

KCCCI Economic Forum 2025

A New Tariff Paradigm: Risks and Opportunities

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27 September 2025



Key Points

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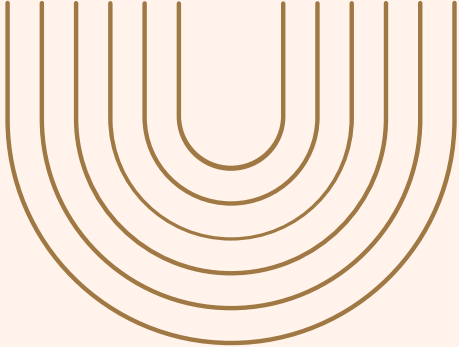
Policy Uncertainty Pushes Global Economy Lower

2

The Malaysian Economy Resilient amid Slower Growth

3

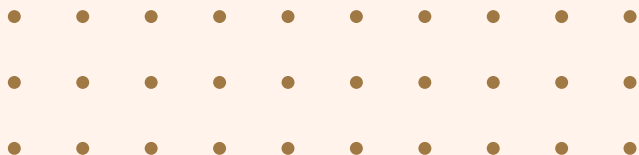
Malaysia is Well-Positioned to Navigate External Headwinds



Global Economic Outlook

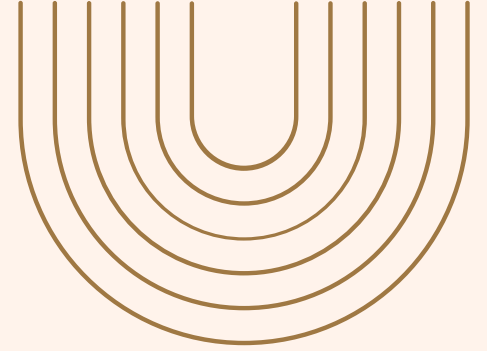
Lingering Downside Risks amid Shifting Trade Policy

- *No recession in 2025, but trade policy uncertainty will continue to weigh into 2026*
- *Global growth is projected at 3.0% in 2025 and 3.1% in 2026, below the historical 2000-2019's average of 3.7%*
- *Global trade growth is estimated to contract by 0.2% in 2025 before rebounding to 2.5% in 2026, surpassing slightly its long-term average (2011-2019's average: 2.4%)*
- *High-frequency indicators suggest global economic resilience with high caution about its near-term direction*
- *Central banks' monetary policy divergence continues; inflation divergence amid high tariffs*

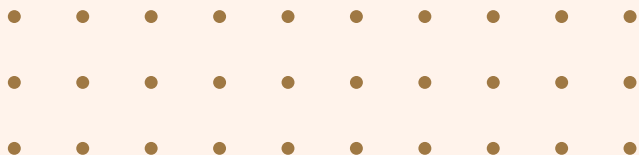




Changing Landscape



- *We are now living in a world that is more uncertain and complex than before; a world where the environment in which we operate keep changing around us*
- *The rules of global trade have been turned on their head*
- *New geopolitical realities are dawning*
- *Artificial intelligence (AI), the energy transition, and demographic changes are fundamentally changing our economic activity, business landscape and workplace*



Global themes shaping the world economy

1

Shifting Trade Policy and Geopolitical Disruptions

- Trump administration tariffs initiated a reset of global trade rules.
- Abrupt policy shifts created uncertainty, impacting the global economy, trade, and investment flows.
- Firms are adjusting by delaying investment, reassessing relationships, and rerouting supply chains, leading to higher input costs, disruptions, and trade risk.
- Geopolitical tension poses substantial risks to financial markets, energy prices, and global trade.

2

A Repricing Risk in A Shifting Landscape

- Asset classes are undergoing a broader risk repricing.
- USD's safe-haven status questioned due to US fiscal trajectory, rising public debt, and escalating trade tensions.
- Gold and crypto assets are emerging as safe-haven investments.

3

Supply and Demand Shocks and Price Volatility

- Price volatility (input costs and consumer inflation) is fundamentally reshaped by tariffs and trade fragmentation.
- Tariff-imposing economies (e.g. the US) face supply shocks, increased input costs, and distorted resource allocation, leading to higher prices.
- Economies facing tariffs experience negative demand shocks, reduced exports, and elevated uncertainty impacting manufacturing, exports, revenues, and employment.

Cautious Policy Recalibration Amid Uncertainty

- Global monetary policy is fragmenting as central banks recalibrate based on diverging inflation paths and domestic priorities.
- Fiscal policy navigates competing priorities, aiming for stimulative and sustainable strategies that support long-term productivity without undermining market confidence.

4

Workforce Skills and AI-Driven Productivity

- Global labour markets are transforming due to cost pressures, demographic constraints, and technological advancements.
- Firms are prioritising training, automation, and generative AI to manage labour costs and enhance productivity.
- AI and digital tool integration is crucial for competitiveness.
- Talent shortages persist, making immigration policies, education systems, and labour participation dynamics vital for future growth.

5

What's our global outlook for 2H 2025 and 2026?



GLOBAL GROWTH

We expect continued global growth slowdown in 2H 2025 and 2026 due to **the impact of ongoing tariffs and policy uncertainty, as well as geopolitical risks**. Less restrictive monetary policy and fiscal stimulus will support growth.



THE US ECONOMY

We expect a near-term slowdown in growth as consumers' front-loading purchases wane and consumer inflation finally shows up. Nevertheless, **monetary easing, tax cuts, deregulation and strong tech investments** are expected to cushion a severe economic slowdown. Higher consumer inflation risk could limit the Fed's rate easing.



CHINA ECONOMY

We expect China's economy to slow further in 2H 2025 as the **trade tariffs impact continues and weakening consumer sentiment** amid **lingering risks in the property sector**.



THE FED'S ACTIONS

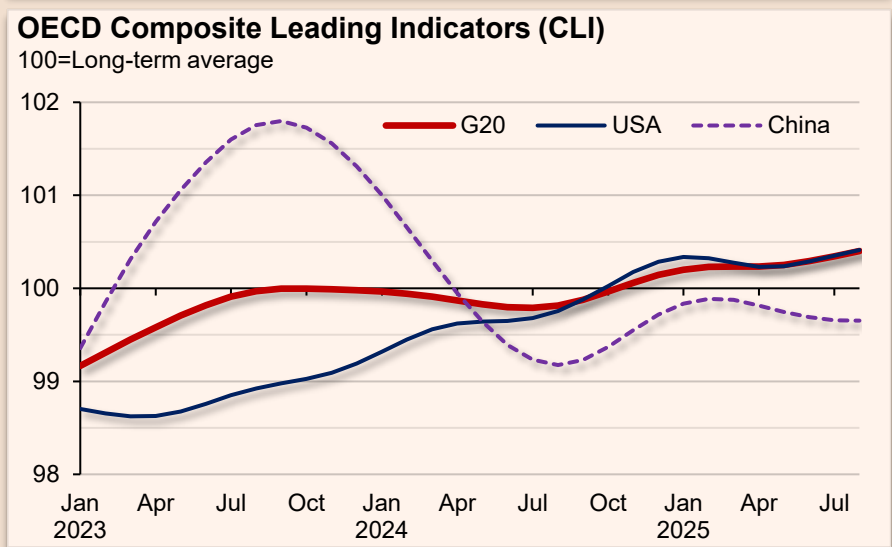
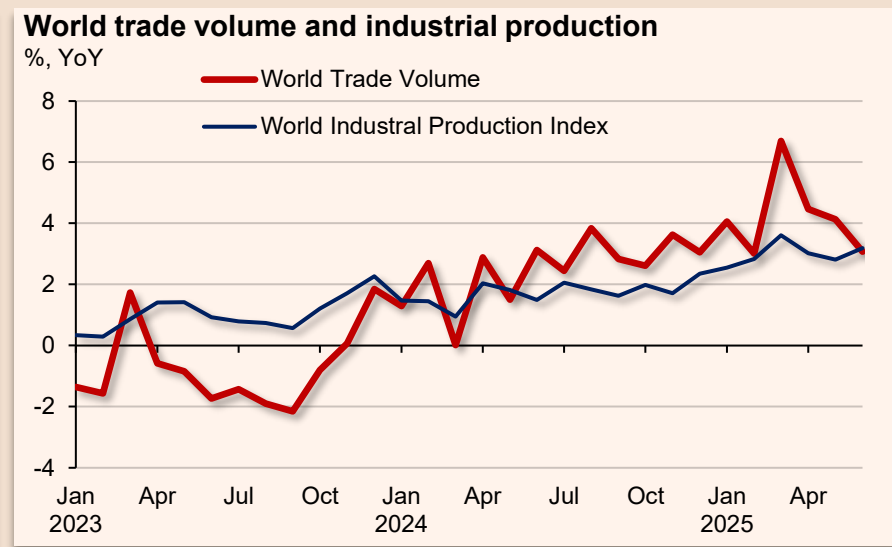
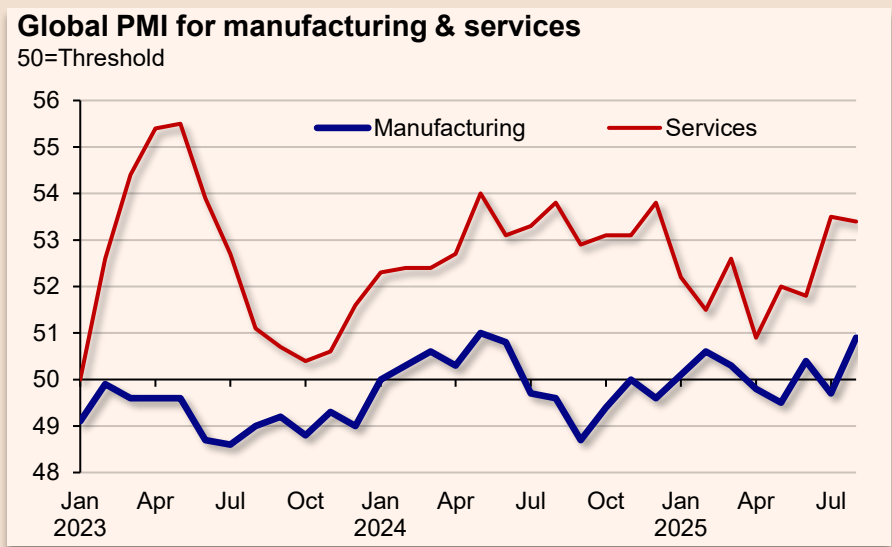
We expect the Fed to **pivot toward rate cuts** in 2H 2025 and 2026 to support the economy, though the expected higher inflation may slow down the rate cut.



DOWNSIDE RISKS

The global outlook subjects to downside risks: **Elevated uncertainty and trade barriers as well as geopolitical conflicts**. Rising public debt and fiscal imbalances in the US may limit policy flexibility and increase sovereign risk premiums. Renewed inflationary pressures could derail plans for monetary easing.

Global current and forward indicators show mixed trends



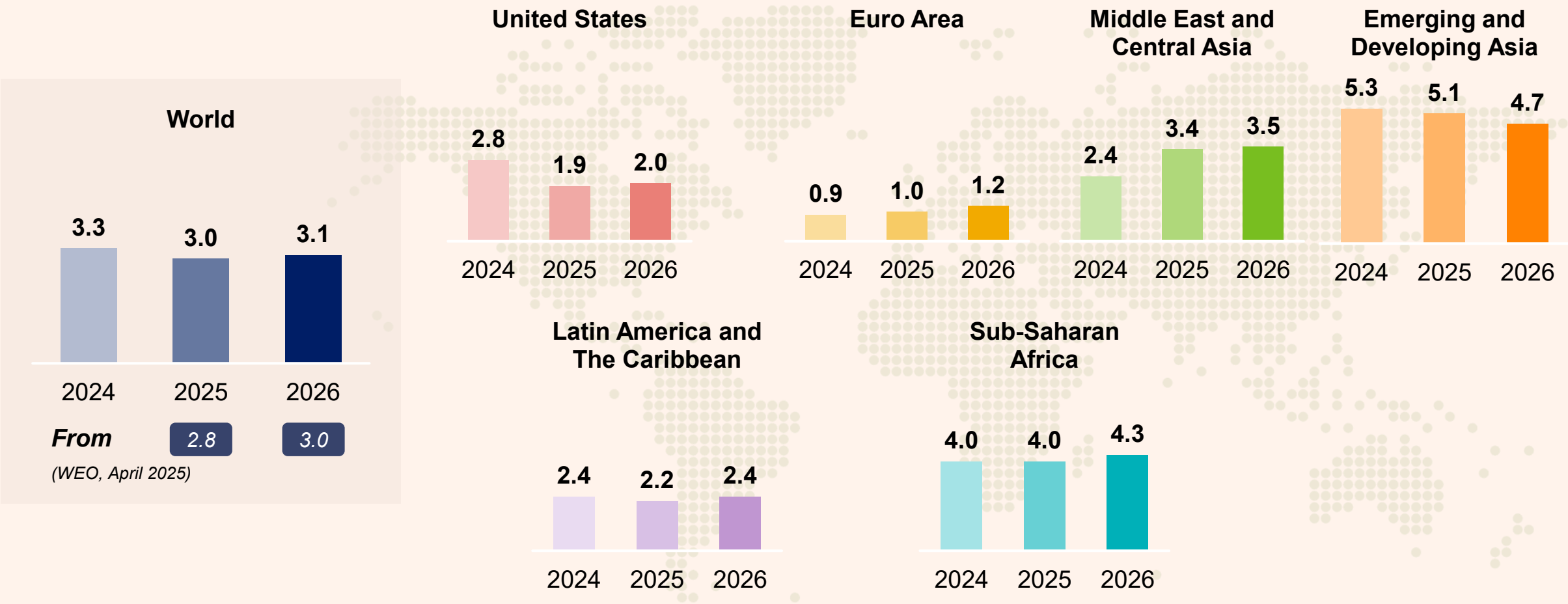
- Global manufacturing PMI remained uneven in the recent months; global services PMI signals expansionary track ahead.
- The OECD composite leading indicators signal steady global growth outlook.
- Global trade volume growth is expected to decelerate as the front-loading effects fade.
- Global semiconductor sales continued to expand by strong double-digit growth of 19.2% yoy in the first seven months of 2025. The WSTS projects global chip sales will grow by 15.4% to USD728 billion in 2025. In 2026, global chip sales are projected to reach USD800 billion.

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

Uneven growth trends in advanced and emerging economies

World Economic Outlook Update, July 2025

Real GDP growth, percentage change

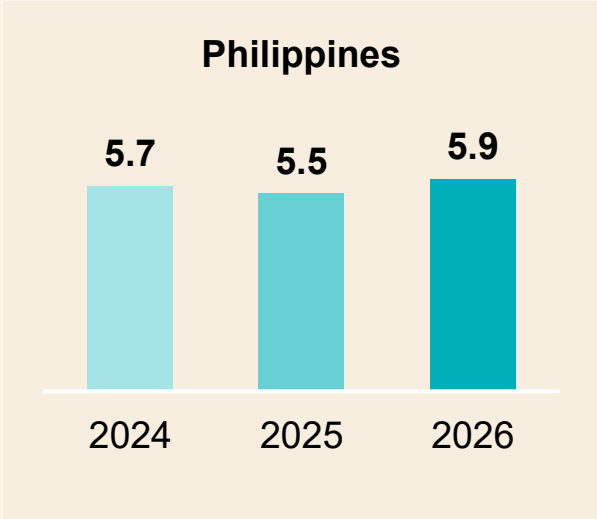
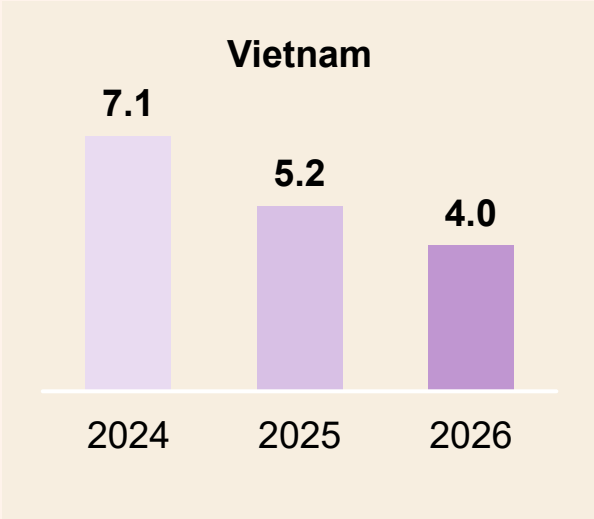
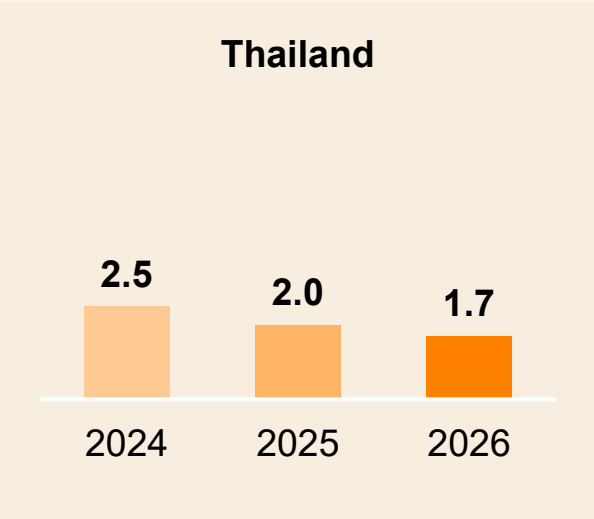
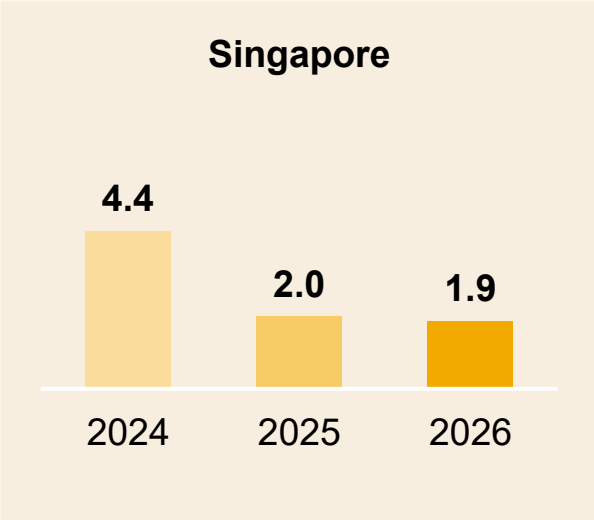
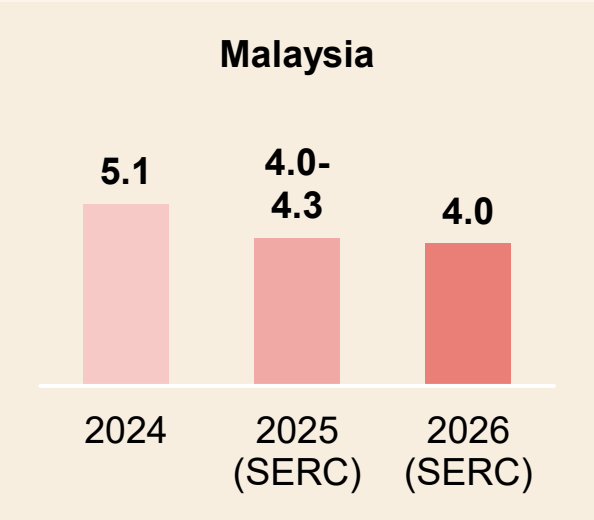
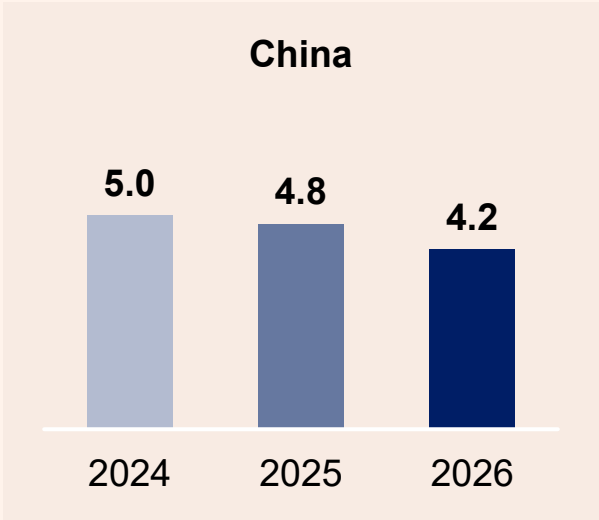


Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.

Source: International Monetary Fund (IMF)

Uneven growth trends in advanced and emerging economies (cont.)

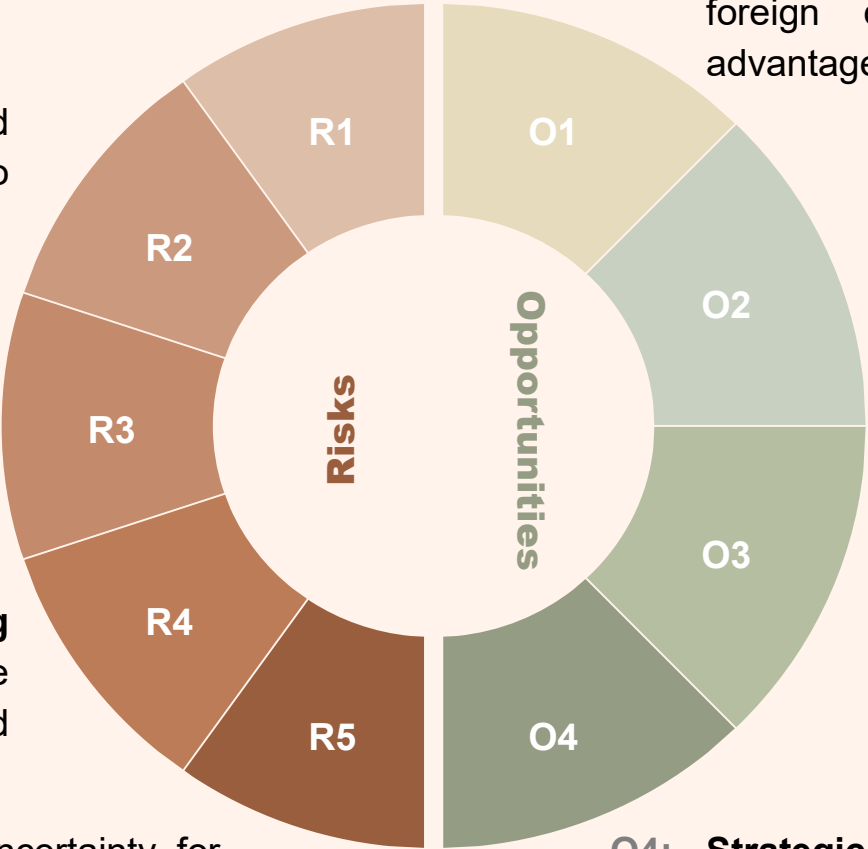
**Selected Asian Countries’
Economic Outlook**
Real GDP growth, percentage change



Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.
Source: International Monetary Fund (IMF)

Navigating the tariff shifts: Turning disruption into opportunity

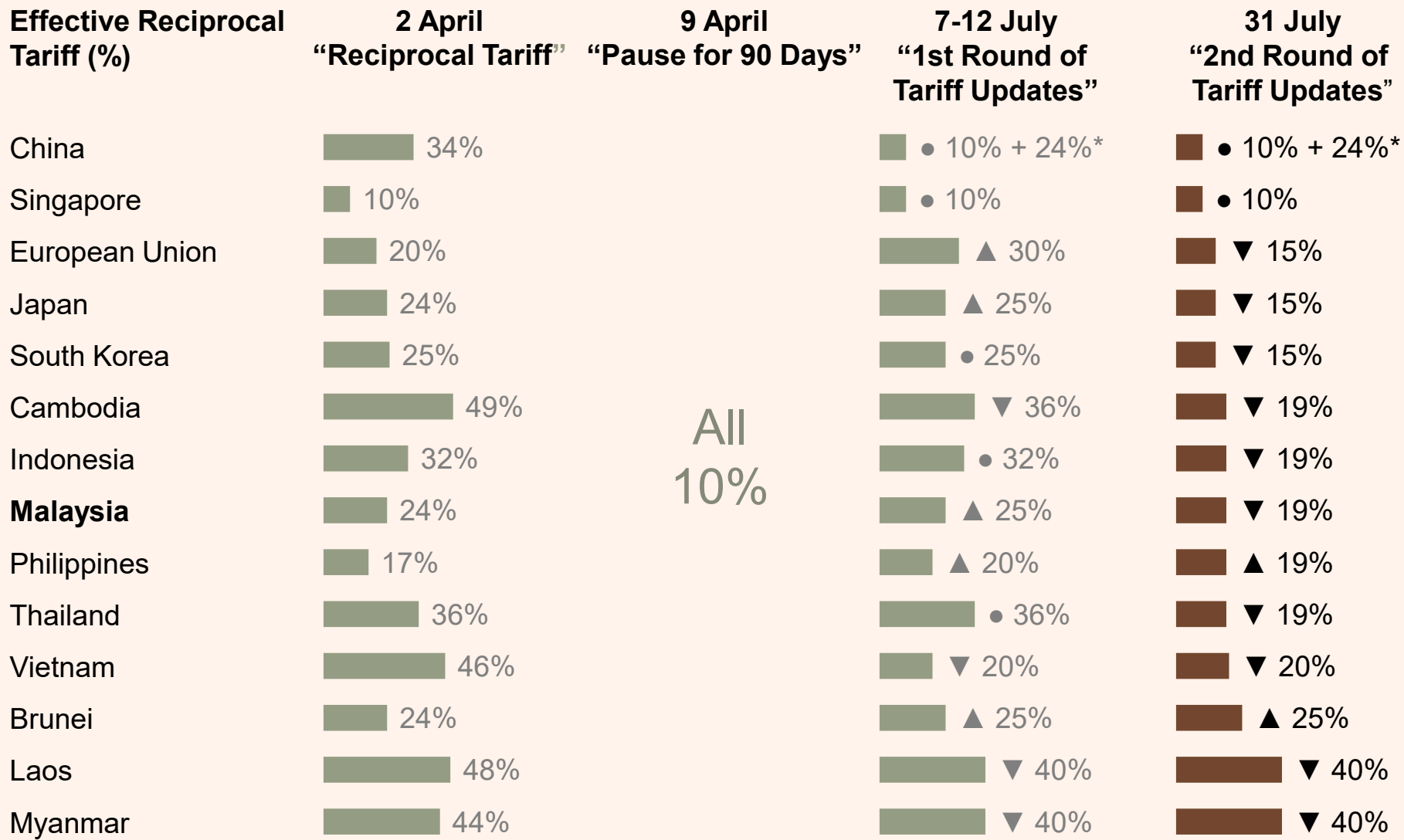
- R1: Disrupted Supply Chains:** Higher costs for imported goods, forcing companies to reconfigure their supply chains.
- R2: Reduced Economic Growth:** Decreased business confidence and spending lead to a contraction in global economic output.
- R3: Higher Consumer Costs (for the imposing country):** Tariffs act as a tax on imported goods, reducing consumer purchasing power.
- R4: Welfare Losses (for the imposing country):** Significant losses for the imposing country due to higher prices and increased business costs.
- R5: Increased Uncertainty:** Tariffs create uncertainty for businesses and investors, dampening confidence and reducing spending.



- O1: Protection for Domestic Industries (for the imposing country):** Shields local manufacturers from foreign competition, giving them a competitive advantage.
- O2: Increased Government Revenue (for the imposing country):** Provides tax revenue that can be used to fund government initiatives or reduce budget deficits.
- O3: Incentive for Innovation & Domestic Production:** Encourages businesses to invest in R&D and diversify their supply chains, fostering long-term growth.
- O4: Strategic Repositioning:** Creates opportunities for companies to gain market share by scaling up production or shifting operations to avoid tariffs.

The US tariffs policy – What are they now?

Compared to 2 April: ▲ Increased ● Unchanged ▼ Decreased



* Tariffs on China: 34% total, but only 10% is currently effective, with the rest suspended. Others include an additional 20% "fentanyl" tariff under Trump 2.0.

- The US Supreme Court on November 5 is set to hear arguments on whether President Donald Trump overstepped his powers by using a 1977 law, known as the International Emergency Economic Powers Act or IEEPA.
- The extended tariff truce between China and the US by another 90 days will expire on 10 November 2025. Can both countries strike an accommodative trade deal?
- Uncertainty still surrounds currently exempt sectors, notably pharmaceuticals and electronics. The Trump administration has signalled that tariffs on pharmaceuticals could potentially rise toward 200% by mid- to late-2026.

Source: The White House; Truth Social

Global: “De-escalating or Escalating” trade uncertainties between key economies

Country-Specific Tariff “Certainties”



India

- The US impose 50% on its Russian oil purchases



China

- Trade truce extended 90 days
- Rare-earth exports

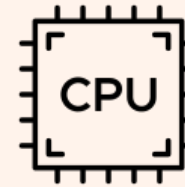


European Union

- Updated framework: 15% tariff cap on pharmaceuticals, lumber and semiconductors
- EU to remove duties on imported US industrial goods

“Industry –focussed measures”

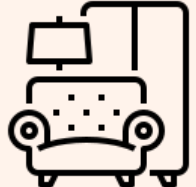
Sectoral Specific Tariff Threats



Semiconductor



Pharmaceuticals*



Furniture*

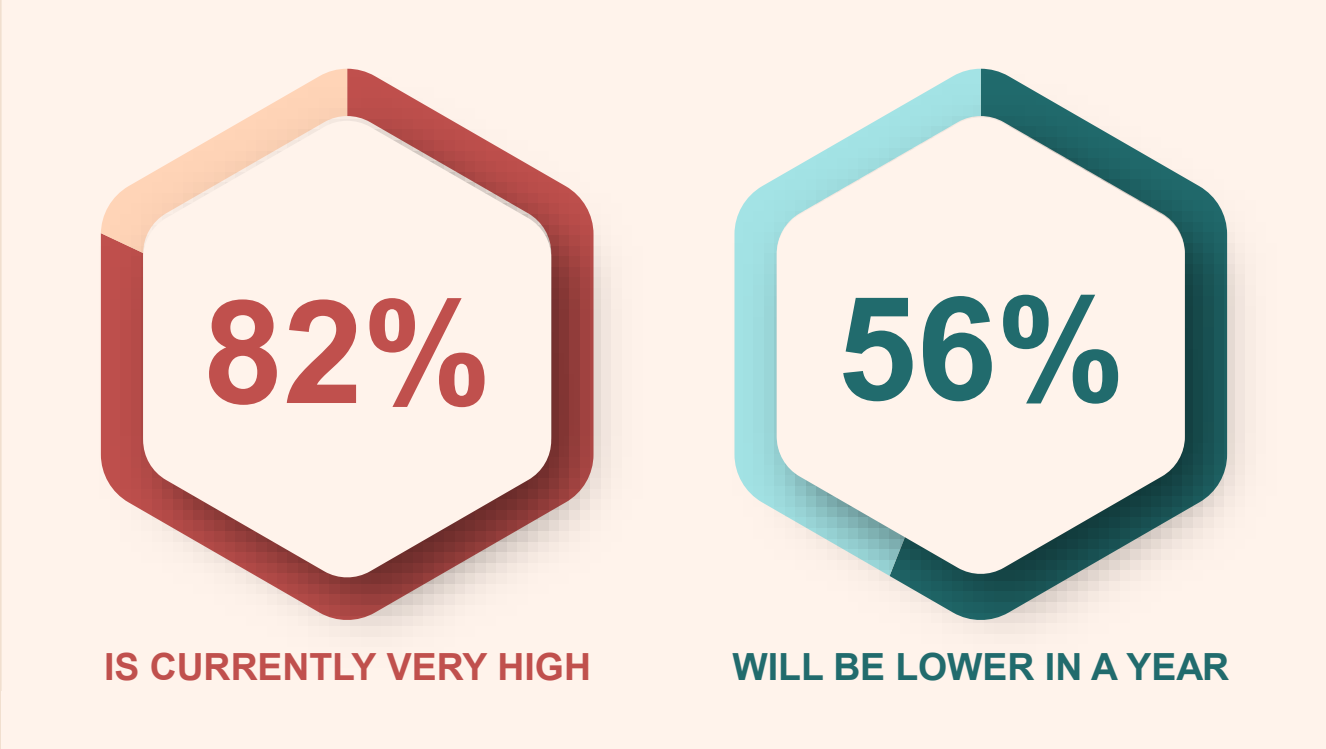
Others:

- 407 additional products to face 50% steel and aluminum tariffs

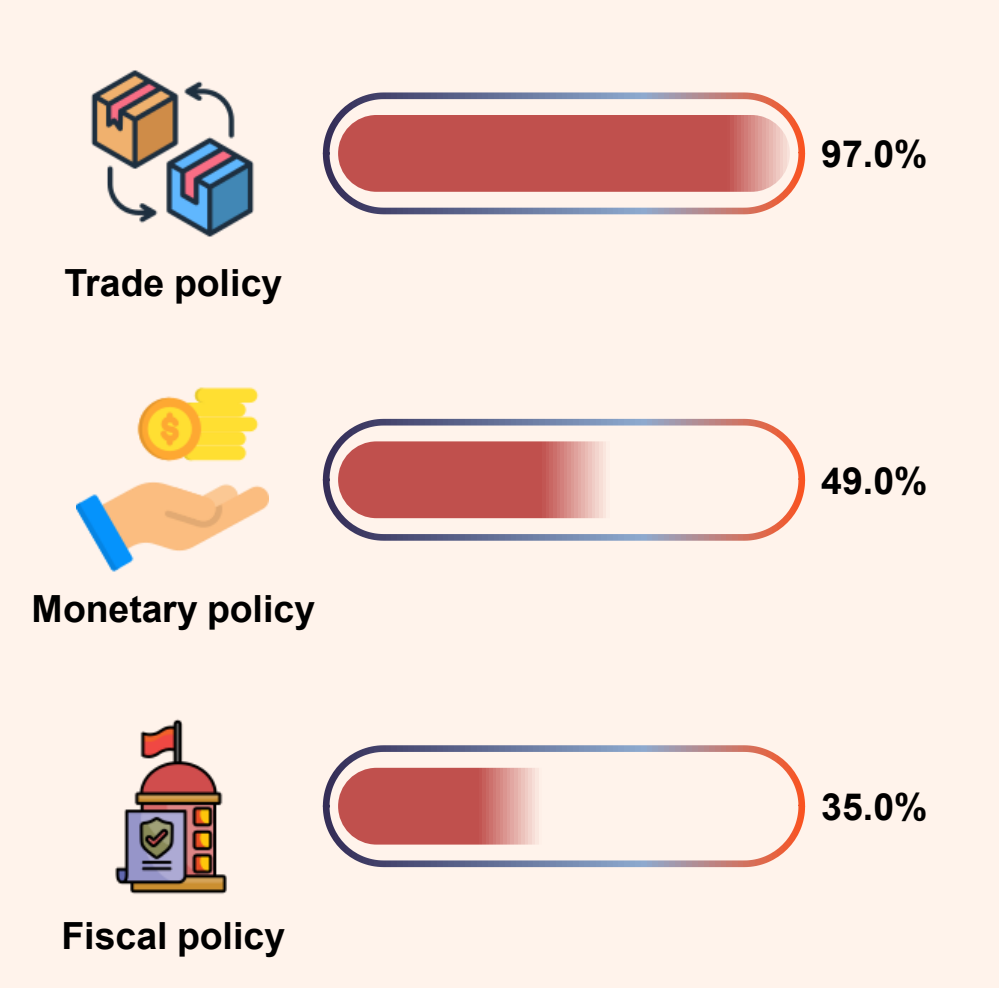
* Starting 1 October, the US will impose 100% tariff on imported pharmaceutical products, impose a 25% import tax on all heavy-duty trucks and 50% levies on kitchen and bathroom cabinets.

UNCERTAINTY – Policy upheaval and coordination risks

Share of chief economists who think that uncertainty:



Top 3 areas of the highest global uncertainty



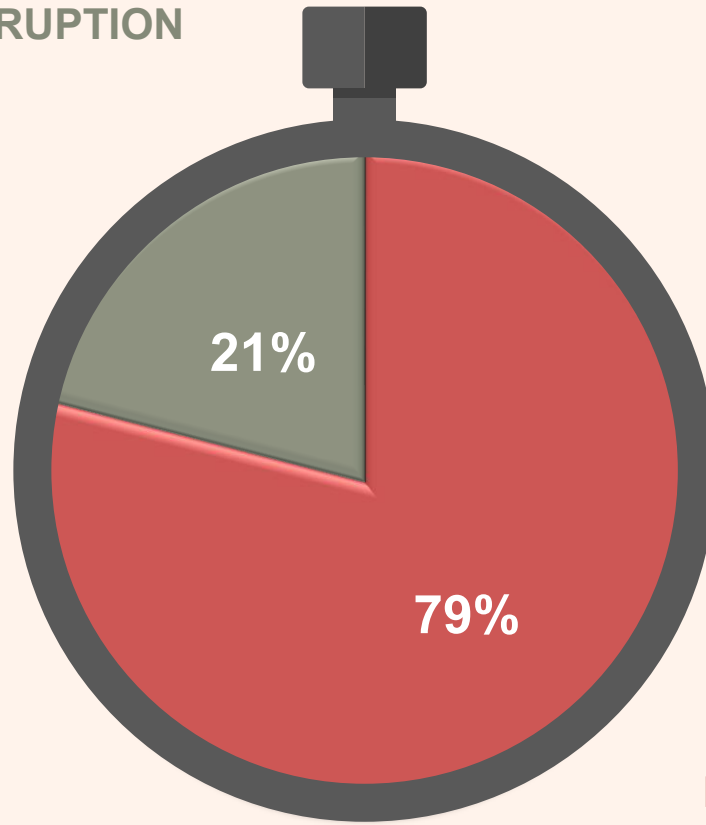
Source: Chief Economists Survey. (2025, April)

The US government policies on the global economy trajectory

The US policy impact on the global economy

21%

SHORT-TERM DISRUPTION



79%

LONG-TERM SHIFT

Make America Great Again (MAGA) “3-3-3”

- 3% real economic growth
- 3% budget deficit of GDP
- 3 million barrels of oil per day

One Big Beautiful Bill Act

- Make permanent the individual tax cuts from the Tax Cuts and Jobs Act (TCJA) while introducing new tax breaks.

Source: Chief Economists Survey. (2025, April)

Are markets becoming immune to tariff shocks?

So far, there have been fewer severe effects than predicted...

- ☑ Global economy is resilient.
- ☑ World equity and bond markets and economic activity remain stable.
- ☑ Inflation fears are muted for now.
- ☑ Asian economies showed resilience, with exports boosted by "frontloading".
- ☑ Asian markets have hit record highs, driven by liquidity, rate cuts, a weaker dollar, and the AI boom.



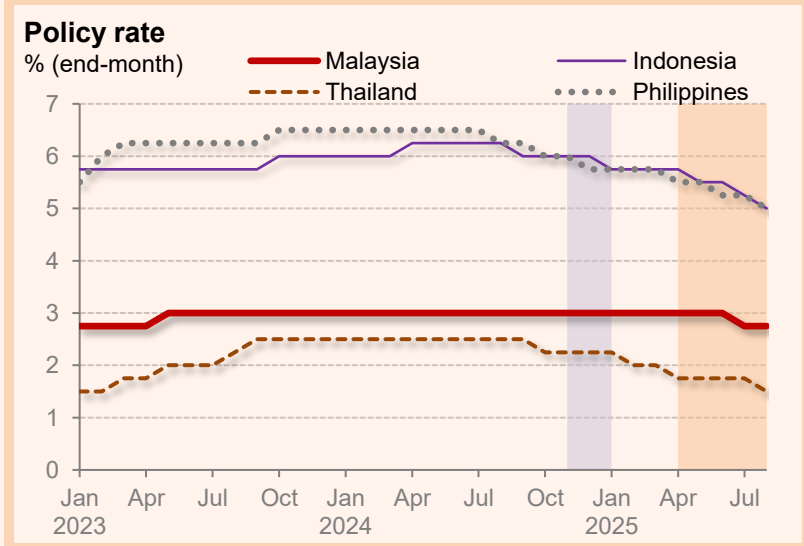
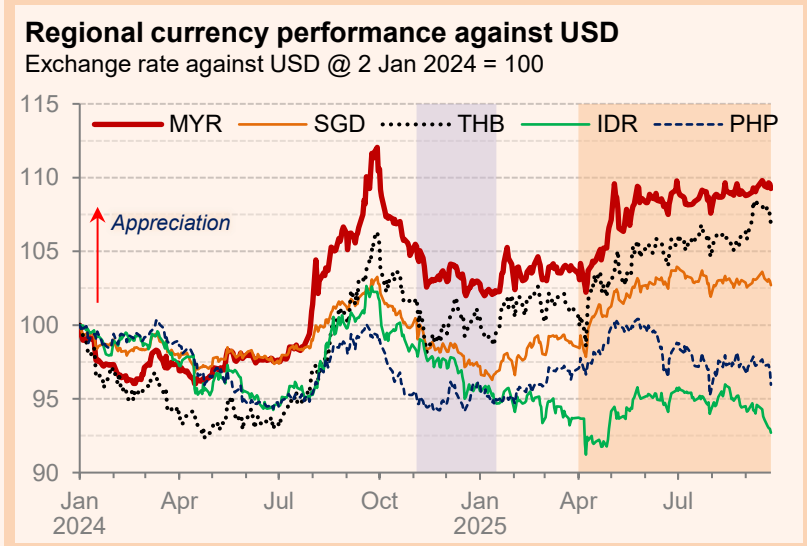
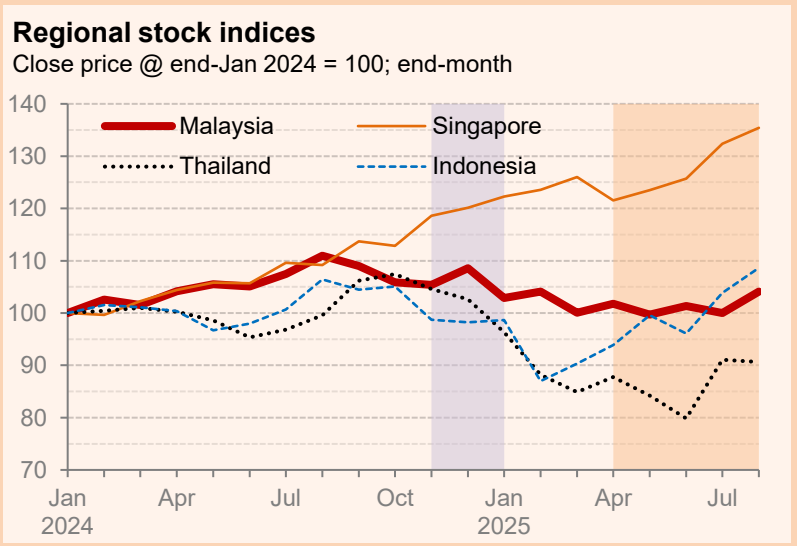
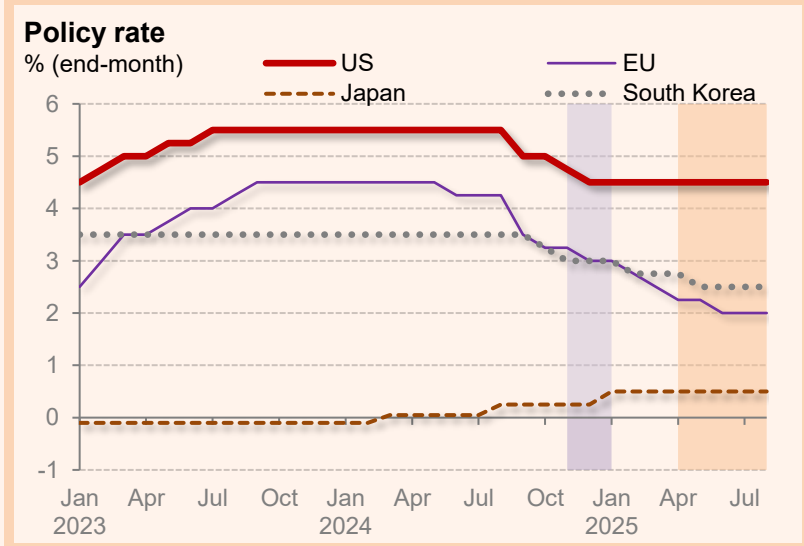
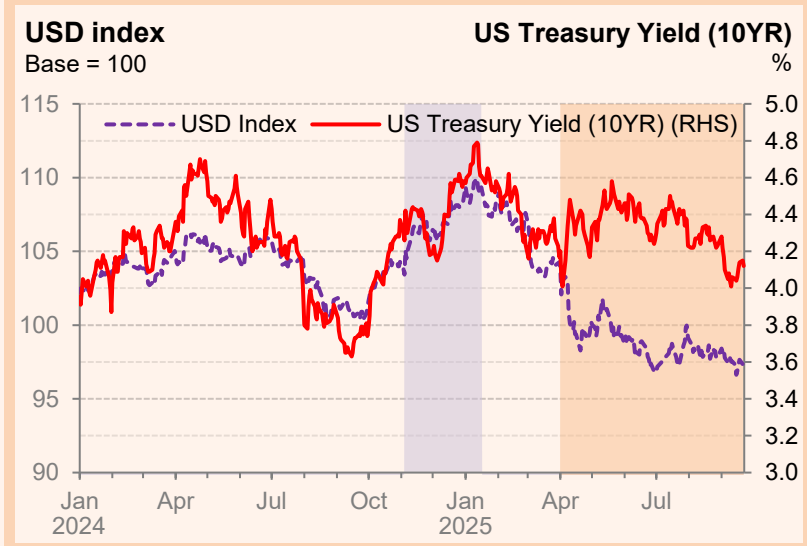
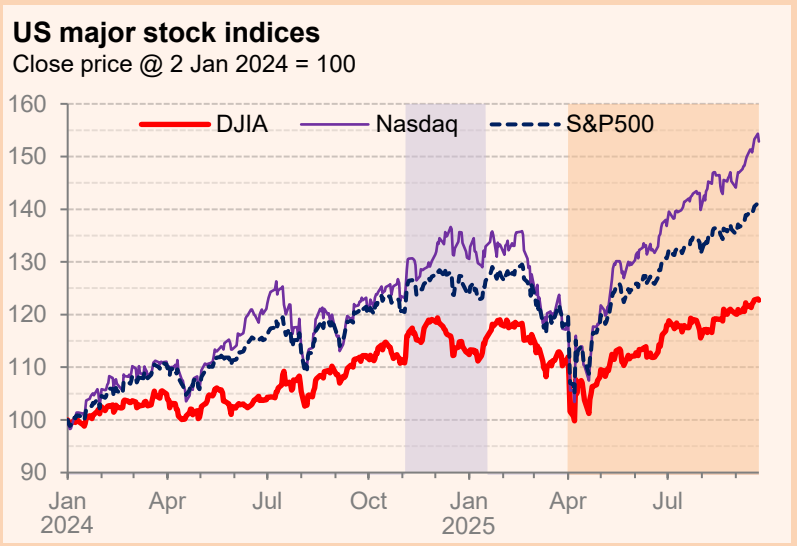
BUT risks and overconfidence linger...

- ☒ The Fed's rate cuts come with caveats due to slowing job growth and elevated inflation.
- ☒ High US debt and fiscal imbalance.
- ☒ Southeast Asian export surge is temporary and due for a "payback."

Tracking global and regional financial indicators

Presidential election to pre-inauguration
(5 Nov 2024 to 17 Jan 2025) / (Nov 2024 to Jan 2025)

Since "Liberation Day"
(2 Apr 2025 to Latest) / (Apr to Latest)

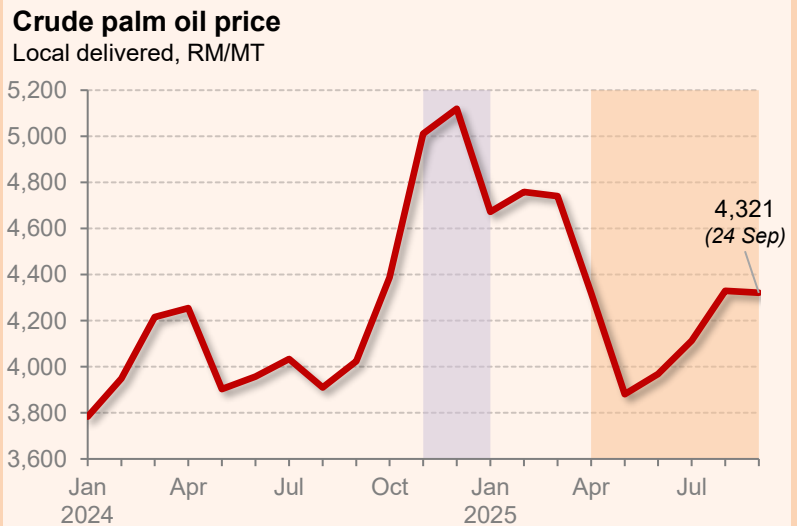
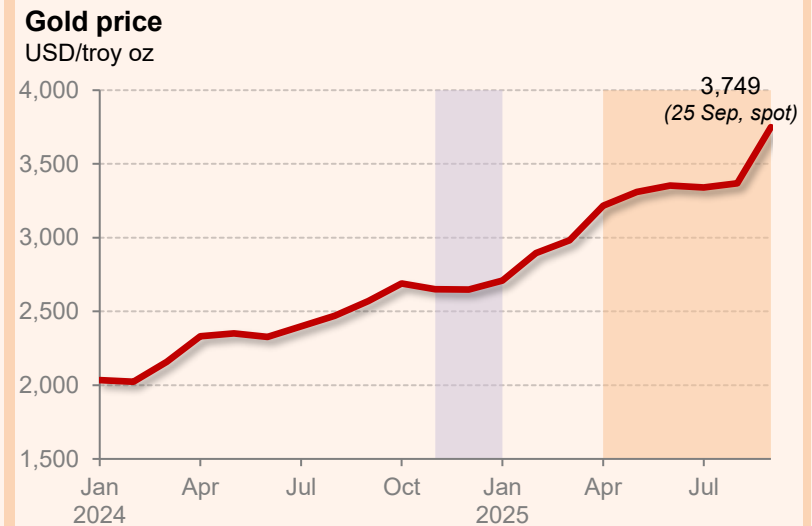
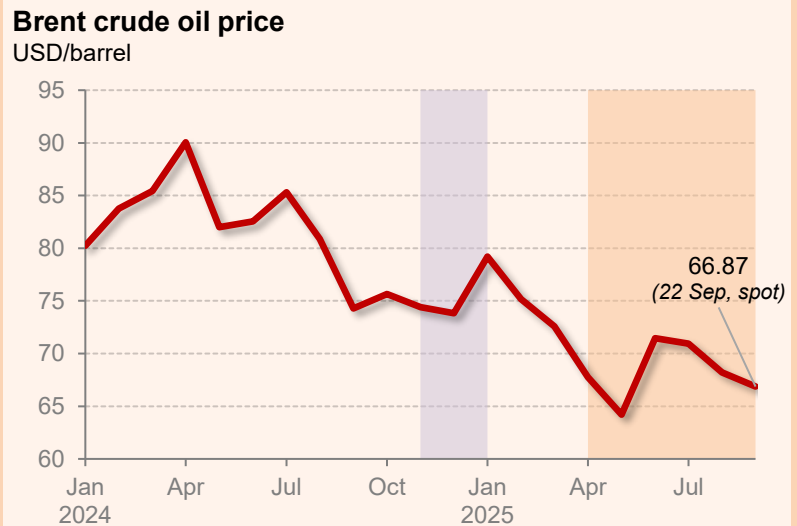


Source: Google Finance; US Department of the Treasury; WSJ; BIS; Yahoo Finance; BNM (cross rate for other currencies)

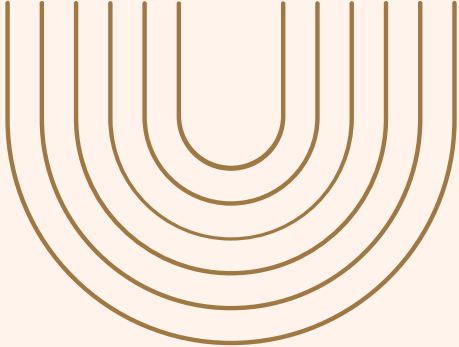
Tracking key asset classes

Presidential election to pre-inauguration
(5 Nov 2024 to 19 Jan 2025) / (Nov 2024 to Jan 2025)

Since “Liberation Day”
(2 Apr 2025 to Latest) / (Apr to Latest)



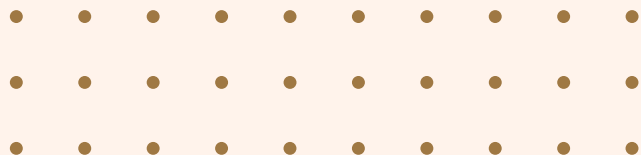
Source: World Bank; EIA; Bloomberg; MPOB; Google Finance



Malaysia's Economic Outlook

Navigating Uncertainty, Costs Pressure and Sustainable Growth

- *Slowing economic growth momentum amid external headwinds (Estimated real GDP growth 4.0%-4.3% in 2025; 4.0% in 2026)*
- *Tapering discretionary consumer spending amid strong labour market condition*
- *Private investment momentum continues, continued FDI inflows*
- *Trade tensions weigh on exports*
- *Risks to inflation are tilted to the upside*
- *Monetary policy to support growth while keeping price stability*

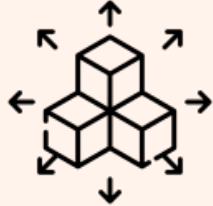


Malaysia can buffer against external shocks



Malaysia is in a position of strength to face headwinds.

Still-sound economic and financial fundamentals supported by facilitative policies and accommodative monetary policy.



A well-diversified economic sectors, markets and products and sources of foreign direct investments.

Reduce **vulnerability and risks** inflicted by a particular sector and industry as well as a country.



Gradual consolidation path continues to build fiscal buffers.

Prudent and target fiscal policy to strengthen domestic resilience, protect the vulnerable group.



The financial sector is well-capitalised.

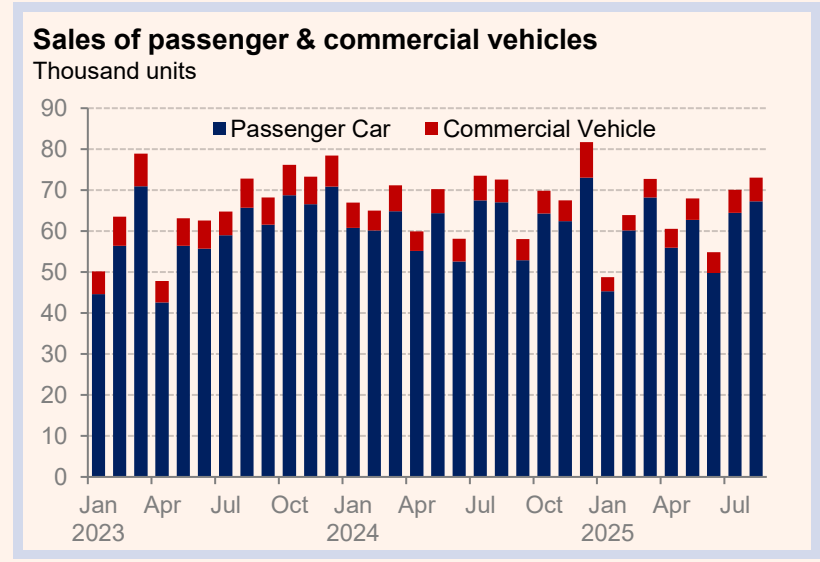
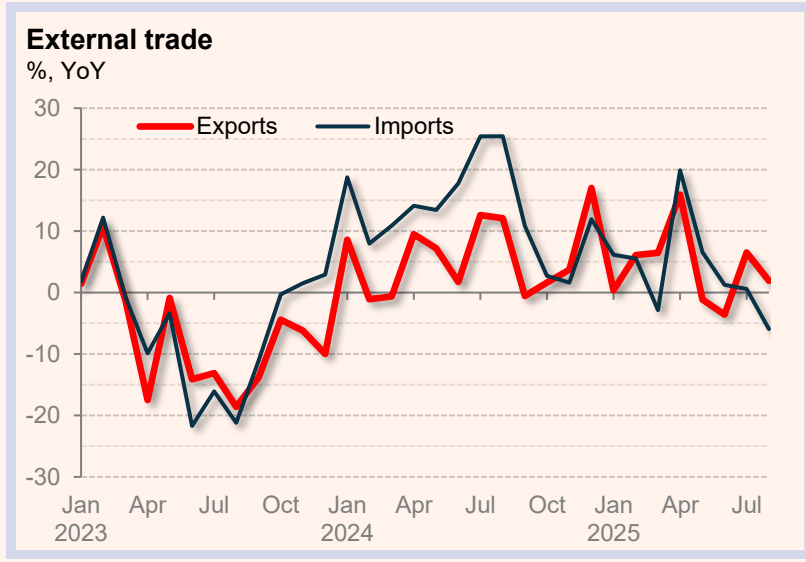
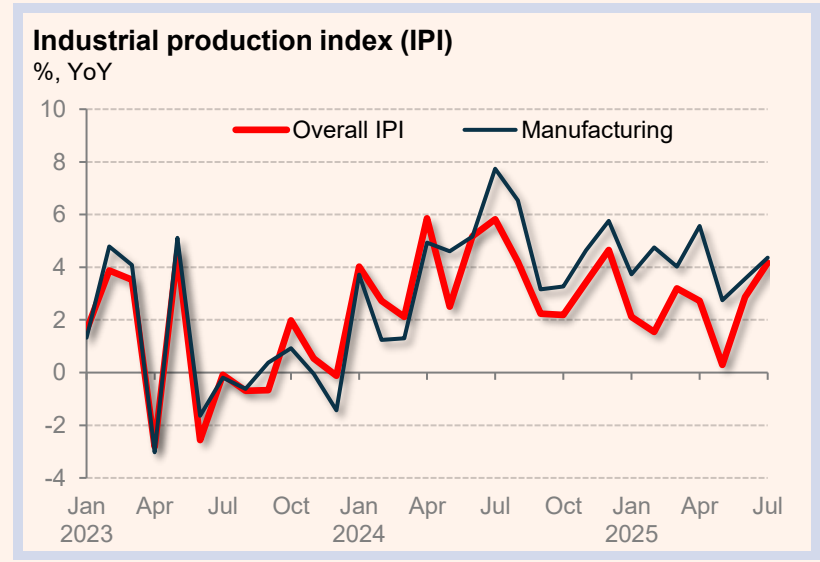
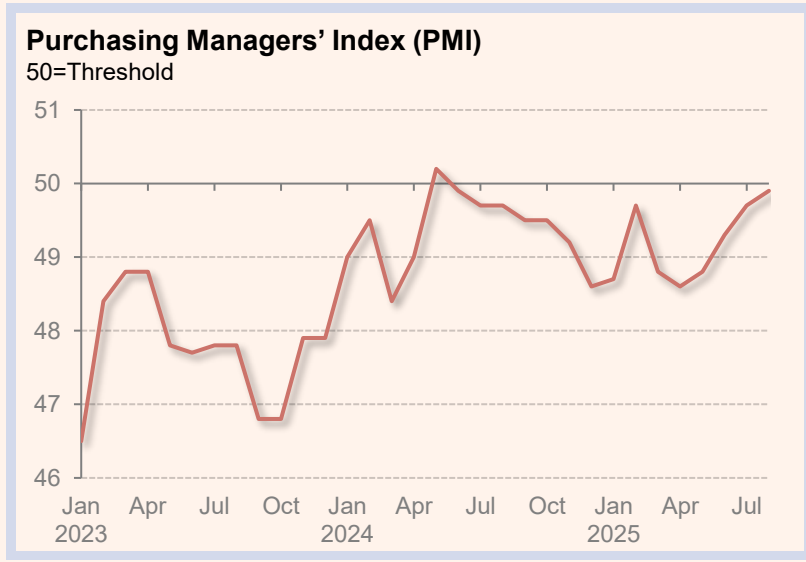
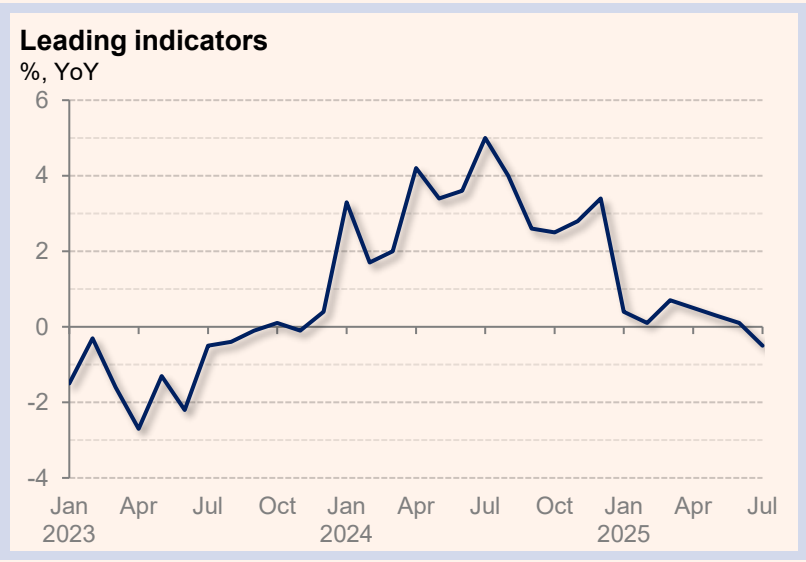
As at end-2024, **banks' liquidity buffers** exceeded regulatory levels with strong loan quality (aggregate non-performing loans (NPLs)) at 1.4% of gross loans) and sizeable provisions (91.4% of total impaired loans). **Liquidity coverage ratio (LCR)** is well-above the required level (100% starting 2019) at 160%.



Flexible exchange rate is essential continue to play the role of shock absorber and remains the first line of defence against external shocks.

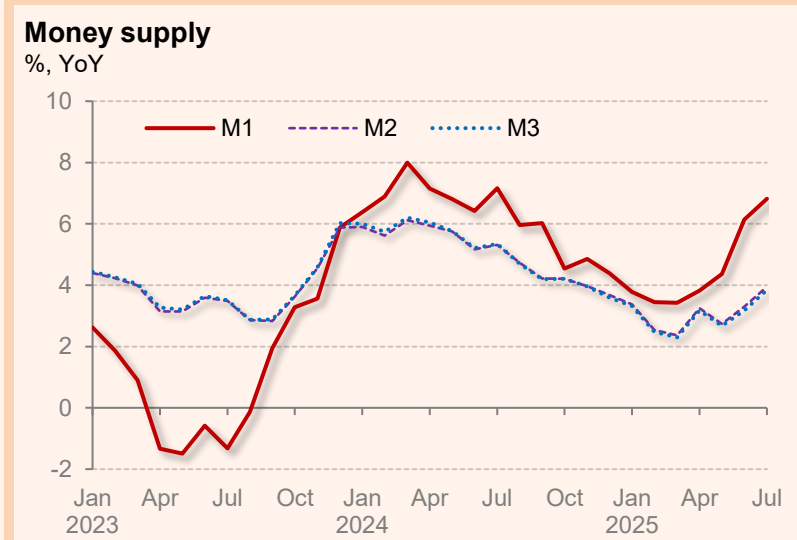
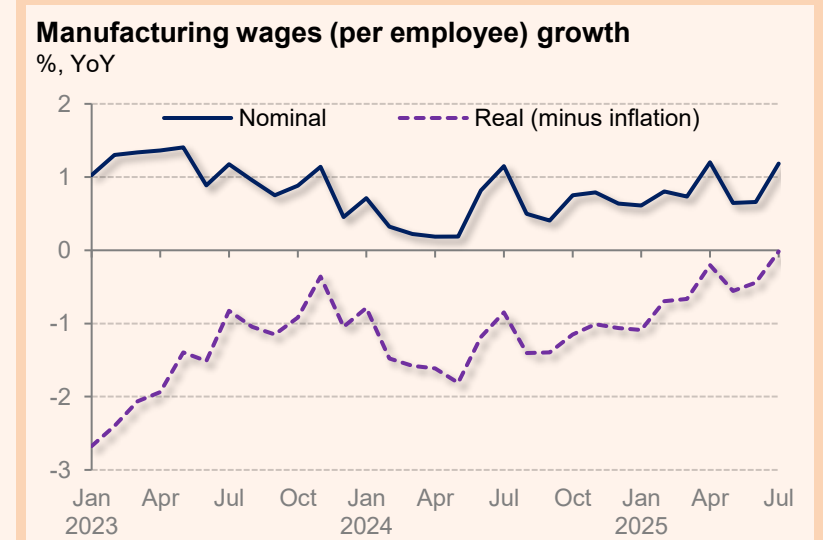
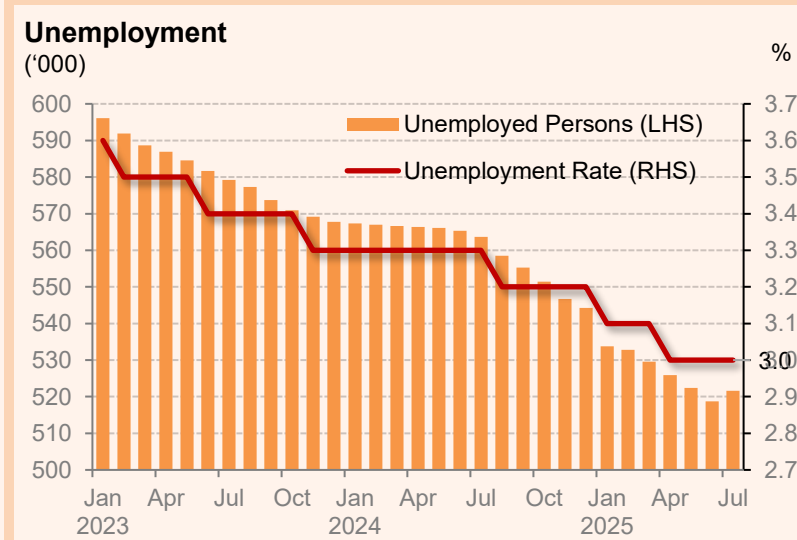
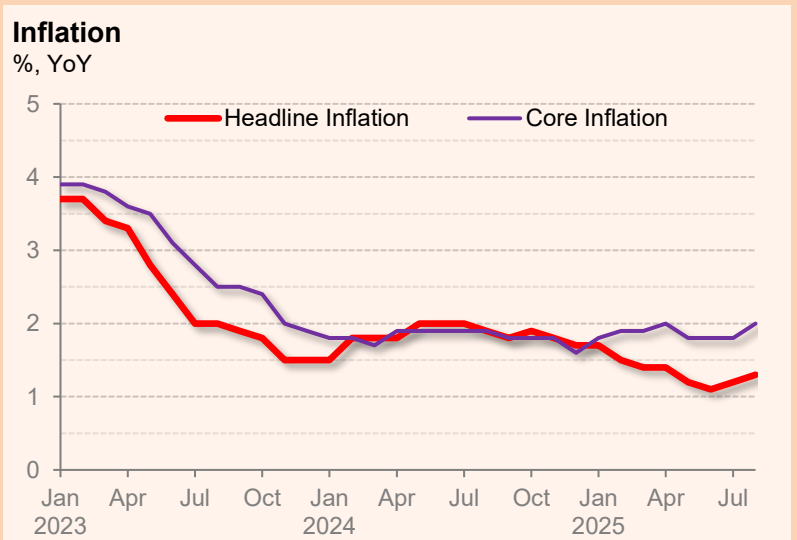
This is backed by **adequate international reserves** (USD122.7 billion at end-August 2025) and **sustained current account surplus**, albeit smaller.

Tracking Malaysia's economic indicators



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

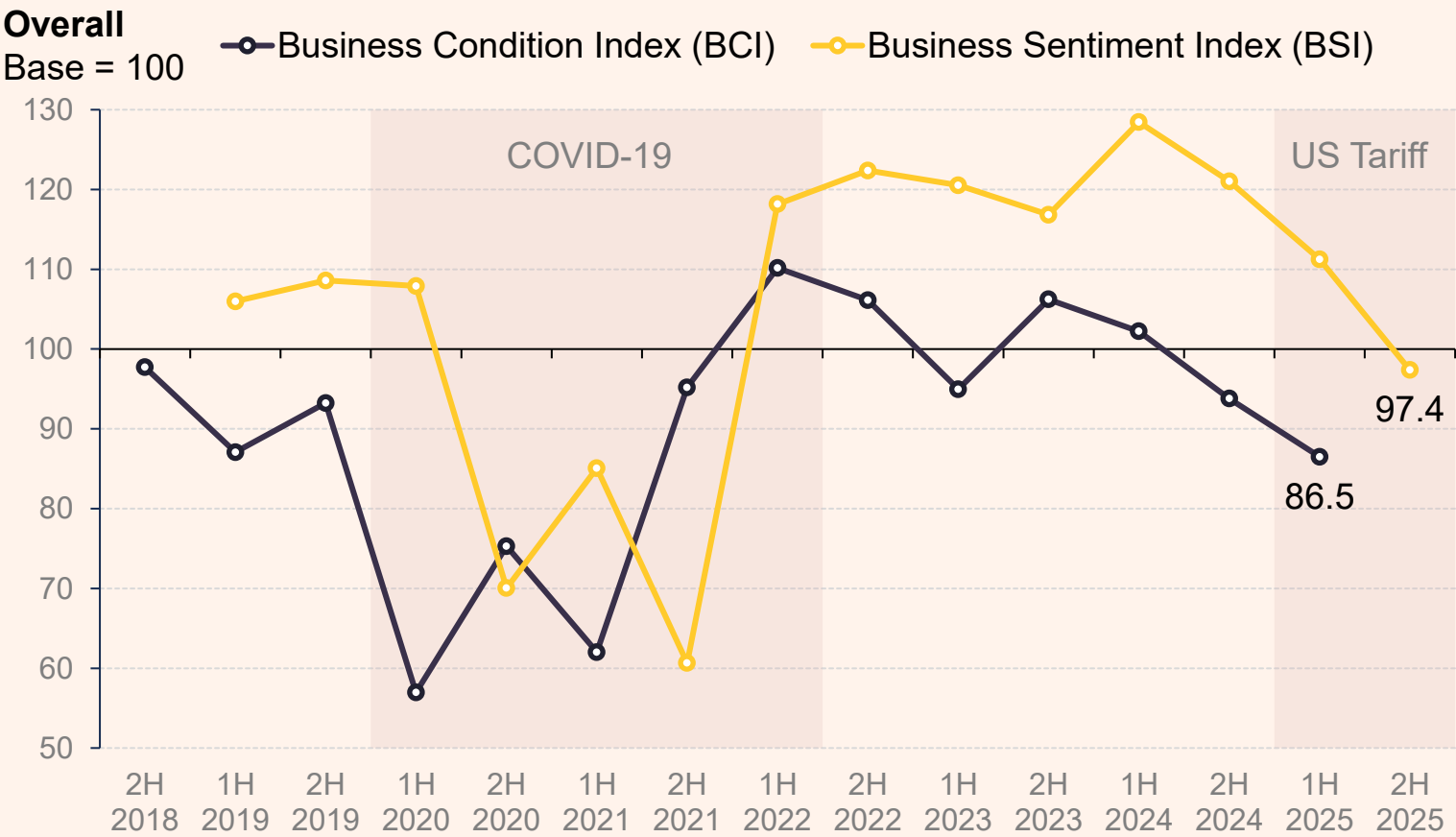
Tracking Malaysia's economic indicators (cont.)



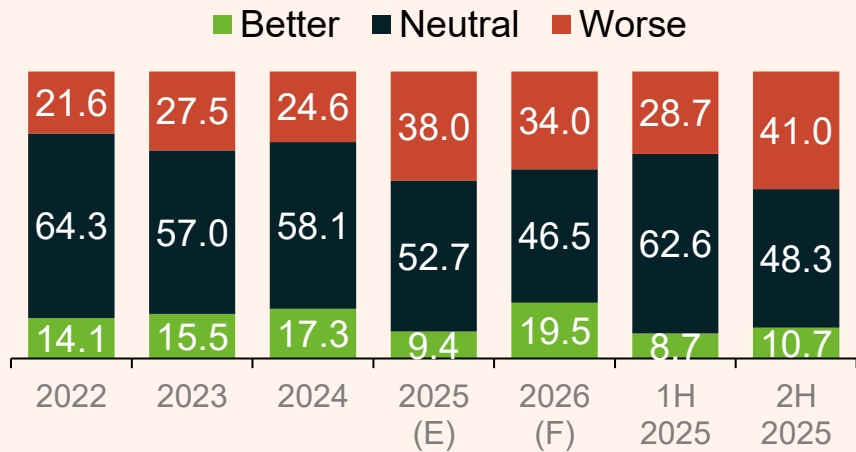
Source: DOSM; BNM

ACCCIM's M-BECS: Business confidence is at a low ebb

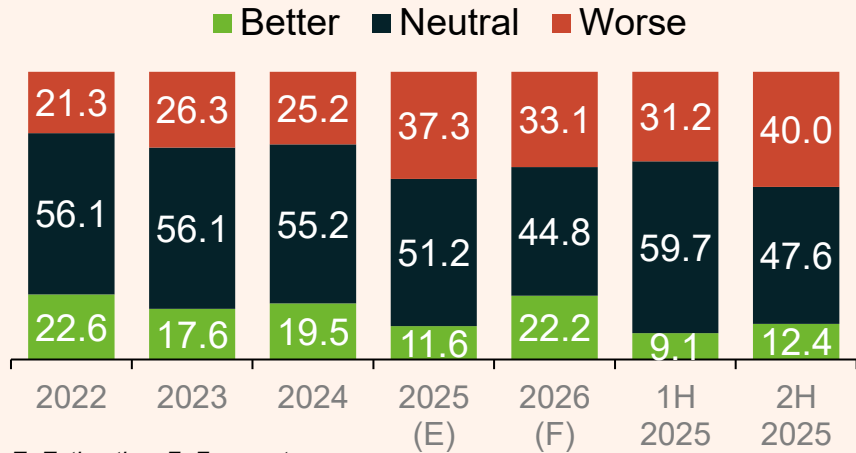
Both the Business Condition Index (86.5) and Business Sentiment Index (97.4) in 2H 2025 remain below the neutral threshold of 100, reflecting sustained pessimism amid rising costs, policy shifts, and external headwinds.



Economic Conditions and Prospects



Business Conditions and Prospects



E=Estimation; F=Forecast

Source: ACCCIM's Malaysia Business and Economic Conditions Survey (M-BECS) 1H 2025

High operating costs have been ranked top 3 challenges since 2020

#1 High operating cost



#2 Increase in prices of raw materials



#3 Changing consumer behaviour



#4 Declining business & consumer sentiment



#5 Cash flow problem



By Sectors (1H 2025)

Manufacturing	Construction	Wholesale and Retail Trade	Professional and Business Services
High operating cost (64.5%)	Increase in prices of raw materials (58.8%)	High operating cost (59.6%)	High operating cost (52.8%)
Increase in prices of raw materials (47.1%)	High operating cost (52.9%)	Changing consumer behaviour (50.6%)	Changing consumer behaviour (39.6%)
Lower domestic demand (47.1%)	Cash flow problem (51.8%)	Increase in prices of raw materials (46.6%)	Declining business & consumer sentiment (33.0%)
Declining business & consumer sentiment (38.0%)	Rising bad debts & delayed receivables (38.8%)	Lower domestic demand (44.4%)	Regulatory change (32.1%)
Skilled manpower shortage (33.1%)	Shortage of workers (36.5%)	Declining business & consumer sentiment (40.4%)	Skilled manpower shortage (31.1%)

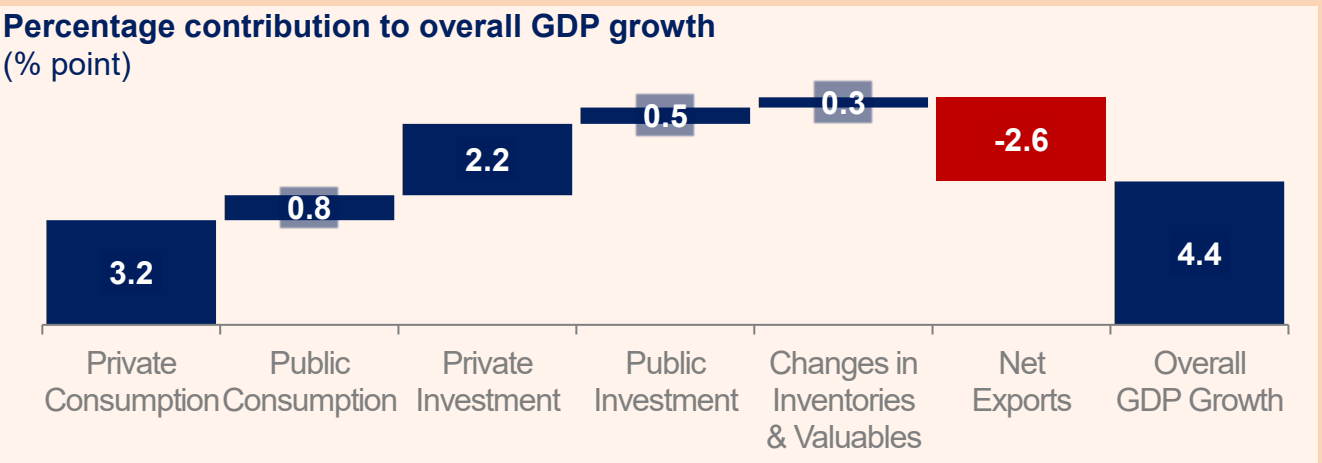
Source: ACCCIM's Malaysia Business and Economic Conditions Survey (M-BECS) 1H 2025

The Malaysian economy will slow to 4.0%-4.3% in 2025 and 4.0% in 2026

Quarterly Real GDP Growth (Annual change, %)



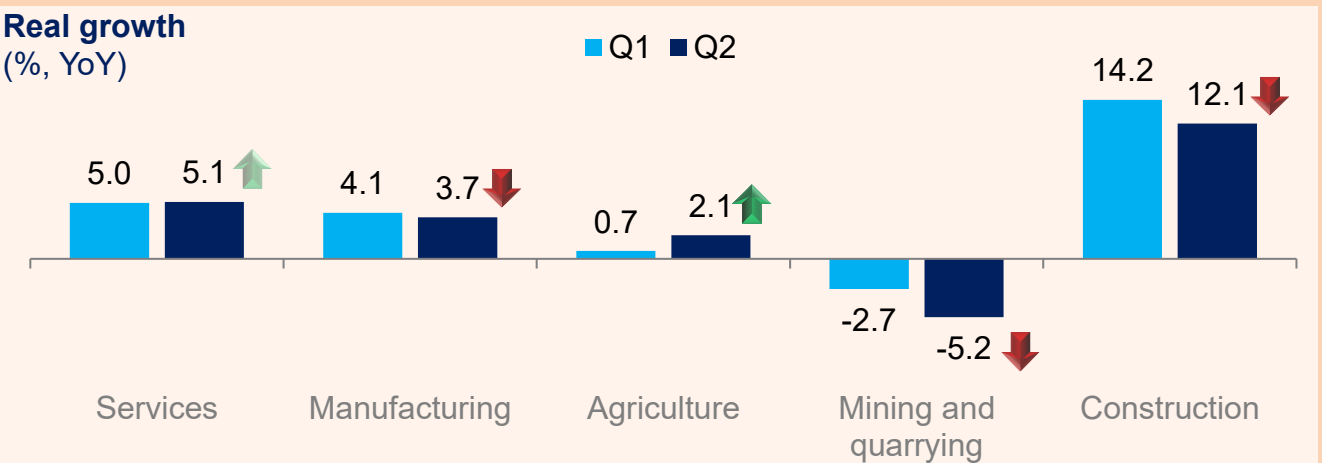
Resilient domestic demand partly offset by trade drag in Q2 2025



Monthly Real GDP Growth (Annual change, %)



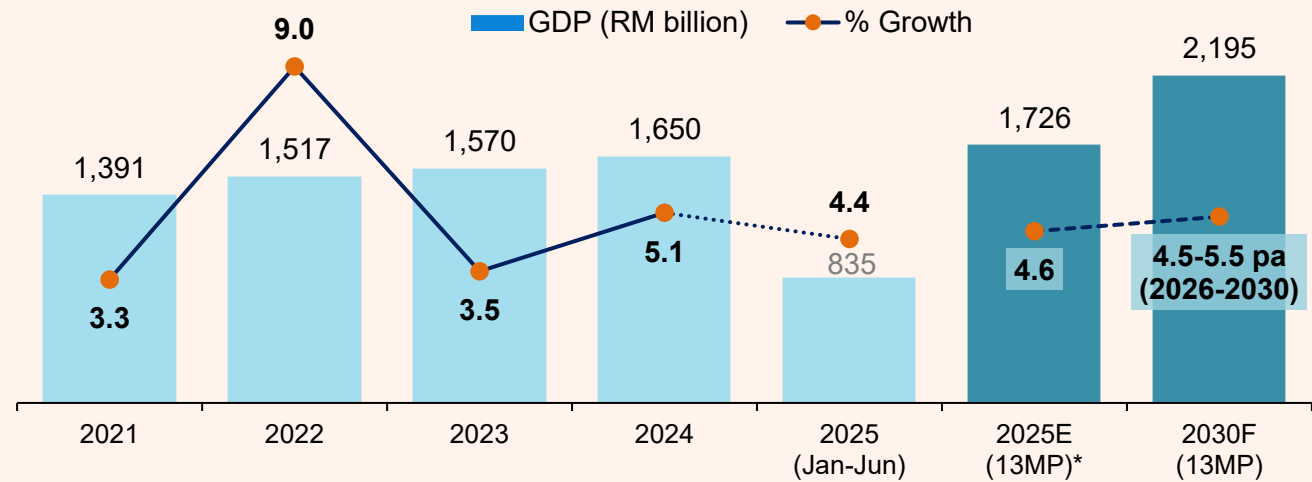
There were signs of the economy is slowing down as reflected in Q2



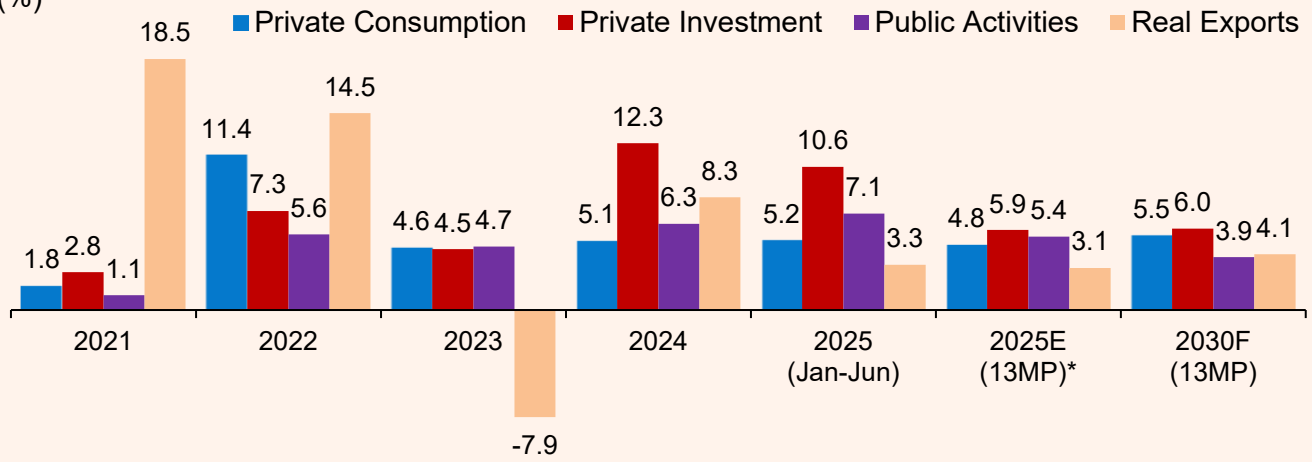
Source: DOSM

13 MP (2026-2030) - A resilient and growing economy, anchoring on domestic demand

Gross Domestic Product (GDP)



GDP growth by type of expenditure (%)



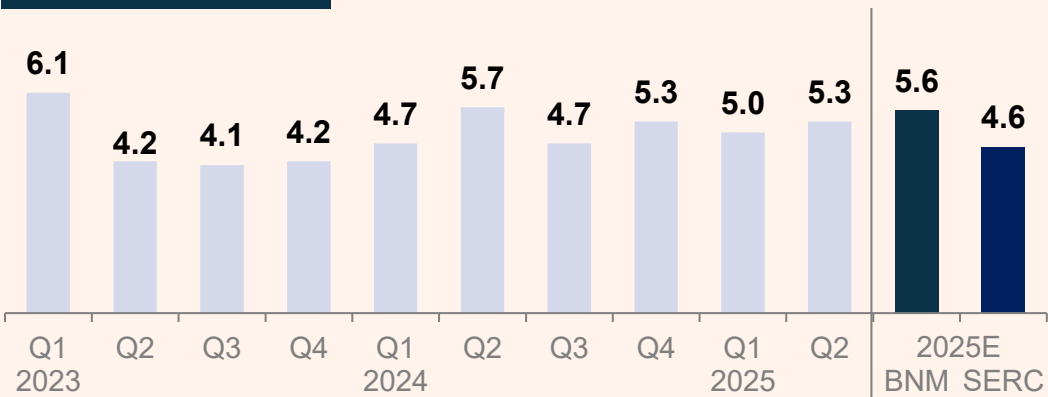
* 2025E was derived based on the 12MP estimates by Ministry of Economy in 13MP.
Source: Department of Statistics, Malaysia (DOSM); Ministry of Economy

- **Real GDP has expanded by 4.4% in 1H 2025**, on track to achieve at least 4.0%-4.3% in 2025. **Expect real GDP growth of 4.0% in 2026.**
- **Resilient domestic demand**, particularly private sector expenditure, continued to underpin domestic economic growth amid slowing exports in 2025.
- **Positive labour market conditions** (unemployment rate at 3.0% in Apr-Jul), **continuous wage growth**, **low inflation** (1.1%-1.3% in May-Aug), **income-related policy**, and **lower interest rate** will support household spending.
- **Investment activity** will be sustained by the realisation of approved investment in 2021-2024 and the progress of multi-year projects in both the private and public sectors.
- The **on-going implementation of catalytic initiatives and master plans**: New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), National Semiconductor Strategy (NSS), and the impending implementation of the 13th Malaysia Plan (2026-2030).

Households could begin to bend, but not break

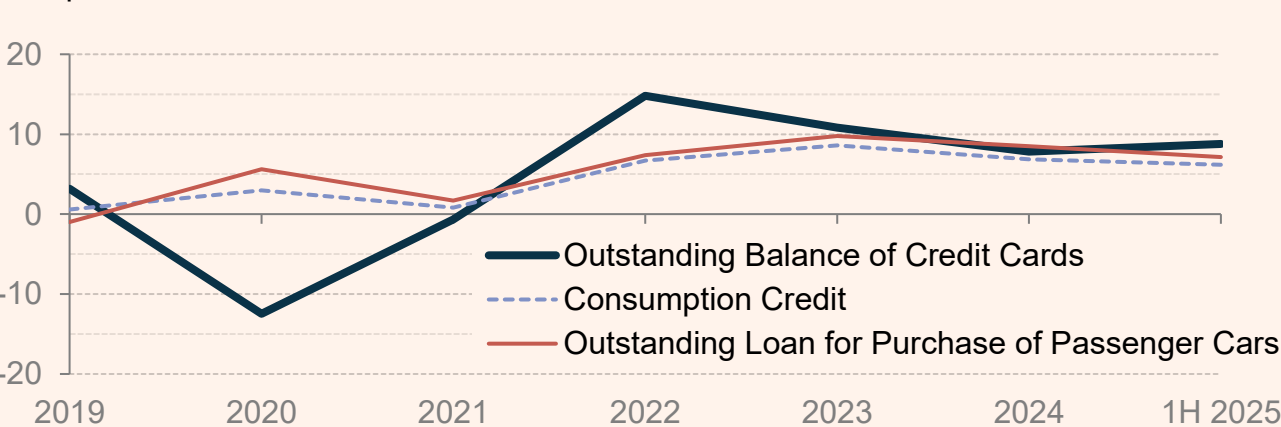
Private Consumption Growth (Annual change, %)

2011-2019: 7.1% p.a.

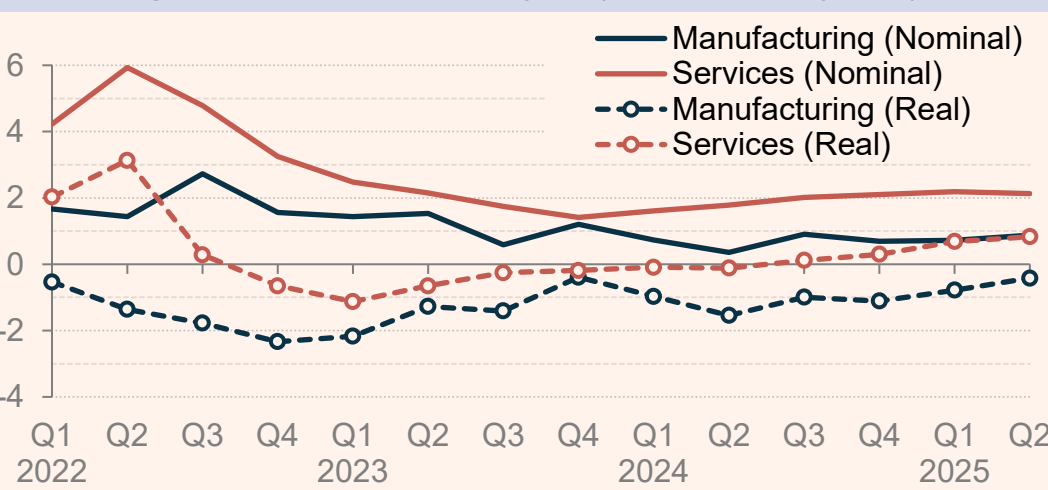


Selected Private Consumption Indicators (Annual change, %)

end-period



Real Wage Growth per Employee (Annual change, %)



Factors Supporting Household Consumption Expenditure

- Stable labour market conditions with a moderate wage growth.
- Higher minimum wage, EPF Flexible Account 3 withdrawal facility, and the Public Service Remuneration System (SSPA).
- Improved targeted cash assistance programmes: RM15 billion in 2025.
- Sustained tourism activities: Target 31.3 million tourist arrivals in 2025 (25.0 million in 2024).

Factors Weighing on Discretionary Consumer Spending

- Rising cost of living pressures.
- Consumer inflation due to pass-through effect from increased business costs. Direct and indirect effects from the expanded SST.

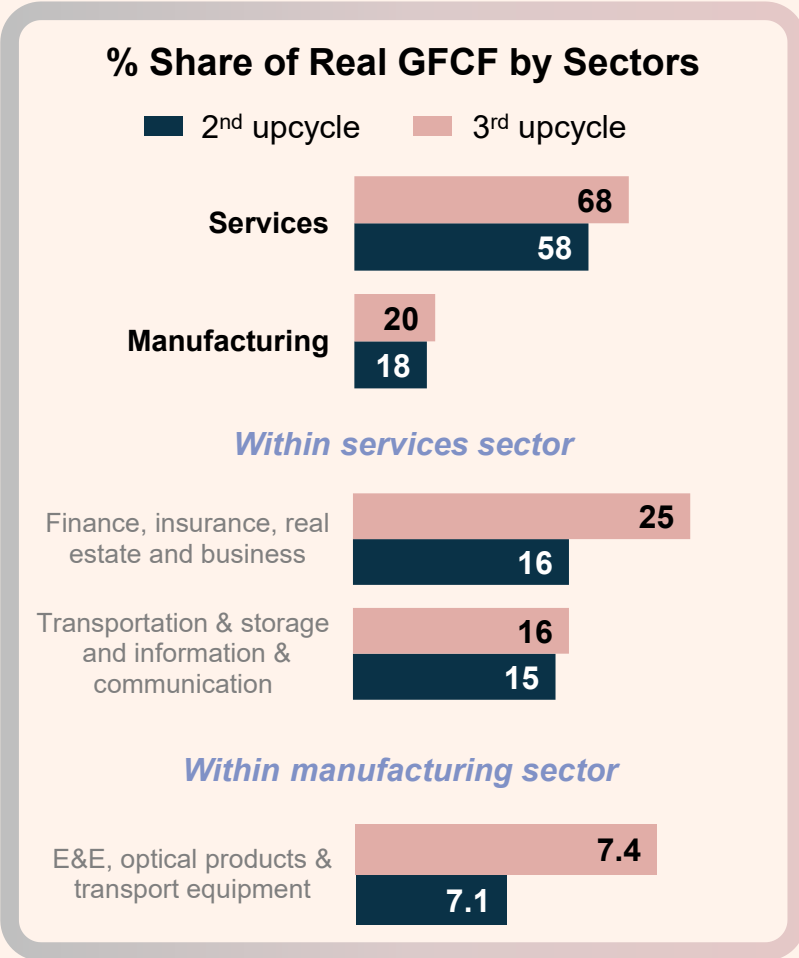
Source: DOSM; BNM; SERC's forecast

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

Malaysia's third investment upcycle characterised by high quality investments

1

Shift towards high value-added services & manufacturing activities



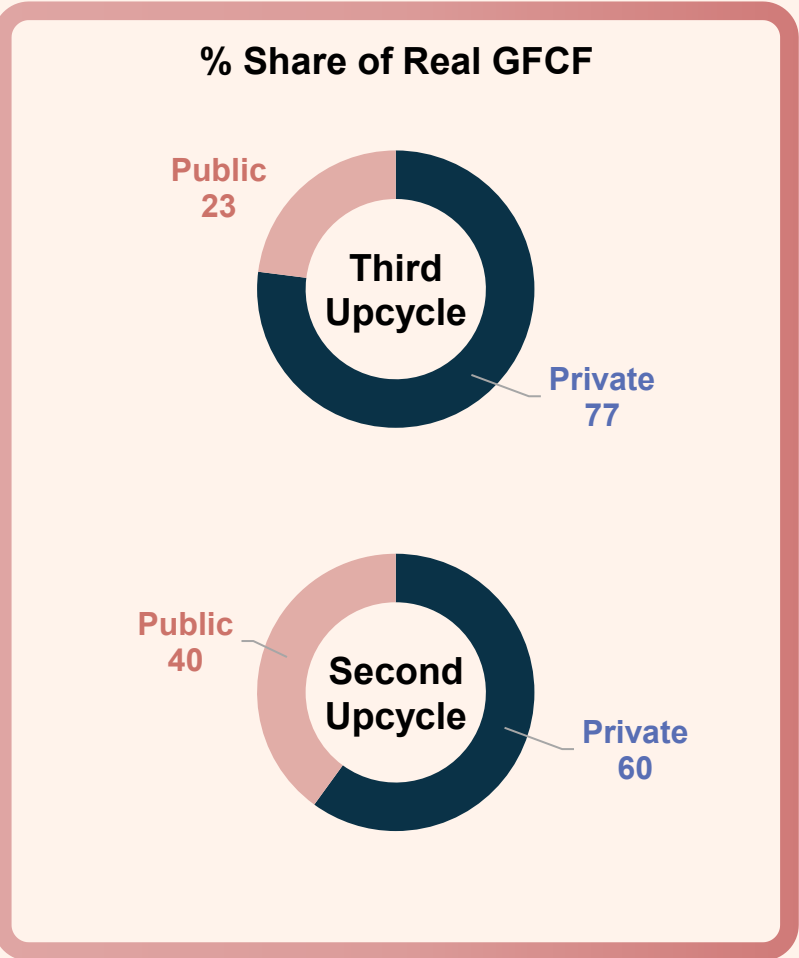
2

Increased share of machinery & equipment investments



3

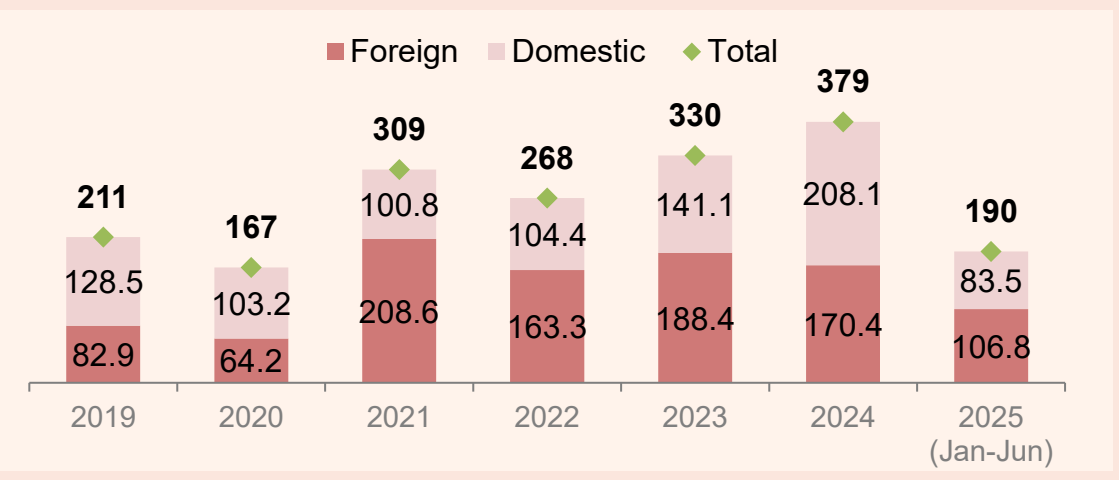
Greater role of private sector in driving investments



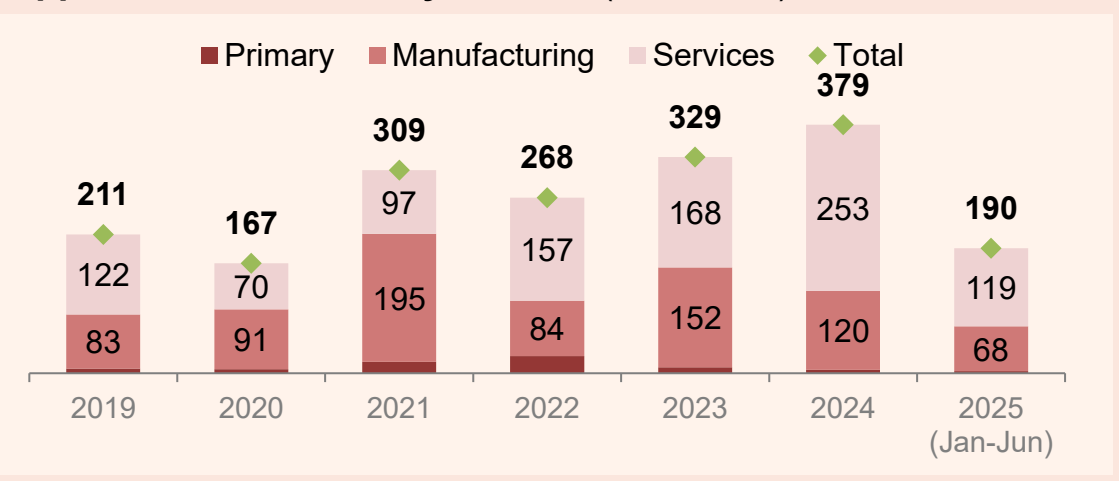
Note: Second upcycle refers to the 2011-15 period, while third upcycle refers to mid-2023 onwards. Where there are data constraints, comparisons are conducted using only 2023 data for the third cycle.
Source: DOSM; BNM; Haver

Investment is underpinned by the realisation of multi-years strong approvals

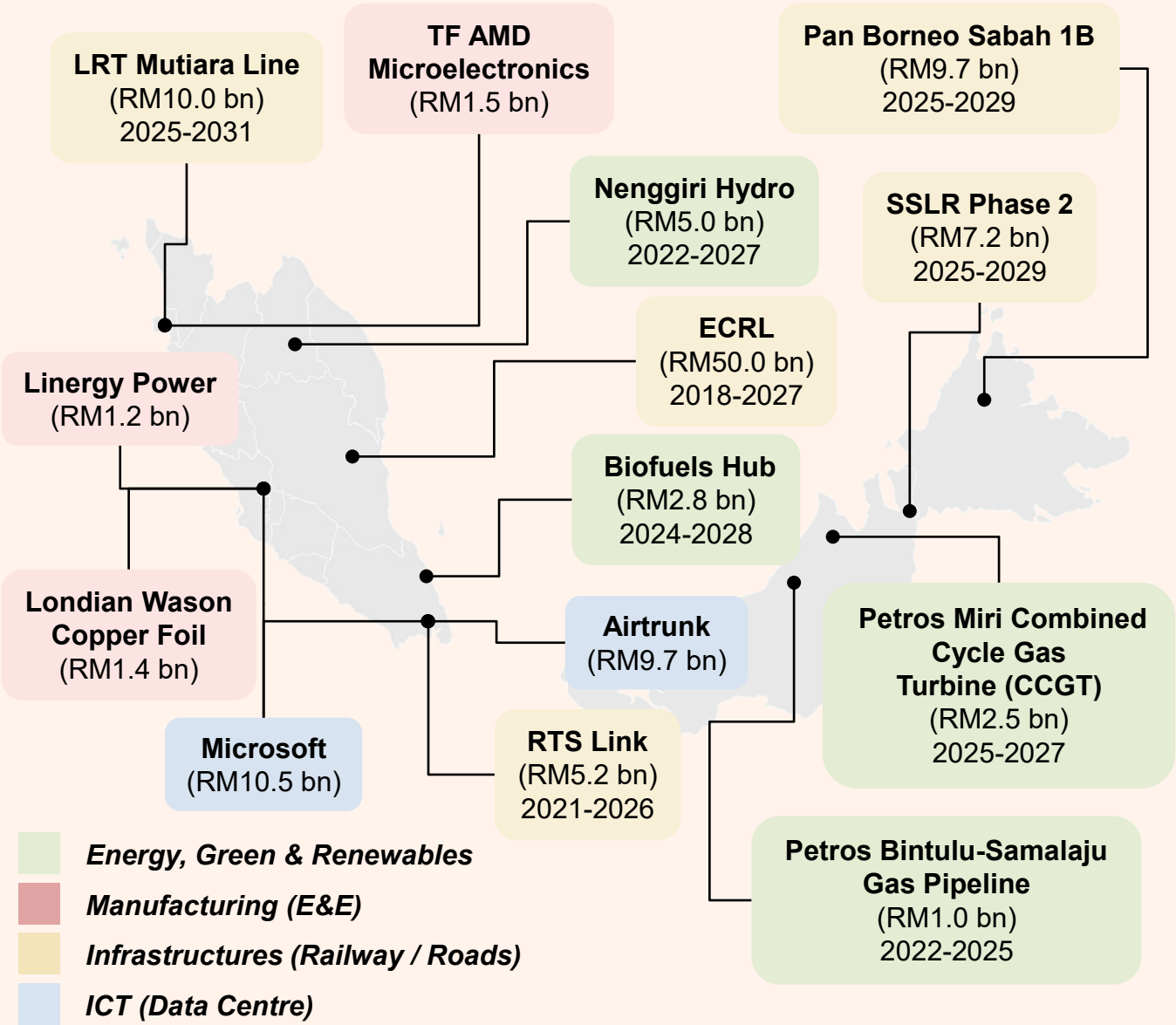
MIDA: Foreign vs Domestic Approved Investment (RM billion)



Approved Investment by Sectors (RM billion)

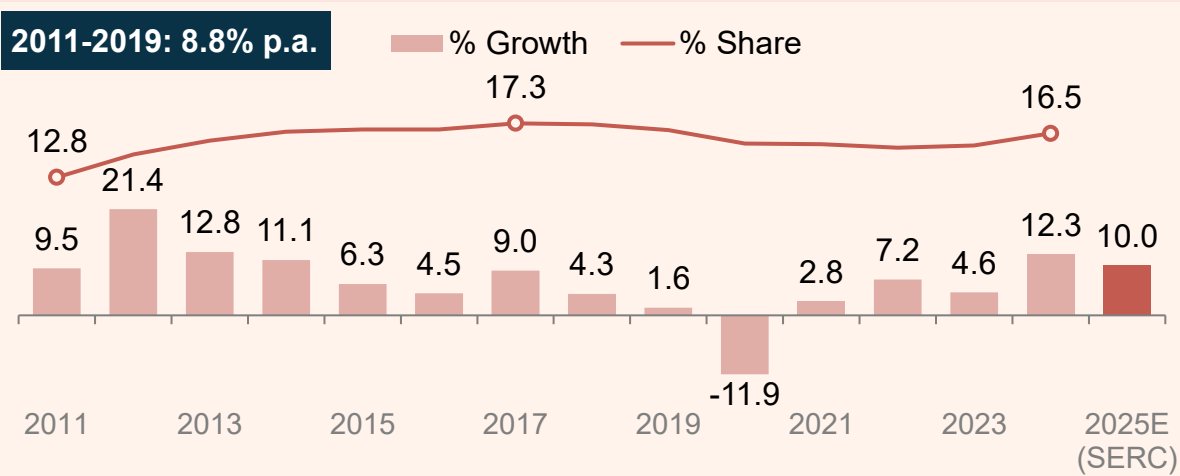


Source: MIDA; BNM

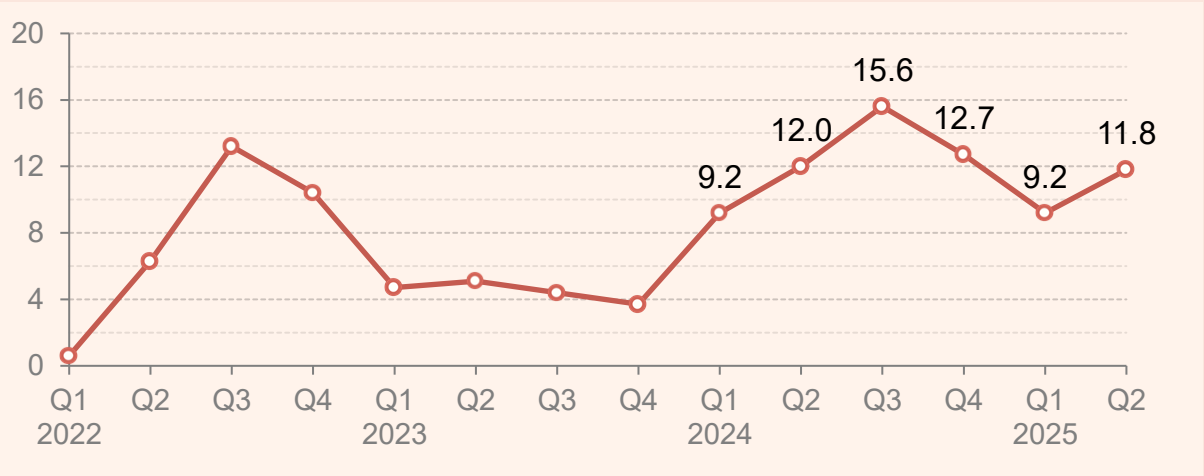


Malaysia is on the cusp of a multi-year private investment growth

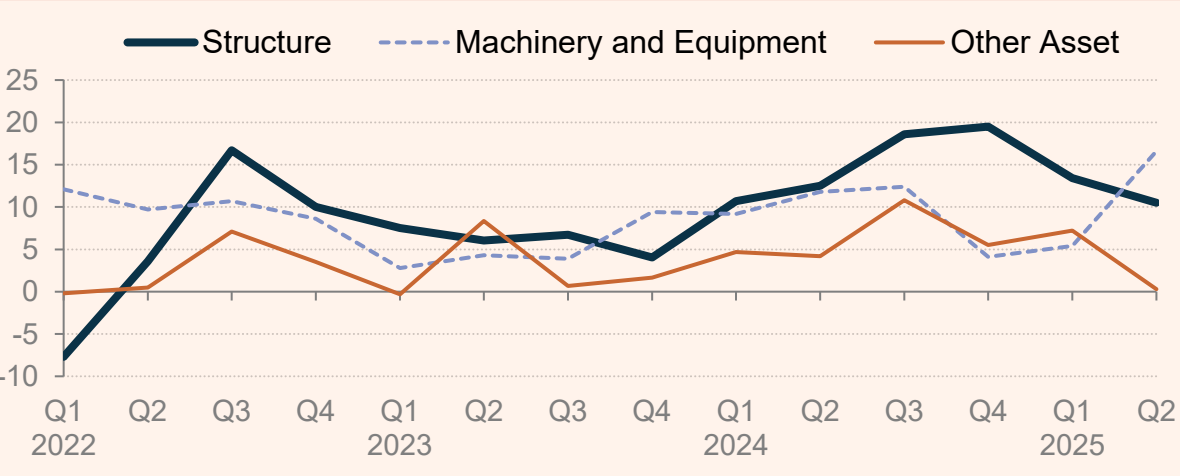
Private Investment Growth – Annually (%)



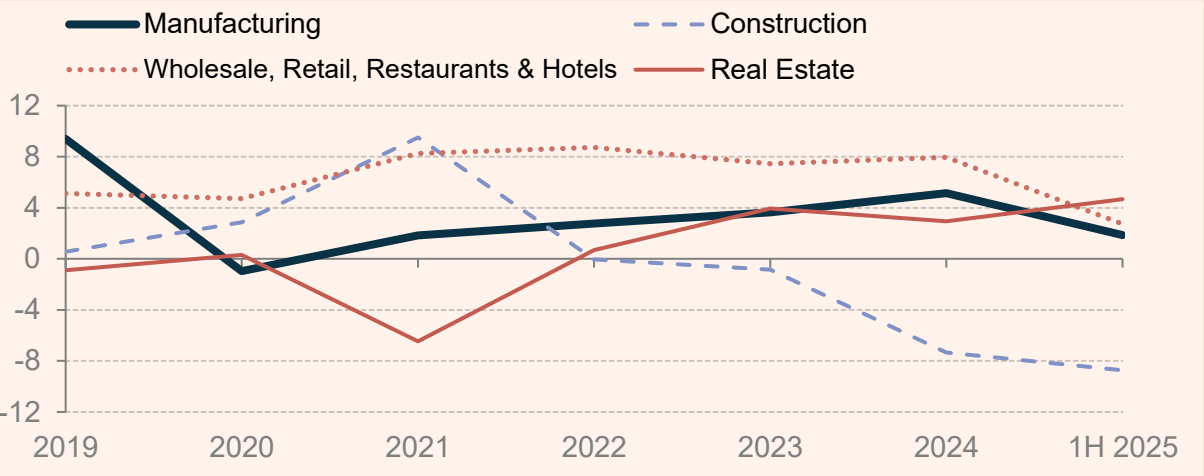
Private Investment Growth – Quarterly (Annual change, %)



Gross Fixed Capital Formation by Type of Assets (Annual change, %)

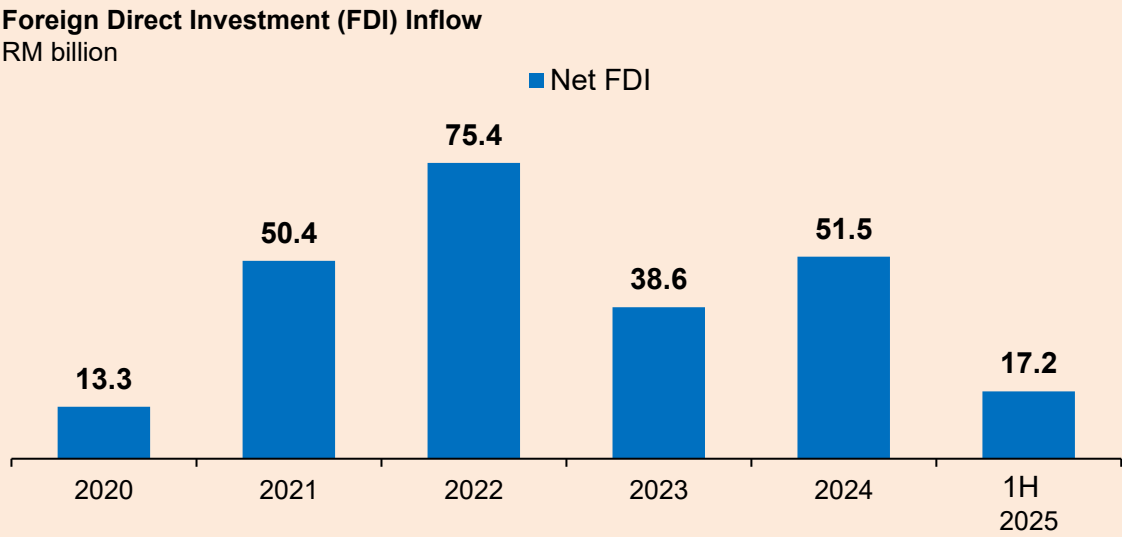
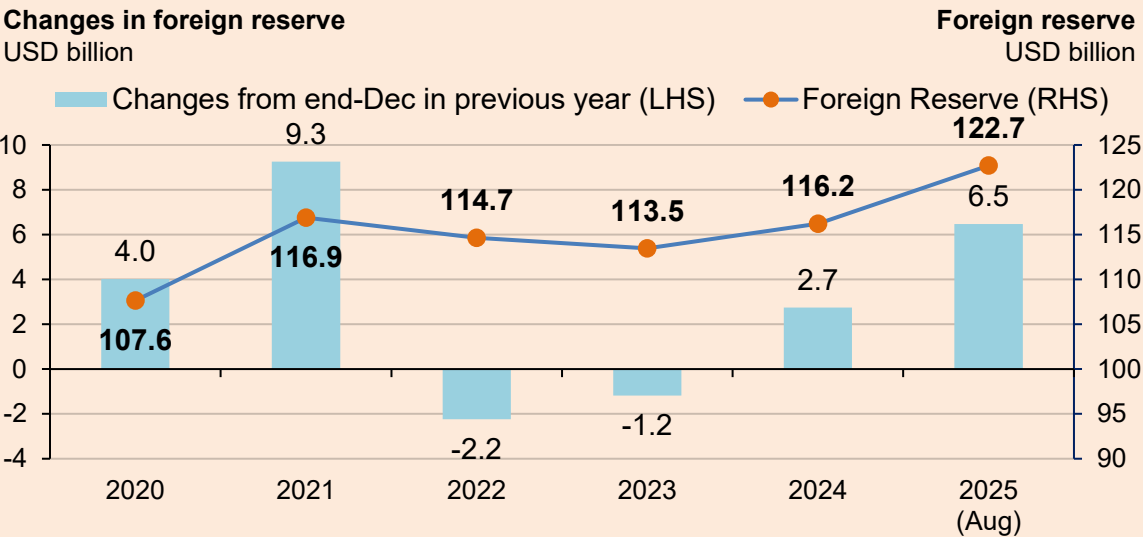
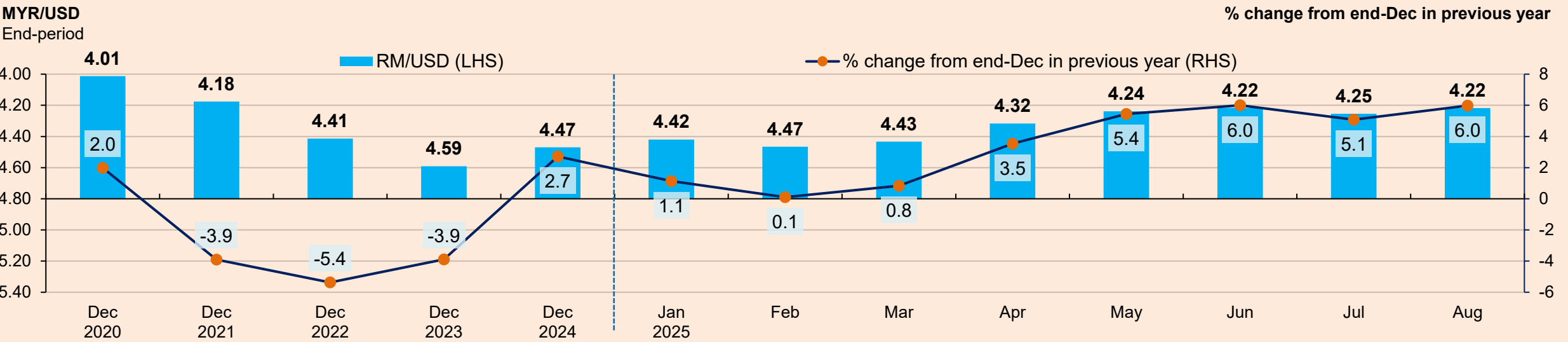


Selected Business Loans (Annual change, %)



Source: DOSM; BNM; SERC's forecast Note: Revision and expansion of the loans/financing data in 2022.

The ringgit vs. Foreign exchange reserves vs. FDI inflows



Source: Bank Negara Malaysia (BNM); Department of Statistics, Malaysia (DOSM); Ministry of Economy

Escalation in trade tensions and heightened uncertainties weigh on external trade and spillover to domestic demand



US Tariff on Malaysia (direct channel)

- Lower demand from the US (a first-order positive impact due to Malaysia's relatively lower tariff advantage over competitors)
- Higher cost of imports from the US, especially intermediate goods
- Lower investment from the US due to reshoring activities

Weaker Global Growth & Trade (indirect channel)

- Lower global demand for Malaysian products due to a slow global economic growth – the US, China and the EU
- Higher cost of inputs leads to supply chain disruption and higher cost of production
- Cautious investment approach



Lower Exports & Imports

Reduced demand from the US and Malaysia's major trading partners

- Based on the export value (6-digit HS code) to the US in 2024, 55.1% of the total export is subject to US tariffs; 44.9% is currently exempted.
- Malaysia's major trading partners (2024):
 - US: 11.3% of total trade
 - China: 16.8%
 - ASEAN: 26.6%



Slower Consumption & Investment

Reduced income & profits and weaker sentiments

- 30% of labour income & ~20% of employment are from external-oriented sectors
- ~30% of investments are in export-oriented sectors

Feedback loop

**Affect
Malaysia's
GDP**

Higher uncertainty

Note: Products under Annex 2 and expansion list are currently exempted, while selected E&E products (e.g. smartphones, laptops) are exempted temporarily
Source: DOSM; BNM; SERC

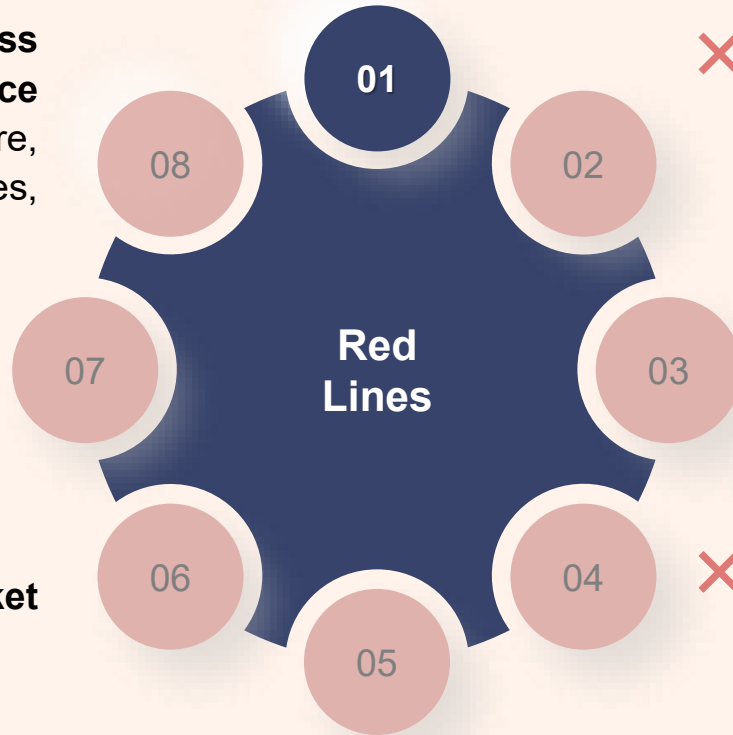
Malaysia stood firmly on the “red lines”

✗ **No blanket exemptions to the requirements of the importer's license** (or approved permit – AP) for products imported from the United States

✗ **Government has the right to request access to or direct companies to transfer the source code of software used** in critical infrastructure, government procurement, financial services, licensing and judicial matters

✗ **Cloud service providers and social media platforms are still subject to criminal liability** under Malaysian law

✗ **A complete opening of the automotive market**



✗ **No full liberalisation of the equity/foreign ownership requirements** in strategic sectors. Bumiputera equity requirements are also maintained for relevant sectors

✗ **Empowerment of local vendors and Bumiputera companies**

✗ **The participation of small and medium enterprises (SMEs) in the supply chain**

✗ **Protection of sectors and industries that are critical** to the national economy

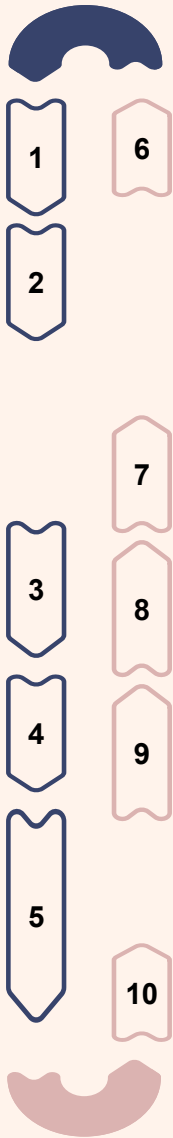
What does Malaysia offer to the US? (announced on 4 Aug 2025)

Policy Commitments

- Tariff reduction / elimination for 98.4% of total tariff lines
- Sales tax exemption excludes US agricultural imports (e.g. fruit, seafood)

Standards Facilitation

- Accept the US halal-certified meat/poultry (must comply with JAKIM standards)
- Adopt a regionalisation method for US poultry disease control
- Facilitate US exports of automotive, medical devices, and pharmaceuticals (based on Malaysian regulations)



Regulatory & Legal Commitments

- Strengthen IPR, labour, environment, and fisheries governance aligned with global standards

Digital Trade

- No discriminatory Digital Service Tax (DST) on US tech companies
- Remove 6% Universal Service Provision (USP) Fund contribution requirement for US platforms
- End command to redirect DNS traffic to local servers

Critical Minerals

- No export restrictions on rare earth elements / minerals to the US



Commercial Commitments

Deal	Value
Boeing aircraft purchase (by MAG)	USD 19 billion
MNC procurement in semiconductor, aerospace, data centres	USD 150 billion (over 5 years)
LNG purchase by PETRONAS	USD 3.4 billion / year
Telekom Malaysia buys telecom products	USD 119 million
TNB coal imports	USD 42.6 million / year
Cross-border investments in US	USD 70 billion (over 10 years)

Source: MITI

Decoding the tariffs’ impact by major sectors

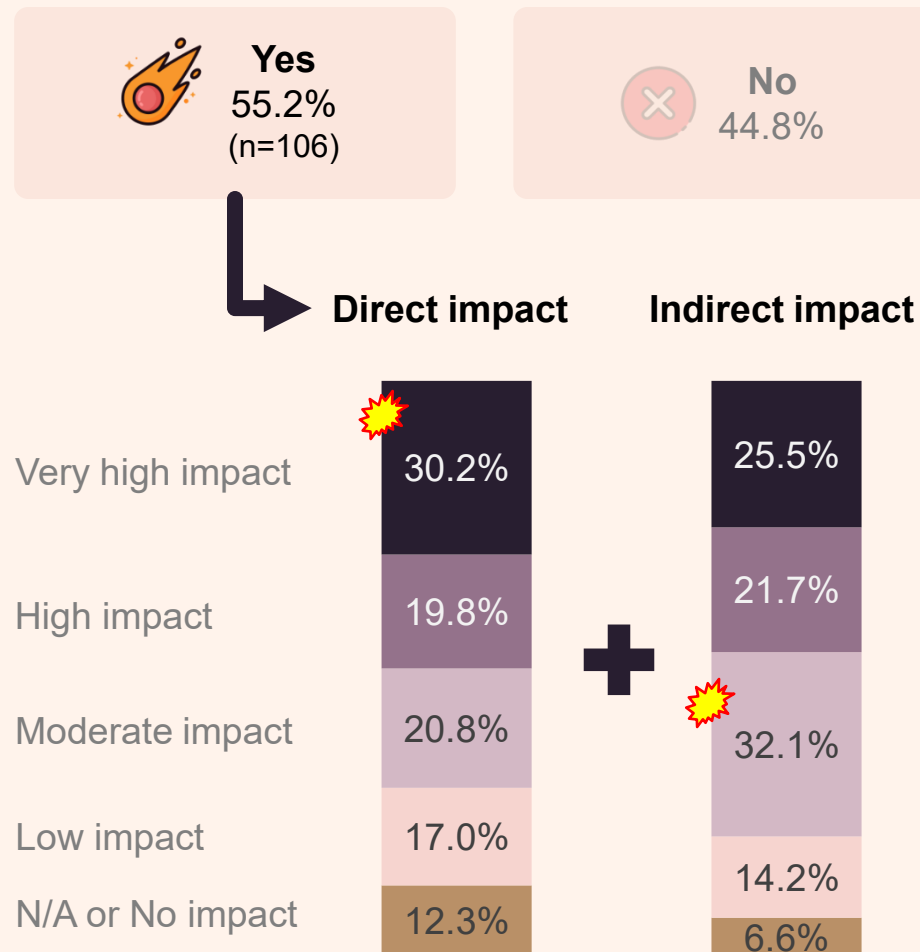
Major products impacted by tariffs 2024		Global product elasticity* (relatively)	Exports to the US by HS code**	Affected exports to the US under the Reciprocal Tariff**	Share of affected items in total product exports	Impact (relatively)	Note
	Electrical machinery, sound & video equipment, and parts/accessories	Low (4.8)	RM108.4 bn (54.6%)	RM39.2 bn (19.7%)	7.1% Total: RM554.6 bn	Low-Medium	Highly integrated and interconnected supply chain – disrupt global tech upcycle.
	Optical, photographic, medical instruments and parts	Low (4.6)	RM17.8 bn (9.0%)	RM17.8 bn (9.0%) ^{ALL}	25.1% Total: RM70.9 bn	Medium	Despite their low elasticity and small export share, 25% of them were shipped to the US.
	Nuclear reactors, machinery & mechanical appliances, and parts	Medium (5.6)	RM28.8 bn (14.5%)	RM14.5 bn (7.3%)	9.9% Total: RM145.9 bn	Medium	Overall medium impact due to its medium level of elasticity and export share to the US.
	Rubber and rubber articles	Medium (7.7)	RM7.7 bn (3.9%)	RM7.4 bn (3.7%)	24.2% Total: RM30.7 bn	Low	Remain competitive compared to key glove-protruding countries, especially China (+30%)
	Furniture, bedding, lighting, signs, and prefabricated buildings	Medium (5.9)	RM7.0 bn (3.5%)	RM7.0 bn (3.5%) ^{ALL}	43.6% Total: RM16.1 bn	High	Moving production abroad is not straightforward, as adapting styles and designs takes time.
	Animal/vegetable fats & oils, edible fats, and waxes	Medium (6.9)	RM2.7 bn (1.4%)	RM2.7 bn (1.4%) ^{ALL}	3.2% Total: RM85.7 bn	Medium	- Indonesia has same tariffs with Malaysia. - The US may opt for soybean oil.

* Product-level elasticity is calculated as the average elasticity across 4-digit HS codes. For example, an elasticity of 4.8 means that, on average, a 1% increase in the product's price leads to a 4.8% decrease in quantity demanded. Classification is based on value (low: <5, medium: 5 – 10, high: >10), indicating a relative comparison rather than absolute. ** Figures in parentheses represent the share of each respective export in Malaysia's total exports to US.

Source: DOSM; Journal of International Economics, 2022, vol 133

ACCCIM's Quick-Take Survey (QTS) on the impact of the US tariffs

55.2% of total respondents are impacted by the tariffs



1

Affected products listed by respondents:



2

61.3% of businesses indicated that their sales will be impacted should the tariff increase more than 10%

Above 20%	34.9%
11% - 20%	26.4%
6% - 10%	25.5%
1% - 5%	8.5%
Not significant	4.7%

Bank Negara Malaysia's engagements with firms suggest that negative impact from tariff could be limited in the short-term

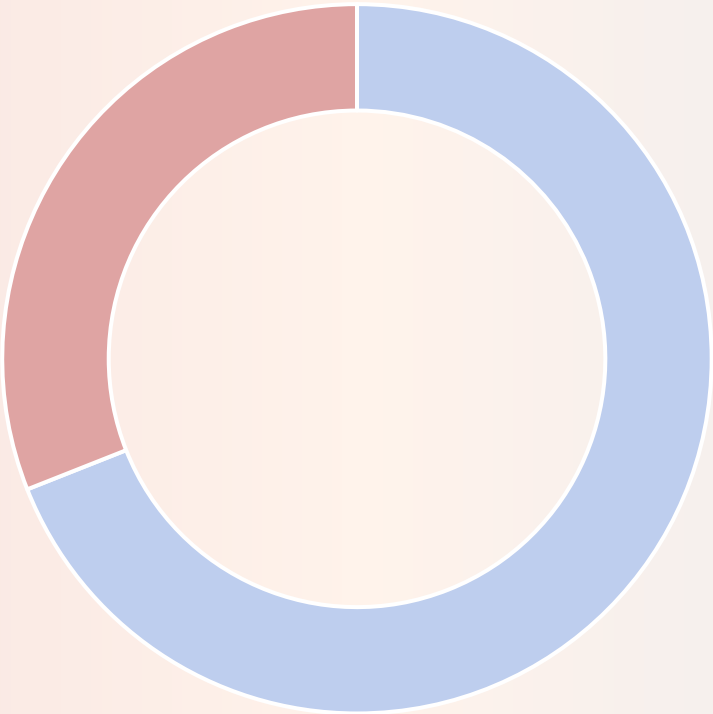
Preliminarily, most firms did not expect significant impact from tariffs in the next three months

How will you be impacted by tariffs in the next three months?

31% of firms surveyed are negatively impacted

due to

- Lower final demand
- General demand uncertainty
- Higher business costs and prices



69% of firms surveyed are not affected or positively affected

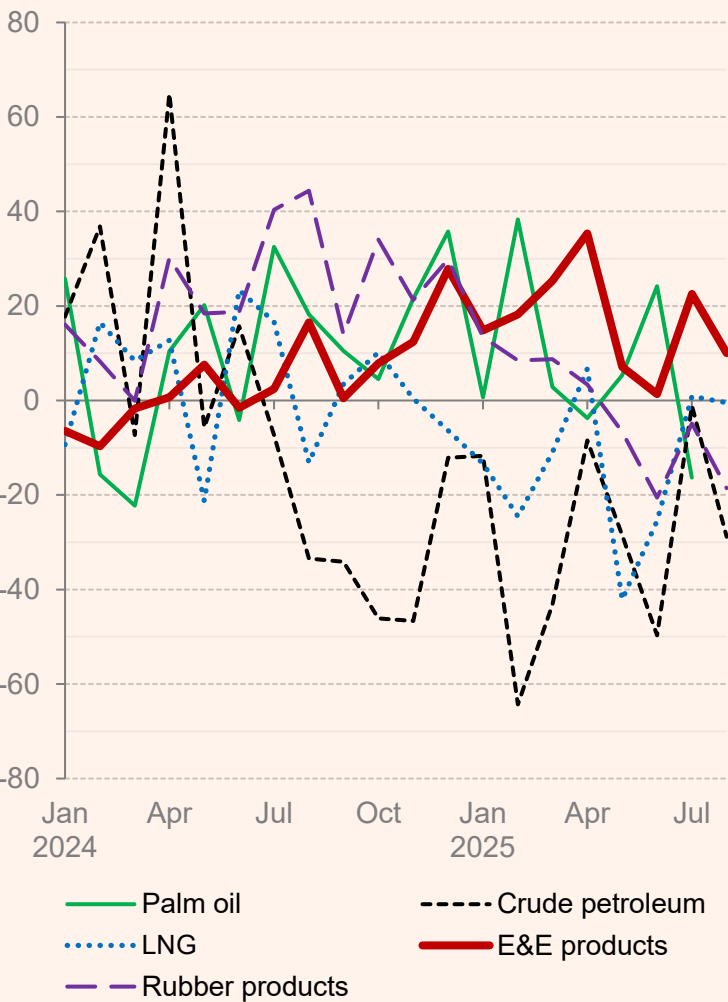
due to

- Products exempted from tariffs
- Limited exposure to the US
- Orders secured in near-term
- Front-loading to build inventory

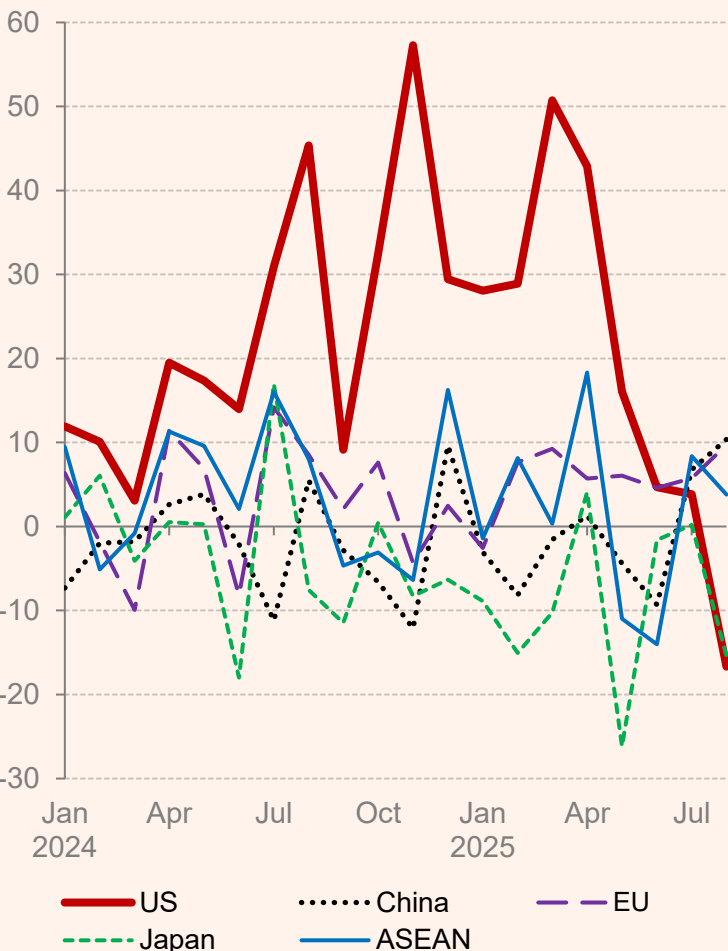
Note: Findings based on corporate engagements between 20th April and 13th May 2025.
Source: BNM

“Front-loading” to “Payback” time for exports

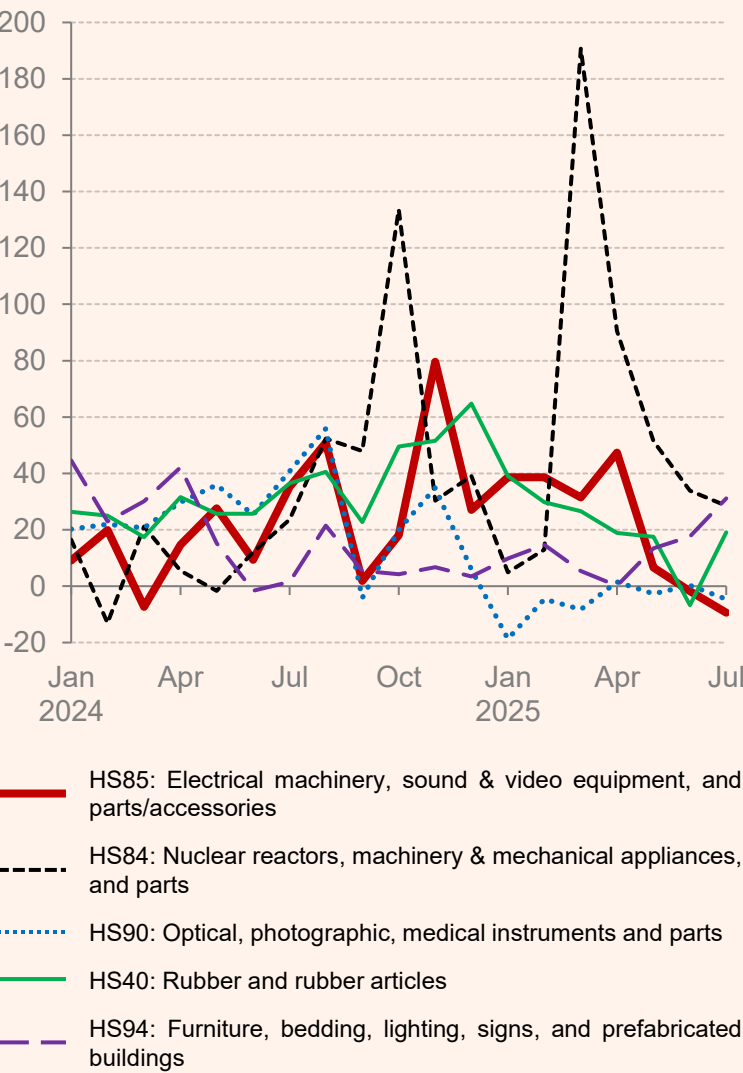
Selected sector
% growth, YoY



Selected export destination
% growth, YoY



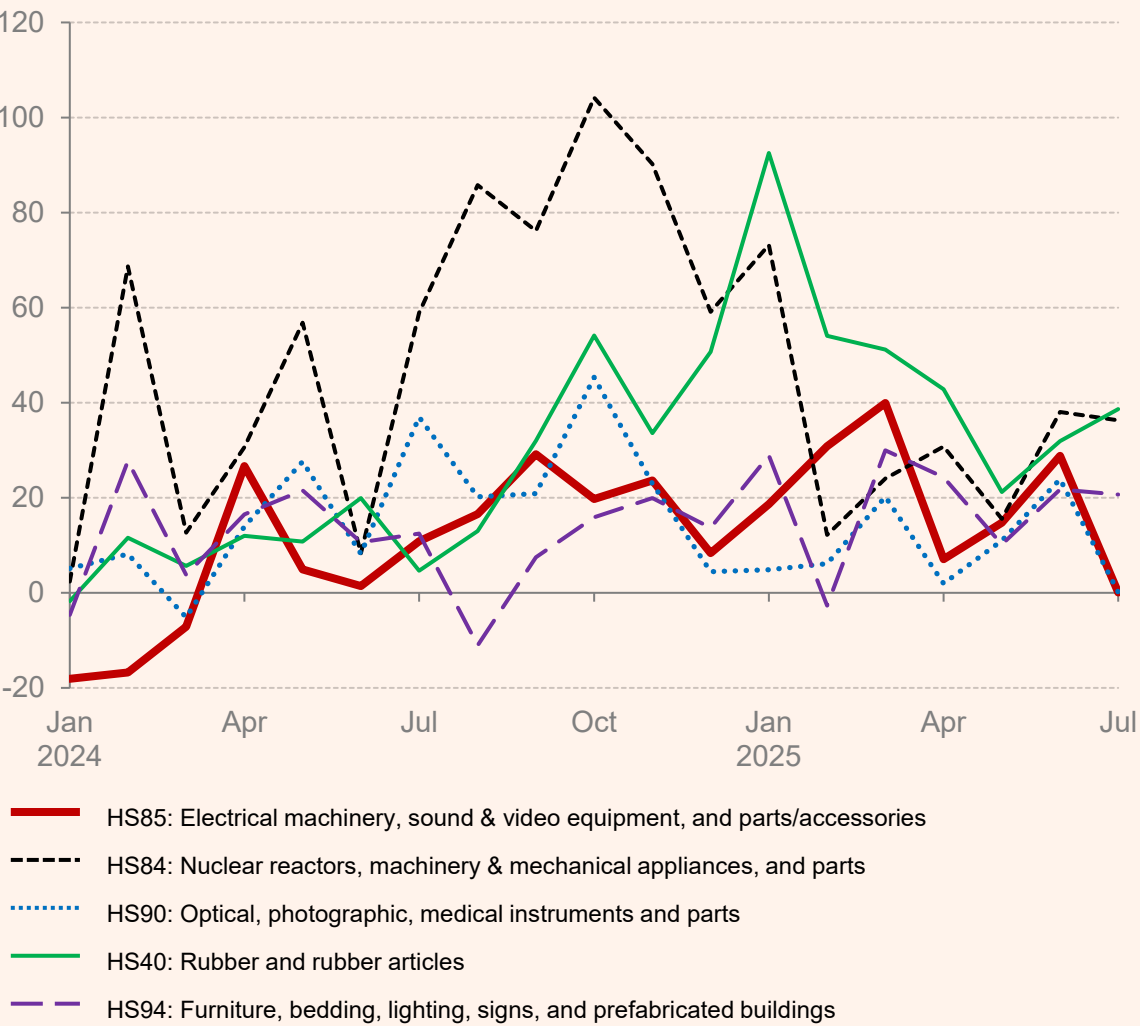
Major export products to the US
% growth, YoY



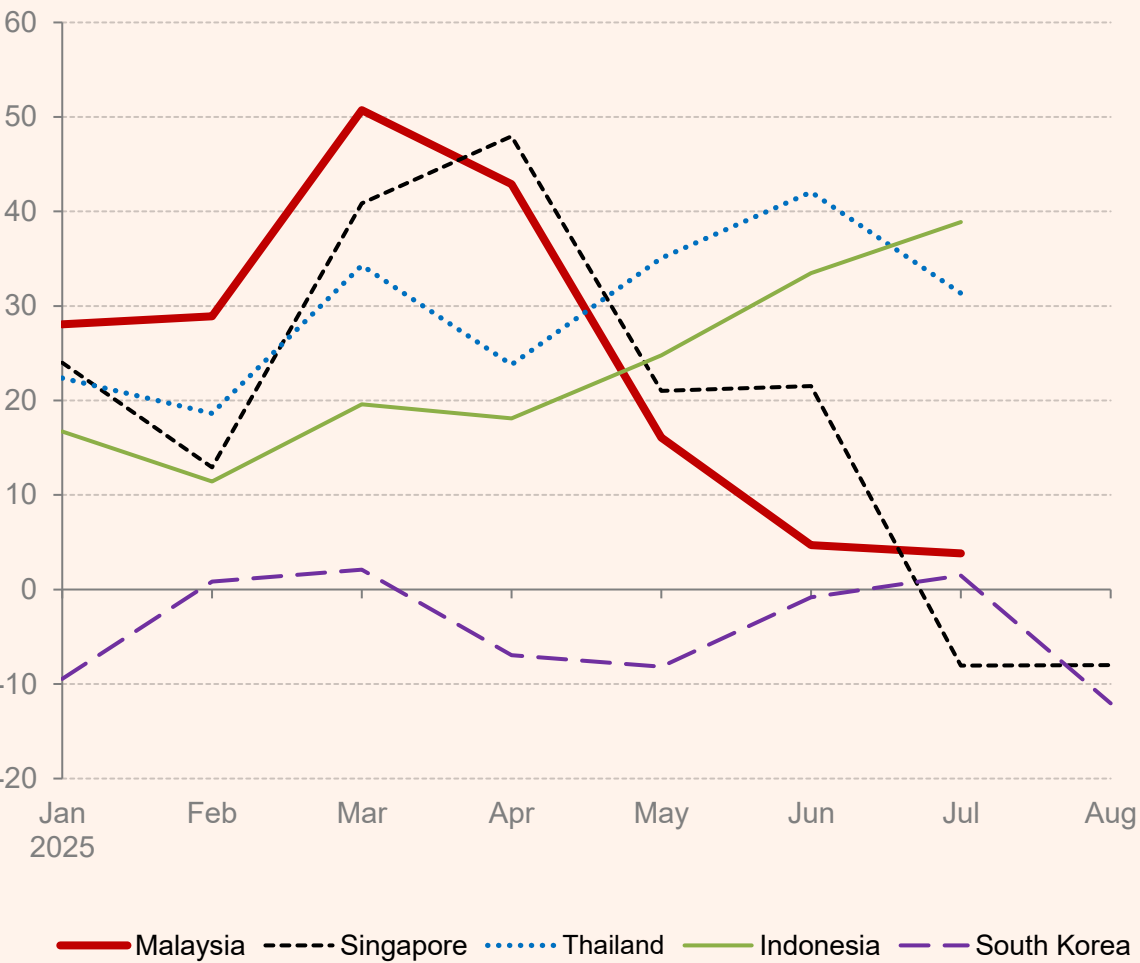
Source: DOSM

“Front-loading” to “Payback” time for exports (cont.)

Major US import products from Malaysia
% growth, YoY



Selected countries' export to the US
% growth, YoY



Source: US Census Bureau; various official sources

A new tariff paradigm: How Malaysia businesses can respond

This shift in trade policy has significantly altered the market dynamics for Malaysian companies. A critical reality is that overdependence on any single geography is a major risk in today's interconnected world.

3. Integrated Cost Take-Out

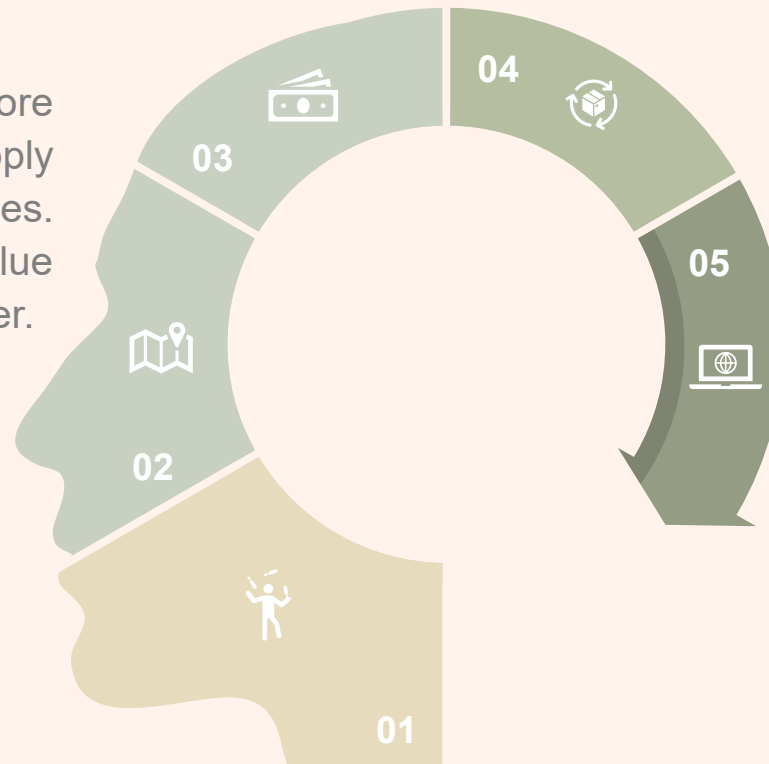
Undertake integrated cost-reduction programs covering the entire business. A complete rethink of cost structures, leveraging technology and zero-based costing.

2. Mapping Supply Chains

Understand hidden ripple effects, explore alternative suppliers and work closely with supply partners to navigate trade and cost challenges. Businesses should explore how much value addition can take place closer to the end customer.

1. Diversify the Customer Base

Must evaluate new markets and leverage Malaysia's 18 FTAs (bilateral and multilateral). These include the newly concluded Malaysia-European Free Trade Association (EFTA) Economic Partnership Agreement, the soon-to-be-signed FTA with South Korea, etc.



4. High-Value Differentiated Products

Develop high-value and differentiated products to sustain price competitiveness. Businesses must move up the value chain and invest in product design and development.

5. Digitisation as Competitive Edge

Explore the adoption of digital technologies across the value chains, focusing on digital solutions that deliver tangible business benefits.

Conclusion



1

The dynamics of **TRADE POLICIES, GEOECONOMIC TENSIONS, CAPITAL FLOWS, AND CURRENCY MOVEMENTS** remain key influences on economic and business growth.

2

Government, companies, and households must **CHANGE HOW THEY THINK, ACT, AND PLAN.**

3

The Government to calibrate policy responses aimed at **BUFFERING NEAR-TERM DOWNSIDE RISKS** while **SUPPORTING MEDIUM-TERM ECONOMIC RESILIENCE.**

THANK YOU

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