



Trump



Federal Reserve

- Preserve the Fed's traditional political independence and likely keep Jerome Powell as chair



- Favor easy-money policies and low interest rates; consider replacing Jerome Powell as chair
- Consider challenging the Fed's political independence



Healthcare

- Reduce drug prices
- Expand the \$2,000 cap on out-of-pocket Medicare prescription costs to all Americans
- Extend Medicare inflation cap to private-sector drugs



- Reduce drug prices
- Accelerate efforts to privatise Medicare and reduce payments to hospitals for outpatient care
- Reduce Medicare Advantage payments to insurers



Energy / Renewables

- **Extend electrical vehicle incentives** to commercial transportation
- Expand carbon capture credits



- **Offer tax incentives for oil and gas drilling;** Reduce/roll back fuel efficiency requirements; Eliminate the \$7,500 electric vehicle tax credit
- Expand carbon capture credits



Defence / Foreign aid

- Increase spending on national defence
- Maintain financial/arms support of Ukraine; Push for cease-fire in Israel/Hamas war



- Increase spending on national defence
- Reduce or eliminate financial/arms support of Ukraine; Emphasize US support of Israel



Technology

- Provide additional subsidies/incentives for US semiconductor suppliers and domestic production
- Maintain US engagement in Organization for Economic Co-operation and Development (OECD) global tax discussions, keeping current suspension of digital services taxes in place



- Apply pressure on social media companies about free speech, antitrust and national security concerns
- Seek to exit the Organization for Economic Co-operation and Development (OECD) tax discussions, threatening reimposition of suspended digital services taxes



Industrial

- Provide additional tax incentives/subsidies for onshoring efforts to increase domestic industrial production and secure supply chains



- Support onshoring efforts to increase domestic industrial production
- Reduce spending on projects for public transit and pollution control



Immigration

- Implement enhanced border enforcement on asylum seekers



- Increase deportation of undocumented individuals
- Implement substantially more restrictive immigration rules, including avenues for legal work and student visas
- Restore funding for the wall on the US-Mexico border

Source: American Century Investments



Against



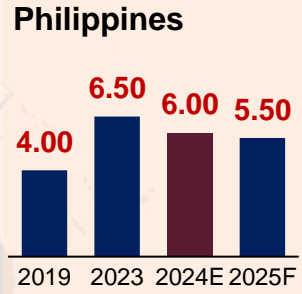
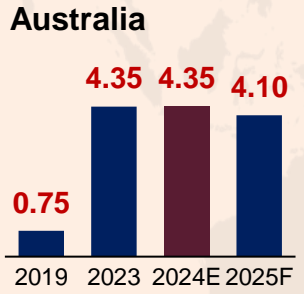
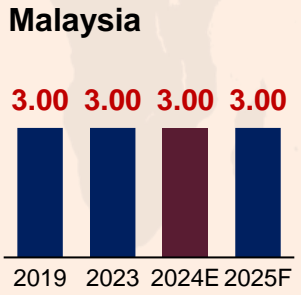
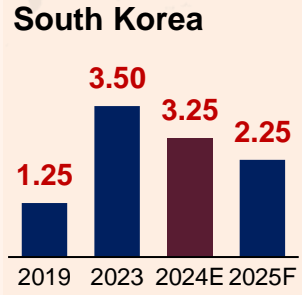
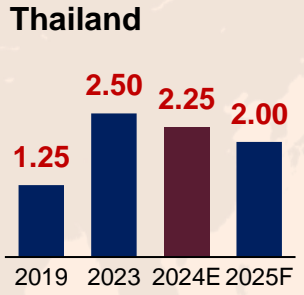
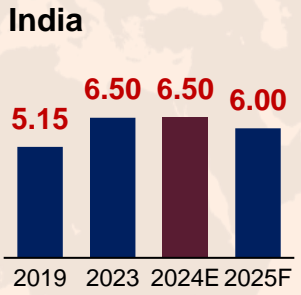
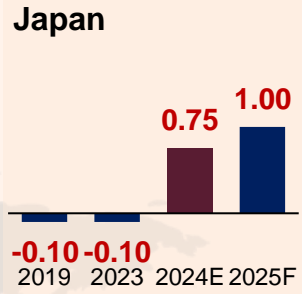
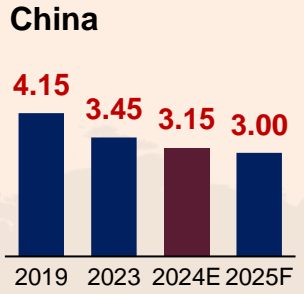
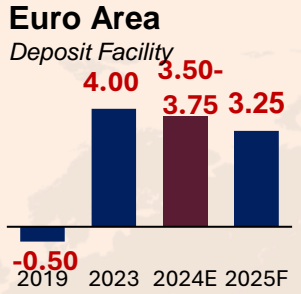
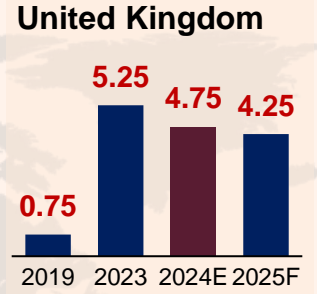
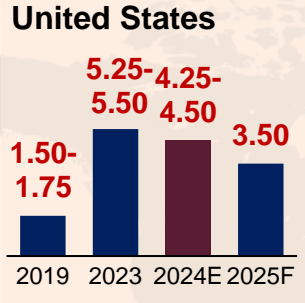
Same



Similar direction

Global monetary policy tracker

Policy rate (% , end-period)



Federal Reserve Chair Jerome Powell said that a 50 basis point rate cut reflects the Fed's growing confidence that, with an appropriate recalibration of policy, it can maintain strength in the labour market while achieving moderate growth and ensuring that inflation moves sustainably toward the 2% target.

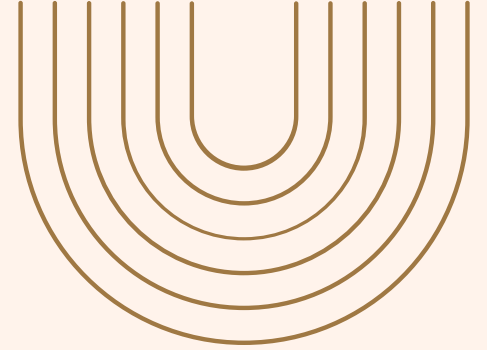
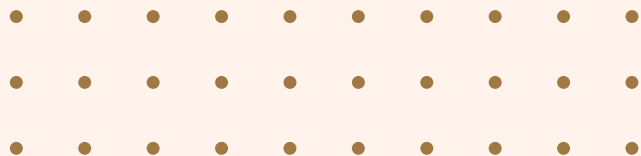
Source: Various officials; SERC's forecasts



Malaysia Economic Outlook

All Stars Are Aligned for Malaysia's Second Take-off

1. *Malaysia economy is fired on twin cylinders*
2. *Domestic demand anchors growth, reinforced by recovering exports*
3. *Stage set for robust private investment cycle*
4. *Interest rate holds steady at 3.00% in 2024 and in 1H 2025*
5. *Continued structural reforms to sustain economic resilience*



Growth is stronger than expected a year ago

Malaysia's real GDP growth (% YoY)



Drivers of economic growth in 2024-2025

Supporting drivers

- Resilient domestic expenditure and higher export activity, lifted by the global tech upcycle.
- Investment upcycle in the technology and digital infrastructure.
- Stronger tourists spending.

Dampening drivers

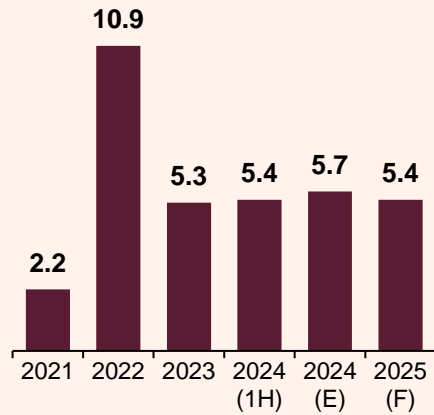
- Cost of living pressures and high business costs.
- Businesses and households' anxieties have already built up over the petrol subsidy rationalisation will be next in line.
- Domestic economic growth outlook remains subject to downside risks.
 - Worsening of geopolitical tensions.
 - Higher-than-anticipated inflation outturns.
 - Volatility in global commodities and financial markets.

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

All economic sectors will register positive growth in 2024-2025

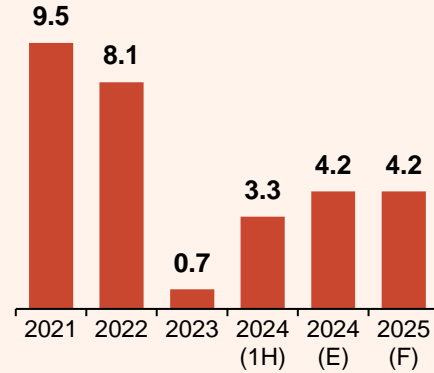
GDP growth by economic sector (% YoY)

Services



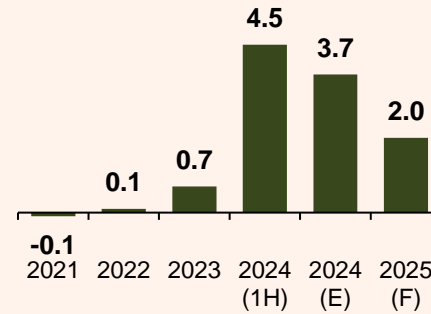
- Consumption supports retail, dining, accommodation, and communications sectors.
- Recovery in tourism activities will further bolster the consumption sector.
- Increased trade-related activities will benefit the wholesale, transportation, and warehousing sub-sectors.

Manufacturing



- Recovery in foreign demand benefits export-oriented industries, particularly E&E products that are experiencing a technology upcycle.
- Domestic-oriented industries will be driven by sustained growth in consumption and investment.

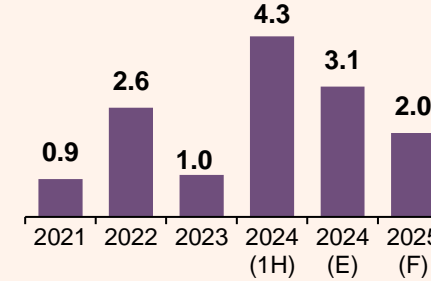
Agriculture



- Production of crude palm oil (CPO), livestock products, and other agricultural goods is expected to increase.
- CPO: Lower-than-expected impact of El Niño, improved labour supply, an expansion of mature areas, and higher oil extraction rates.

CPO Prices:
2024F: RM3,971/tonne
 (2023: RM3,810/tonne)

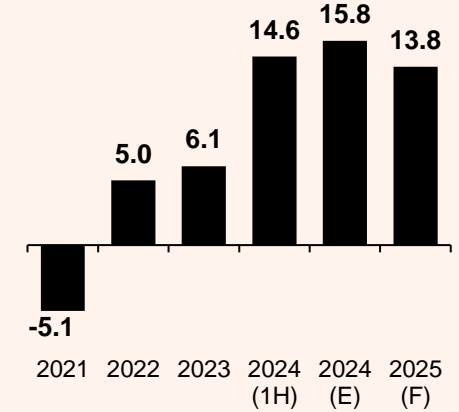
Mining and Quarrying



- Natural gas production is recovering from new and existing gas fields, as well as from crude oil and condensate production.
- With a positive global economic outlook, demand is expected to increase.

Crude oil prices:
2024F: US\$81/barrel
 (2023: US\$83/barrel)

Construction

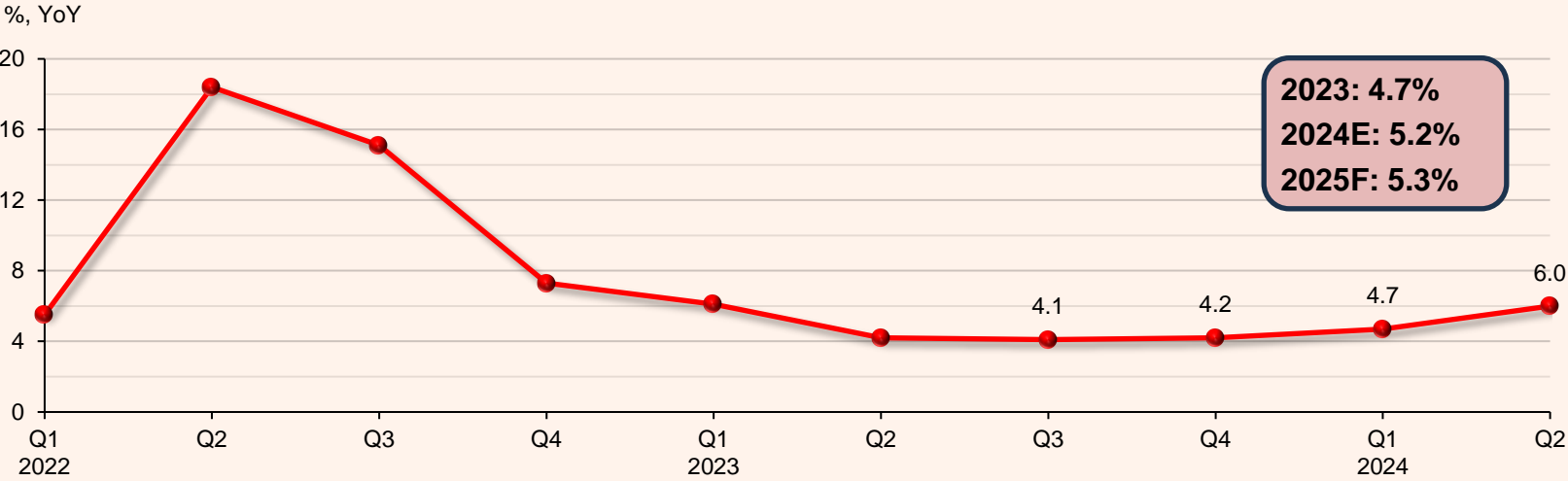


- All construction sub-sectors (residential, non-residential, and civil engineering) are expanding.
- Strategic infrastructure and utility projects, including the Central Spine Road (CSR), Pan-Borneo Highway, MRT, LRT, and East Coast Rail Link (ECRL), are contributing to this growth.

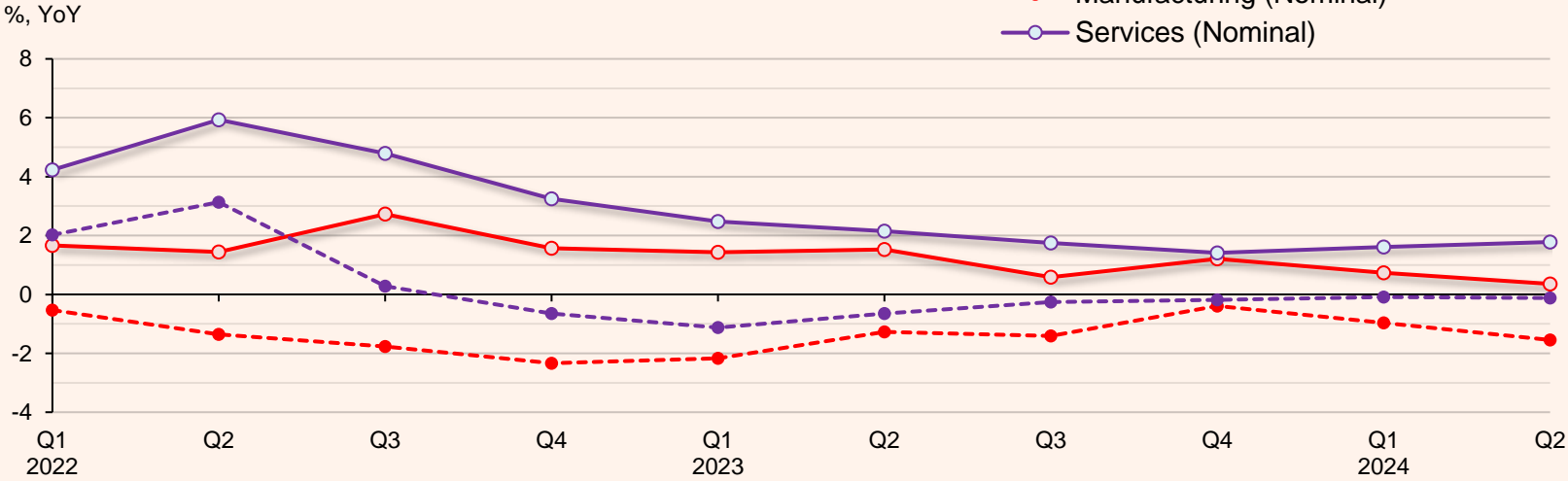
Source: DOSM; SERC's forecast

Sustaining private consumption

Private consumption growth (60.7% of GDP in 2023)



Real wage growth per employee

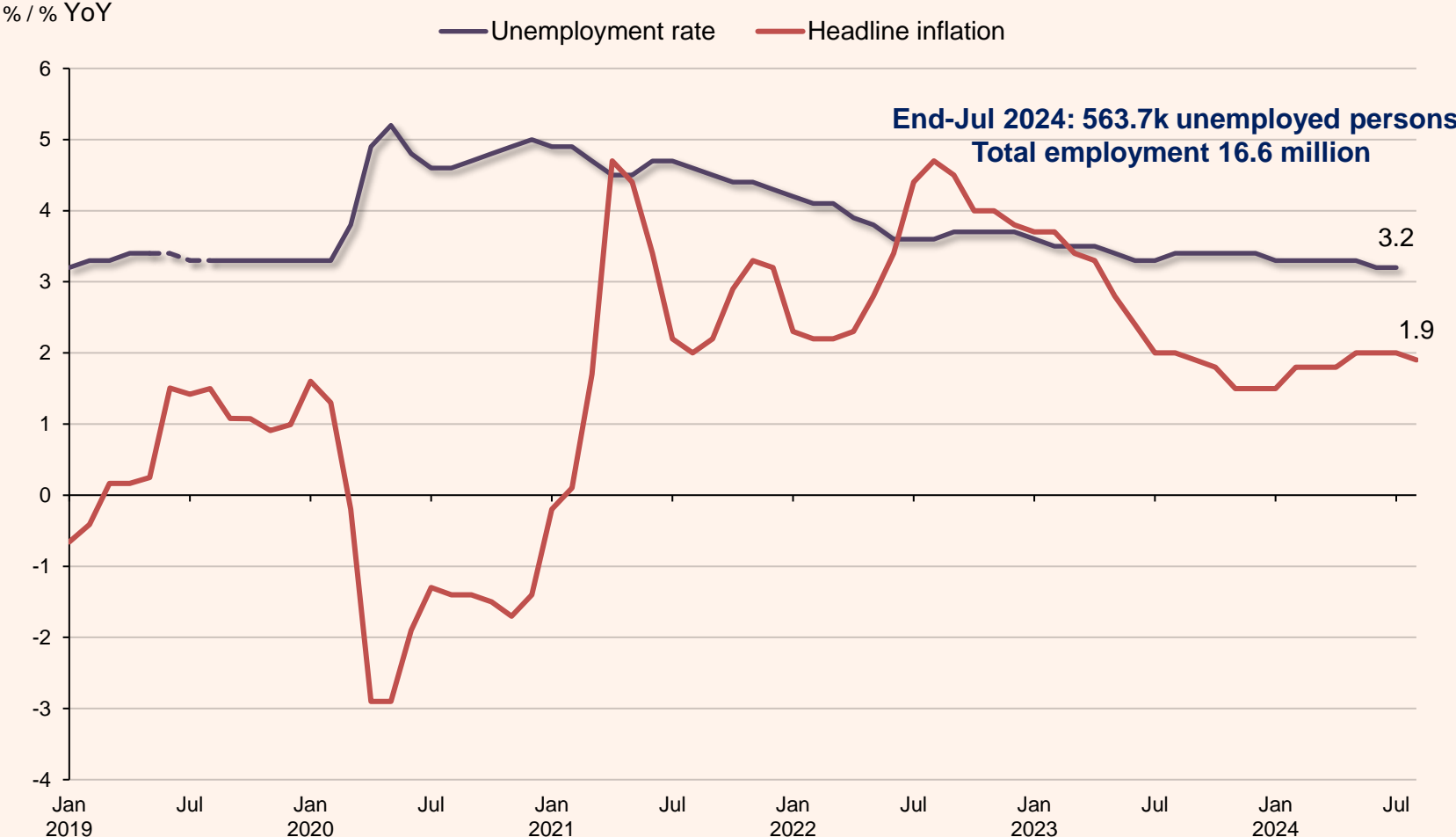


Supporting drivers

- Stable employment and improved wage growth, as well as policy measures supportive of household spending.
- Rising cost of living and high prices pressure as well as anxiety about retargeting subsidy rationalisation for RON95 may lead to cautious spending.
- Tourists spending will continue. In Jan-Aug 2024: +29.5% yoy to 16.5 million tourist arrivals (target is 27.3 million in 2024).
- Average salary increment between 16.8% and 42.7% (with compounding effects) for 1.6 million civil servants (close to 10% of total employment) to be implemented in two phases (December 2024 and January 2026).
- Higher minimum wage.
- Continued tapping on the withdrawals from the EPF Flexible Account (Account 3). As of 12 August 19, there were withdrawals of RM9.6 billion from the Flexible Account by 3.6 million or 27.5% of total 13.1 million EPF members (RM8.9 billion as of 19 July and RM7.0 billion as of 10 June).

Source: DOSM

Unemployment rate stayed low; steadying inflation



Unemployment rate

- In 2023 increases in employment were reflected in the wholesale and retail trade, repair of motor vehicles (150,905 persons), followed by accommodation and food service activities (110,123 persons) and manufacturing (90,555 persons)
- As of Q2 2024 semi-skilled workers contributed slightly more than half (59.1%) of the total employed persons, followed by skilled workers (27.6%), and low-skilled workers (13.2%)
- Expect a steady unemployment rate of 3.2% in 2025 (estimated 3.3% in 2024).

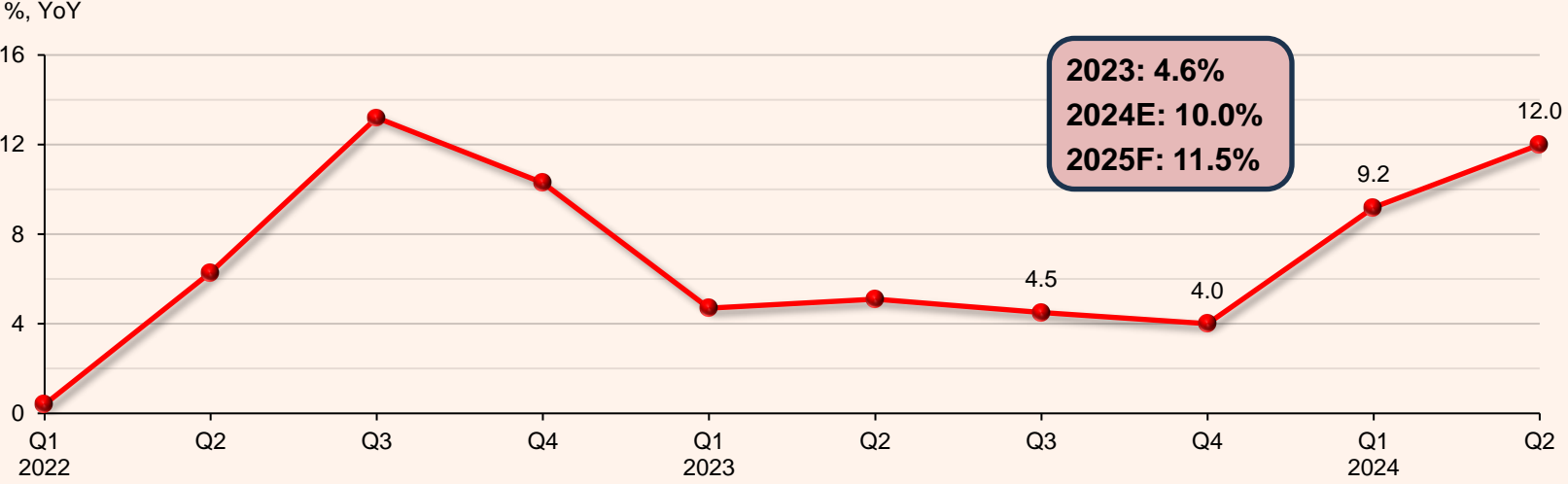
Inflation

- Inflation is expected to average 2.0% in 2024.
- Inflation outlook for 2025 (estimated 2.5%-3.0%), pending the policy change on subsidies rationalization, and the development in global commodity and energy prices.

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

Strong investment upcycle starting to take off

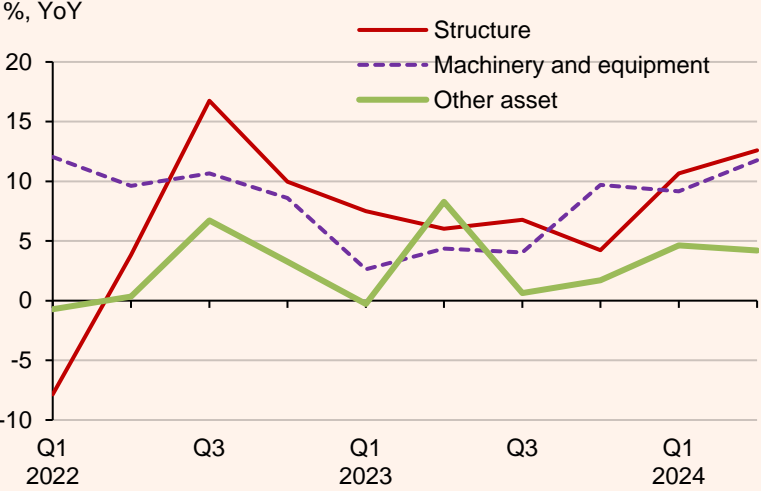
Private investment growth (15.5% of GDP in 2023)
%, YoY



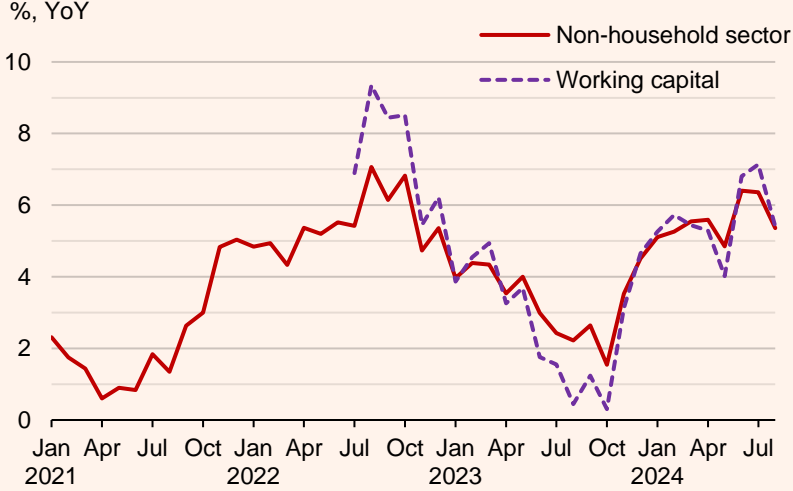
Key focuses

- With a plethora of investments streaming in from multinationals like Google, Microsoft, ByteDance, Tesla, Malaysia will experience a global tech upcycle, especially where digital infrastructure like Artificial Intelligence (AI), cloud computing, data centres, EVs are concerned.
- Several strategic plans, namely the New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), the Mid-Term Review of the 12th Malaysia Plan (2021-2025), and National Semiconductor Strategy (NSS) are gradually materialising and will be the catalyst for higher investment growth.
- Johor-Singapore Special Economic Zone (JS-SEZ), together with Special Financial Zone (SFZ) in the Forest City, are set to be a game changer.

Gross fixed capital formation by type of assets
%, YoY



Outstanding loans to the business sector
%, YoY



Source: DOSM; BNM

Strong investment drives Malaysia's future economic growth



PUBLIC Investment

Transport

Highway	
Pan Borneo Sarawak	99%
Pan Borneo Sabah Phase 1A	78%
Train transit	
LRT3	86%
RTS Link	83%
ECRL	70%

Renewable energy

Solar energy	
Cypark Solar Plant	100%
Batang Ai Floating Solar Farm	35%
Hydroelectricity	
Baleh Dam	43%
Nenggiri Hydro	41%

Network

MyDIGITAL 5G
82% coverage

Electrical & Electronic products

Industry target: By 2025 –
GDP contribution: RM120 billion
Export earnings: RM495 billion

Data centre

>RM114 billion
 Announced investment

Live capacity: 280 MW
Under construction: 159 MW
Committed capacity: 766 MW
Planned Capacity: 2,016 MW

Green / High tech industry park

Kulim Hi-Tech Park
Sedenak Tech Park
Bayan Lepas FIZ
Batu Kawan IP



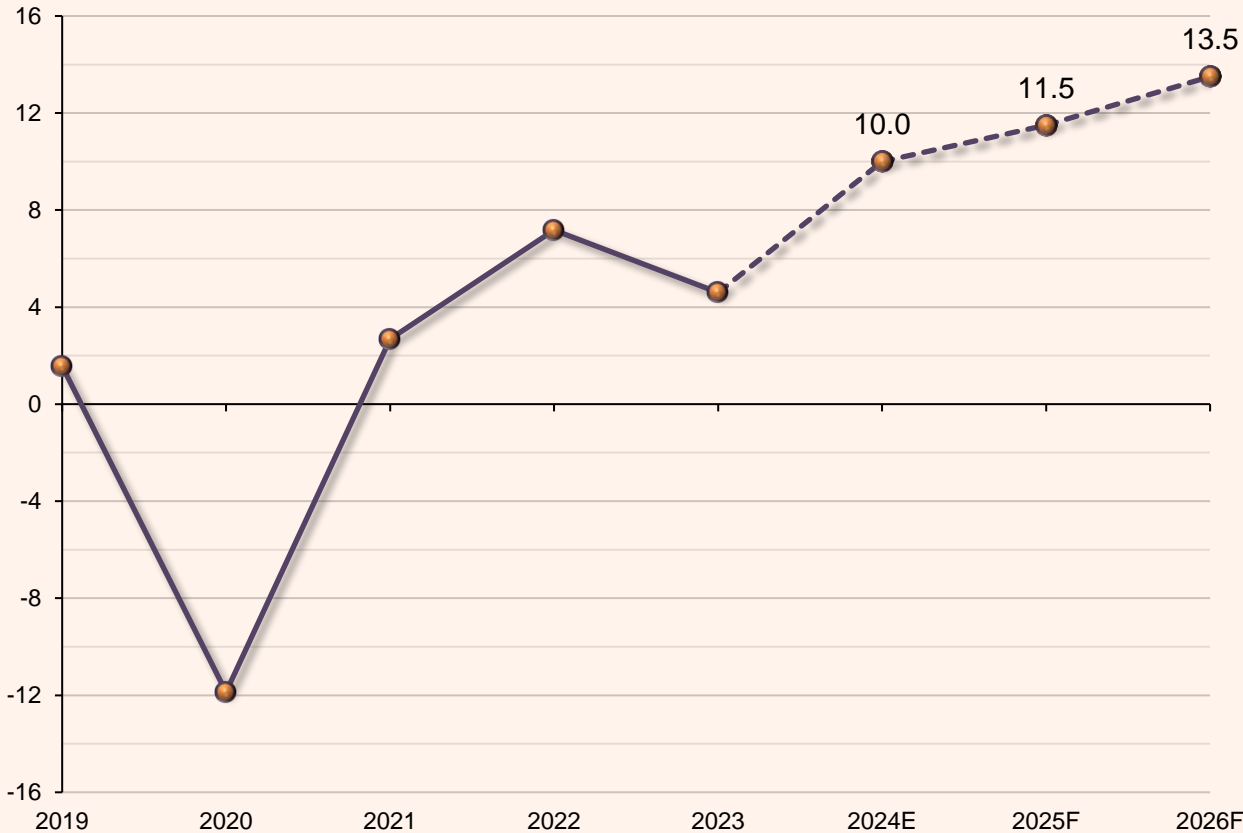
PRIVATE Investment



Source: Various

Sustaining higher private investment prospects ahead

Private investment growth
%, YoY



Reduce bureaucracy, red tape and gold-plating as well as address skills mismatches and encouraging the deployment of technology and innovation would bring down costs of doing business.

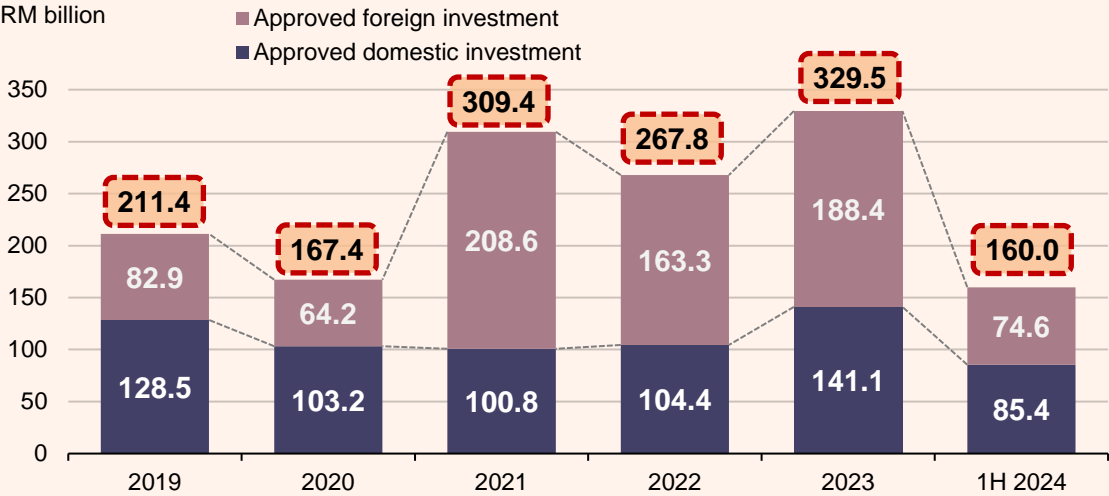
Source: DOSM

Drivers of higher private investment growth in the medium term:

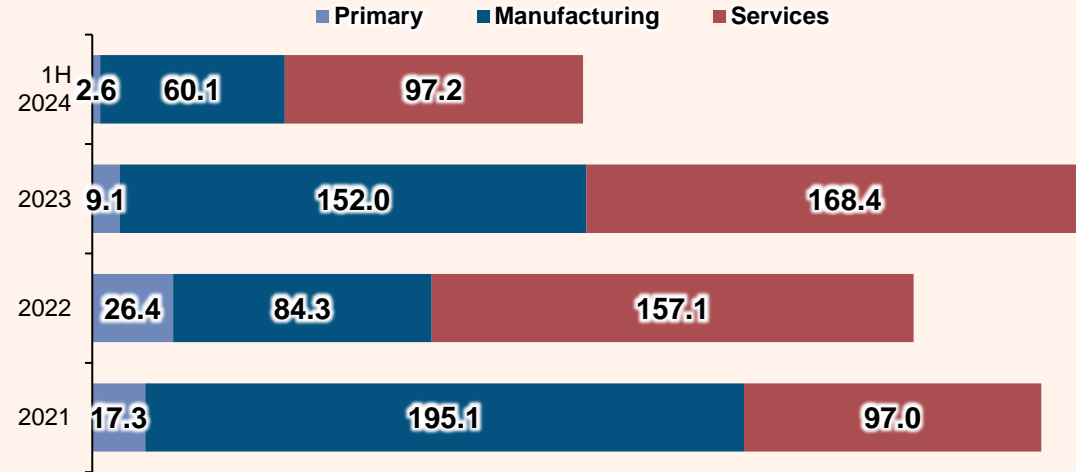
- **National Strategic Plans and Roadmaps**
 - #1 Malaysia MADANI Economy**
 - A whole-of-Malaysia approach with 7 intermediate indicators.
 - #2 12th Malaysia Mid-Term Review (2021-2025)**
 - 17 big bolds to catalyse socio-economic development.
 - #3 New Industrial Master Plan 2030**
 - Key industries include E&E, chemical products, advanced materials, aerospace, and healthcare.
 - #4 National Energy Transition Roadmap**
 - Six energy transition levers and 10 flagship projects that address energy efficiency, renewable energy, hydrogen, bioenergy, green mobility, and CCUS.
 - #5 National Artificial Intelligence Roadmap 2021-2025**
 - Create a thriving and sustainable AI innovation ecosystem.
 - #6 National Semiconductor Strategy**
 - Boost the semiconductor industry by enhancing research, development, and manufacturing capabilities.
 - #7 Johor-Singapore Special Economic Zone (JS-SEZ)**
 - Foster economic connectivity by improving cross-border flows of goods, investments, and people.
- On-going implementation of multi-year infrastructure projects.
- Realisation of some approved investments in previous years (2021-2023) and in 2024.
- Continued capacity expansions in the manufacturing sector (semiconductor, transport equipment, chemical and chemical products) and services (renewable energy, ICT, data centres, technology-related fields).

Malaysia has demonstrated its continued appeal to investors

MIDA's approved DDI and FDI



MIDA's approved Investment by major sector



Source: MIDA

Major foreign investors by ranking (1H 2024)

Ranking	Country	Approved investment value (RM billion)	% share of total approved foreign approved investments
1.	Austria	RM30.1 billion	(18.8%)
2.	Singapore	RM16.5 billion	(10.3%)
3.	China	RM9.8 billion	(6.1%)
4.	Netherlands	RM4.0 billion	(2.5%)
5.	Taiwan	RM2.4 billion	(1.5%)

Note: Figure in parenthesis indicates % share of total approved foreign approved investments.

Investment from global tech giant into Malaysia

 **ByteDance** ⑥

Construction of Artificial Intelligence hub

Amount: RM10 billion

 **Nvidia** ⑤

Center for the Artificial Intelligence (AI) Cloud for South East Asia

Amount: RM20 billion

 **Microsoft** ④

Development of cloud systems and AI

Amount: RM10.5 billion



①  **Amazon Web Services**

Launch of infrastructure Region through to 2037.

Amount: RM29.2 billion

② 

Construction of the first Google data centre in Malaysia and the Google Cloud Region.

Amount: RM9.4 billion

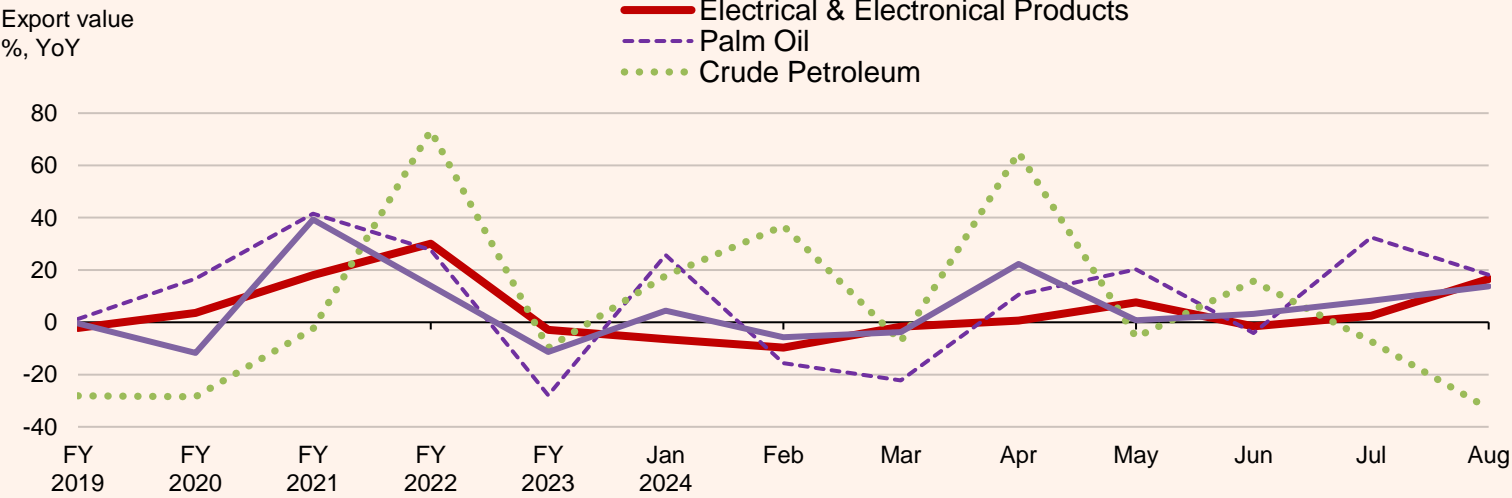
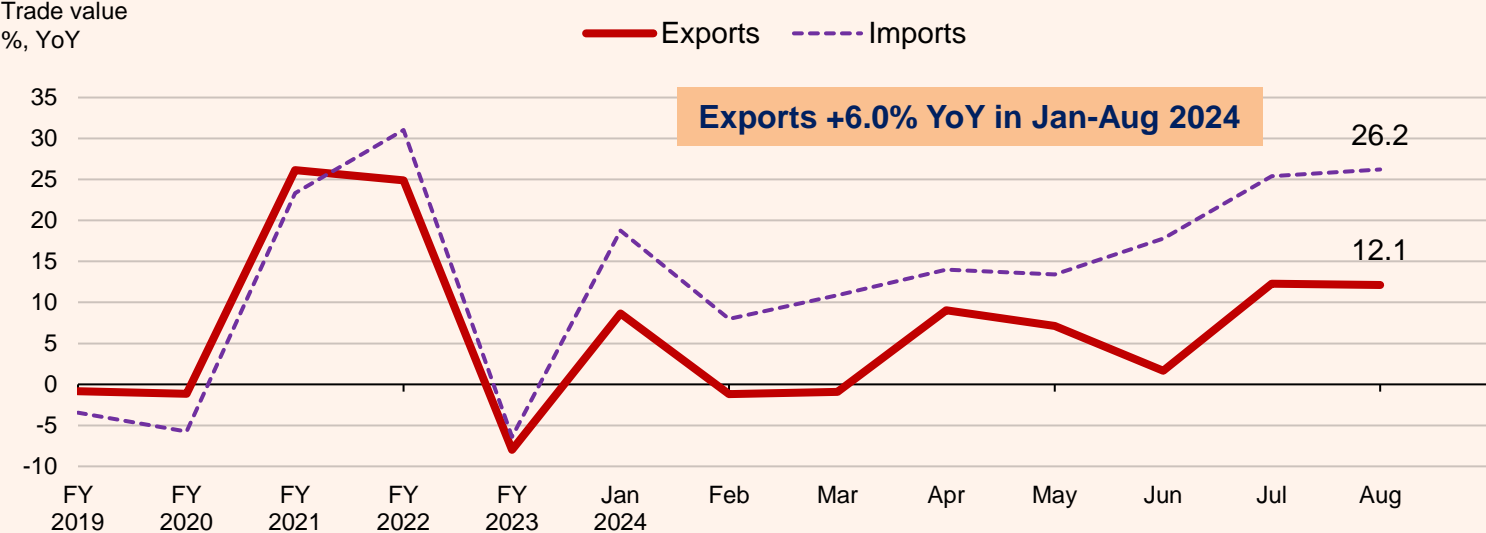
③ 

Establishment of the Oracle Cloud Infrastructure (OCI) cloud region.

Amount: RM26.7 billion

Source: Various sources

Exports regained momentum in 2024



Supporting drivers

- Global tech upcycle
- Firm commodity and crude oil prices
- Expect exports to grow by 6.0% in 2024 and 5.0% in 2024.

Source: DOSM, BNM

Foreign reserves rise steadily, the Ringgit has regained strength

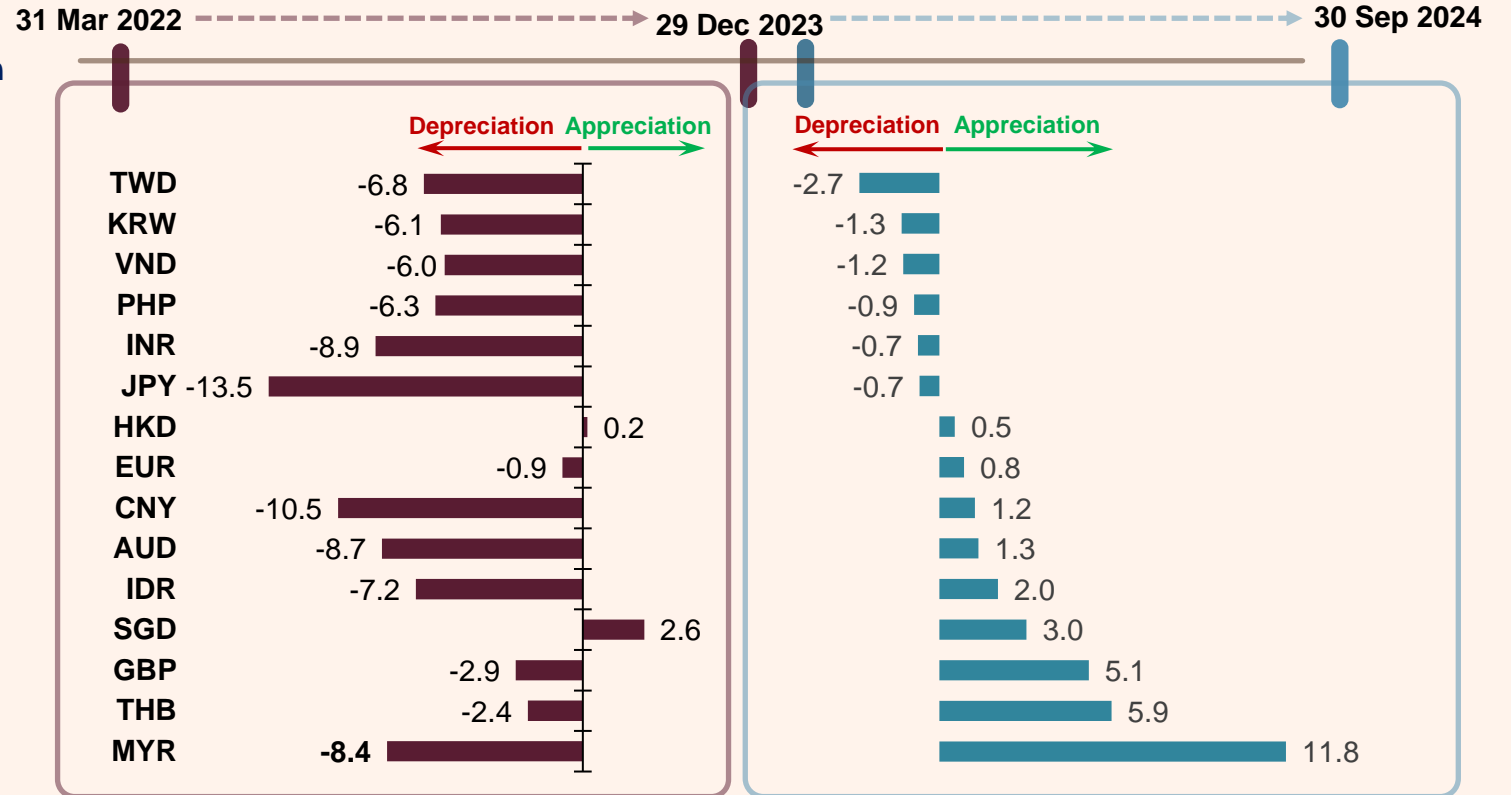
Foreign reserves
%, YoY



Foreign reserves

- Continued trade surplus
- FDI flows (manufacturing, technology, data centres, services)
- Portfolio flows (debt, equities, other instruments)

Selected major and regional currencies against the USD (%)

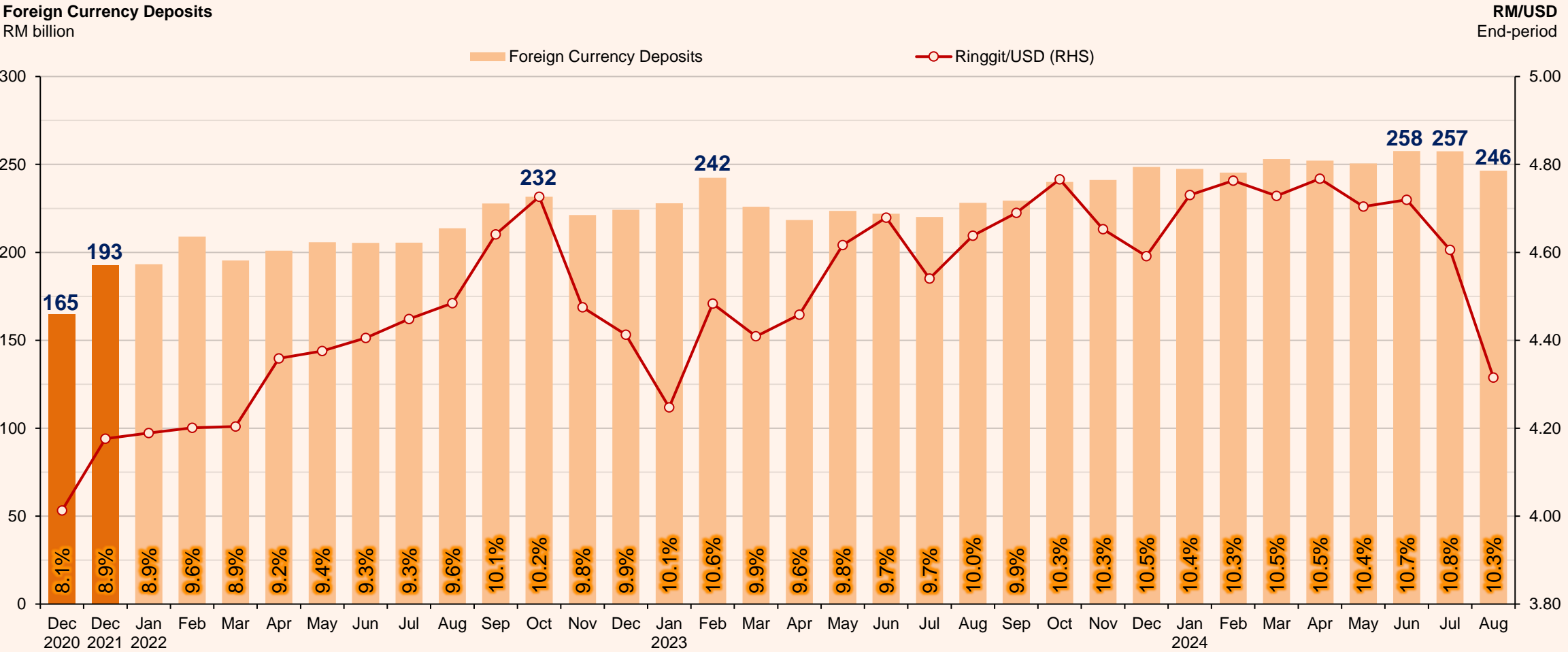


Ringgit

- Narrowing interest rate differentials with the US
- Positive on growth and investment prospects
- Conversion into ringgit
- FDIs and portfolio flows
- Concerted actions by the Government and Bank Negara Malaysia on the repatriation of investment income realised abroad

Source: BNM

Foreign currency deposits have eased from the peak in August



Note: Data label indicates % share of foreign currency deposits over total deposits.
 Source: BNM

A 2025 Budget Drives Growth with Fiscal Stability

Skills Development

- Enhancement of Progressive Wage Model
- TVET, STEM

Sustaining High Investment

- Reinvestment Allowance
- Facilitation Fund/Grant
- Family Offices
- R&D Tax
- ESG Fund

Managing Business Costs

- Preferential Tax Rate for SMEs
- Minimum Wage Rate and Tiered Levy – Not too Steep
- E-invoicing – Higher Exemption for SMEs

Fiscal Consolidation

- Further reduction in fiscal deficit to GDP ratio (-3.8% in 2025 vs. -4.3% in 2024)

Revenue Enhancement and Tax System

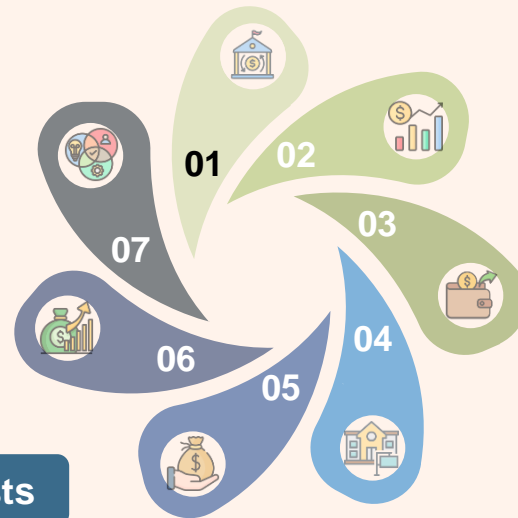
- Reintroduction of GST
- E-invoicing
- Global Minimum Tax Rate (15%) and Domestic Minimum Top Up Tax (DMTT)

Operating Expenditure Rationalisation

- Fuel Subsidies Rationalisation
- Consolidation of Departments and Agencies

Easing Cost of Living

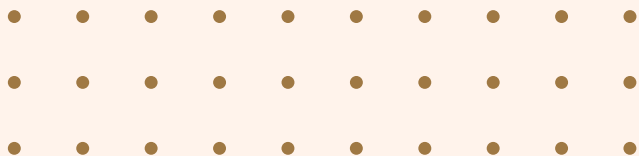
- Sumbangan Tunai Rahmah
- Tax Rebate and Relief for Individuals
- Medical Inflation; Income Enhancement for Retirees





Fiscal Consolidation and Structural Reforms

1. Fiscal consolidation trajectory and contain the debt are key foundations to sustain higher economic growth. Structural reforms to boost confidence and macro stability.
2. Attracting the right kind of quality investments will transform the Malaysian economy, pushing for the next economic take-off. Our narrative is that Malaysia offers compelling growth and boundless investment opportunities in this region.
3. By fostering a more business-friendly environment and thriving investment ecosystem, Malaysia can unlock the full potential of its investment opportunities, entrepreneurial spirit and innovative capabilities.
4. Malaysia has “diversity” as selling points to differentiate us from other countries in the region. These diversities are natural resources, industries, markets, products, languages, ethnicities, cultures, and markets in the region.



THANK YOU

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