

Knowledge is Power Sharing Event 2025

Malaysia 2025 & Beyond: The Economic Challenges

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22 February 2025



Agenda

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Global Economy in the “VUCA” Year 2025

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Malaysia’s Economic Outlook in 2025: Insights and Trends

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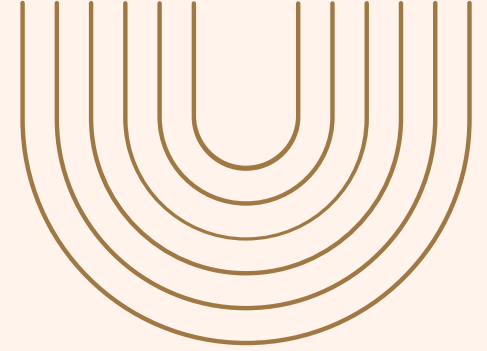
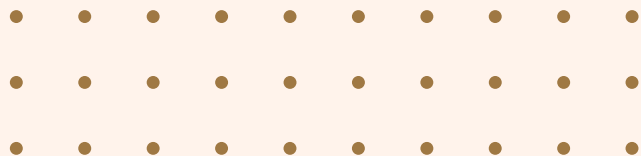
Trump’s Trade and Economic Agenda: Potential Spillovers on Malaysia

Global Economic Outlook

The “VUCA” Year 2025

KEY TAKEAWAYS

- *Global growth “steadying”, albeit settling at lower rate*
- *Growth divergence in key economies – facing their own challenges.*
- *The Trump’s factor – “The elephant is in the room”*
- *Tariff moves upend inflation expectations*
- *Monetary easing to continue, albeit at varying pace*
- *Downside risks have risen – Negatives outweigh Positives*



Volatility

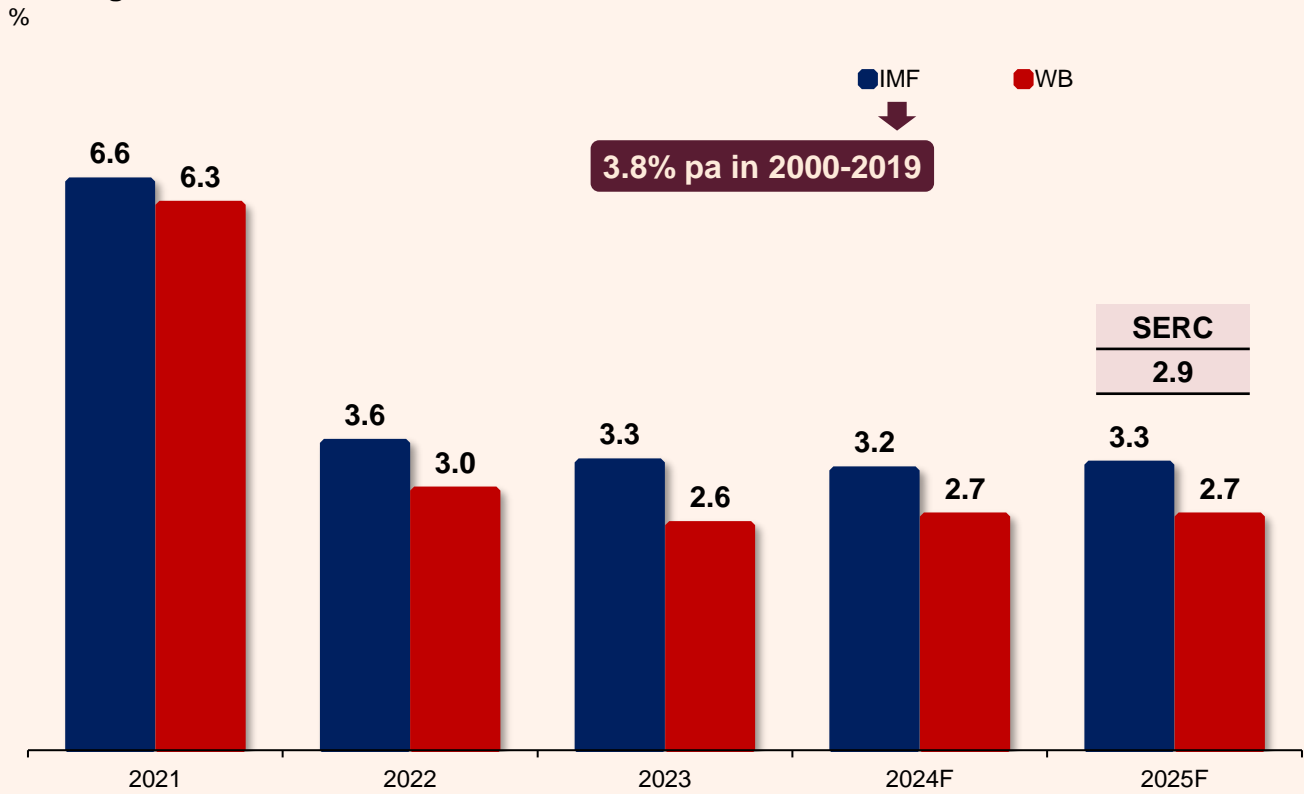
Uncertainty

Complexity

Ambiguity

Global growth to remain subdued amid lingering uncertainty

Global growth estimates



What could go wrong?



#1 Geopolitical tensions and military conflicts



#2 Elevated trade war



#3 Inflation risk flares up

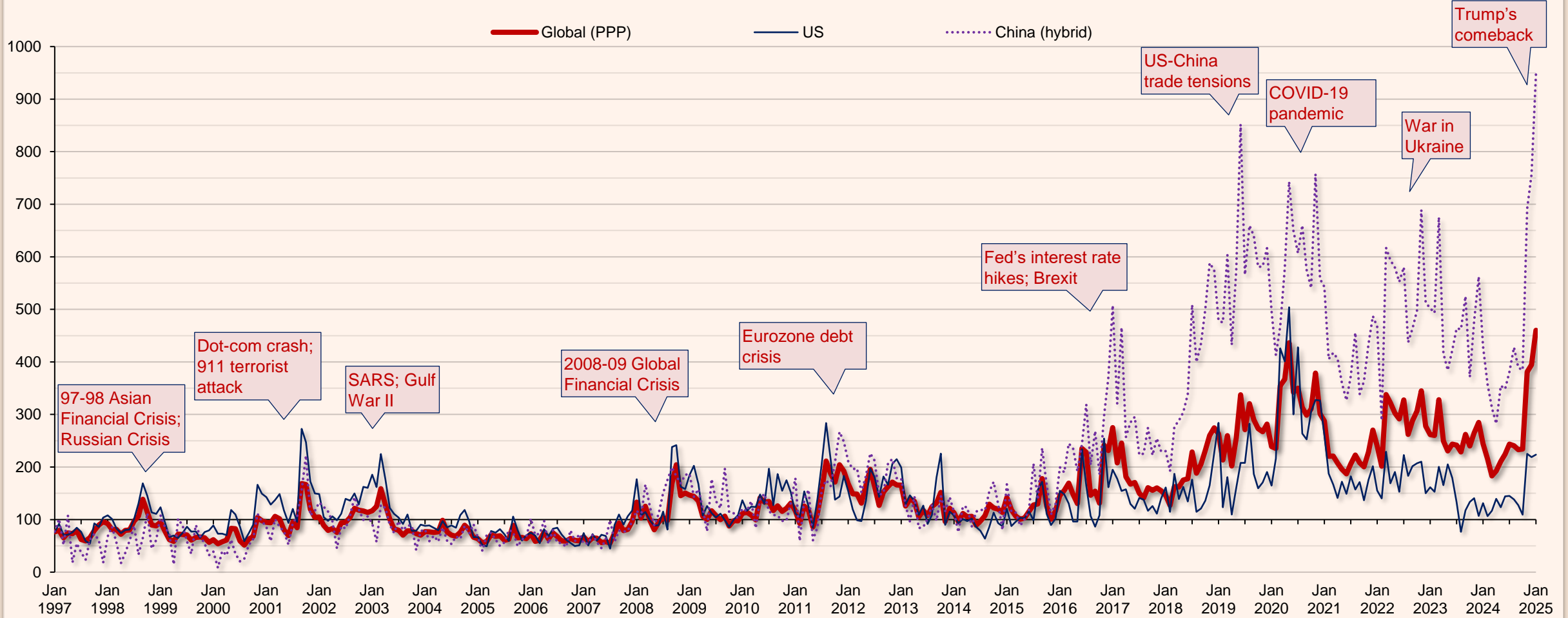


#4 Soaring global debt

Source: International Monetary Fund (IMF); World Bank (WB)

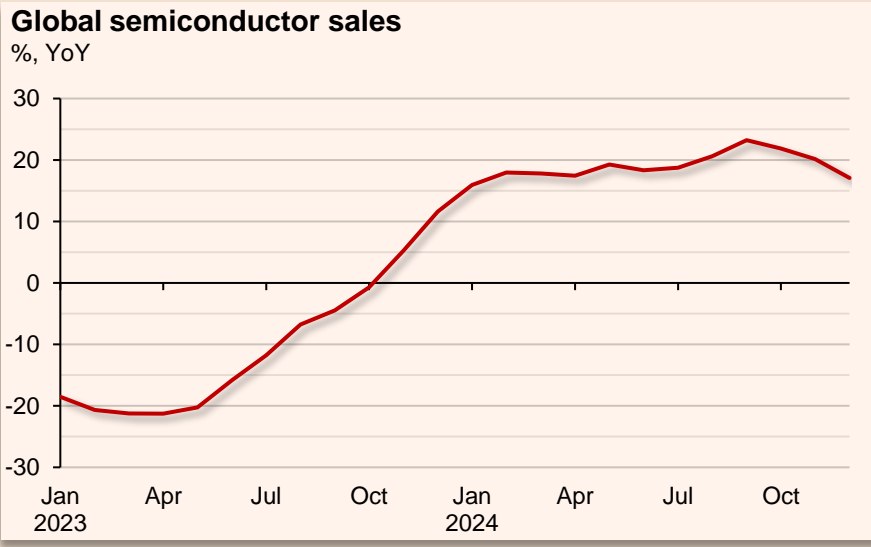
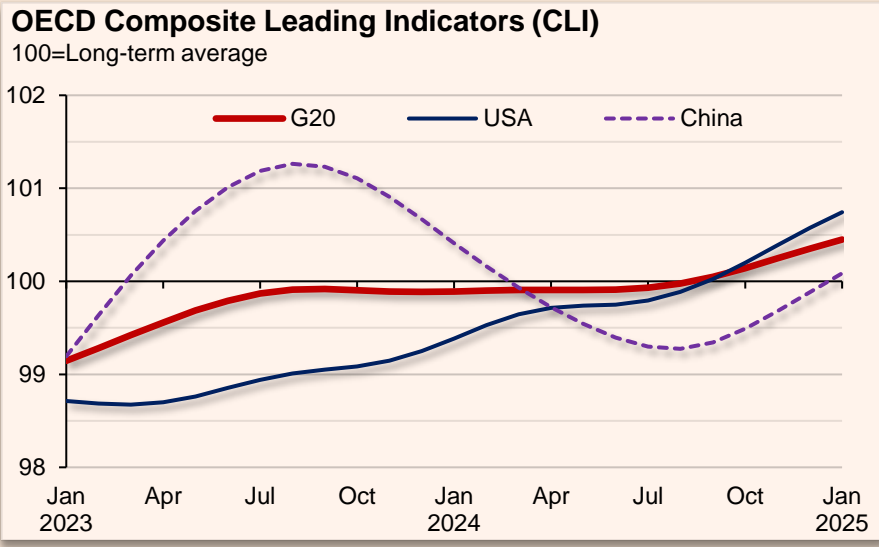
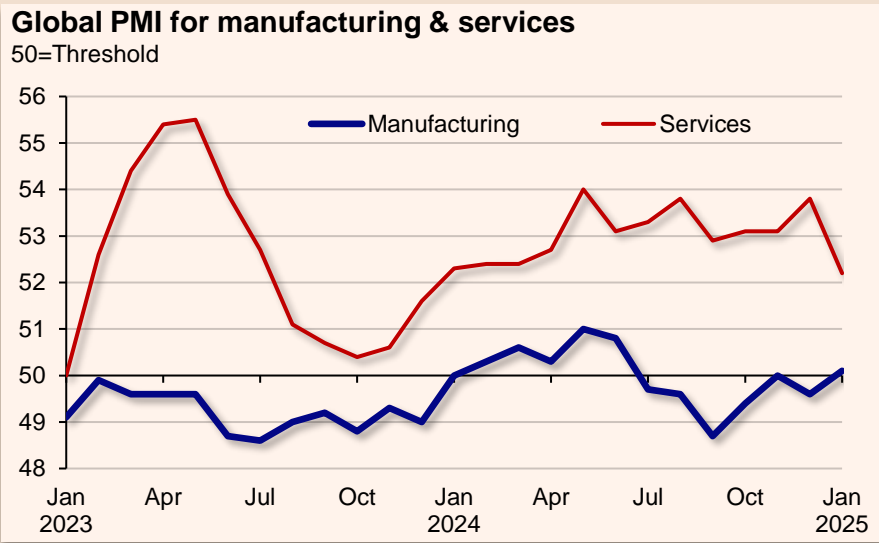
The Economic Policy Uncertainty (EPU) Index spiked up

Economic Policy Uncertainty Index



Source: Global: Davis (2016); United States: Baker, Bloom and Davis (2016); China (hybrid): Baker, Bloom, Davis and Wang (2013) & Davis, Liu, and Shang (2019)

Global current and forward indicators show mixed trends



- Global manufacturing PMI edged above the 50-point mark for the first time since Jun 2024, reaching an 8-month high of 50.1 in Jan 2025.
- Global Services PMI in Jan 2025 remains in expansionary territory, though new business growth has slowed.
- The OECD composite leading indicators signal steady global growth outlook.
- Global trade volume grew for the eighth consecutive month in Nov 2024.
- Global semiconductor sales surged 19.1% in 2024. The WSTS forecasted that semiconductor sales will grow by 11.2% in 2025.

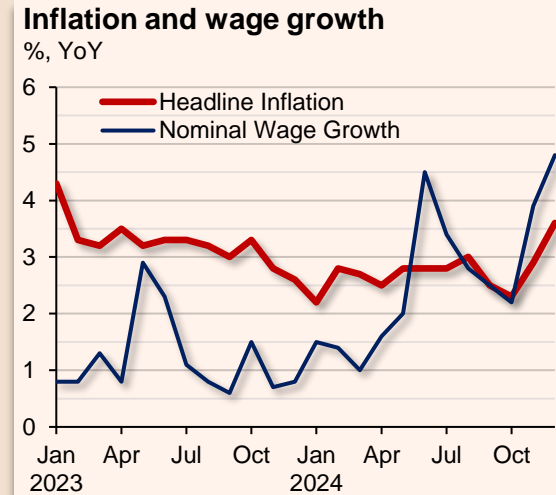
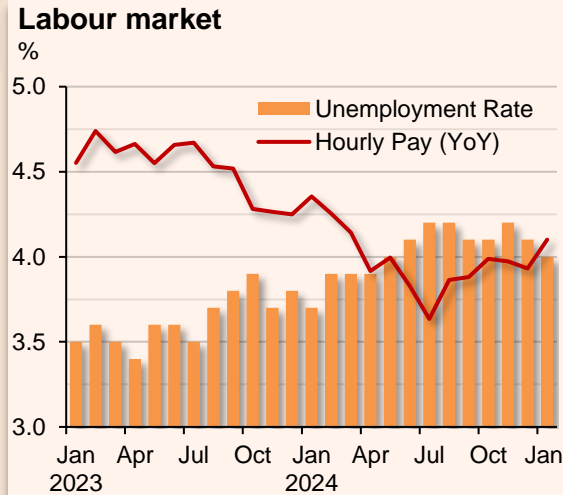
Source: S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands; Semiconductor Industry Association (SIA)

Growth divergence in key economies – Facing challenges

United States

2024: 2.8%; 2025F: 2.2%

- Trump's policy shifts
- Demand stimulating – deregulation, output rise and inflation
- Supply constraints – tariffs, immigration curb



Japan

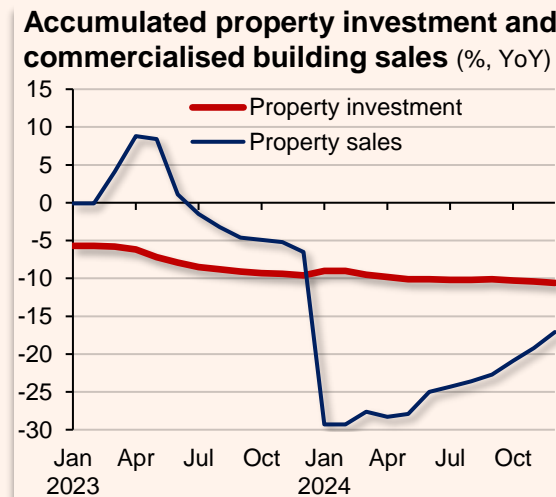
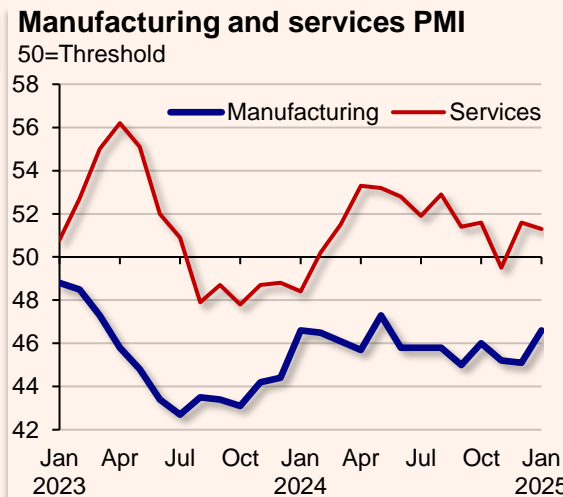
2024E: 0.1%; 2025F: 1.1%

- Gradual monetary tightening
- Inflation price pressures
- Yen carry trade could make a comeback

Euro Area

2024: 0.7%; 2025F: 1.0%

- Weak manufacturing momentum
- Fiscal vulnerabilities, including weak fiscal fundamentals, high debt
- ECB to continue cutting interest rates



China

2024: 5.0%; 2025F: 4.6%

- Responsiveness of consumers and businesses to stimulus
- Pivot to domestic engine
- Debt deflation trap
- Declining bond yields could indicate a prolonged economic downturn
- Trade tensions with the US

Source: US Bureau of Labor Statistics; S&P Global; Statistics Bureau, Japan; Ministry of Health, Labour and Welfare (MHLW), Japan; National Bureau of Statistics of China (NBS China)

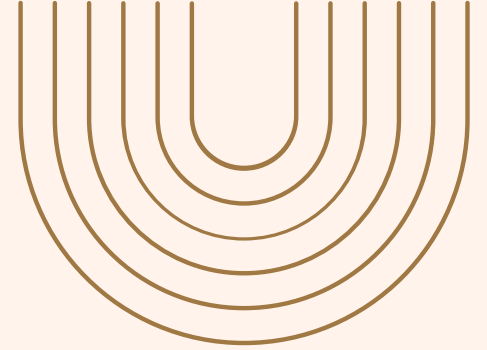
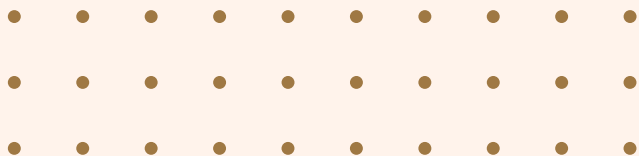


Malaysia's Economic Outlook

Cautiously Promising Outlook 2025: Insights and Trends

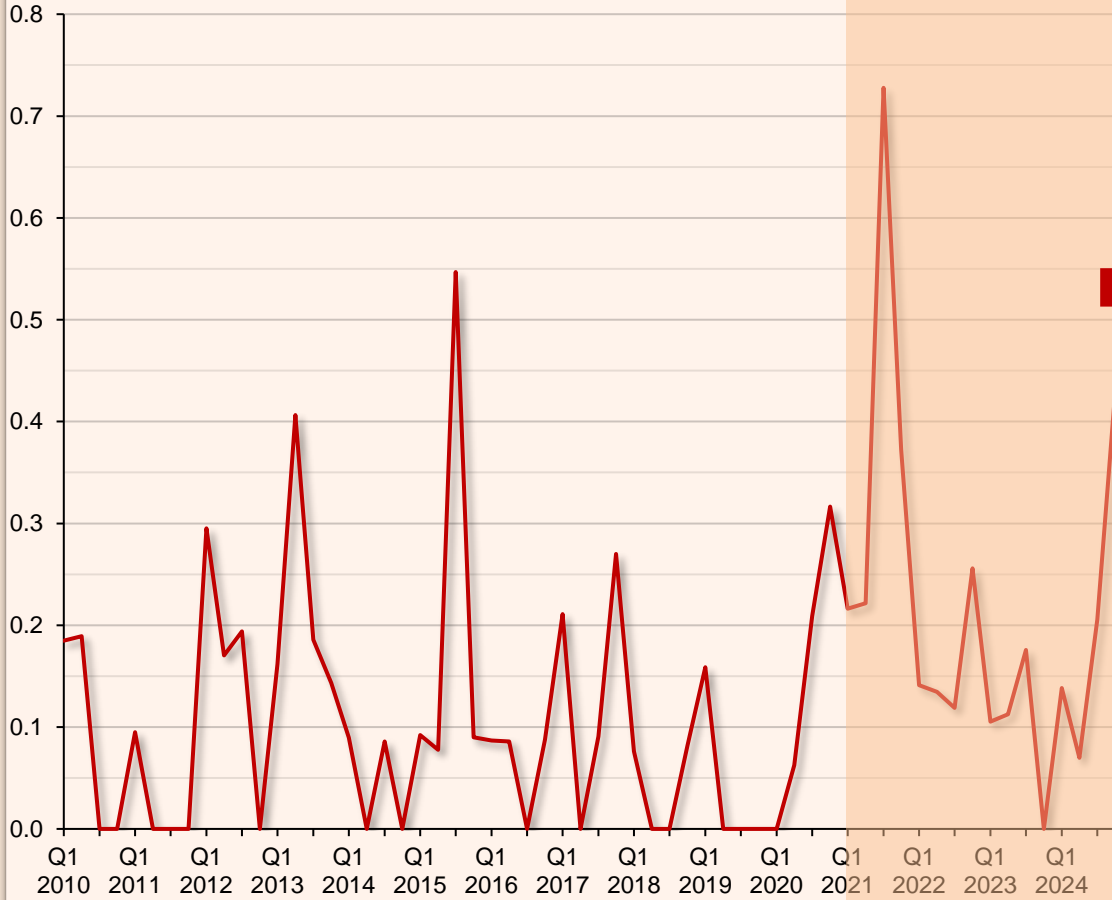
KEY TAKEAWAYS

- *Continued economic expansion amid external and domestic challenges*
- *Supportive expansionary fiscal and still accommodative interest rates*
- *Domestic demand still anchoring growth*
- *Trump's blanket tariffs policy will impact exports and investment flows*
- *Wary of inflation expectations and increased business costs*
- *BNM to keep interest rate steady at 3.00% in 2025*

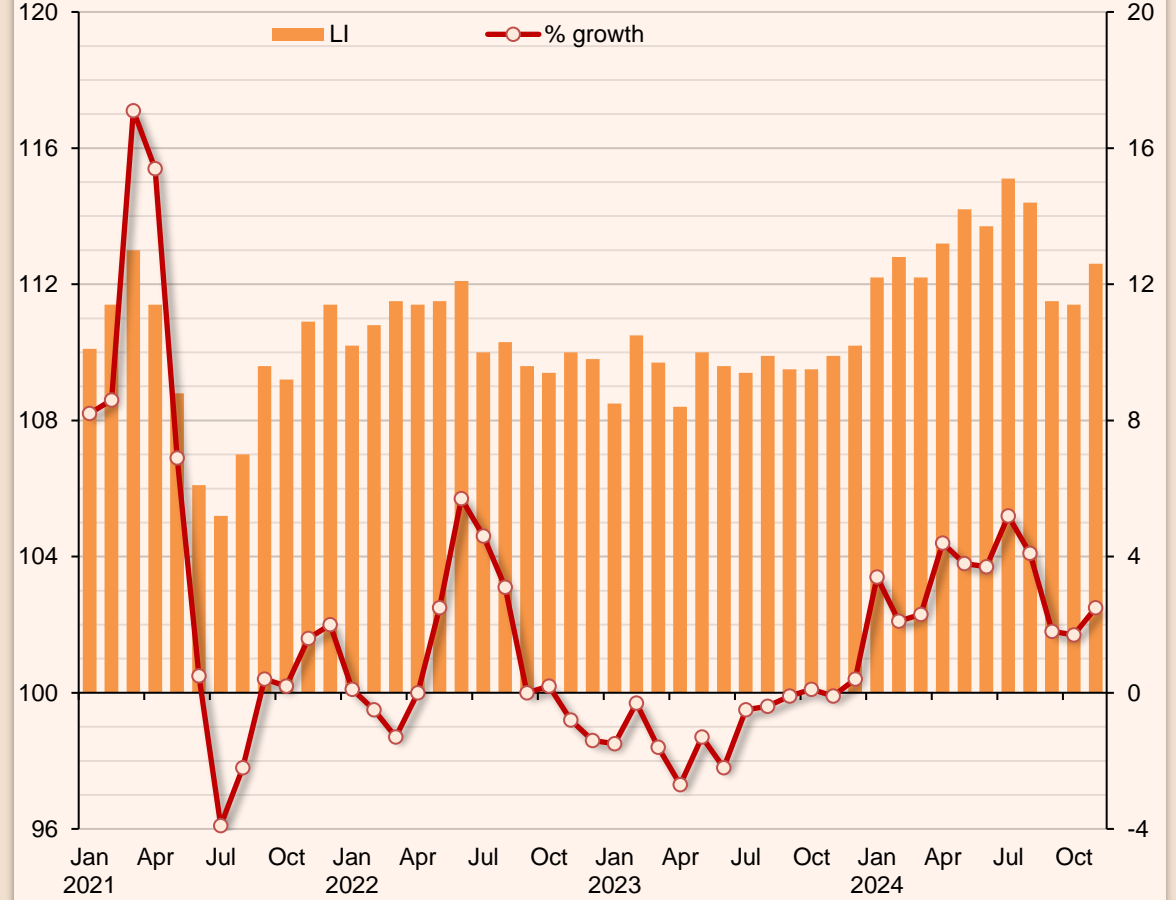


World Uncertainty Index for Malaysia vs. the leading indicators

World Uncertainty Index for Malaysia



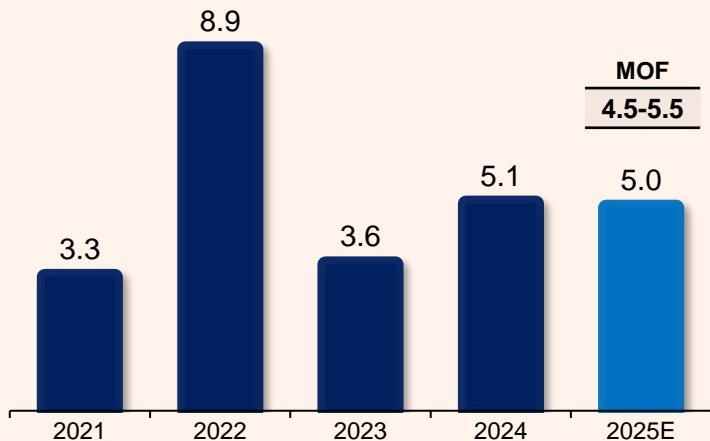
Leading index (LI)
2015=100



Source: World Uncertainty Index (the index is associated with greater economic policy uncertainty (EPU), stock market volatility, risk and lower GDP growth). DOSM

The Malaysian economy to stay on course amid headwinds

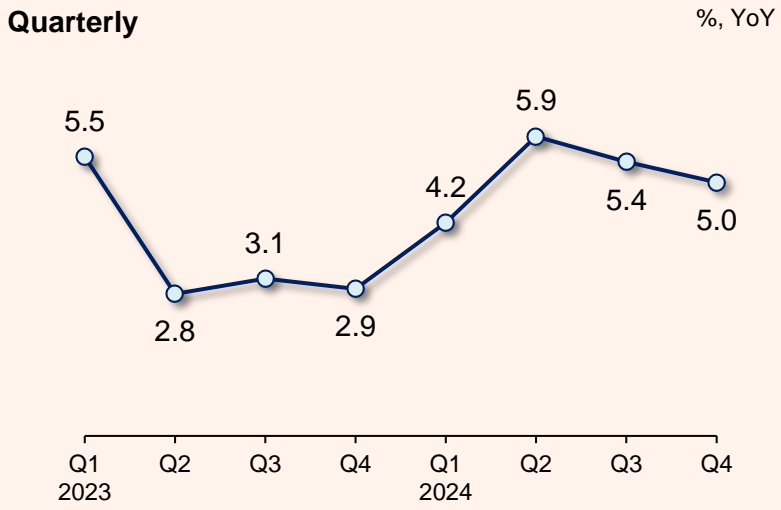
Annual GDP growth (%)



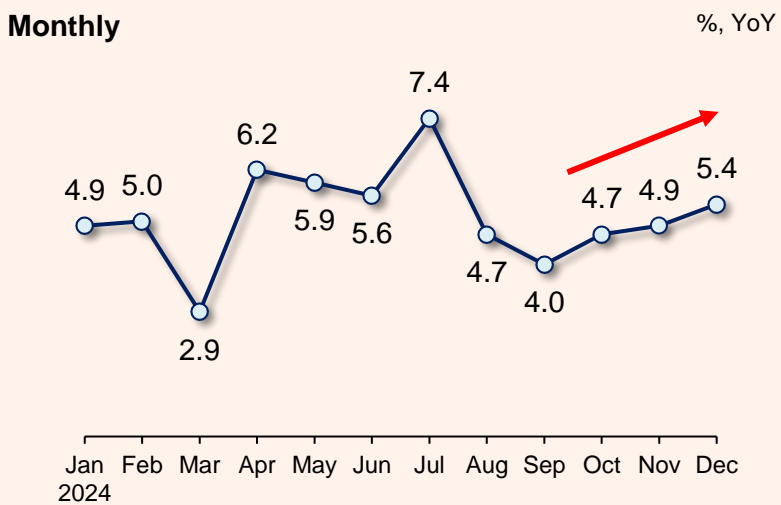
Drivers of growth:

- #1 Firm labour market conditions and continued discretionary consumer spending: Higher minimum wage, salary hikes for public servants, higher cash aids, and the EPF Flexible Account
- #2 On-going public infrastructure projects; multi-year private investment expansion
- #3 Sustained tourism activities

Quarterly



Monthly



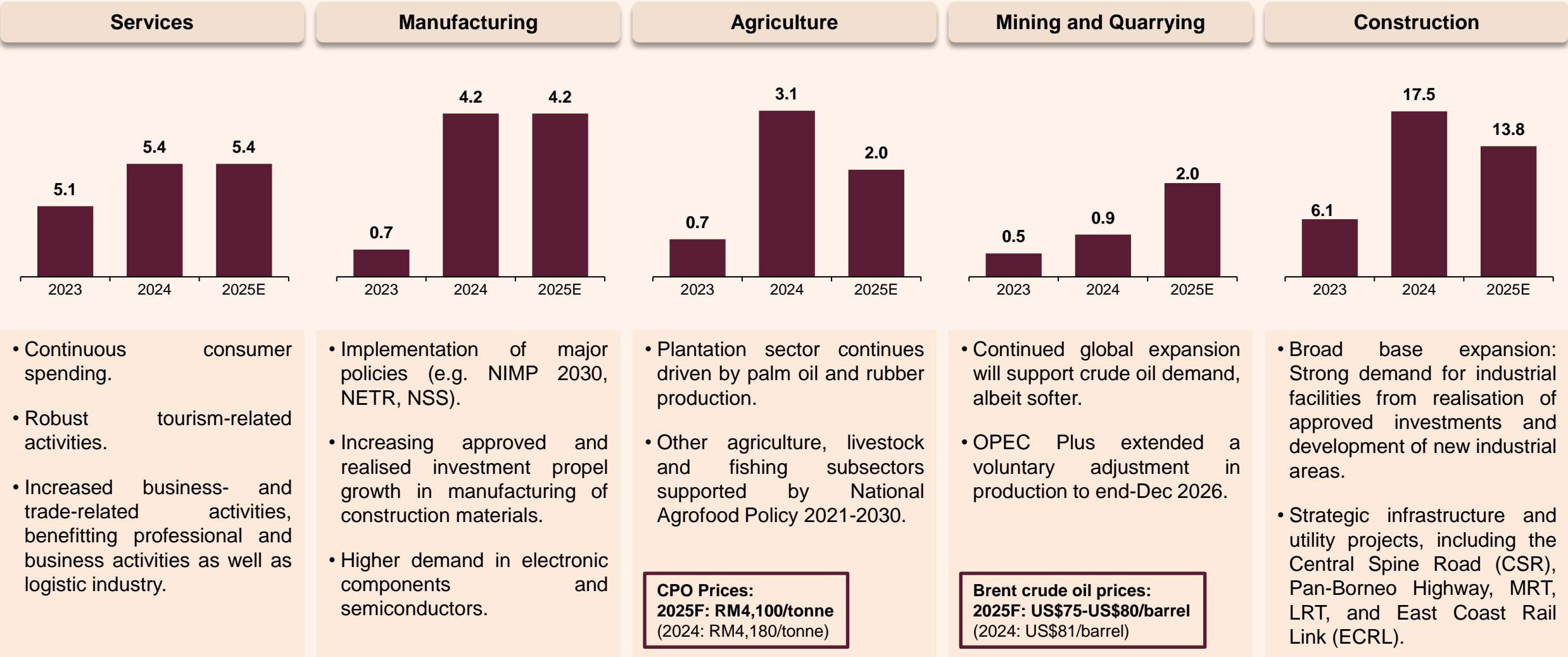
Risks for 2025: Largely external-driven

- #1 A wide scale tariffs war impacts global growth and trade as well as supply chains disruption
- #2 Further escalation of geopolitical conflicts
- #3 Weaker-than-expected global growth, particularly the US and China
- #4 Lower commodity and energy prices
- #5 Faster-than-expected inflation (wage increases, petrol subsidy rationalisation, SST scope expansion, and inputs cost inflation)

Source: DOSM; MOF; SERC's forecast

Bolstered by services, manufacturing, and construction activities

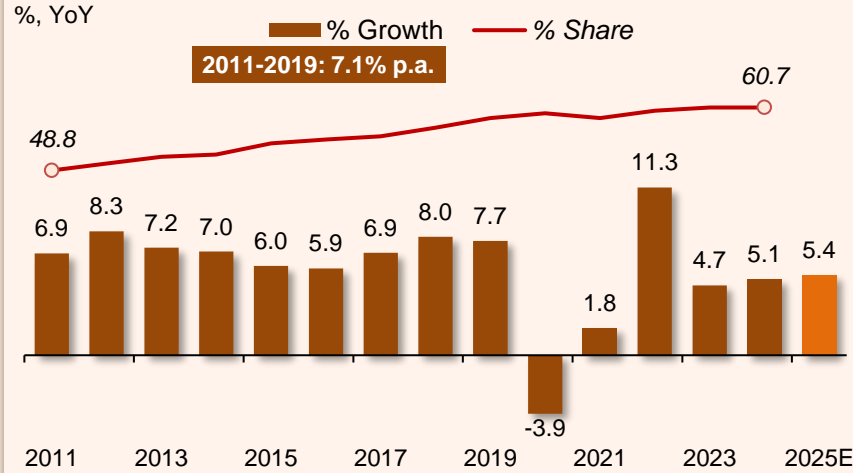
GDP growth by economic sector (% YoY)



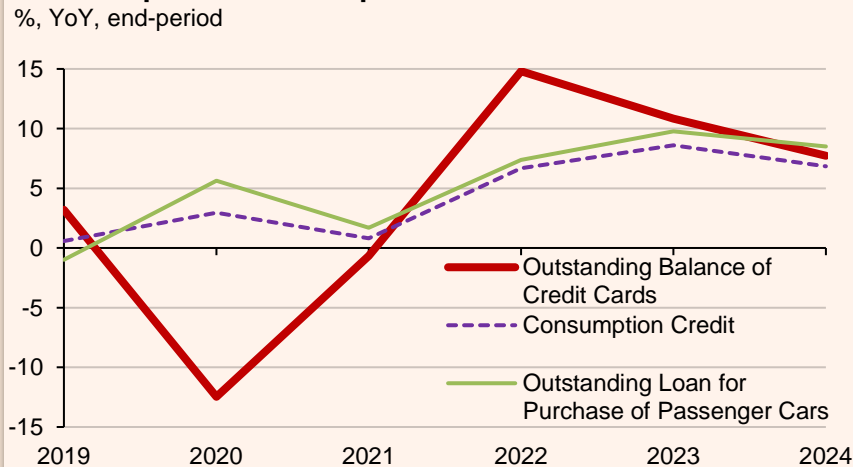
Source: DOSM; SERC's forecast

Households could begin to bend, but not break

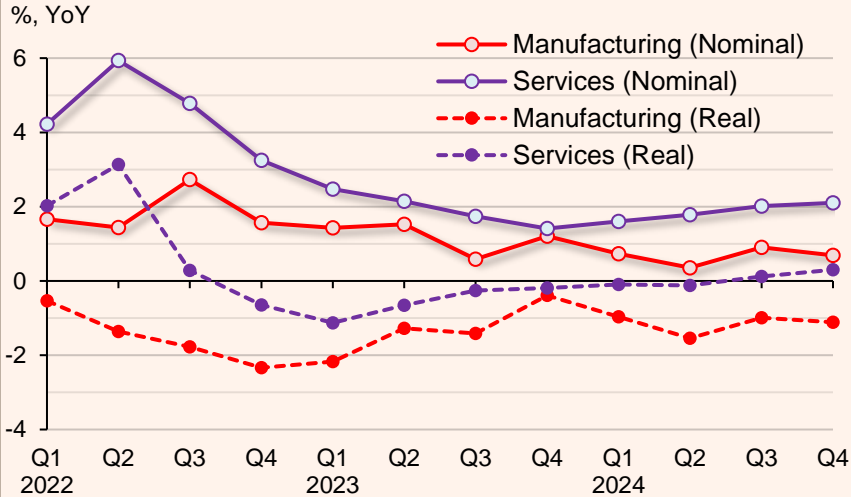
Private consumption growth



Selected private consumption indicators



Real wage growth per employee



What are consumers spending on?

Note: Figure in parenthesis indicates % share of private consumption in 2024

Selected private consumption components % growth, YoY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Food and non-alcoholic beverages (24.1%)	4.6	11.0	6.8	5.5	3.4	2.8	4.9	5.9	4.0	7.2	3.7	3.8
Housing, water, electricity, gas and other fuels (15.6%)	2.5	7.7	6.8	10.6	8.9	6.3	5.9	5.6	7.5	3.8	5.3	3.1
Transport (13.8%)	8.3	89.8	54.8	10.7	11.2	6.1	11.0	10.1	6.4	8.9	13.7	12.4
Communication (10.7%)	11.6	10.5	10.6	7.7	7.2	7.1	7.8	7.3	6.0	4.0	3.6	8.0
Restaurants and hotels (9.1%)	10.9	36.7	43.3	16.0	9.1	5.1	7.8	7.6	8.4	10.5	14.2	13.8

Positives

- Improvement in disposable income and robust labour market conditions.
- Higher minimum wage, EPF Flexible Account 3 withdrawal facility, and the implementation of Public Service Remuneration System (SSPA).
- Improved targeted cash assistance programmes: RM13 billion in 2025.
- Sustained tourism activities: Target 31.4 million tourist arrivals in 2025 (25.0 million in 2024).

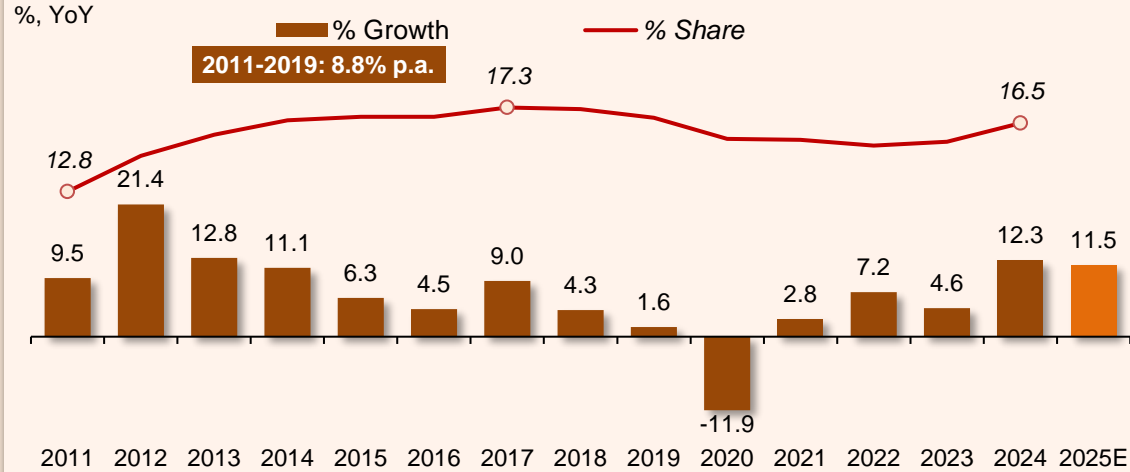
Dampener

- Rising cost of living pressure.
- Consumer inflation from the fuel subsidy rationalisation, pass-through from increased business costs.

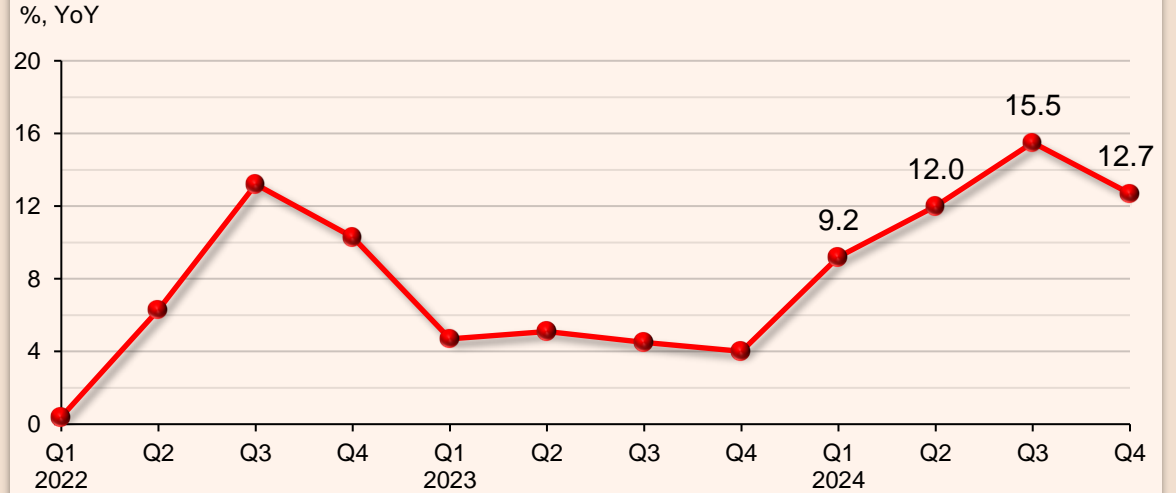
Source: DOSM; BNM; SERC's forecast

A multi-year expansion in private investment cycle

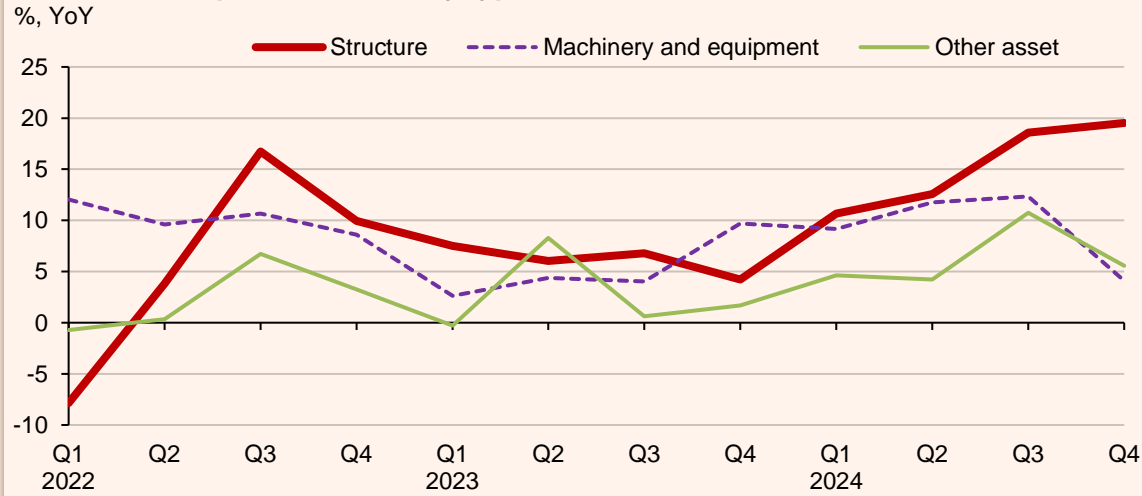
Private investment growth – Annually



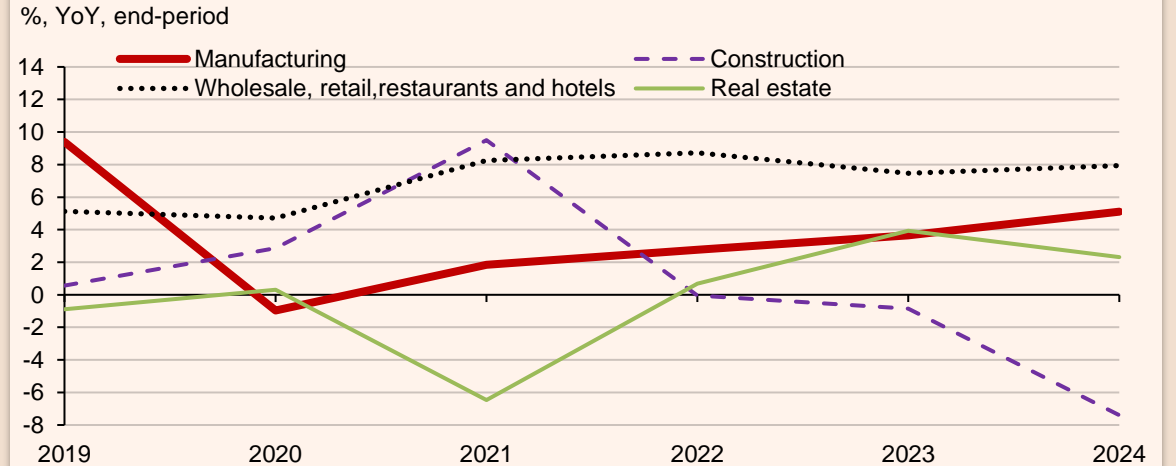
Private investment growth – Quarterly



Gross fixed capital formation by type of assets



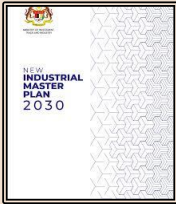
Selected business loans



Source: DOSM; BNM; SERC's forecast

Note: Revision and expansion of the loans/financing data in 2022.

Catalytic drivers of private investment



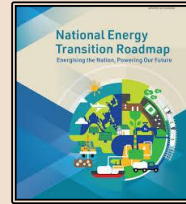
New Industrial Master Plan (NIMP) 2030

- Estimated RM94.7 billion for 7 years, driven by private sector
- Government funding through NIMP Industrial Development Fund and NIMP Strategic Co-investment Fund
- 21 sectors in focus, of which five (5) are high-tech sectors



National Semiconductor Strategy (NSS)

- A total investment of RM500 billion by 2030
- Train and upskill 60,000 high-skilled local engineers
- Develop local companies to be global champions; become global semiconductor R&D hub



National Energy Transition Roadmap (NETR)

- Six (6) energy transition levers with ten (10) flagship catalyst projects
- Potential investment opportunities totalling between RM1.2 trillion and RM1.3 trillion by 2050
- Uplift annual GDP value up to RM220 billion with 310,000 job creations by 2050

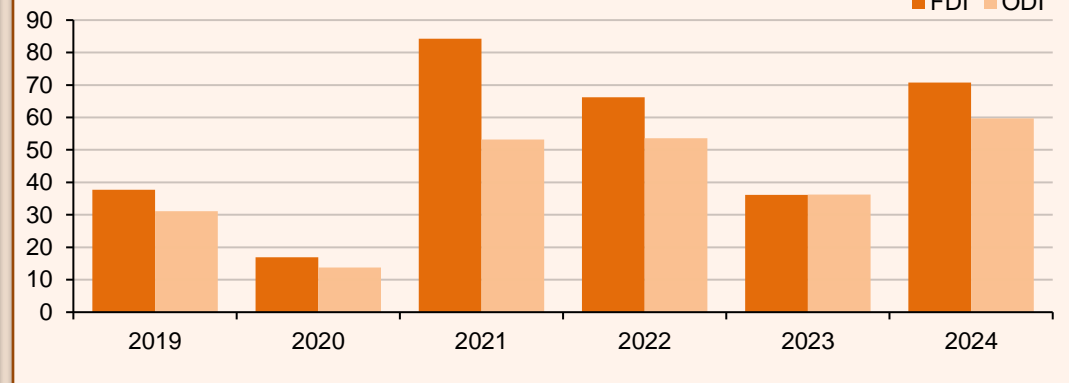


Johor - Singapore Special Economic Zone (JS-SEZ)

- 11 sectors in 7 flagship zones, with tax rate as low as 5% for companies and 15% for skilled workers
- 50 projects within the first 5 years and a cumulative of 100 projects within first 10 years
- Create 20,000 skilled jobs

FDI / ODI under BOP

RM billion



Approved investment in various economic sectors with foreign participation RM million (% share of total)

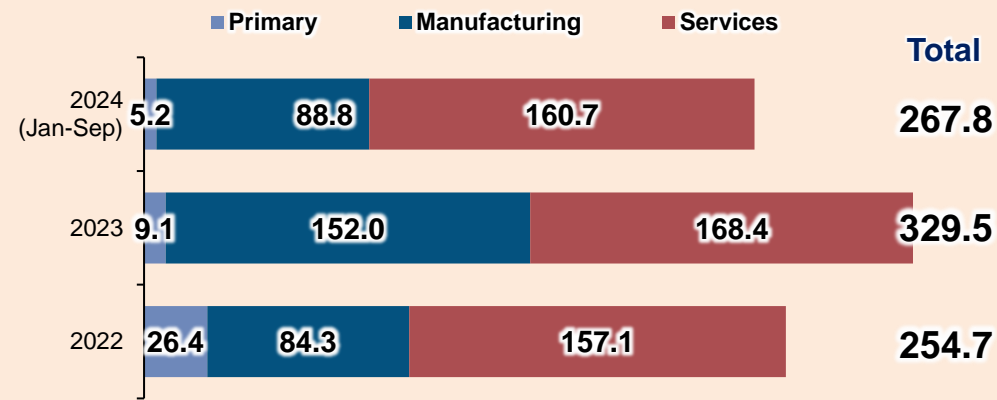
	2022	2023	2024 (Jan-Sep)
Austria	81.8 (0.05%)	9.4 (0.005%)	30,077.0 (28.2%)
Singapore	13,466.8 (8.2%)	43,691.8 (23.2%)	26,130.2 (24.5%)
China	55,431.9 (33.9%)	14,466.1 (7.7%)	12,009.5 (11.3%)
United States	29,160.0 (17.9%)	21,531.2 (11.4%)	9,061.2 (8.5%)
Japan	11,396.3 (7.0%)	13,645.7 (7.2%)	4,391.1 (4.1%)

From 2020 till Jun 2024, 3,204 projects (or 81.0%) and RM430.5 billion (or 73.9%) of total approved manufacturing projects had been realised.

Source: DOSM; MIDA

Data lend credence to continued upturn in private investment cycle

MIDA's approved Investment by major sector (RM billion)



Source: MIDA

Public investment: Progress for selected key public projects

Transport

Highway

Pan Borneo Sarawak	>99%
Pan Borneo Sabah Phase 1A	78%
Central Spine Road	66%

Train transit

LRT3	98%
RTS Link (Infrastructure)	Complete
ECRL	78%

Renewable energy

Solar energy

Cypark Solar Plant	100%
Batang Ai Floating Solar Farm	100%

Hydroelectricity

Baleh Dam	43%
Nenggiri Hydro	41%

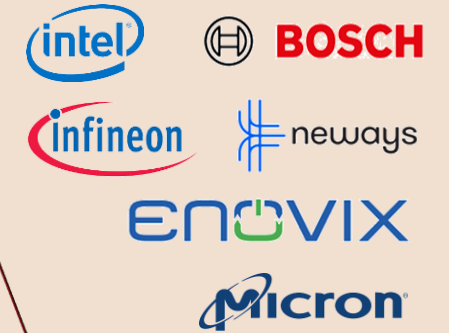
Network

MyDIGITAL 5G	82% coverage
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Source: Various

Electrical & Electronic products

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

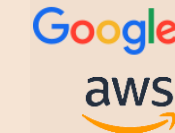


Data centre

>RM114 billion
Announced investment



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



PRIVATE Investment

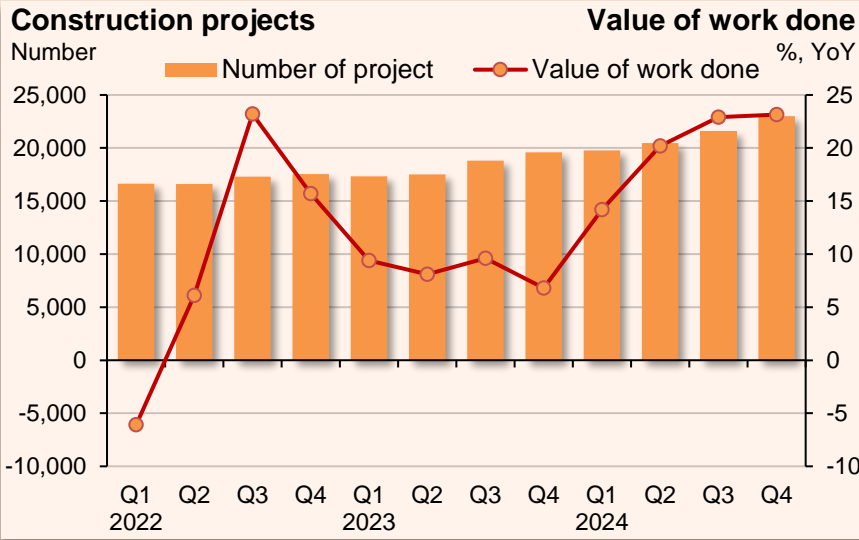
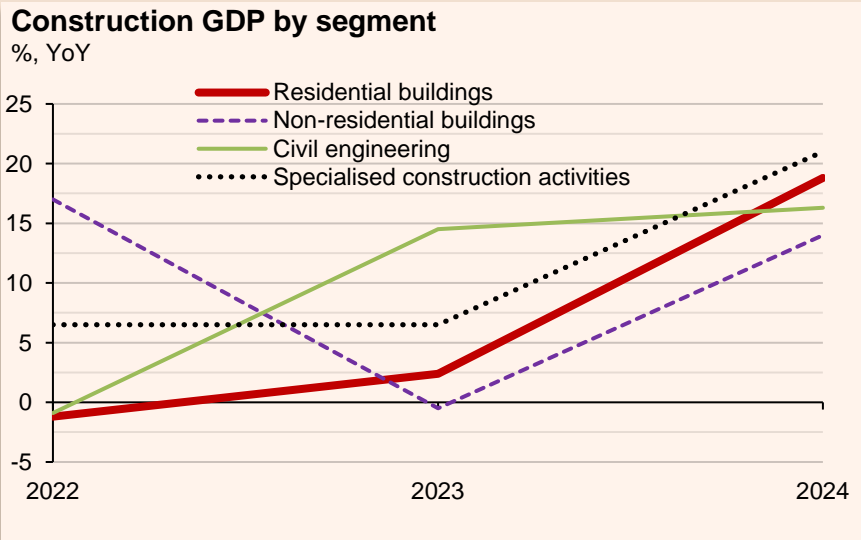
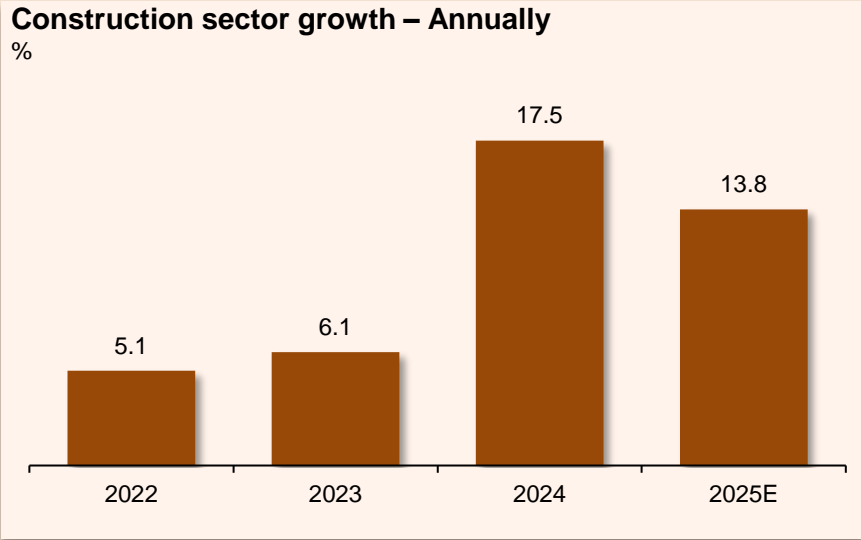


Green / High tech industry park

Kulim Hi-Tech Park
Sedenak Tech Park

Bayan Lepas FIZ
Batu Kawan IP

Construction sector boom to continue



Growth catalysts

- Data centres
- Utility projects
- Strategic infrastructure
- Central Spine Road (CSR)
- MRT 3
- LRT 3
- Pan-Borneo Highway
- East Coast Rail Link (ECRL)
- Mutiara LRT (Penang)

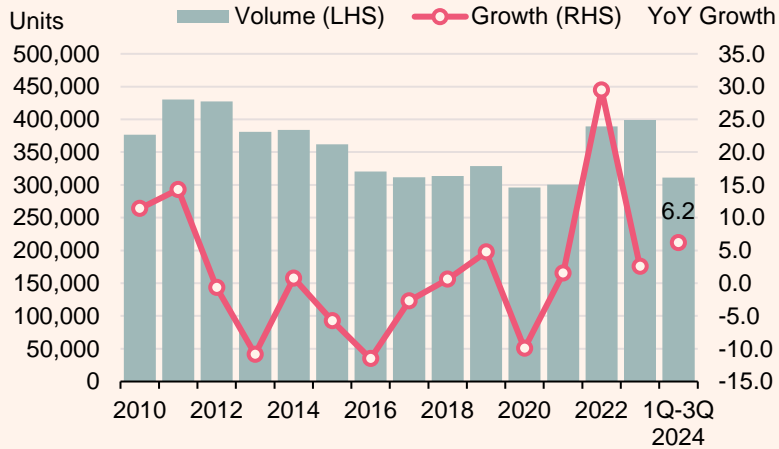
More ...

- Flood mitigation projects
- River conservation projects
- Perumahan Inklusif MADANI
- Additional lane for Lebuhraya Utara Selatan (PLUS)
- Upgrade of Local Area Network (LAN) infrastructure
- Building of new clinics in rural areas as well as repairing and upgrading dilapidated clinics

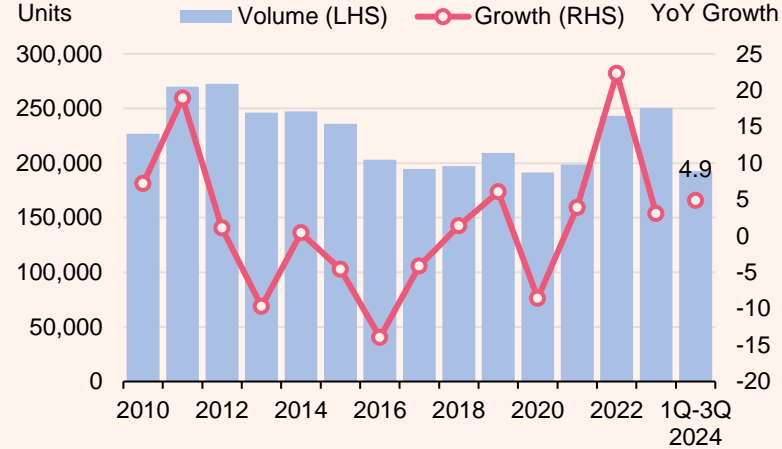
Source: DOSM; SERC

Malaysia's key property market trends: Transactions

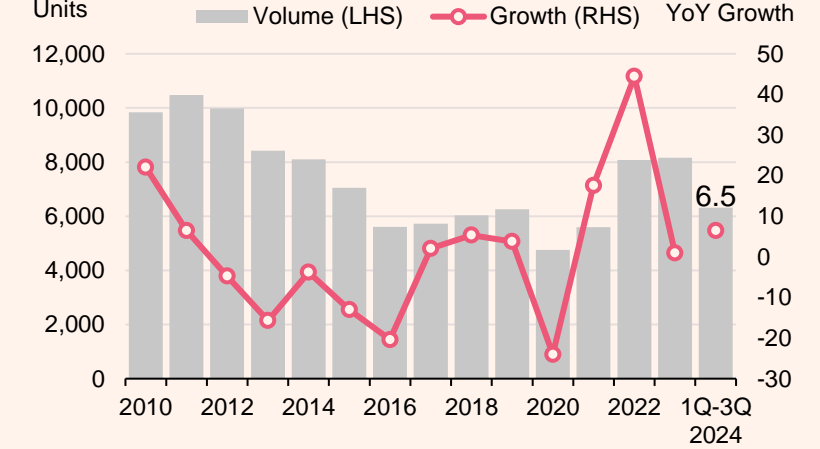
#1 Property Transaction Volume



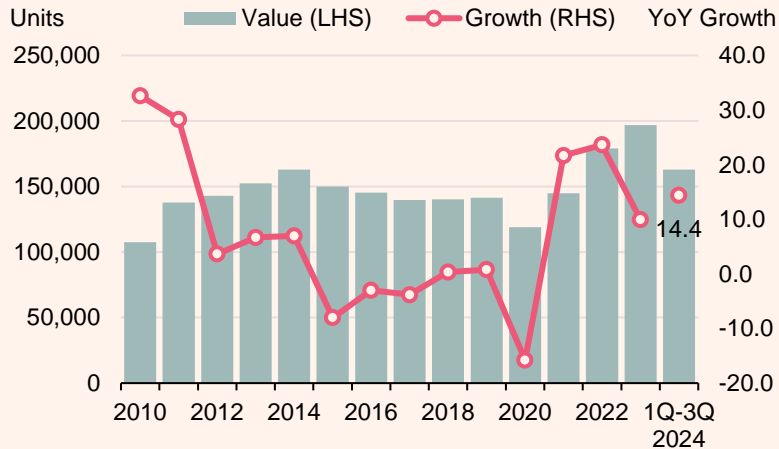
Residential



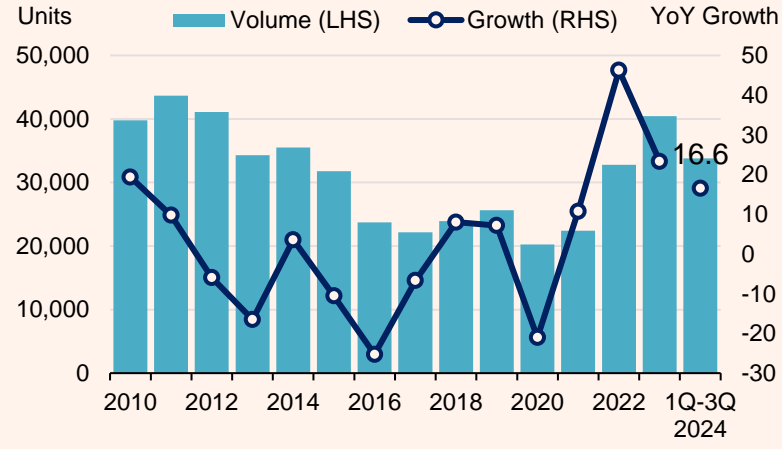
Industrial



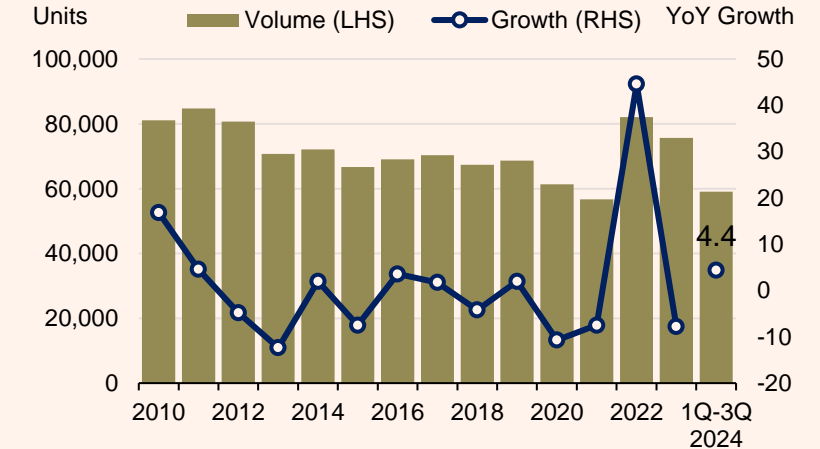
#2 Property Transaction Value



Commercial



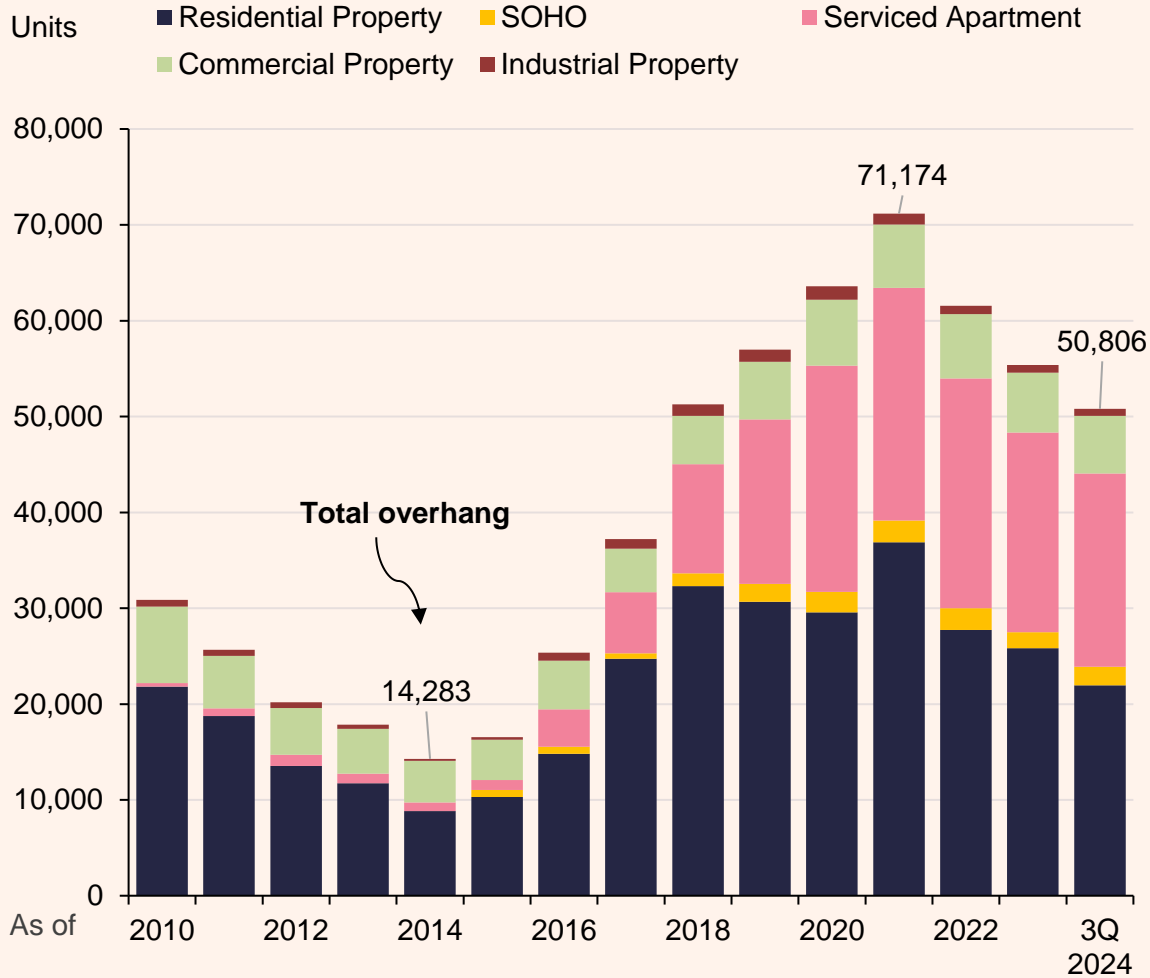
Agriculture



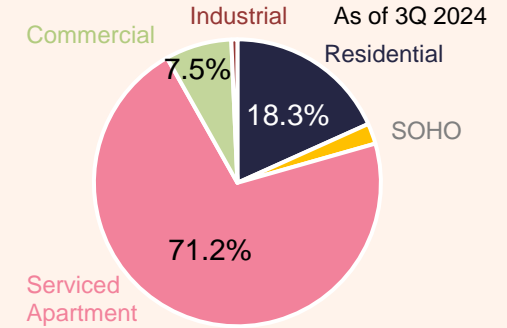
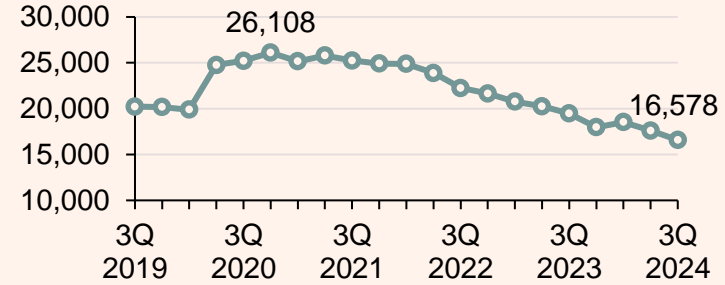
Source: National Property Information Centre (NAPIC)

Malaysia's key property market trends: Overhangs

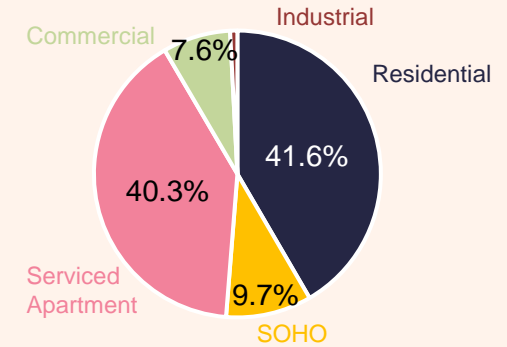
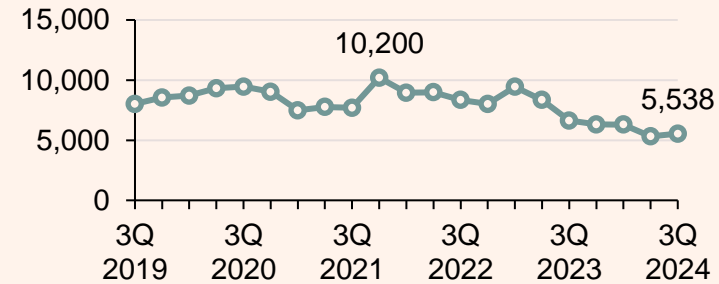
#3 Overhang Volume



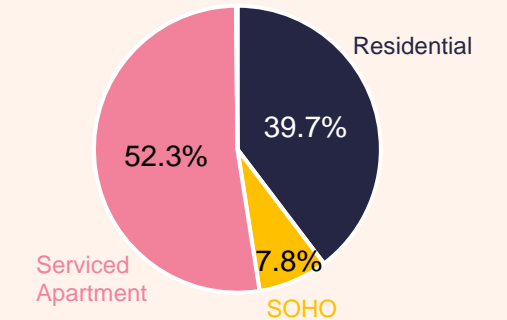
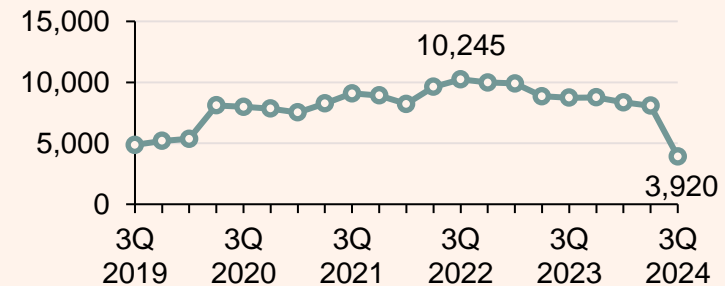
Johor



Selangor



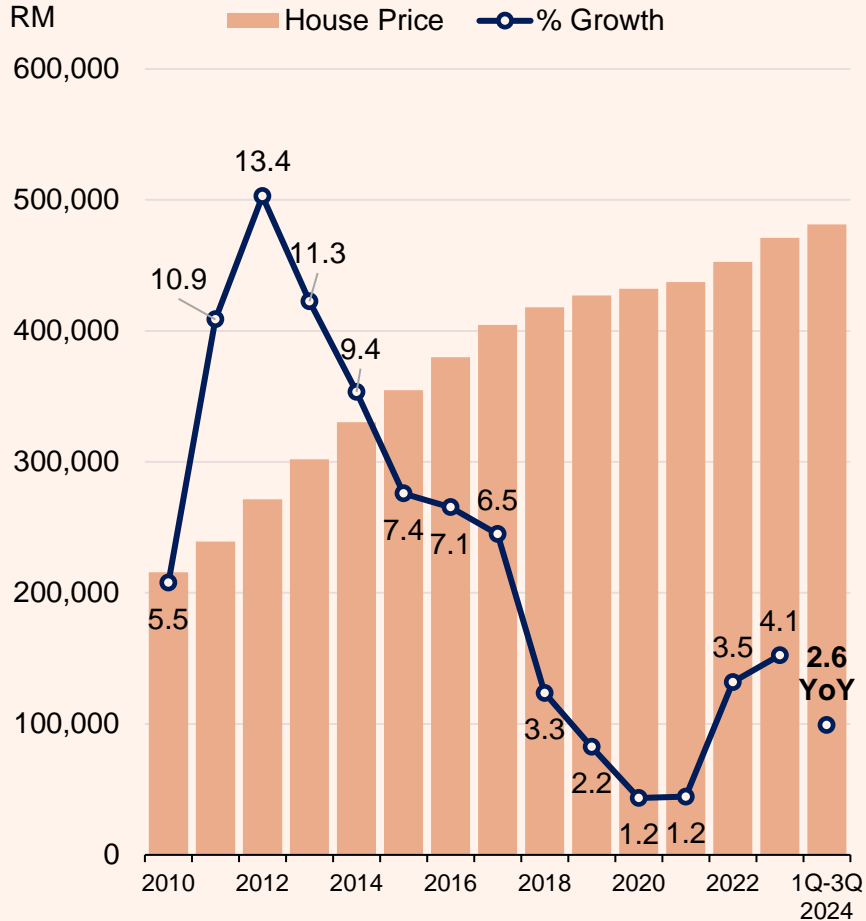
Kuala Lumpur



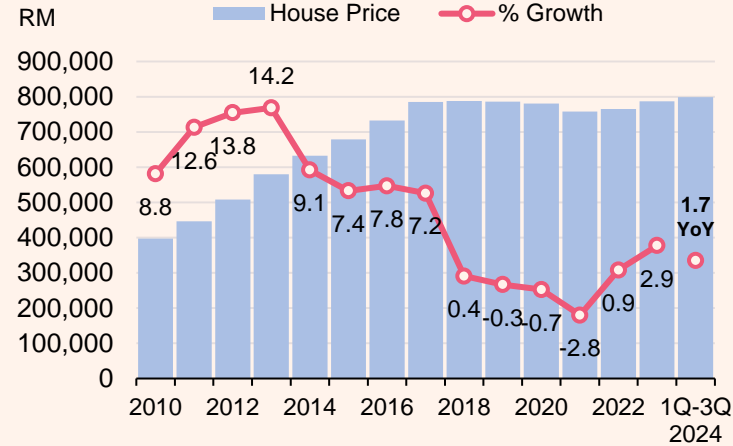
Source: National Property Information Centre (NAPIC)

Average house prices in Malaysia and selected states

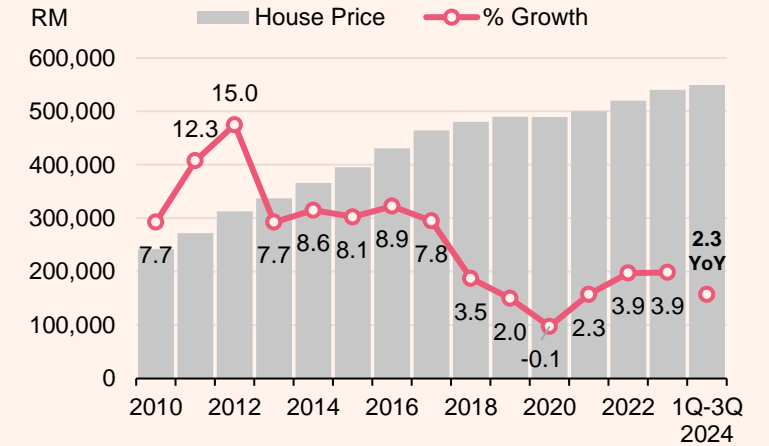
#4 Malaysia's House Price



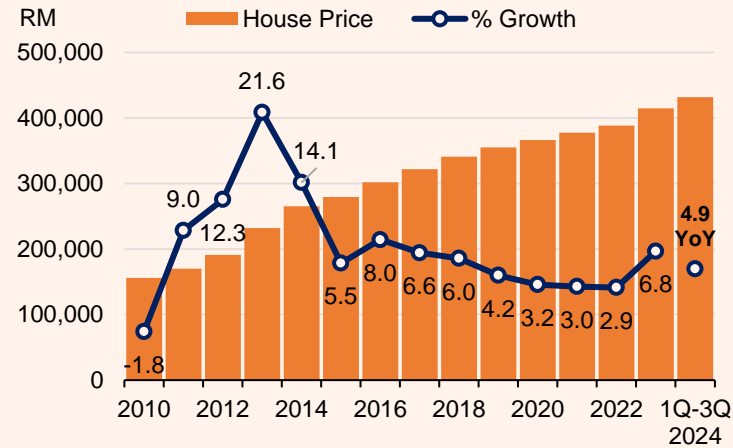
Kuala Lumpur



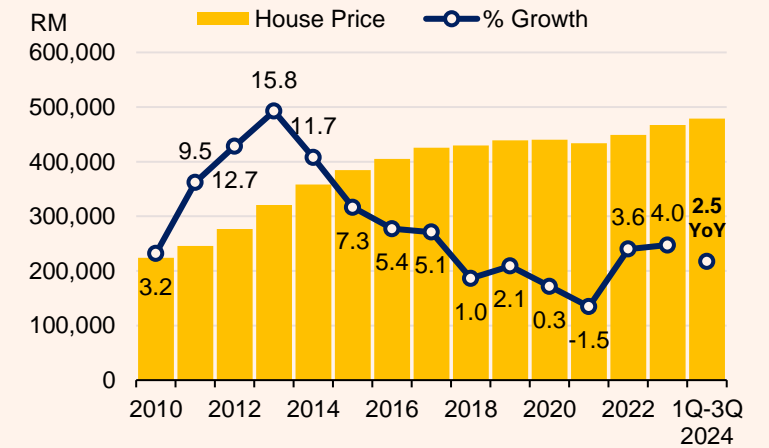
Selangor



Johor



Pulau Pinang

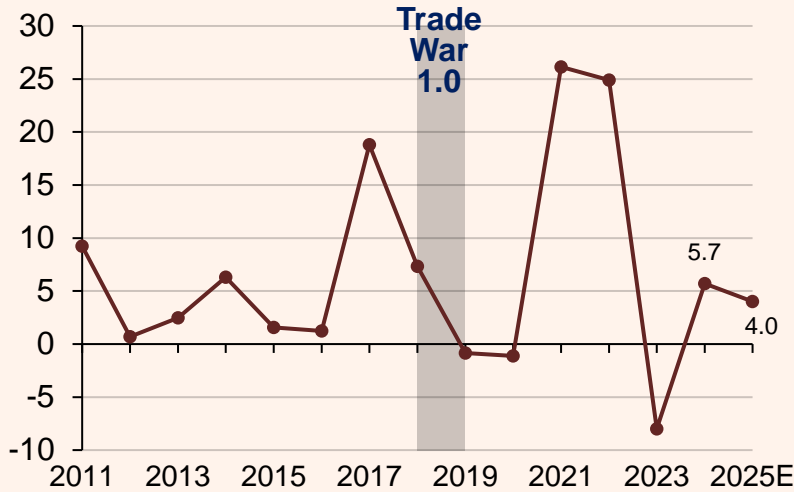


Note: The average house price represents the mean price of terraced, high-rise, semi-detached, and detached houses. Base year = 2010

Source: National Property Information Centre (NAPIC)

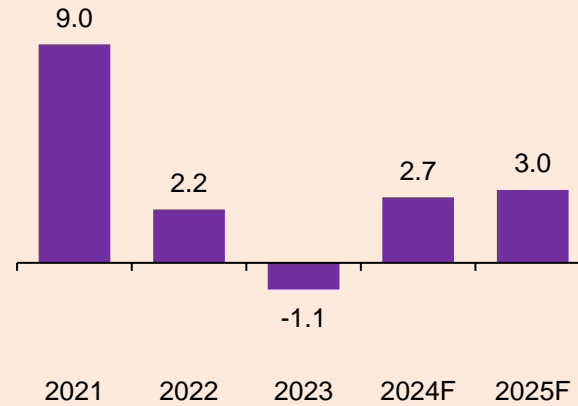
Will exports disappoint in 2025?

 **Gross Export Growth (%)**

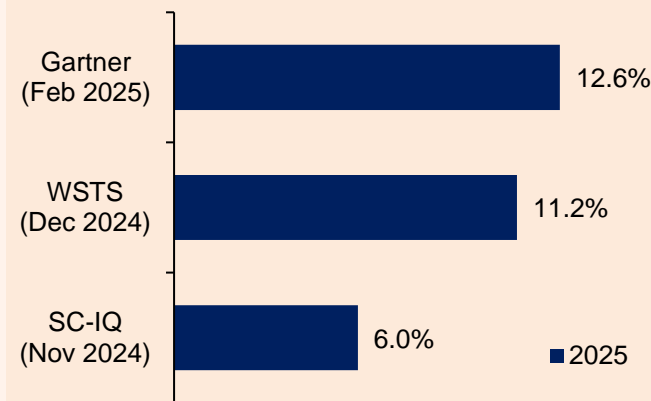


- Be wary of the trade war impact on global trade growth
- The ongoing global tech upcycle, continued growth in non-electrical and electronic goods
- Potential trade diversion effect from Trump 2.0, albeit lower.

WTO's merchandise trade volume growth (%) (Oct 2024)



Selected semiconductor market forecast:



Approved export-oriented manufacturing investment (RM million)	2023	2024 (Jan-Sep)
Electrical & Electronics	85,427.3	46,960.0
Chemicals & Chemical Products	8,906.1	7,021.3
Machinery & Equipment	22,558.2	6,316.4
Petroleum Products (Inc. Petrochemicals)	939.5	2,513.9
Plastic Products	4,137.8	1,297.5
Scientific & Measuring Equipment	1,307.0	982.4
Textiles & Textile Products	241.8	852.0
Wood & Wood Products	392.9	767.3
Rubber Products	897.8	581.3
Furniture & Fixtures	420.3	402.8

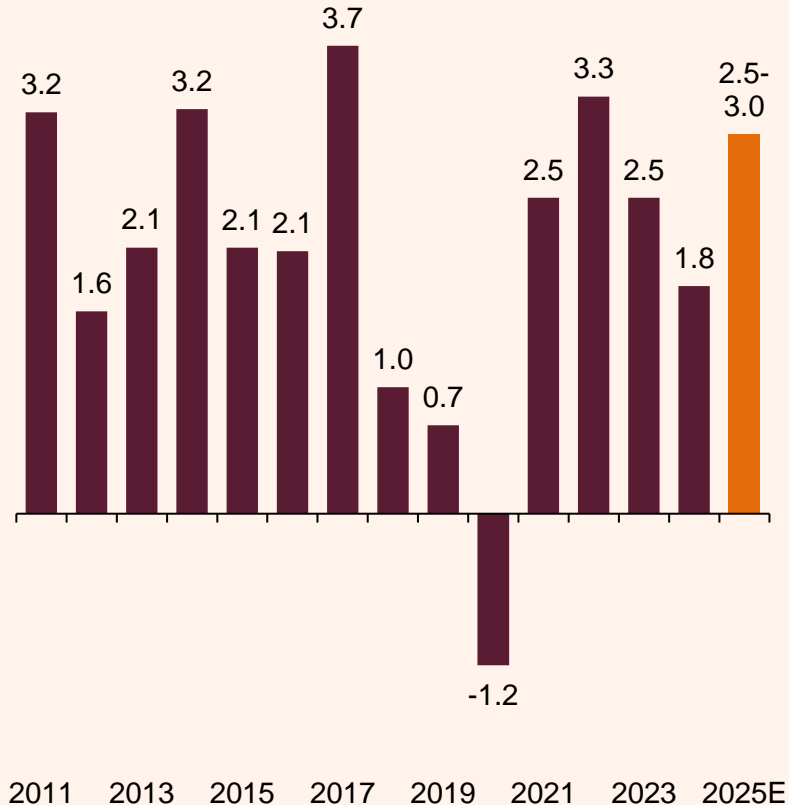
Source: DOSM; MOF; MIDA

Inflation risk can tilt higher amid a resilient labour market

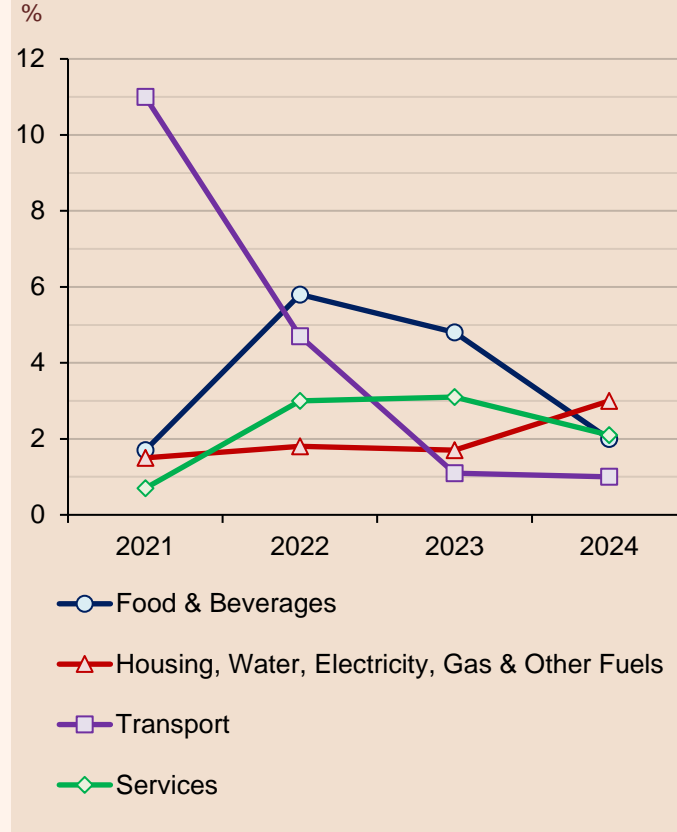


Inflation (%)

2011-2019: Average 2.2%



Inflation for main group



Signs emerge of inflation expectations becoming de-anchored, risking a wage-price spiral, or when private and public wages spur demand

External drivers

- Trade war spillovers; supply chains disruption
- Volatility in global commodity prices.

Internal drivers

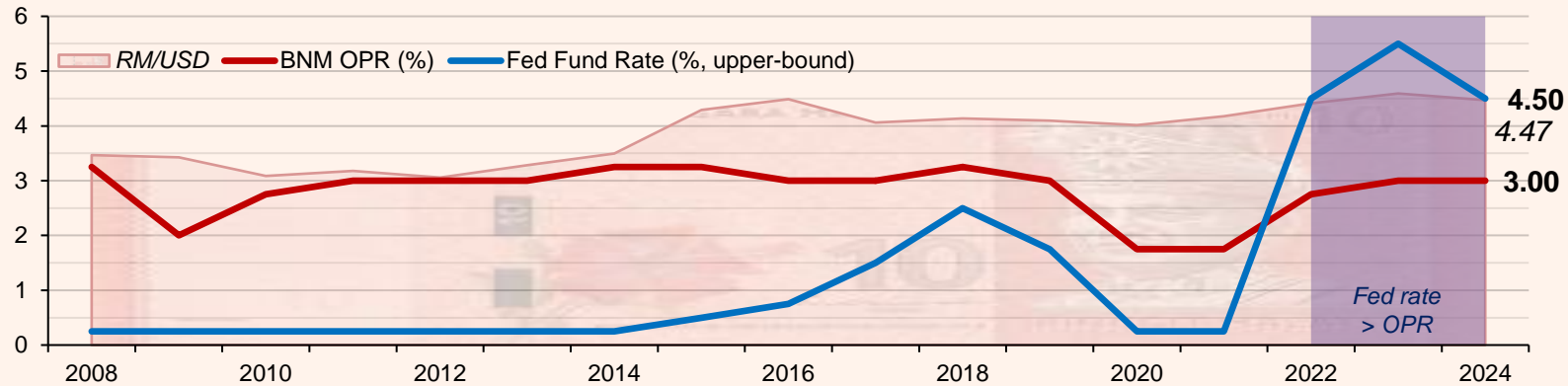
- Pay hikes for civil servants (1.7 million or 10.2% of total employment)
- Petrol subsidy rationalisation in mid-2025
- Increased business costs pass-through effects

Source: DOSM; SERC

What could make BNM to move the interest rate needle?

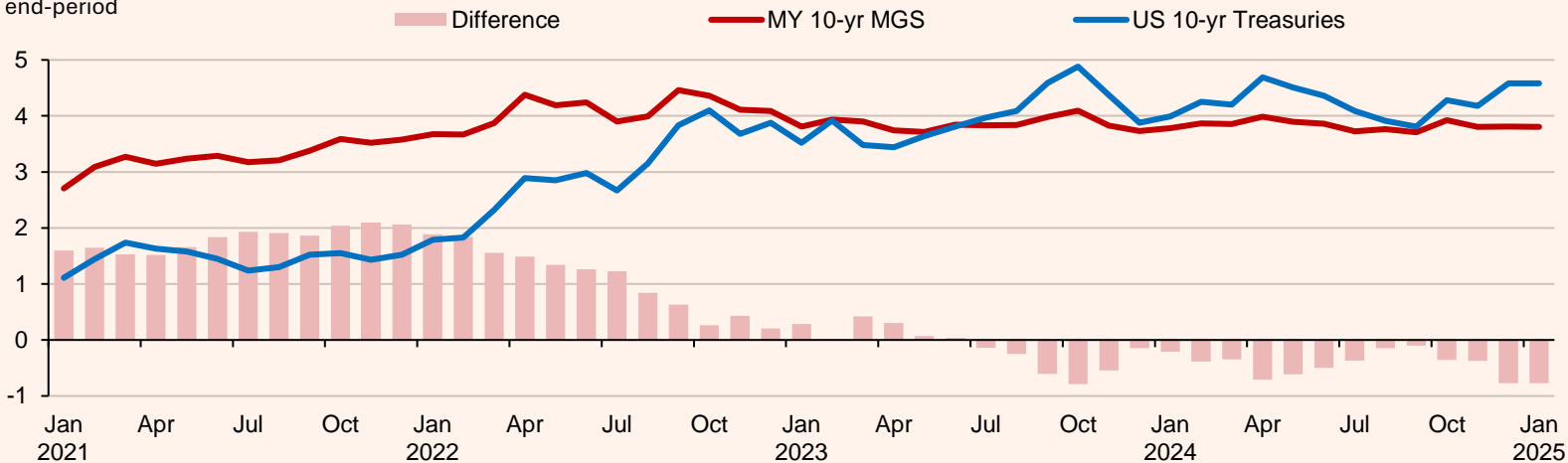
BNM OPR vs. Fed Funds Rate vs. RM/USD

Rate at end-period



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

% end-period



Source: Fed; BNM; US Treasury Department

- Closely watch on signs emerge of inflation expectations becoming de-anchored, risking a wage-price spiral, or when fuel subsidies kick in.
- Baseline is a **NEUTRAL monetary policy**, keeping the policy rate unchanged at 3.00% in 2025.
- **Cut interest rate** if GDP growth slows to below 4.0%.
- Keeping vigilance of the **potential risk of second-round cost-driven inflationary pressures** coming from the anticipated fuel subsidies rationalisation and wage increases.
- But, BNM is not inclined to hike interest rate to damp cost-driven inflation.
- High Fed rate holds longer means still wide US-Malaysia interest rate differentials restrain BNM to lower interest rate.

Where is the Ringgit heading under Trump 2.0?

MYR/USD during the Trump 1.0



MYR/USD during the Trump 2.0



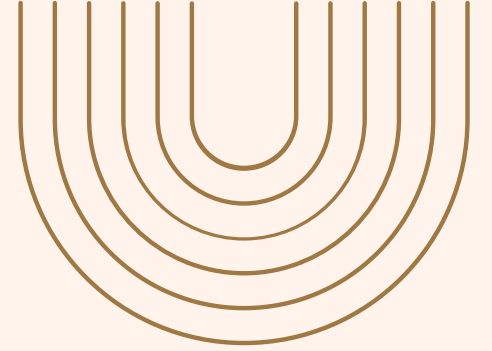
Supportive factors:

- Positive economic and financial fundamentals
- Fiscal consolidation and reform measures
- Trade surpluses; continued inflow of (FDI)
- Continued coordinated actions by the Government and BNM

Dampening factors:

- Escalation in trade tariffs conflict
- Geopolitical tensions dampen investors' sentiment on risky assets in emerging markets
- More gradual reduction in US policy rate due to inflation and strong US economy
- Higher US bond yield and greater financial market volatility.

Source: BNM



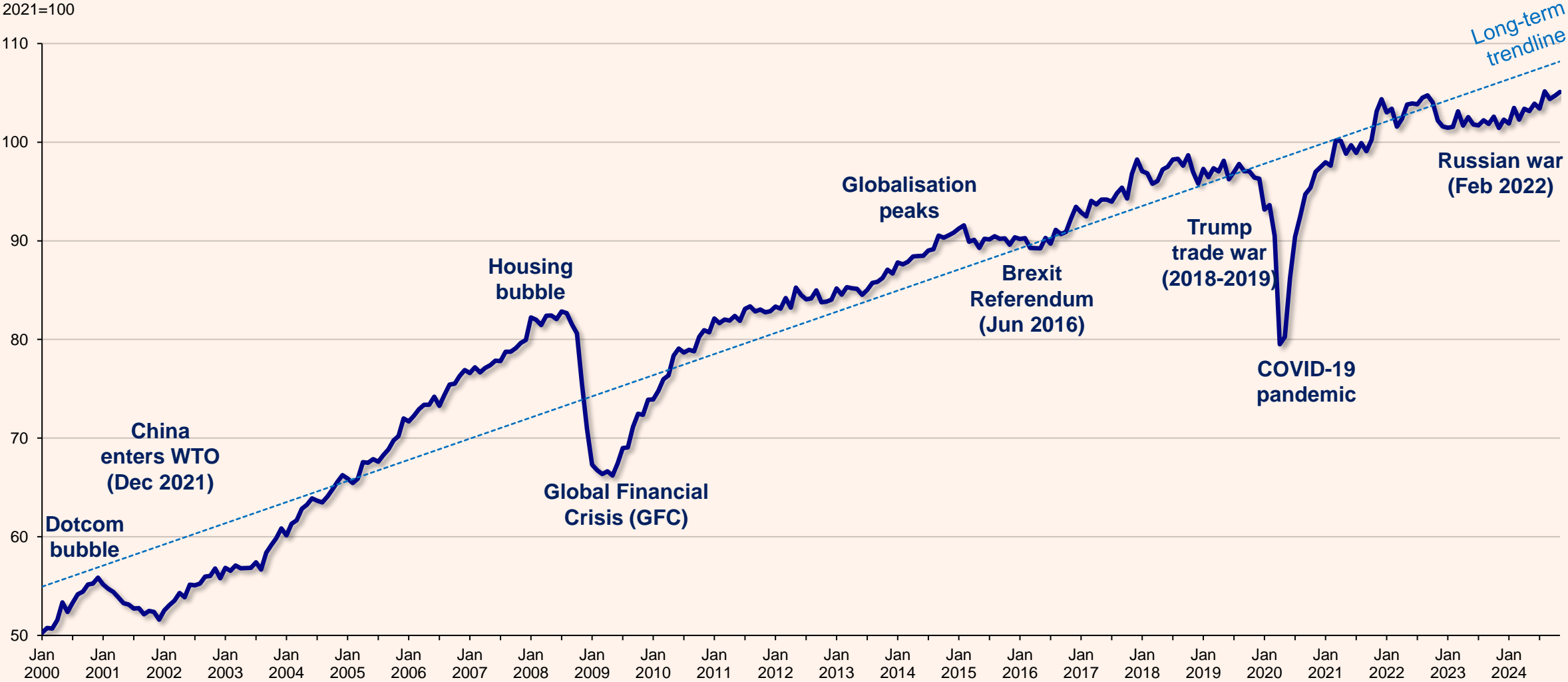
Trump's Trade and Economic Agenda:

Potential Spillovers on Malaysia



Trump's tariffs reshaped global trade relations

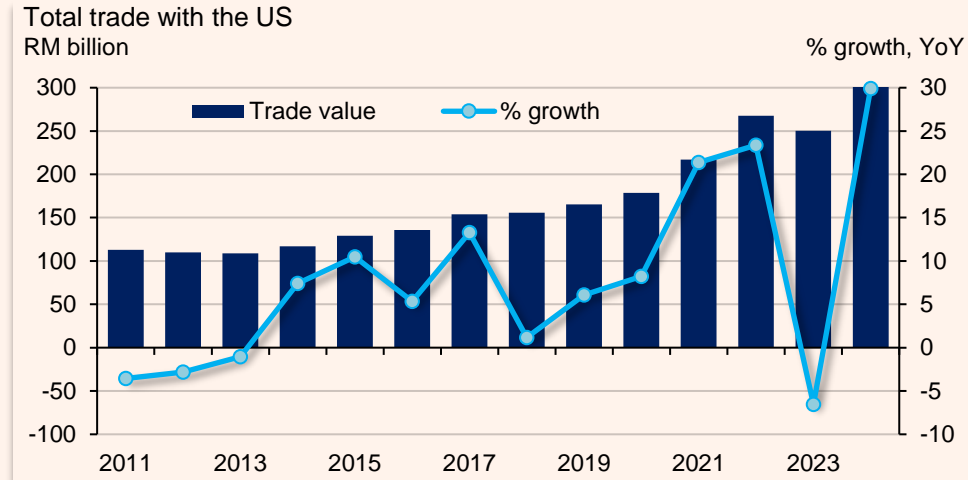
World trade volume
2021=100



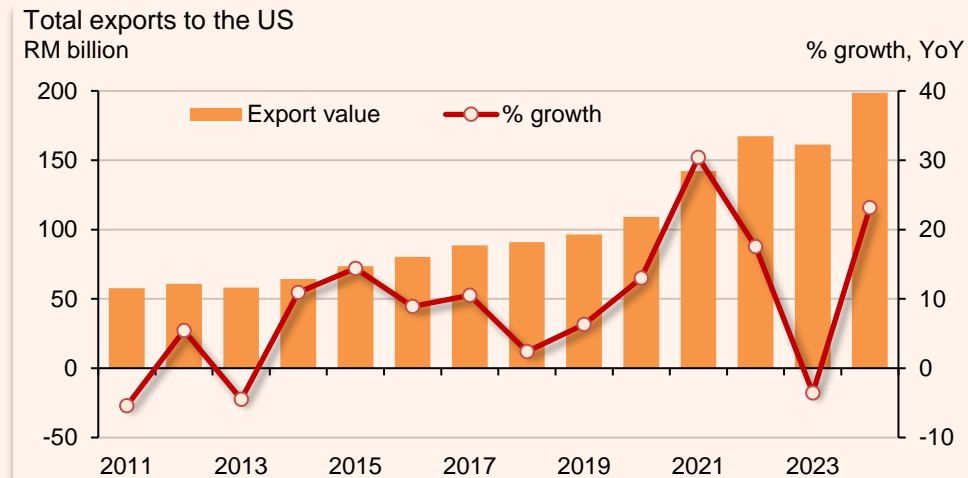
Source: CPB Netherlands

The United States is Malaysia's third largest trading partner

The US accounted for 11.3% of total Malaysia's trade value in Jan-Dec 2024 (average 9.0% in 2016-2020, 9.5% in 2021-2023)



The US is Malaysia's second largest exports destination in Jan-Dec 2024



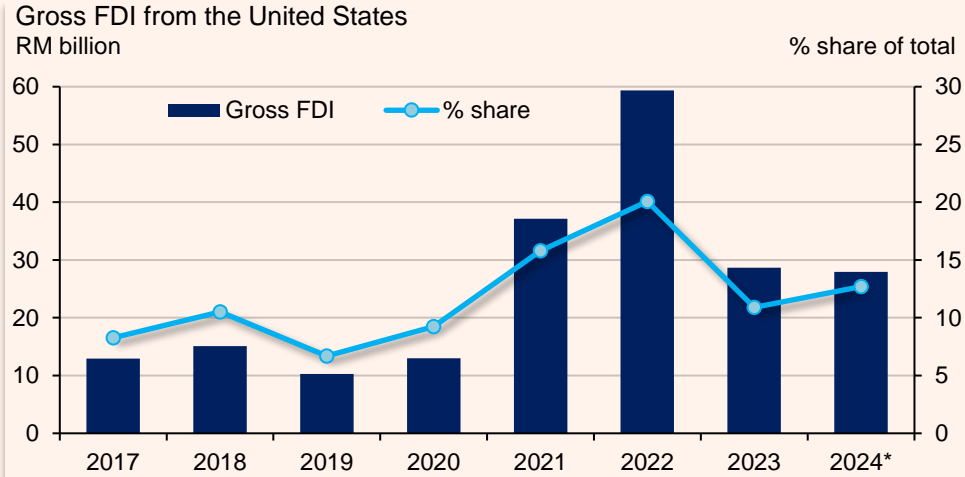
Major export products to the US by HS code in Jan-Dec 2024

Product category by HS code	Exports value (RM million)	% share	% growth (YoY)
85 Electrical and electronic (E&E) products	108,373	54.6	+22.7
84 Machinery and equipment	28,826	14.5	+30.4
90 Optical & scientific equipment	17,782	9.0	+25.1
40 Rubber and rubber products	7,705	3.9	+35.0
94 Furniture products	7,038	3.5	+14.3
15 Palm oil and palm oil products	2,743	1.4	+117.5
39 Plastics and plastic products	2,613	1.3	+15.1
73 Iron and steel products	2,074	1.0	+19.2
72 Iron and steel	2,062	1.0	+48.2
76 Aluminium and products	1,643	0.8	+68.7
Others	17,789	8.8	+4.0
Total	198,647	100.0	+23.2
Top 5 categories	169,724	85.4	+24.3
Top 10 categories	180,858	91.0	+25.5

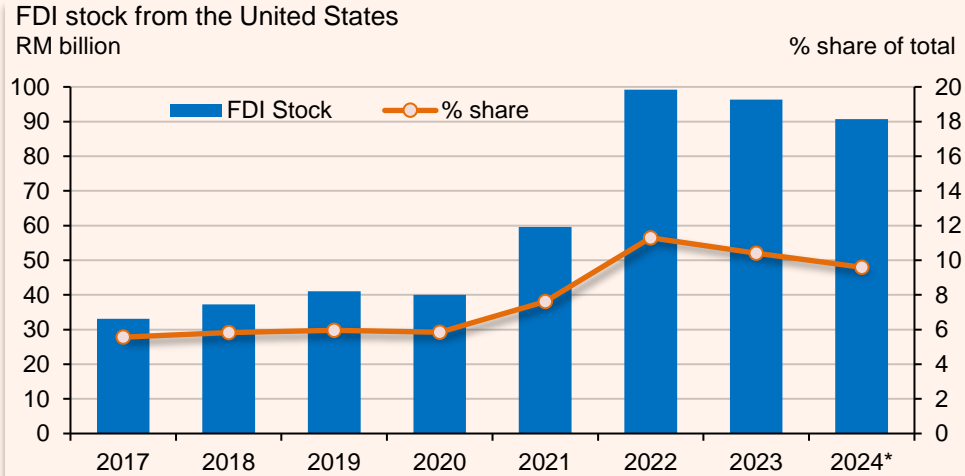
- More than half of the exports to the US are E&E products.
- Products diversification is limited – top 5 category constituted 85.4% of overall exports to the US.
- Other products, in total, did not register strong growth compared to the top 10 categories.

The United States is Malaysia's key source of investment

The United States ranked second in terms of gross FDI in Malaysia in 2023



The United States was the fourth largest investor in terms of FDI stock as at end-Sep 2024



Approved US's participation in the manufacturing projects in 2017-Sep 2024

Year	Number of projects	Investment amount (RM million)	Rank
2017	18	1,107.2	9
2018	18	3,155.0	5
2019	37	14,226.2	2
2020	28	3,664.1	5
2021	21	1,146.1	8
2022	24	4,300.4	8
2023	27	18,119.7	2
2024 (Jan-Sep)	14	8,020.8	3

Source: MIDA

Source: BNM * For 2024, Jan-Sep only.

Will Malaysia on the US's radar for trade actions

In Jan-Dec 2024:

No.	Top trading partners	Trade value (USD billion)	% share	Top importing economies	Import value (USD billion)	% share	Top deficit partners	Deficit value (USD billion)	% share
1	Mexico	839.9	15.8	Mexico	505.9	15.5	China	-295.4	24.6
2	Canada	762.1	14.3	China	438.9	13.4	Mexico	-171.8	14.3
3	China	582.5	10.9	Canada	412.7	12.6	Vietnam	-123.5	10.3
4	Germany	236.0	4.4	Germany	160.4	4.9	Ireland	-86.7	7.2
5	Japan	227.9	4.3	Japan	148.2	4.5	Germany	-84.8	7.1
6	South Korea	197.1	3.7	Vietnam	136.6	4.2	Taiwan	-73.9	6.1
7	Taiwan	158.6	3.0	South Korea	131.5	4.0	Japan	-68.5	5.7
8	Vietnam	149.7	2.8	Taiwan	116.3	3.6	South Korea	-66.0	5.5
9	United Kingdom	148.0	2.8	Ireland	103.3	3.2	Canada	-63.3	5.3
10	India	129.2	2.4	India	87.4	2.7	India	-45.7	3.8
11	Netherlands	123.8	2.3	Italy	76.4	2.3	Thailand	-45.6	3.8
12	Ireland	119.8	2.2	United Kingdom	68.1	2.1	Italy	-44.0	3.7
13	Italy	108.8	2.0	Switzerland	63.4	1.9	Switzerland	-38.5	3.2
14	France	103.4	1.9	Thailand	63.3	1.9	Malaysia	-24.8	2.1
15	Brazil	92.0	1.7	France	59.9	1.8	Indonesia	-17.9	1.5



Malaysia (#19)	73.2	1.5	Malaysia (#16)	52.5	1.6	Malaysia (#14)	-22.1	2.0
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Source: US Census Bureau

A red flag analysis under Trump 2.0

Number of US trading partners' triggering red flags based on recent commercial policies and associated market outcomes

Trade or policy outcome	Number of trading partners meeting this condition
Excessive bilateral trade surplus in goods	21
Significant gain in competitiveness from exchange rate, subsidy/industrial policy, or productivity changes	62
Excessive threat to US bilateral exports in home market	20
Subject to significant scrutiny during first Trump Administration	26
Import tariffs far in excess of comparable US level	59

Fourteen trading partners of the US triggered at least three red flags



Source: ZEITGEIST SERIES, Global Trade Alert

Who taxes whose imports more?

Foreign economy	US exports to foreign economy in 2024 (US\$ billion)	Foreign applied import tariff rate minus US applied import tariff: Percentage (%) of products where:								
		US tariff higher by				Tariff gap between -5% and +5%	Foreign tariff higher			
		>20%	10%-20%	5%-10%	More than 5% higher		More than 5% higher	5%-10%	10%-20%	>20%
EU-27	370.2	0.2	0.8	3.8	4.8	84.1	11.1	7.5	3.3	0.3
China	143.5	0.3	0.8	4.4	5.5	53.1	41.5	32.1	7.5	1.9
United Kingdom	79.9	0.2	1.6	6.5	8.3	82.9	8.7	5.5	2.9	0.3
Japan	79.7	0.4	1.2	6.1	7.7	85.3	6.9	4.1	2.1	0.7
Brazil	49.7	0.2	0.2	1.4	1.8	30.3	67.9	31.8	29.5	6.6
India	41.8	0.2	0.0	0.0	0.2	12.2	87.6	31.8	36.6	19.2
Malaysia	27.7	0.6	3.5	8.4	12.5	62.2	25.3	8.2	10.6	6.5
<<< Growing foreign exporter disadvantage						Growing US exporter disadvantage >>>				

Note: Applied Most Favoured Nation import tariff rates on 5000+ products obtained from latest reported to the WTO. Most fine-grained product tariff data available that is comparable across nations. Analysis restricted to ad-valorem (percent) tariffs. Export data downloaded from U.S. Census Bureau.

In 12.5% of products, US import tariff rates is higher by more than 5%

Local tariffs often exceed US import tariffs by a larger margin

Source: Global Trade Alert

Malaysia's exports to the US: Potential gain from trade substitution

Potential increase in Malaysia's exports to the US for selected subsectors (above USD200 million)

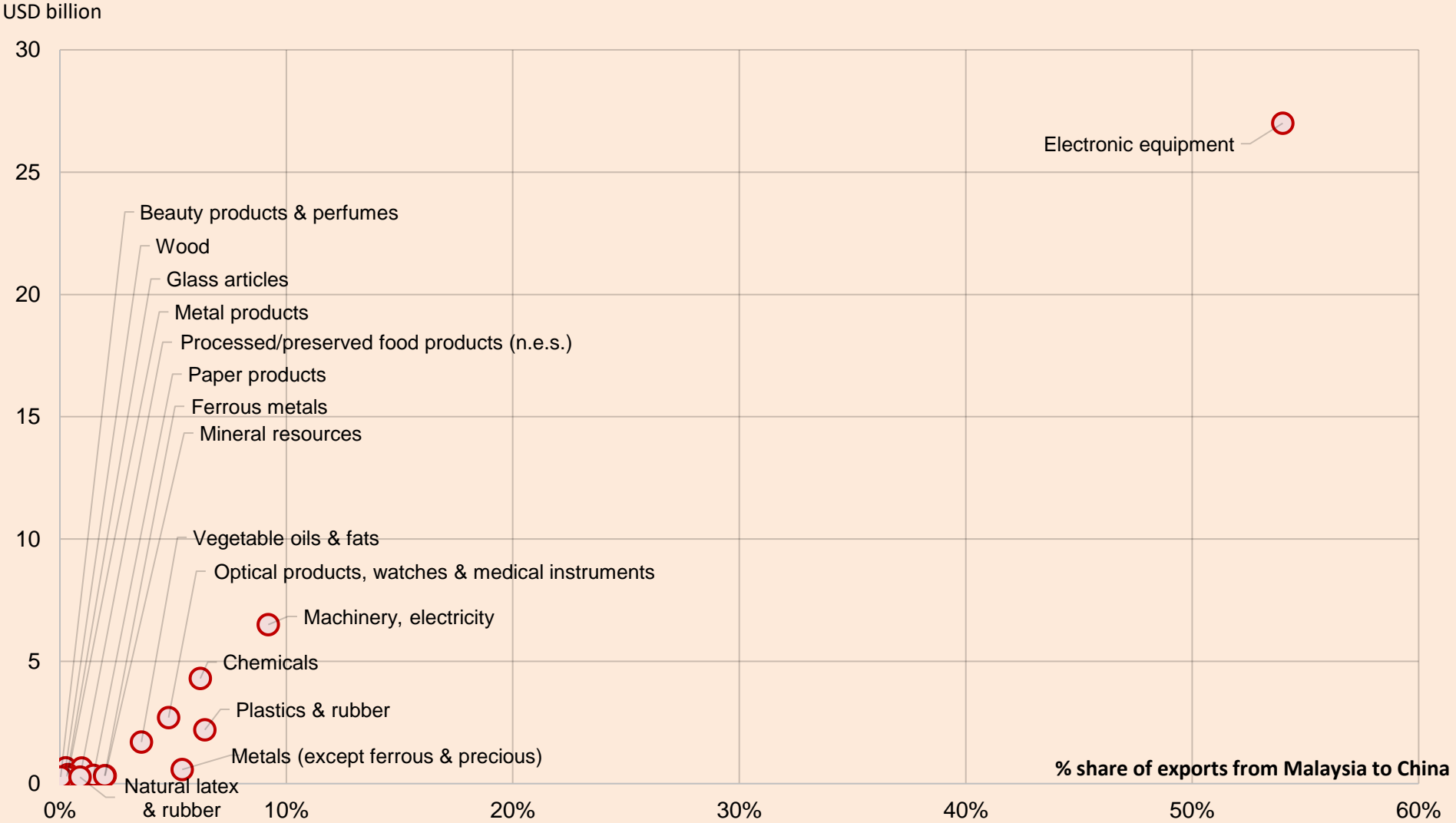


- In total, **potential increase in export value to the US amounted to USD22 billion**, with subsectors like machinery & electricity, electronic equipment, and plastics & rubber, topping the list.
- In addition to the 17 subsectors that registered potential increases of at least USD200 million, other subsectors such as mineral products, pharmaceutical components, and cocoa beans & products, also exhibited significant potential increases.

Source: ITC (last accessed on 15 Feb 2025)

Malaysia's exports to China: Potential gain from trade substitution

Potential increase in Malaysia's exports to China for selected subsectors (above USD200 million)



- In total, **potential increase in export value to China amounted to USD50 billion**, with subsectors like electronic equipment, machinery & electricity, and chemicals, topping the list.
- In addition to the 16 subsectors that registered potential increases of at least USD200 million, other subsectors such as motor vehicles & parts, miscellaneous manufactured products, fish & shellfish, eggs, honey and other edible animal products, also exhibited significant potential increases.

Source: ITC (last accessed on 15 Feb 2025)

China's exports to Malaysia: Potential impact from trade diversion

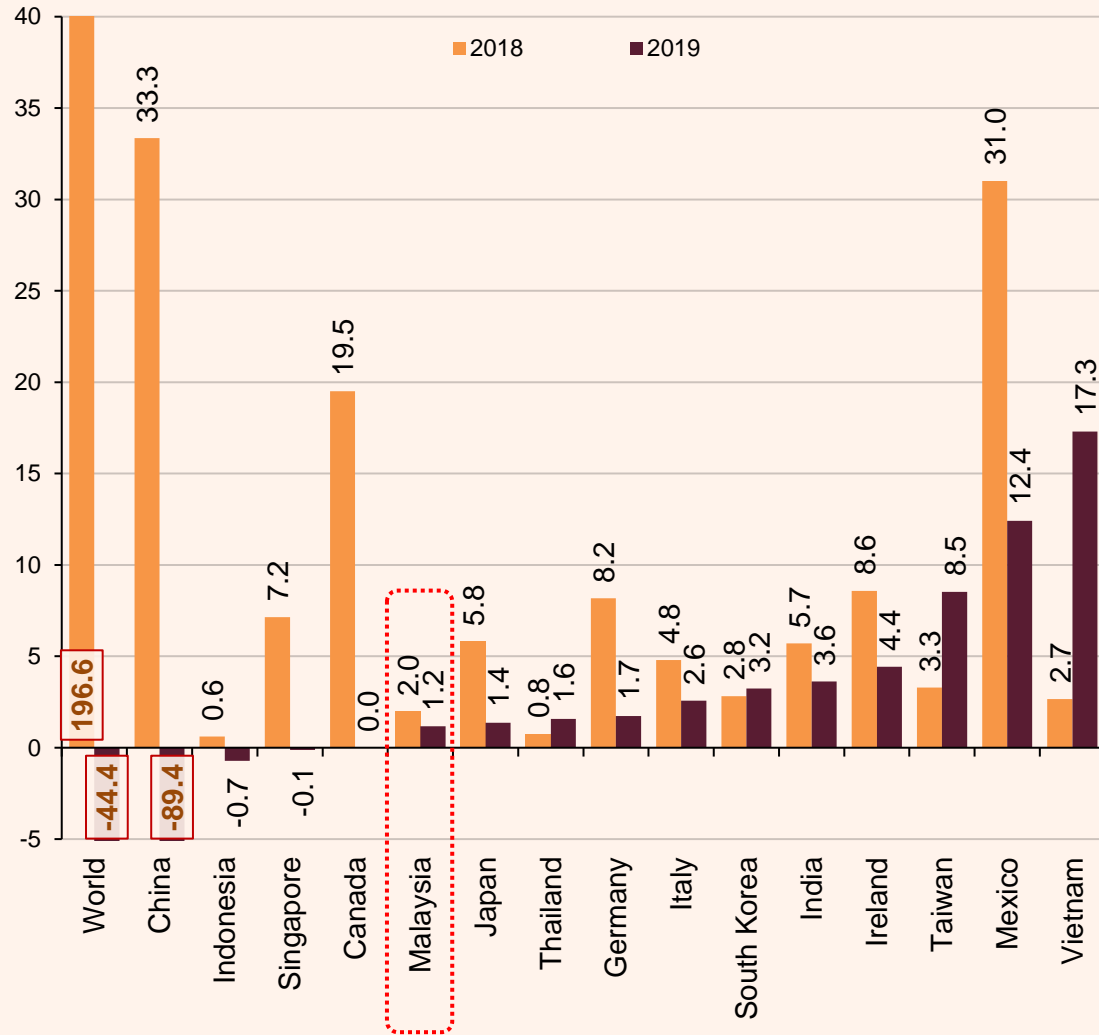


- In total, **potential increase in export value from China to Malaysia amounted to USD47 billion**, with electronic equipment and machinery & electricity leading among the sub-sectors.
- In addition to the 16 subsectors that registered potential increases of at least USD200 million, other subsectors such as wood products, processed/preserved food products, mineral products, and ceramic articles also shown significant potential increases.

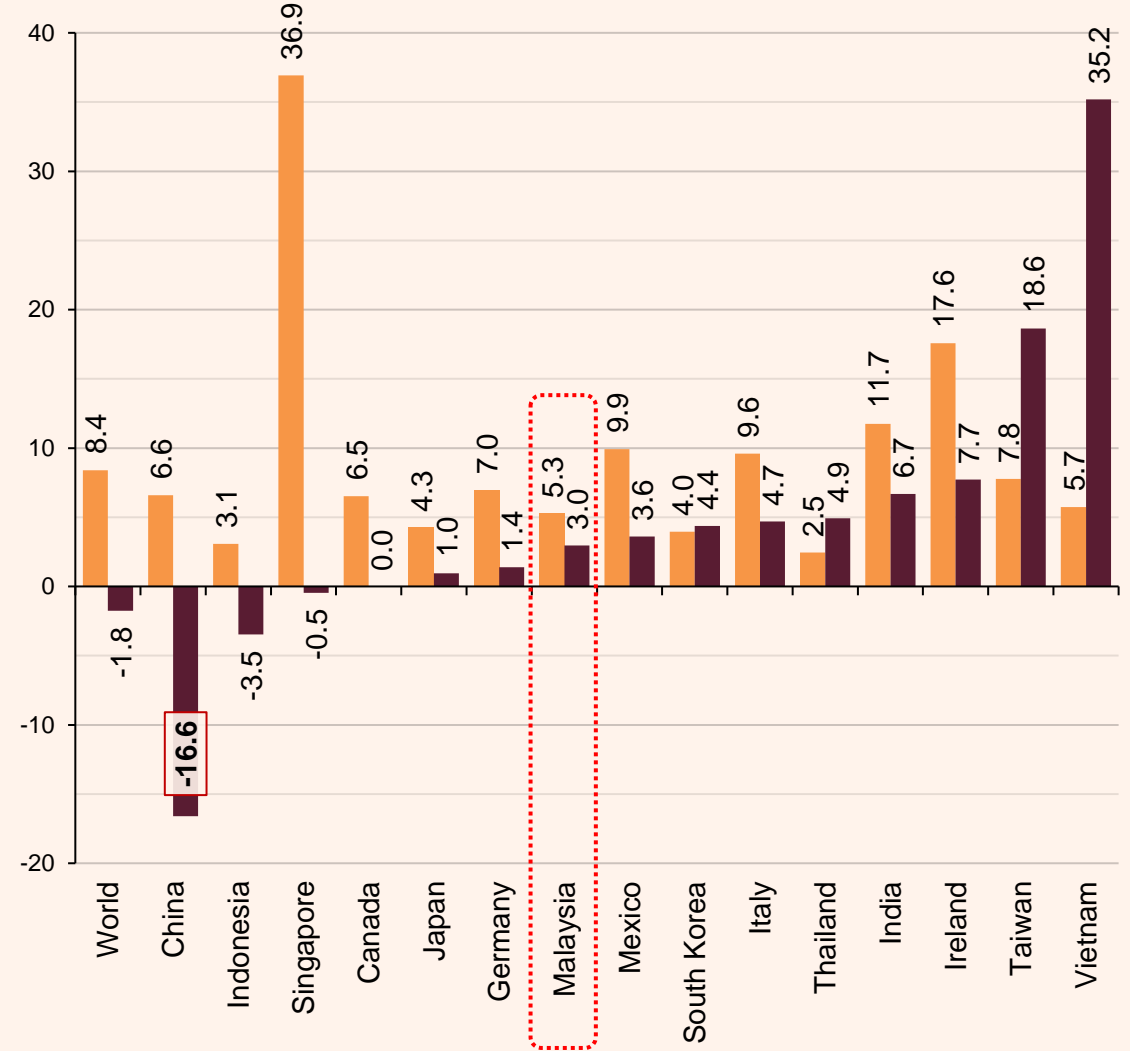
Source: ITC (last accessed on 12 Feb 2025)

By 2018-2019, who had filled up the US's imports vacuum from China?

US's imports value changes by selected source of imports
USD billion



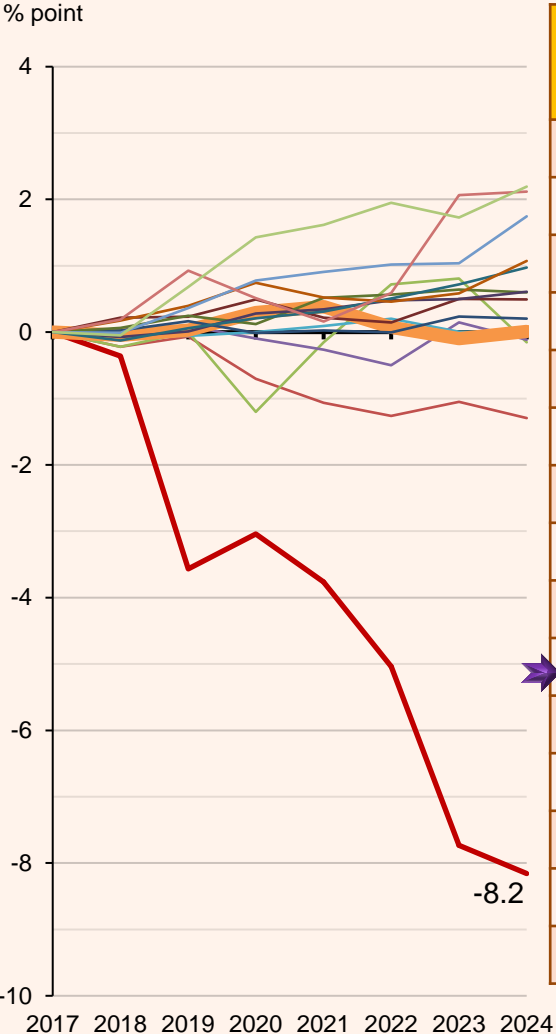
US's imports growth by selected source of imports
% change



Source: US Census Bureau

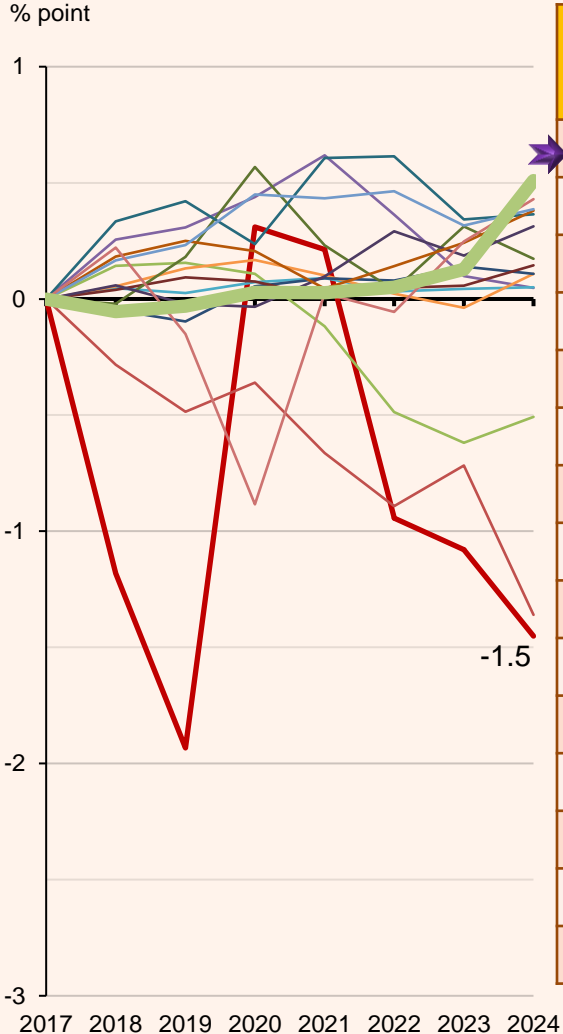
By now, who has filled up the US's trade vacuum left by China?

Difference in share of US's imports vs. 2017



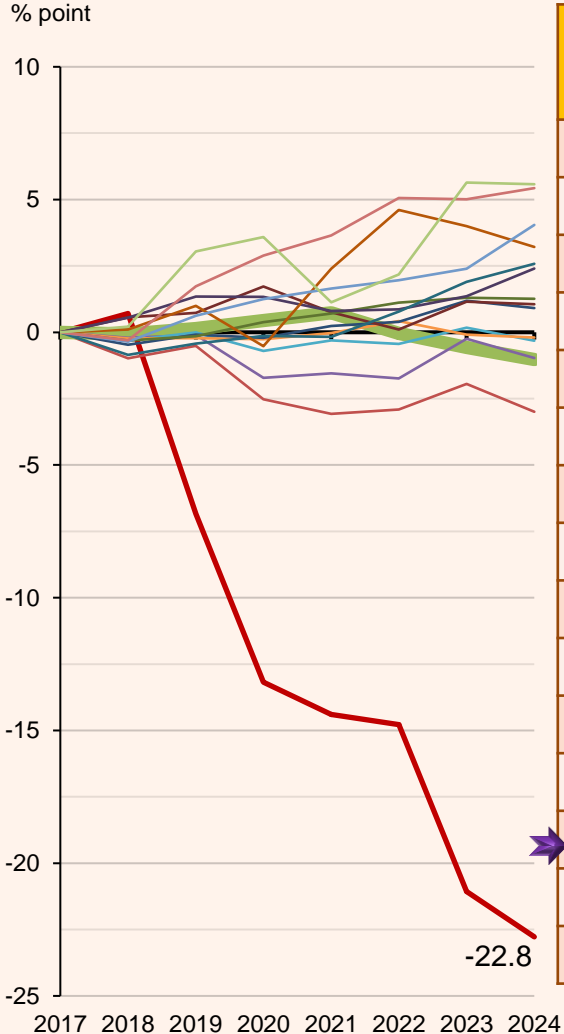
Selected Partner	%-pt vs. 2017
Vietnam	+2.2
Mexico	+2.1
Taiwan	+1.7
Ireland	+1.1
South Korea	+1.0
Thailand	+0.6
India	+0.6
Singapore	+0.5
Italy	+0.2
Malaysia	0.0
Indonesia	0.0
Germany	-0.1
Canada	-0.2
Japan	-1.3
China	-8.2

Difference in share of US' exports vs. 2017



Selected Partner	%-pt vs. 2017
Malaysia	+0.5
Mexico	+0.4
Taiwan	+0.4
Italy	+0.4
India	+0.4
Singapore	+0.3
Germany	+0.2
Thailand	+0.1
Ireland	+0.1
Vietnam	+0.1
Indonesia	+0.1
South Korea	0.0
Japan	-0.5
Canada	-1.4
China	-1.5

Difference in share of trade deficit vs. 2017



Selected Partner	%-pt vs. 2017
Mexico	+5.6
Vietnam	+5.4
Taiwan	+4.0
Canada	+3.2
South Korea	+2.6
Ireland	+2.4
Thailand	+1.3
Singapore	+1.1
India	+0.9
Indonesia	-0.2
Italy	-0.3
Germany	-1.0
Malaysia	-1.0
Japan	-3.0
China	-22.8

Source: US Census Bureau

Trump 2.0: Unpredictable impact under different scenarios

Trump 2.0 what have announced/implemented/planned:

- A 30-day pause from 4 Feb 2025 on additional 25% tariffs to imports from Canada (10% for energy and energy products) and Mexico
- Additional 10% imposed to imports from China, effective from 4 Feb 2025
- A 25% import tax on all steel and aluminium with effect from 12 March 2025
- Devise a reciprocal tariffs plan in April. Additional tariffs could be flagged for automotive products, pharmaceuticals and semiconductors

Base case

- Lower tariffs from the proposed 60% on imports from China; lower tariffs or selectively on other countries.
- Staggered implementation, probably in 2H 2025.
- Gentle retaliation measures by China.

50%
Probability

Best case

- Both the US-China's engagement to ease severe tariffs retaliation.
- Moderate "anti-drug" tariff on imports from China, Mexico and Canada.

15%
Probability

Worst case

- Severe trade tariffs retaliation.
- 100% implementation of the proposed measures.
- Immediately hit on China within the Trump's 100 days in office.

35%
Probability

Probable impact on Malaysia

%	2017	2018	2019	2024	2025F: Base case (Probability: 50%)	2025F: Best case (Probability: 15%)	2025F: Worst case (Probability: 35%)
GDP Growth	5.8	4.8	4.4	5.1 (Adv. est.)	5.0 Positive growth supported by stable labour market conditions, expansionary fiscal and accommodative monetary policy. Domestic demand offsets moderate exports.	5.3 Sustained domestic demand. Better-than expected exports and commodities prices underpin the economy.	4.0 Severe trade wars and supply chains disruption slowed down production, exports, and the manufacturing sector. Domestic sectors mitigate the negative spillovers.
Export Growth	18.8	7.3	-0.8	5.7	4.0	4.5	2.0
Inflation	2.1	2.4	1.8	1.8	2.5-3.0	2.5-3.0	2.5-3.0
					Higher inflation risks mainly from the fuel subsidy rationalisation, higher private and public sectors' wages and higher inputs cost.		
BNM's OPR (End-period)	3.00	3.25	3.00	3.00	Keeping interest rate steady at 3.00% while keeping close tab on cost-driven inflation and any demand pressure.		
Investment Flows					Mildly positive		Negative
					The potential impacted industries could be textiles, semiconductors, telecommunications, electrical equipment, machinery, computers, and automotive industries.		
Ringgit against the USD					Strengthening towards end-2025		Weakening towards end-2025

Probable impact of the trade war on Malaysia

Scenario	Base case (Probability: 50%)	Best case (Probability: 15%)	Worst case (Probability: 35%)
Economic Variables			
Real GDP	Moderate impact	Mild impact	Strong impact
Exports	Moderate impact	Mild impact	Strong impact
Domestic Demand	Mild impact	Mild impact	Moderate impact
Inflation	Mild impact	Mild impact	Moderate impact
FDI	Moderate impact	Mild impact	Strong impact
Overnight Policy Rate (OPR)	No impact	No impact	Moderate impact
The Ringgit	Moderate impact	Moderate impact	Strong impact

THANK YOU

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