

Palm Oil Economic Review and Outlook Seminar 2026

Global Macro-Economic Trends: Risks, Opportunities and Future Prospects

Lee Heng Guie
Executive Director
13 January 2026





Navigating 2026 Outlook –Treading A Finer Line

- The year 2026 – Resilience, Transition or Disruption?
- Continued moderate global growth; risks still lingering.
- The real impact of a shift in trade policy and economic policy uncertainty on the global economy, trade and investment flows will become clearer in 2026.
- Geopolitical risks, trade conflicts, increasing populist policies, and intense focus on securing critical raw materials for technology, advances in AI and green transitions would trigger potential market volatility in the years ahead.
- Notably, further tariffs still potentially in the offing, including sectoral tariffs under the US Section 232 - semiconductors, pharmaceuticals, and palm-based oleochemicals. The Trump's reciprocal tariffs face potential Supreme Court challenge.

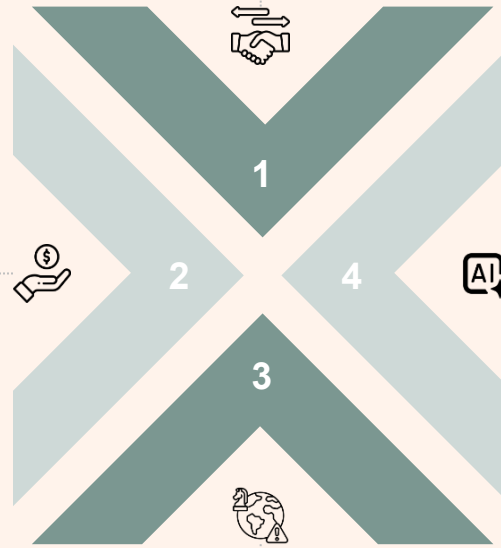
2026 Global outlook: Four forces re-shaping the global economy

A Fragmented Trade System

- **Strategic Rivals:** Competing economic and political blocs as well as supply chains security.
- **US Tariffs Cycle:** Broad-based US tariffs become a built-in assumption over medium-term, persistent restraint on investment and global trade flows.
- **Nearshoring/Friend-shoring Strategies:** Transition costs and supply-chain rigidity weigh on medium-term growth.
- **Policy Uncertainty:** High trade-policy uncertainty erodes risk appetite and delays capex plans.

Financial Conditions

- **Interest-Rate Path:** Gradualism in the Fed's interest rate policy as it balances inflation, labor markets and growing financial stability concerns tied to rising debt.
- **The USD Index Trajectory:** Continued USD index weakness due to cyclical forces and structural issues.
- **Debt and Fiscal Pressures:** Significant risks to financial stability, fueling concerns about sovereign defaults, banks' stability, rising bond yields and increased borrowing costs.



AI Investment

- **US-Led Capex Boom:** AI-driven spending on data centres and chips supports overall investment, mitigating the tariff pressures.
- **Resource Crowding-Out:** High demand for key components by AI causes significant price increases for devices; creating supply constraints and potentially slowing broader digitalization.
- **AI Bubble in the Making?:** High AI technology valuation beyond fundamental, leading to a potential market correction, and could trigger financial instability.

Geopolitical & Climate Disruptions

- **Ongoing Geopolitical Conflicts:** War in Ukraine, tensions in the Middle East, and regional instability disrupt supply chains, energy shocks and lower food output.
- **Shipping Disruptions:** Reroute maritime flows, elevating freight costs, extending delivery times.
- **Climate Hazards:** More frequent and severe extreme weather events disrupt production cycles for food, energy, and minerals.

Potential growth drivers and inhibitors in the next-three-year

Drivers			Inhibitors			Share of respondents (%)
Advanced Economics	1	Technology and innovation ecosystem development	70%	1	Political instability and societal fragmentation	68%
	2	Trade and regional / global market access	55%	2	Trade barriers and limited global integration	56%
	3	Human capital development	39%	3	Weak or inflexible institutions and governance	44%
Developing Economics	1	Human capital development	66%	1	Weak or inflexible institutions and governance	58%
	2	Trade and regional / global market access	59%	2	Political instability and societal fragmentation	48%
	3	Attracting FDI	41%	3	(a)Trade barriers and limited global integration (b)Structural economic weaknesses (c)Armed conflict and insecurity	36%

Source: Chief Economists’ Outlook (September 2025)

Global and market outlook 2026 – Reasons to remain cautious

In 2025, there have been fewer severe effects than predicted...

- ✓ Global economy is resilient than feared.
- ✓ Both equity and bond markets experience strong performance.
- ✓ 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.

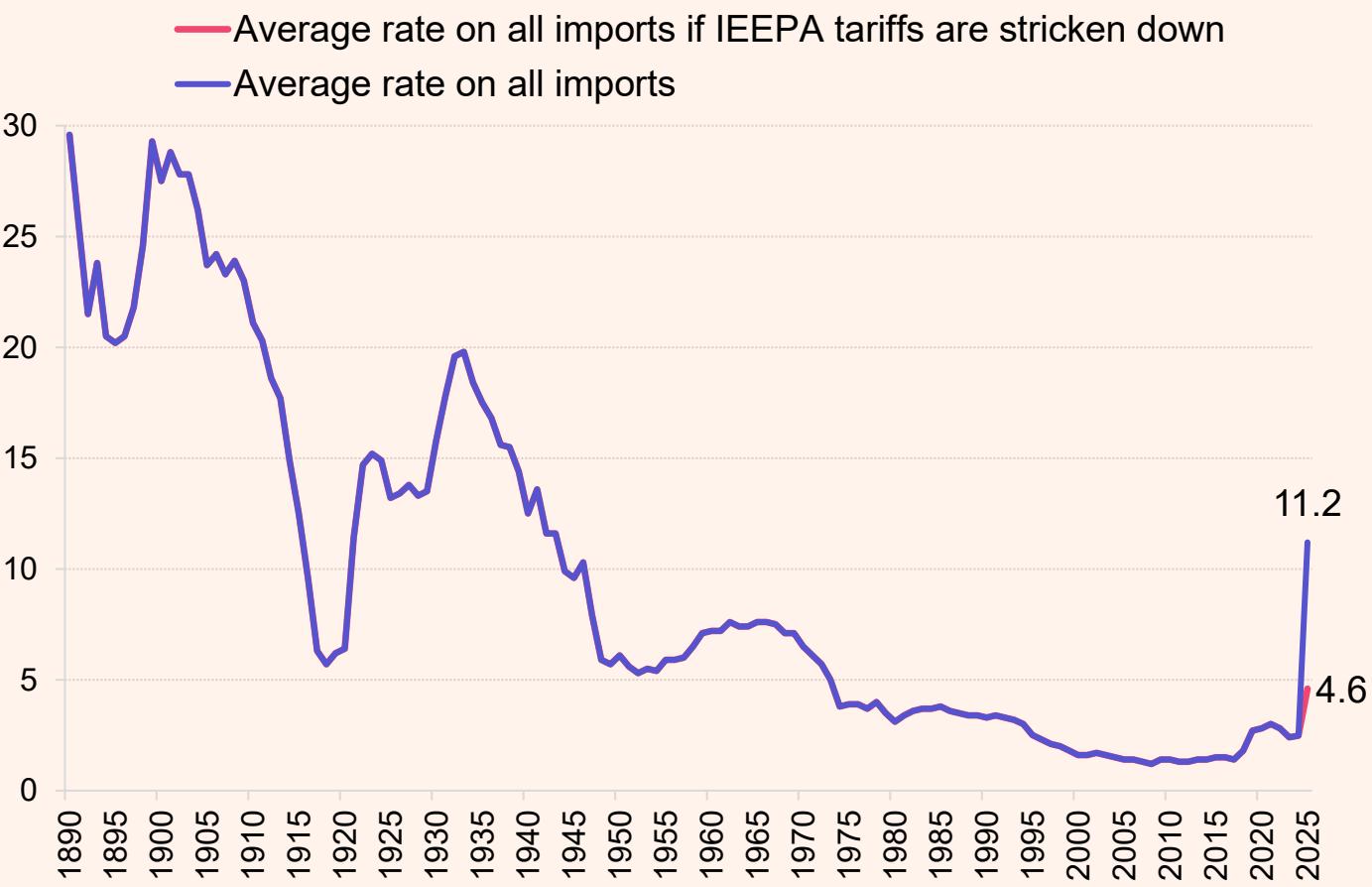


BUT risks and overconfidence linger...

- ✗ The Fed's rate cuts come with caveats due to slowing job growth and elevated inflation.
- ✗ An important vulnerability is that the United States' continuing gains depend on whether today's optimism about AI is sustained.
- ✗ The US could face another government shutdown in 2026! High US debt and fiscal pressures.
- ✗ Southeast Asian export surge is temporary and due for a "payback."

The Reciprocal Tariffs push the effective rate back up to 1930s peak

US Revenue-Collected Average Tariff Rate
Yearly, Percentage (%)



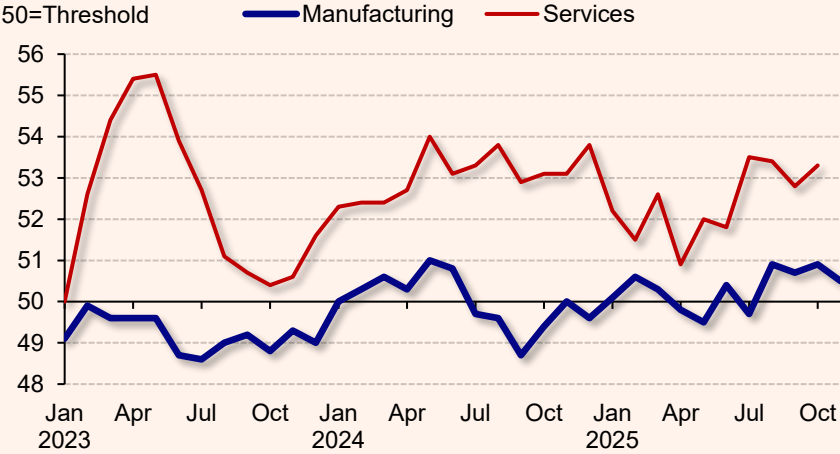
- Under the currently imposed and scheduled tariffs, **average effective tariff rate is projected to increase by 8.4 percentage points to 11.2%, the highest level since 1943** (2022: 2.8%).
- **If the IEEPA tariffs are permanently enjoined, average effective tariff rate is estimated to rise to 4.6%** after behavioural adjustments, representing the highest level since 1973.
- **Sectoral tariffs under the Section 232 investigations for semiconductors and pharmaceuticals**, with any resultant tariffs expected to be imposed in 2026.
- As at 24 Dec 2025, the Supreme Court is still reviewing the IEEPA reciprocal tariffs, which could weaken their legal basis. **Still, the overall impact remains uncertain as the White House may invoke alternative authorities to reimpose similar measures.**

Note: Includes the International Emergency Economic Powers Act (IEEPA) tariffs on Canada, Mexico, and China (with USMCA exemptions); IEEPA "reciprocal" tariffs; and steel, aluminium, auto, and auto parts tariffs. Tariff revenue estimate uses an elasticity of -0.997 and a noncompliance rate of 8%. Data are projected for 2024 and estimated for 2025 under Trump's imposed tariffs.

Source: Tax Foundation

Global current and forward indicators: A mixed trend

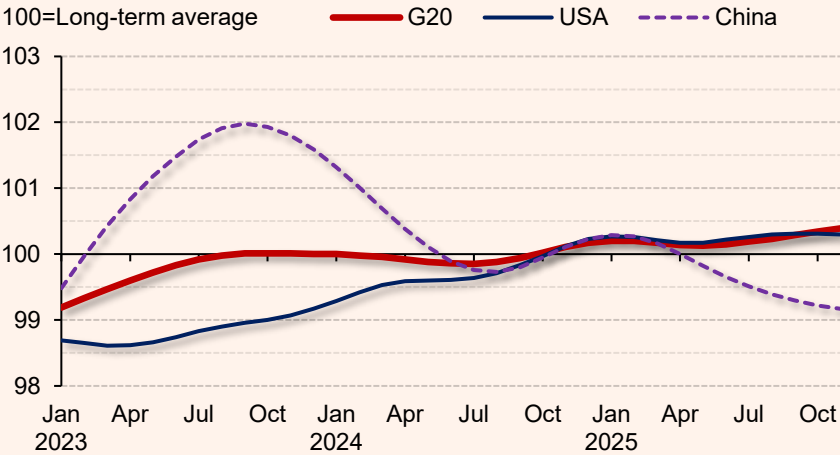
Global PMI for manufacturing & services



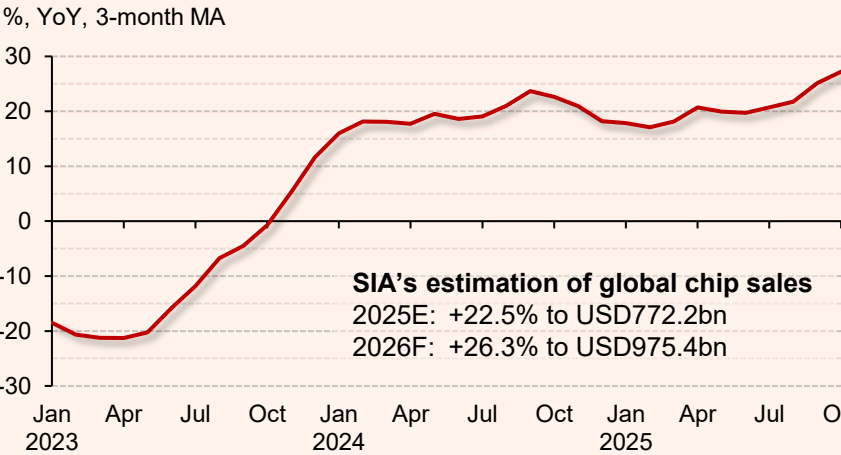
World trade volume and industrial production



OECD Composite Leading Indicators (CLI)



Global semiconductor sales



- Global manufacturing PMI dropped to the lowest reading during the current four-month sequence of expansion; global services PMI continued its expansionary path.
- The OECD composite leading indicators point to a stable global growth outlook, except for China.
- The tariff impact is expected to continue weighing on global trade volumes in 2026.
- Global semiconductor sales expanded strongly by 22.4% YoY in the first ten months of 2025, marking the 24th consecutive month of growth.

Source: S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands; World Semiconductor Trade Statistics (WSTS)

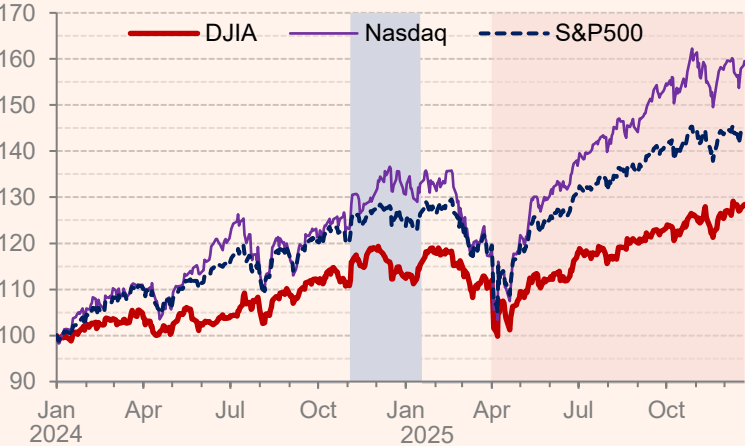
Tracking global and regional financial indicators

■ 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)

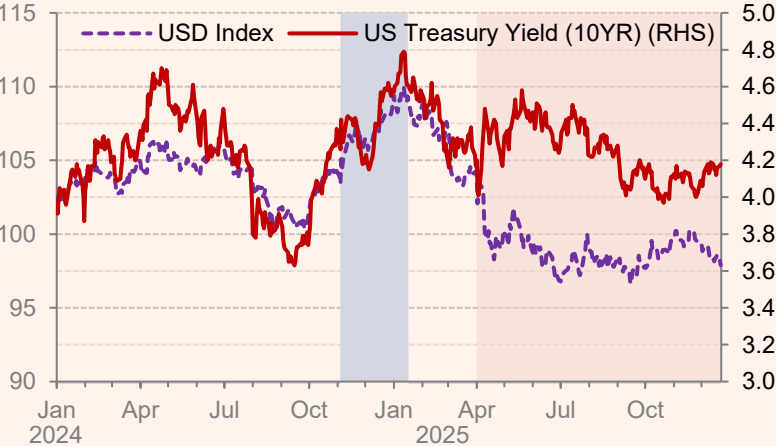
US major stock indices

Close price @ 2 Jan 2024 = 100



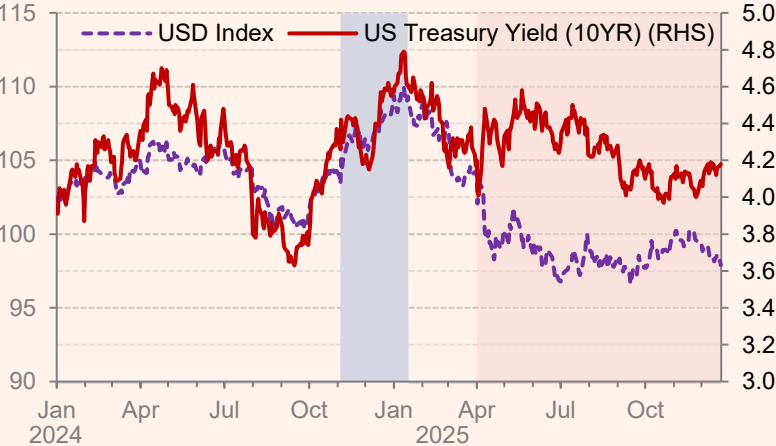
USD index

Base = 100



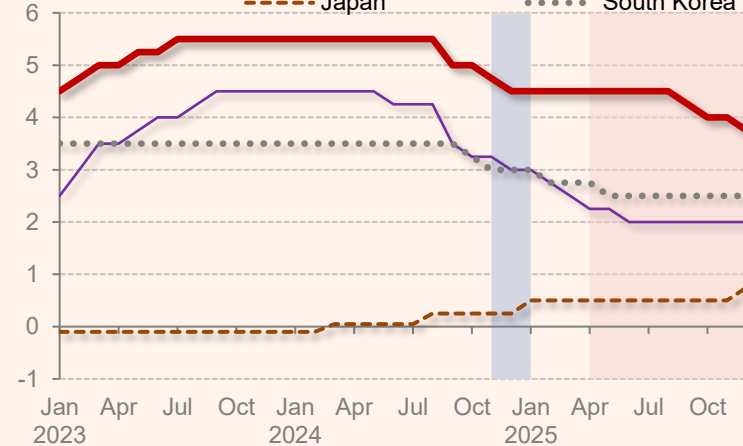
US Treasury Yield (10YR)

%



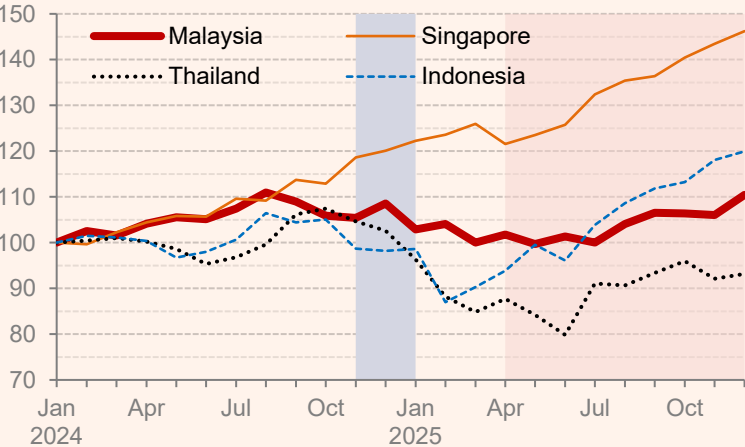
Policy rate

% (end-month)



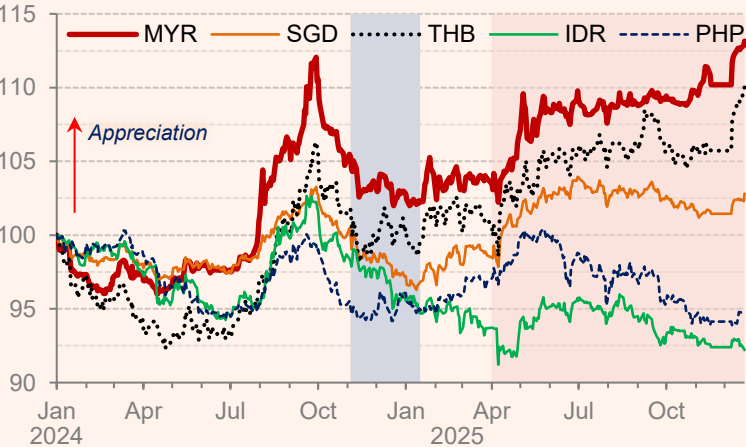
Regional stock indices

Close price @ end-Jan 2024 = 100; end-month



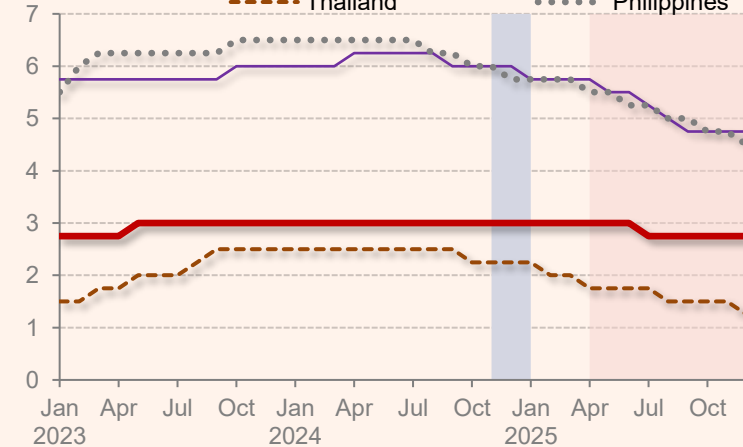
Regional currency performance against USD

Exchange rate against USD @ 2 Jan 2024 = 100



Policy rate

% (end-month)



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

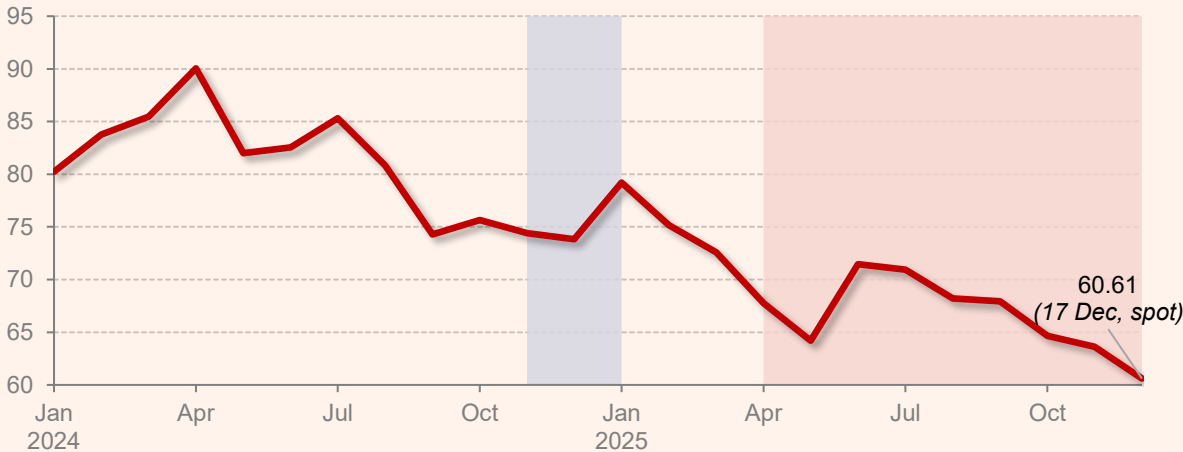
Tracking key asset classes

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)

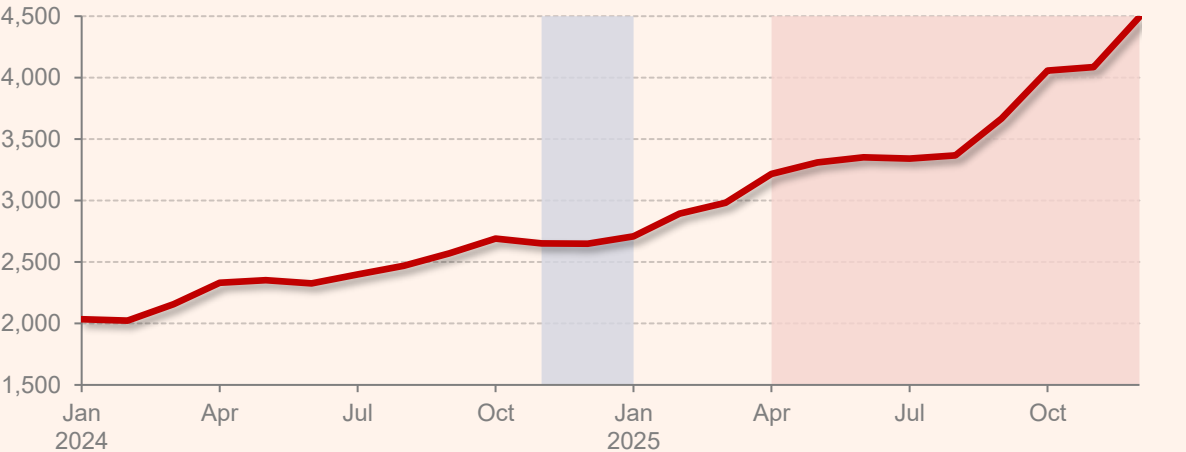
Brent crude oil price

USD/barrel



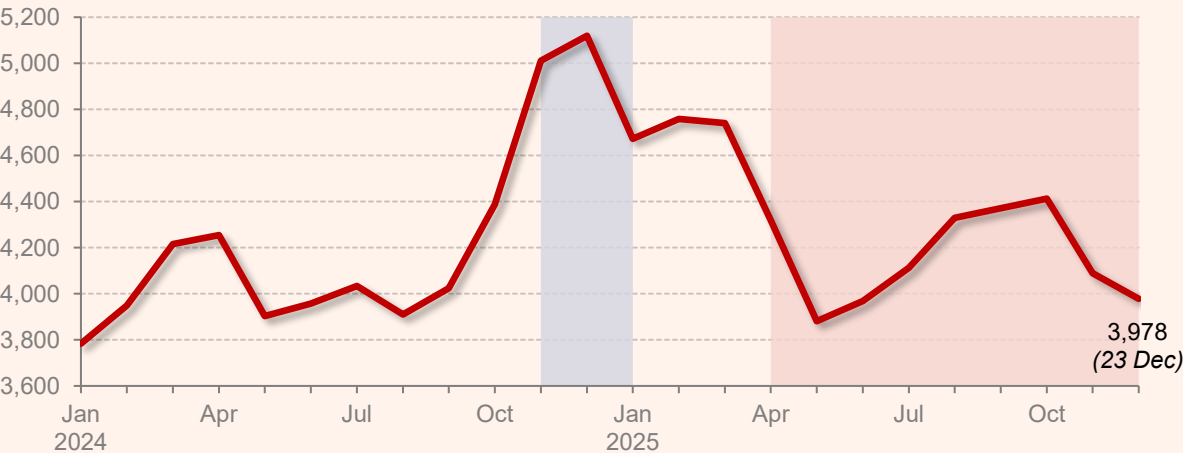
Gold price

USD/troy oz



Crude palm oil price

Local delivered, RM/MT



Bitcoin

USD



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



What's global outlook for 2026?



GLOBAL GROWTH

1

Global growth has held up better than expected in 2025 but remains fragile. **Global growth will continue to slow in 2026 amid policy headwinds and risks.** The risks are the shifting trade policy, US inflation risk, the sustainability AI boom, fiscal uncertainty and debt. **The Fed's easing cycle provides a buffer!**



THE US ECONOMY

2

Amid the tariffs impacting purchasing power, **US GDP growth is projected to expand from 2.0% in 2025 to 2.1% in 2026.** Lower energy prices and less-restrictive monetary policy should help cushion consumer demand.

Higher consumer inflation risk could limit the Fed's rate easing. **AI sector has frothy valuations** relative to current earnings



CHINA ECONOMY

3

We expect China's economy to grow moderately in 2026 amid a one-year trade deal truce with the US.

Lingering challenges include **structural headwinds, high youth unemployment, and a weak property market.**



THE FED'S ACTION

4

The Fed chair said that policy rate easing is not on a preset course amid divided Fed voting members' views on the future rate path. With weak labour conditions and persistent inflation on tap, the Fed is likely to lower rates only modestly in 2026. **The Fed funds rate is expected to reach between 3.00%-3.25% by end-2026** (3.50%-3.75% at end-2025).



DOWNSIDE RISKS

5

Elevated uncertainty and trade barriers as well as geopolitical conflicts. Rising government debt and fiscal imbalances in the US may limit policy flexibility and increase sovereign risk premiums. Renewed inflationary pressures could derail the monetary easing path.

High frequency indicators in the US and Eurozone

The United States

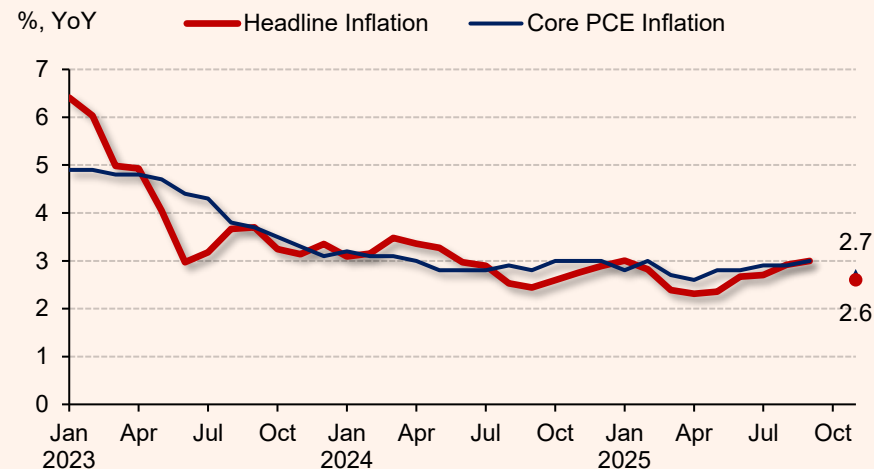
Gliding into 2026

- A one-year trade deal truce with the US, lingering concerns remain
- Tariffs' impact on prices mostly still lies ahead
- Concerns about a softening labour market – stalled speed!

Note: Some data for October are not available

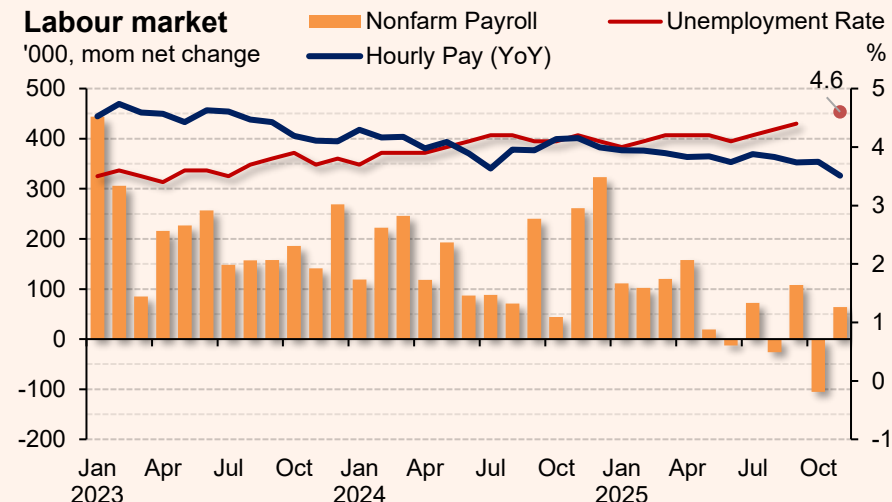
Inflation

%, YoY



Labour market

'000, mom net change



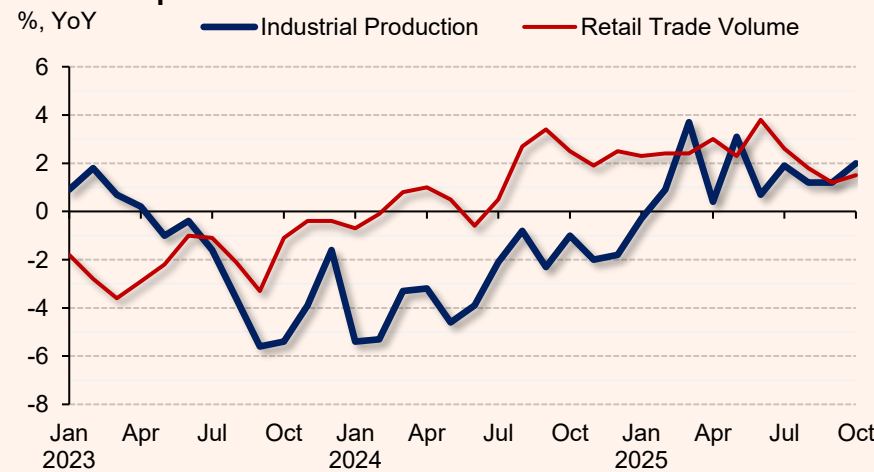
Euro Area

Economic growth remains mixed

- Exports showed positive sign
- Germany's debt brake restoration slows growth
- Policy interest rate stays put at 2.0% for four meetings after four round of cuts

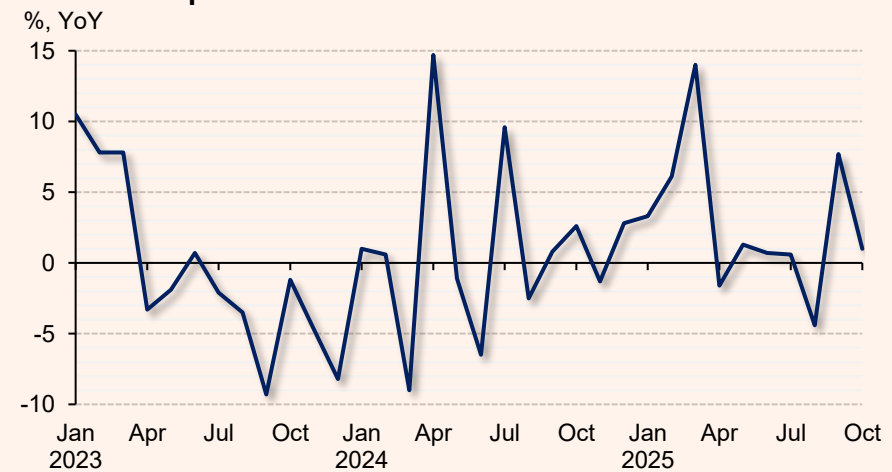
Industrial production and retail trade volume

%, YoY



Extra-EA exports

%, YoY



Source: Institute for Supply Management (ISM); US Bureau of Labor Statistics; US Bureau of Economic Analysis (BEA); S&P Global; Eurostat

High frequency indicators in Japan and China

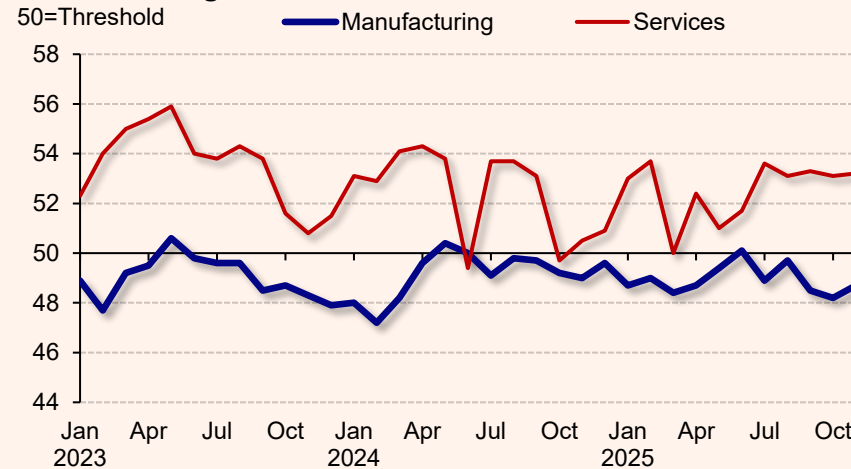
Japan

'Sanaenomics' stimulus to revive economy

- Persistent weaknesses in manufacturing growth
- Inflation stays at 2.9% in Nov
- Fiscal stimulus under new leadership should lift growth temporarily

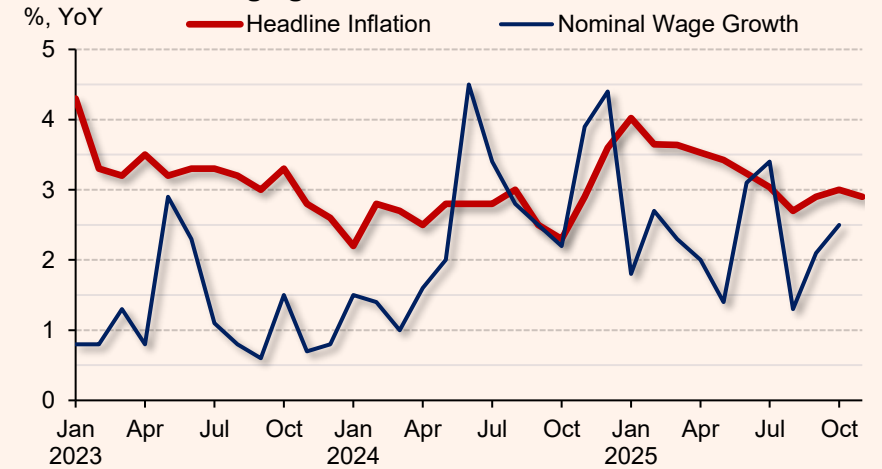
Manufacturing and services PMI

50=Threshold



Inflation and wage growth

%, YoY



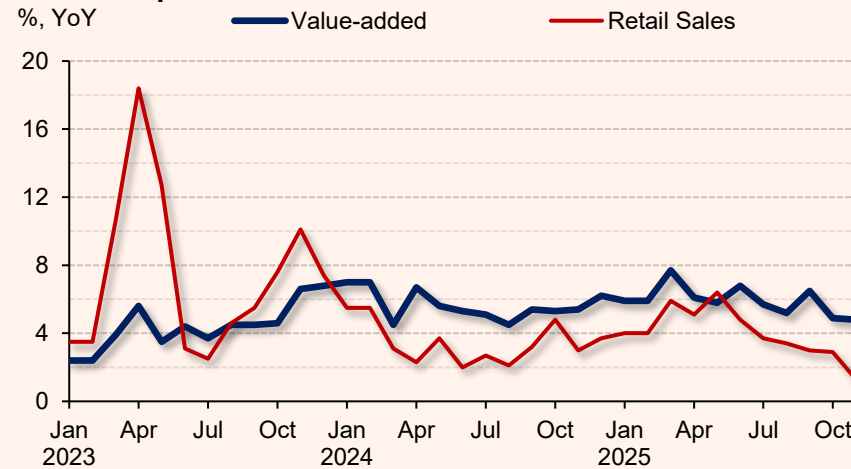
China

Growth transitioning continues

- Exports have registered negative growth in Oct amid the lingering trade policy challenges
- Property downturn continues to weigh on domestic demand
- Shifting towards the services sector to stimulate consumption and growth

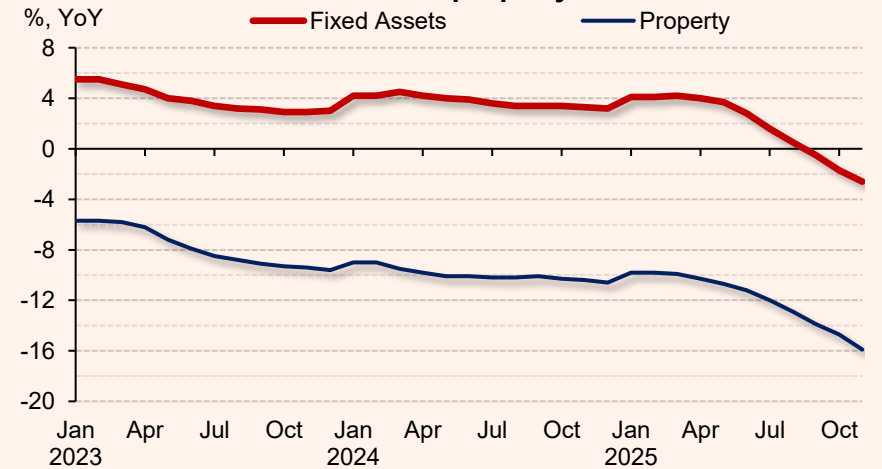
Industrial production and retail trade volume

%, YoY



Accumulated fixed assets and property investment

%, YoY

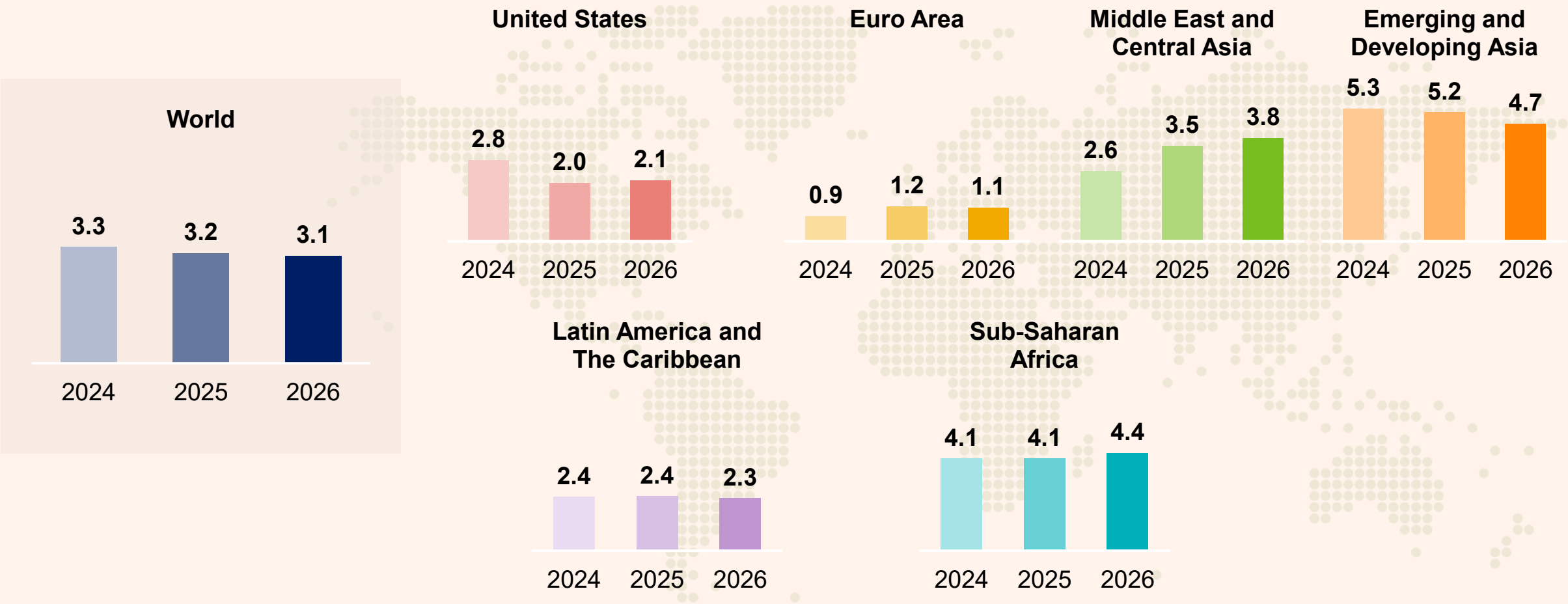


Source: S&P Global; Statistics Bureau, Japan; Ministry of Health, Labour and Welfare (MHLW), Japan; National Bureau of Statistics of China (NBS China)

Diverging growth paths in advanced and emerging economies

World Economic Outlook, October 2025

Real GDP growth, percentage change

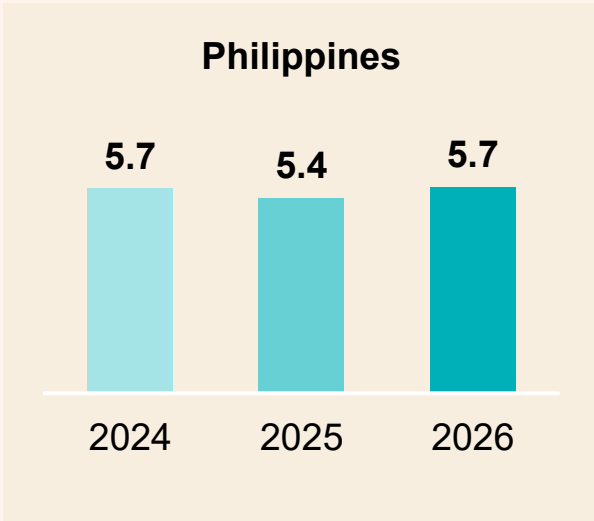
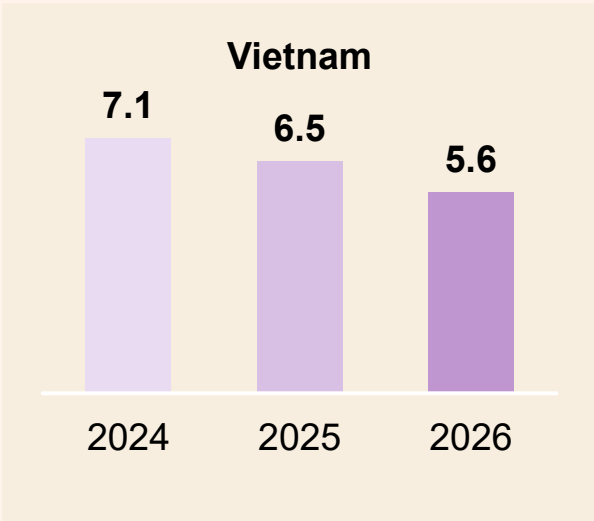
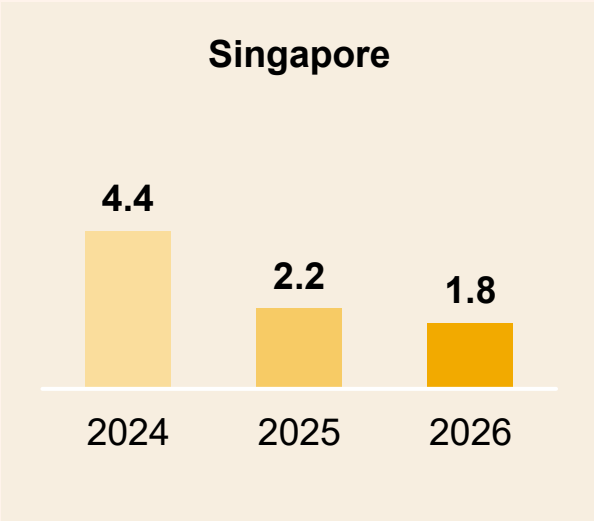
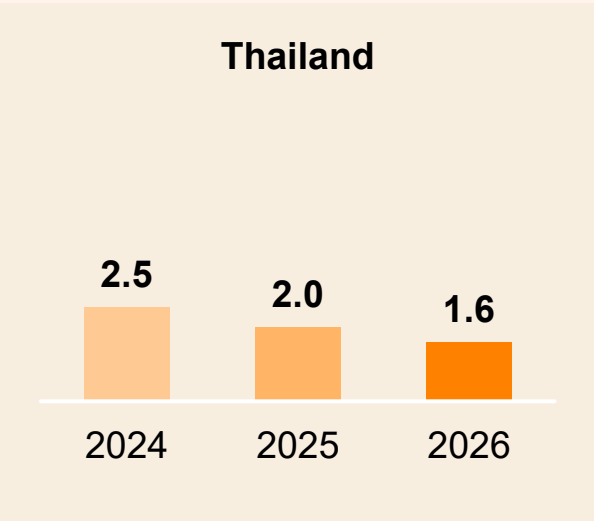
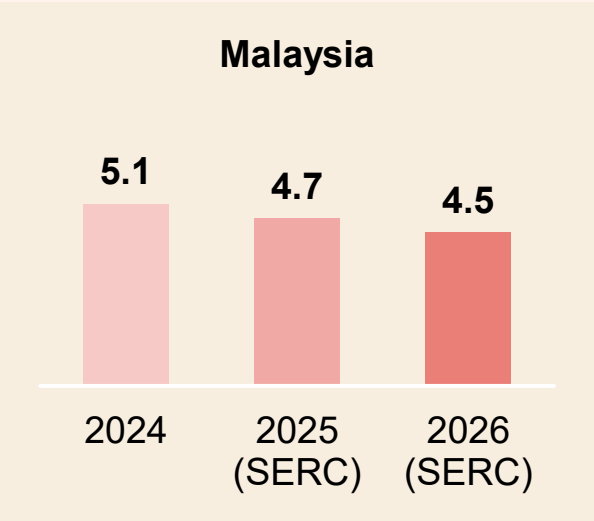
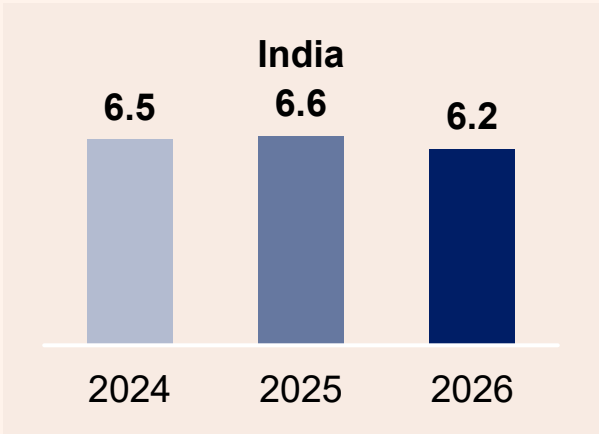
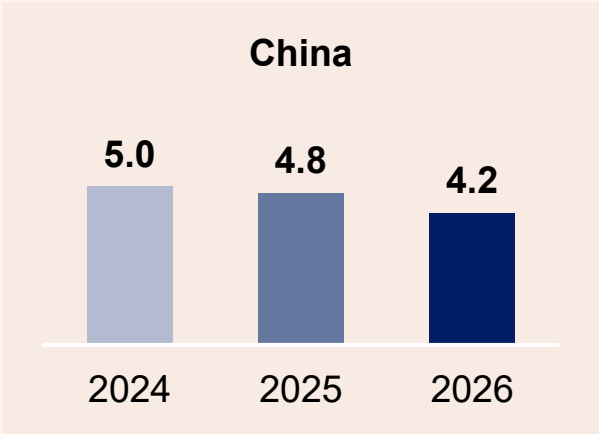


Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.

Source: International Monetary Fund (IMF)

Growth moderates across most regional economies

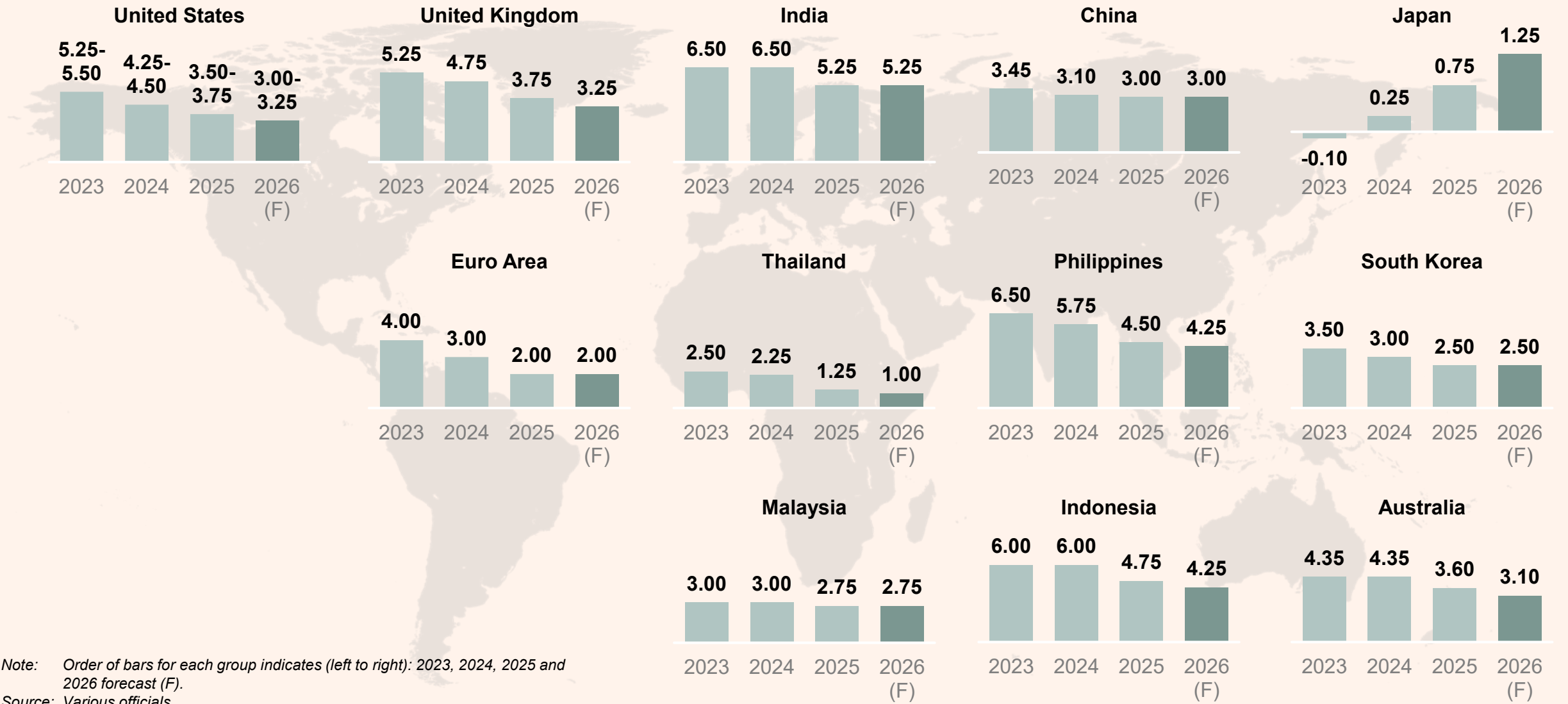
**Selected Asian Countries’
Economic Outlook**
Real GDP growth, percentage change



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

Less restrictive monetary stance for growth “insurance” and risk management

Policy rate (% , end-period)



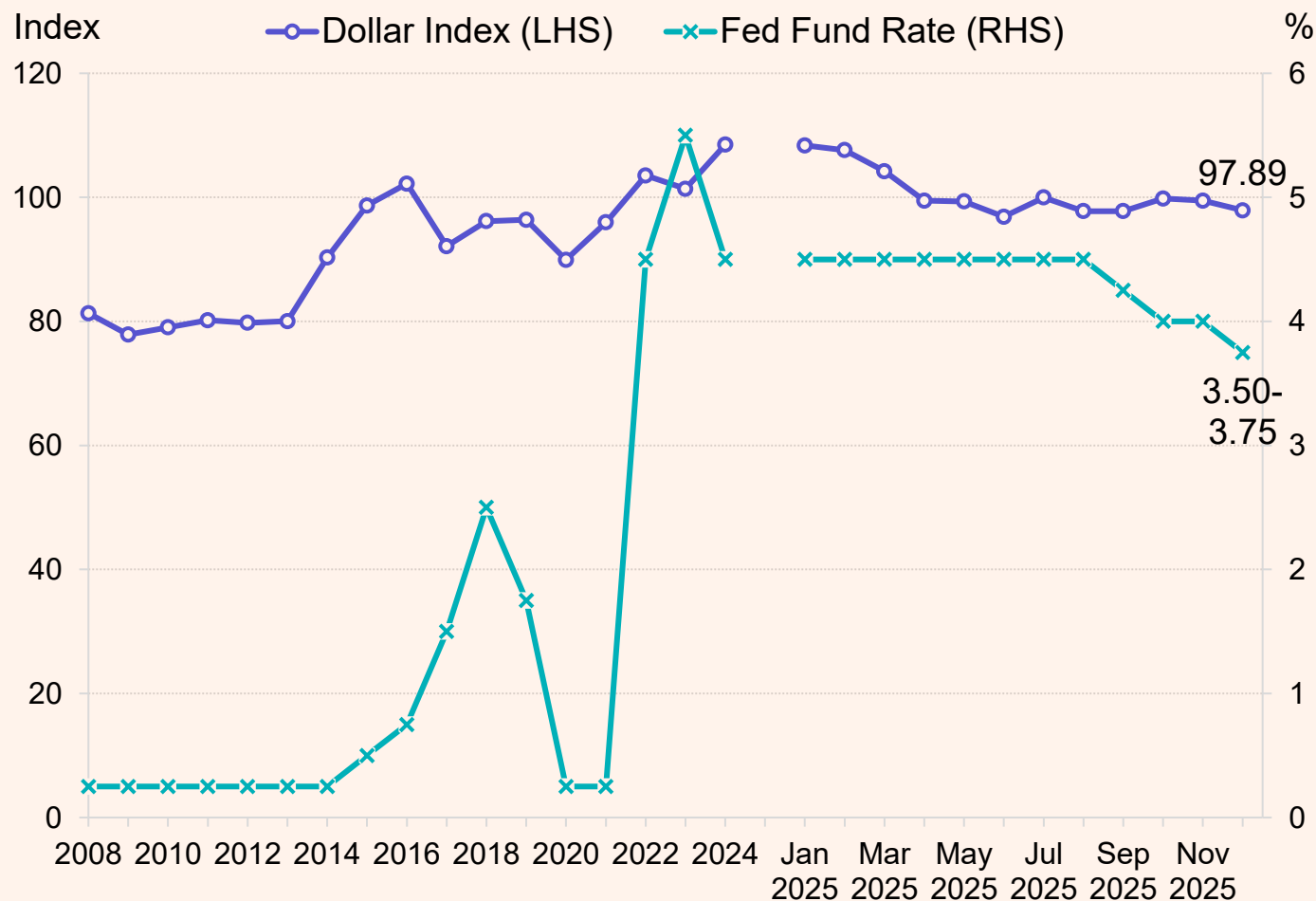
Note: Order of bars for each group indicates (left to right): 2023, 2024, 2025 and 2026 forecast (F).

Source: Various officials

Why a full collapse in the US dollar is unlikely?

Dollar Index vs. Fed Fund Rate (Upper Bound)

End-Period, Yearly (2008-2024), Monthly (2025)



From a top-down perspective, the America First agenda and plans to revitalise US manufacturing run counter to a strong dollar strategy. **Will the White House acquiesce to a devaluation of the dollar?**

- **The Fed's easing cycle** – reduces the relative returns of the USD assets.
- **Political intervention in the Fed's independence.**
- **Dual pressures on fiscal deficit and debt.** Budget deficit at 5.9% of GDP in FY2025, and debt stood at USD38.0 trillion or 124% of GDP at end-November 2025, posing fiscal stability risks.
- **The USD's reserve status:** The USD share of global reserves fell from 59.5% in Q1 2024 to 56.9% in Q3 2025 vs. 20.3% in euro, yen (5.8%), pound sterling (4.5%), Canadian dollar (2.7%) and renminbi (1.9%). Still, **de-dollarisation remains a structural concern.**
- **Holders of UST:** Japan (Oct 2025: 13.0% vs. 12.3% end-Dec 2024), UK (9.5% vs. 8.4%), China (7.5% vs. 8.8%).
- As economic uncertainty grows and rate cut expectations increase, **gold and bitcoin gain on safe-haven demand.**

* 23 Dec 2025 ^ Estimated by the Committee for a Responsible Federal Budget (CRFB) in its CRFB Adjusted August 2025 Baseline.

Source: Federal Reserve System; The Wall Street Journal; Congressional Budget Office (CBO); International Monetary Fund (IMF); US Census; various sources

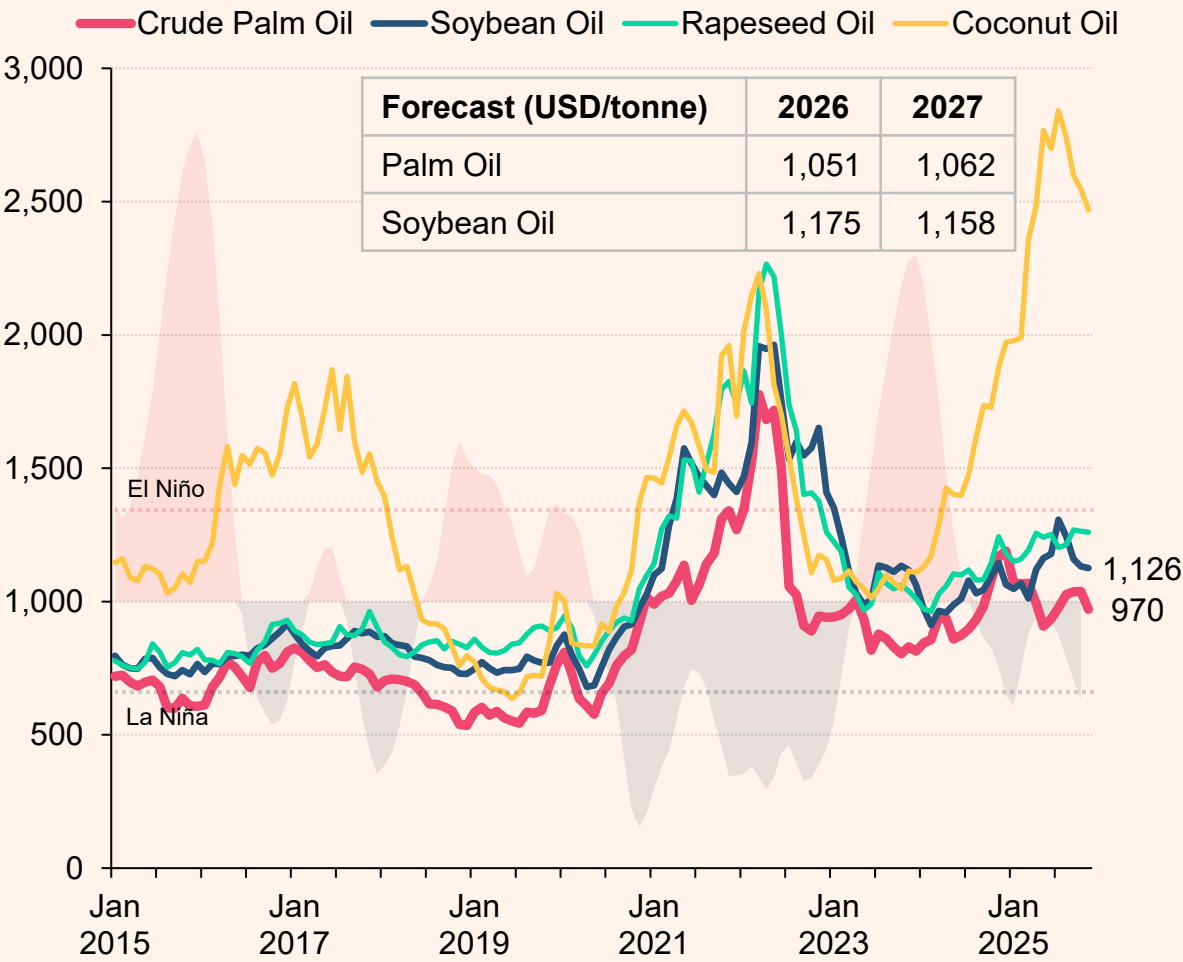


Palm Oil Outlook – Global Forces and Structural Pressures

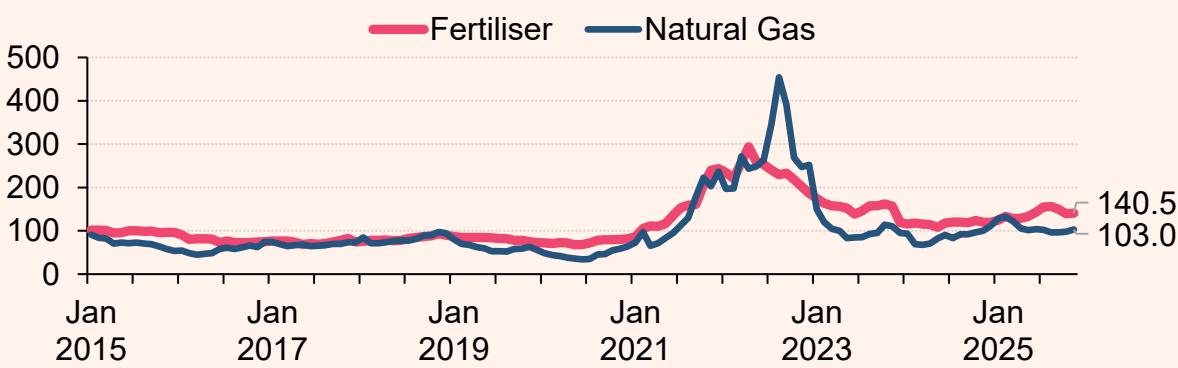
- Global economic shifts, regulatory and policy changes, as well as geopolitical tensions significantly influence the development of the palm oil industry by affecting supply chains, production costs, demand dynamics, and trade flows.
- Without strong progress in the Malaysian Sustainable Palm Oil (MSPO) and wider sustainability practices, palm oil sector faces persistent regulatory and market pushback in demand driven by climate concerns and global green policy.
- Green initiatives present a double-edged dynamic for the electric vehicles and biofuels, with both technologies competing for the limited capital support.
- Digitalisation is becoming essential, yet AI-driven infrastructure and resource constraints are raising the cost of digital transformation and creating medium-term operational challenges.

Climate change impacts price dynamics

Selected Vegetable Oils Prices
USD/tonne



Fertiliser and Natural Gas Price
USD indexes, 100 = 2010



Risks

- **A stronger or longer-lasting La Niña** in late 2025 or early 2026 can depress palm oil output, primarily due to the excessive rainfall and flooding that disrupts harvesting and transportation of fresh fruit bunches.
- **High reliance on imported fertilisers** (from China, Egypt, Canada) makes agricultural production vulnerable to export restrictions and supply-chain disruptions.
- **Palm oil prices remain vulnerable to global commodity markets**, movements in other vegetable oil prices, and sudden changes in trade and regulatory policies by major importers like India and EU.

Source: World Bank; National Centres For Environmental Information

Navigating under the EU's Deforestation Regulation (EUDR)

Key Development of the EU Deforestation Regulation (EUDR)

- 29 Jun 2023: EUDR enters into force (transition period begins)

Large Companies	30 Dec 2024
SMEs	30 Jun 2025

- 03 Dec 2024: Granted 12-month delay in main application date
- 22 May 2025: Adopted an Implementing Regulation (country risk classification – low, standard, high)

Malaysia	Standard
Indonesia	Standard

- 04 Dec 2025: Granted another 12-month delay in main application date



As of 31 Mar 2025, 84.65% of Malaysia’s oil palm planted area, equivalent to 4.75 million hectares, has been certified under MSPO. Meanwhile, 86.45% of the country’s palm oil mills, totalling 402 mills, are MSPO-certified.



Cattle



Palm Oil



Soy



Cocoa



Coffee



Rubber



Wood

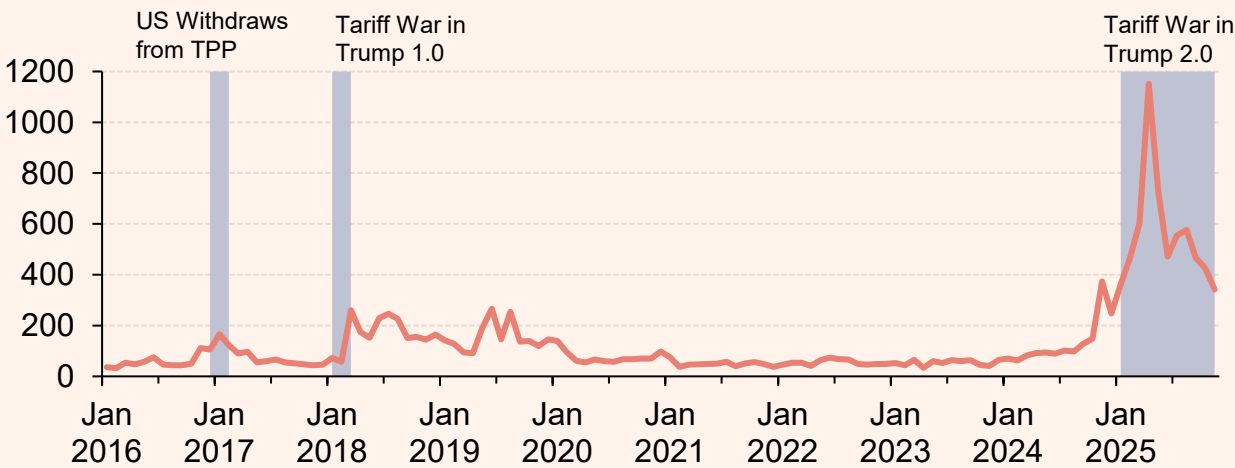
Risks

- While the EU acknowledged Malaysia’s Malaysian Sustainable Palm Oil (MSPO) as a credible standard for sustainability framework, **it is not an automatic pass, still subjecting to the EU operators (buyers)’ own due diligence.**
- Lack of up-to-date forest and commodity data in the EU’s risk assessment could **hinder Malaysia’s efforts to achieve low-risk status and weaken its competitiveness in the EU market.**

Source: European Union; Ministry of Plantation and Commodities

Disruption due to the US Tariffs

World Trade Policy Uncertainty Index

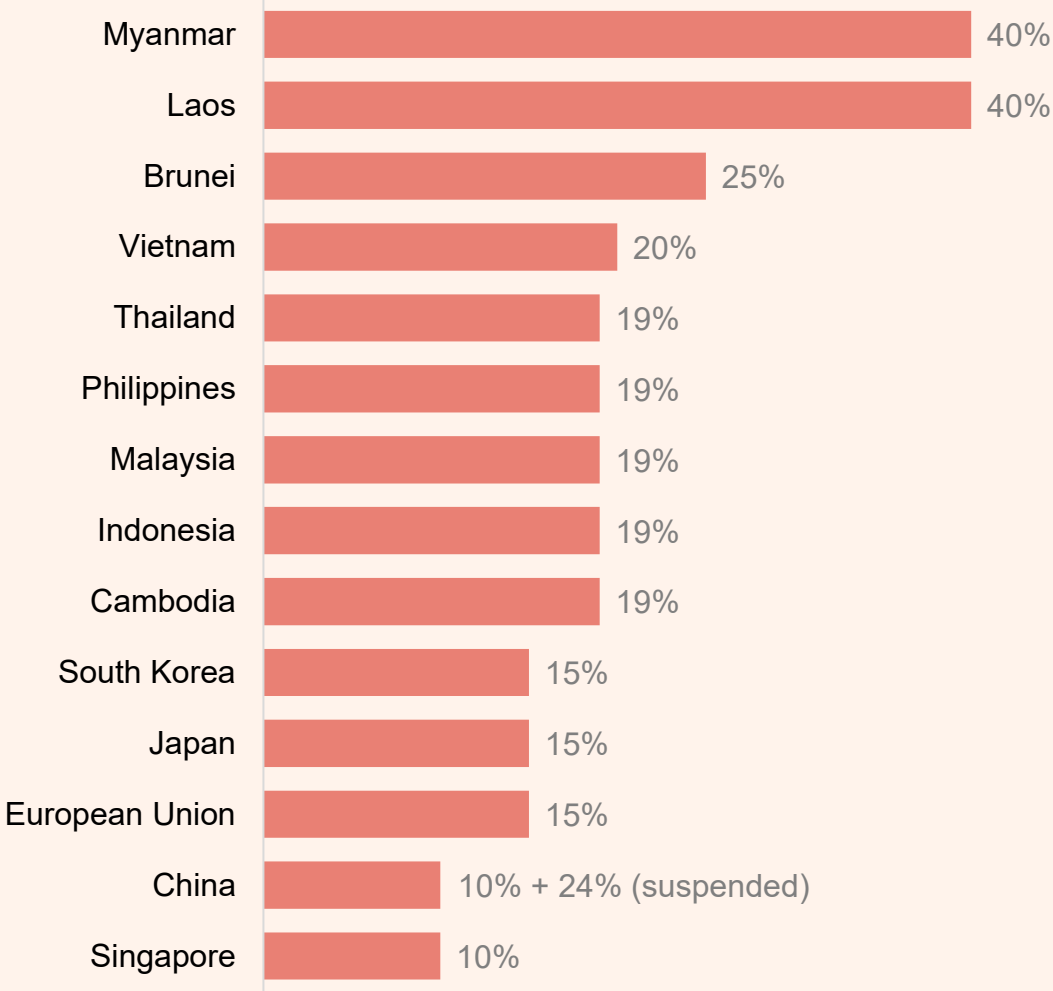


Source: Economic Policy Uncertainty

Risks:

- In the latest Annex III, **several items under HS 1511, including palm oil and its fractions, have been granted exemptions**, providing relief to local exporters. **However, broader spillover risks remain, as several higher value-added derivatives (e.g. glycerides and fatty acids) used in downstream applications, including pharmaceutical-related inputs, continue to face uncertainty under ongoing Section 232 investigations.**

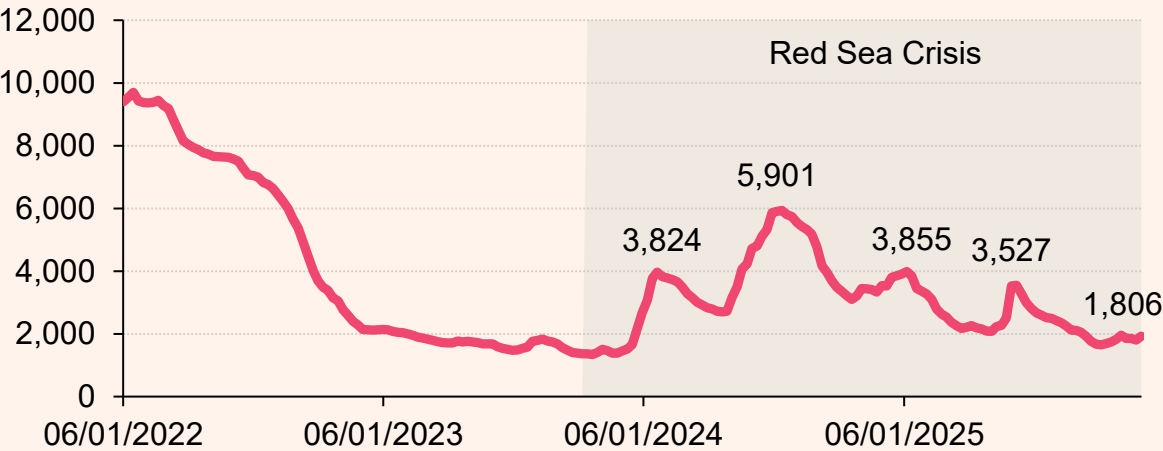
Reciprocal Tariff of Major Countries and ASEAN As of 24 Dec 2025



Source: White House

Geopolitics and competitor policy advantages

Drewry World Container Index
USD/40ft



Risk

- Global shipping costs for palm oil are increasingly exposed to geopolitical risks. The recent Red Sea crisis, which forced container ships to reroute around the Cape of Good Hope, caused a sharp spike in freight rates.

Malaysia's Export of Palm Oil and Palm-Based Products by Country
Top 3 in 2024, RM million (% share)

Palm Oil

India	11,947.1	(18.2%)
EU	5,108.5	(7.8%)
China	5,094.7	(7.7%)

Palm Kernel Oil

EU	1,677.1	(25.4%)
China	1,245.2	(18.8%)
Türkiye	513.4	(7.8%)

Palm-Based Oleochemical

EU	6,527.1	(23.9%)
China	4,848.6	(17.7%)
India	2,597.9	(9.5%)

Other Products

EU	5,133.7	(38.9%)
Singapore	1,752.5	(13.3%)
USA	1,376.1	(10.4%)

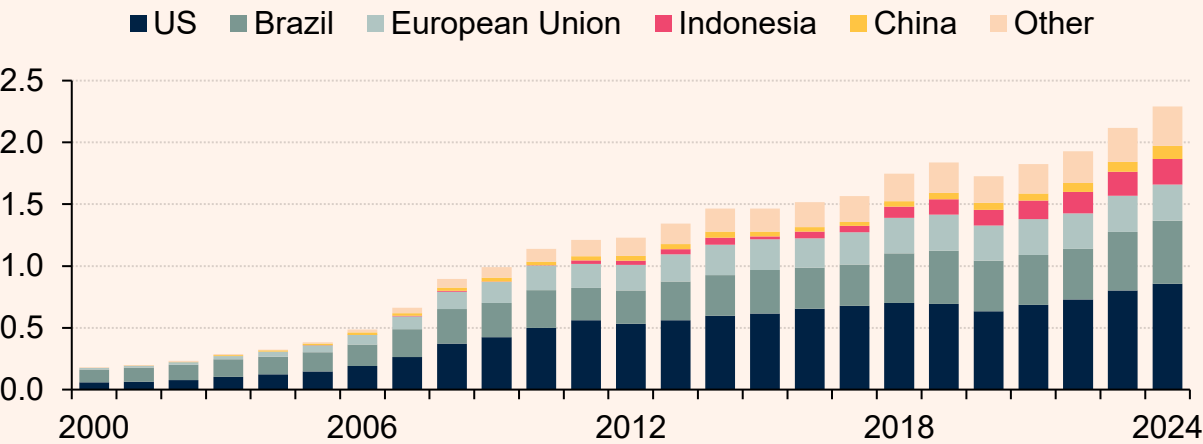
Risks

- **Malaysia faces strong competition from Indonesia** – its larger market, lower costs, and the new EU-Indonesia CEPA further strengthen its export position.
- **High reliance on India market renders policy risks in India.** India has raised import duties on crude palm oil from 5.5% to 27.5% and on refined oils from 13.75% to 35.75% to protect local farmers, though it later cut the crude oil duty to 16.5% in May 2025.

Source: Drewry; Ministry of Plantation and Commodities

Limited biofuel gains amid growing market

Biofuel Production
mb/d of oil equivalent



World's Top 5 Countries in Biofuel (2024)

Production	Consumption	Exporter	Importer
United States	United States	Brazil	United Kingdom
Brazil	Brazil	China	France
European Union	European Union	Indonesia	Canada
Indonesia	Indonesia	Netherlands	India
China	India	Germany	Poland

Source: Energy Institute; OECD

Overview

- **Biofuels remain a key renewable alternative** to fossil fuels.
- **OECD projects slower biofuel growth** due to the EV adoption and weaker policy support in high-income countries, while middle-income countries may offset it.
- Most markets are expected to be **largely self-sufficient**.
- **First-generation biofuels will dominate:** ethanol from maize/sugar, diesel from soybean, rapeseed, and palm oil.

Risks

- **Policy uncertainty**, including changing mandates, subsidies, EV and sustainable aviation fuel (SAF) incentives, and unforeseen regulations, could disrupt biofuel market growth.
- **Feedstock availability is uncertain due to food vs. fuel debates**, high costs of advanced feedstocks, and constraints in waste oils and fats supply.
- **Technological shifts**, such as growing EV adoption, SAF development, and private sector investment decisions, may reduce demand for traditional biofuels.

National biofuel policy comparison

Malaysia		Indonesia
National Biofuel Policy	Program	Program Biodiesel
Implemented a series of mandatory blends (B5, B7, B10, and B20)	Current Development	Implemented aggressive national programmes resulting in mandates of B20, B30, and B35
Plans to implement a B30 blend and is considering using palm oil-based Hydrotreated Vegetable Oil (HVO)	Future Development	Aims to advance to B40 in the phasing implementation stage, with future targets set at B50/B60
<ul style="list-style-type: none">- Reduce dependence on fossil fuels and carbon emissions- Stimulate domestic demand for palm oil- Zero export of Crude Palm Oil (CPO) by processing raw oil locally into value-added products like biodiesel	Policy Objective	<ul style="list-style-type: none">- Reduce dependency on imported fossil fuels- Achieve energy independence by reducing fuel imports- Stabilise domestic palm oil prices- Reduce greenhouse gas (GHG)

Source: DOSM; OECD

Strategic approach: Turning risks into opportunities

1. Enhancing Sustainability and Market Image

- **Ensure wide EUDR compliance**, especially among 70–80% of smallholders, to secure EU market access and attract ESG-focused investors.
- **Strengthen and globally promote MSPO certification** to improve Malaysia's international image and competitiveness against rival oils.

3. Downstream Value Addition and Diversification

- Target zero CPO exports by processing all output locally **into high value-added products**.
- **Promote production of specialty oleochemicals, pharmaceuticals, bioplastics, and advanced biofuels (HVO)** to reduce CPO price vulnerability and increase margins.
- **Continue expanding domestic biodiesel programmes** (B5 → B20, with plans for B30/HVO) to boost local demand and meet sustainability commitments.

2. Upstream Productivity and Mechanisation

- **Increase yield per hectare through R&D and elite palm varieties** (e.g., MPOB's 89.7% mesocarp ratio) without expanding land area.
- **Accelerate mechanisation and automation** to reduce reliance on foreign labour and cut operational costs.
- **Optimise land use by utilising idle agricultural land** and promoting intercropping with high-value crops.

4. Market Expansion and Geopolitical Strategy

- **Continue exploring new export markets in Africa, the Middle East and OIC countries** to reduce reliance on China and India.
- **Collaborate with Indonesia through Council of Palm oil Producing Countries (CPOPC) to establish floor prices** and jointly promote MSPO/Indonesian Sustainable Palm Oil (ISPO) certifications to counter trade restrictions.

THANK YOU

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

For our website:



For our LinkedIn:

