



**Malaysian Institute of
Economic Research**

Cautious, Optimism

**ANTHONY DASS PHD
Executive Director, MiER**

www.mier.org.my

Cautious Optimism in 2024

Drivers

Sustained consumer spending in services

- Tight labour market
- Disinflation & Real income gains
- Steady economic growth

Potential rotation back to goods

- Pandemic that saw a shift towards services is now at the back burner
- Potential rotation back towards goods:
 - Some pent-up demand for goods post pandemic
 - Natural cycle of spending –depreciation & replacement
 - AI & Tech causing consumers to replace their devices

Pick up in global trade

- Despite geopolitical uncertainties
- Asia will remain as the main driver
- Global disinflation & US economy is still holding up

FDI flows

- Cheaper cost of capital – disinflation & interest rate
- Reshoring from the China-centric value chain
- Trade & Economic growth

Asia-Pacific would remain strong

- Main driver – India, Indonesia & Philippines
- Tail-wind from semiconductors – S. Korea, Taiwan & spillover to ASEAN
- Thailand, Vietnam, Singapore & Malaysia – moderate outlook
- China is expected to grow moderately
- Cooling inflation, healthy job market, business cycle upstage
- Central banks have more room to support the economy
- Supply chain shifts, Green & EV, Capital Inflows
- New Asian Tigers – Japan, Singapore & South Korea – geopolitical landscape

Manufacturing should recover from below trend

- Most of the 2023 headwinds are set to fade
- Spending patterns to normalize
- Inventory/GDP ratio to stabilize

Volatility Remains

Upside Risk

Slower global disinflation process

- Tight labour market & robust consumer demand in the US in 1Q24
- Strong USD –upwards pressure on energy, food & imports cost for some EMDE
- Geopolitical tension – pressure on energy prices

Delay in Fed rate cut

- Interest rate differential widens – inflow of capital to the US
- Complicate the Fed’s task with the increase in liquidity
- Financial market instability due to carry trade & leads to imbalances
- Euro & Asian could suffer – tighter financial conditions & slower economic activity.
- Some countries may struggle to maintain currency stability against a stronger USD

Geopolitical tension

- Source of economic and financial market volatility
- Deeper fragmentation of the global economy

US Could Bend, But Not Break

- Consumers spending supported by labour market strength & wage growth
- Fed will have to be more patient
- Risk towards slowing economy, no where near recession
- 2024f GDP: 2.5% (1.7% in 2025f) slightly above the 2% average before Covid decade

Soft Landing for Euro in 2024

- Disinflation & potential rate cut – rebound in real wage
- Services sector gained momentum with PMI above 50 reading
- Upside depends on global manufacturing recovery – major exporter of goods
- 2024f GDP: 0.8% (1.3% in 2025f)

Japan's Sputtering Economy

- Real wages to boost consumer spending
- Weak yen is positive for tourism & corporate earnings abroad
- Capital spending & strong tailwinds from semiconductor
- 2024f GDP to grow at 0.4% (1.6% in 2025f)

Can China Steer Its Course Back?

- Private spending & ongoing fiscal stimulus supporting growth
- Risk remains on deflation, debt, confidence & real estate
- Long-term – focus on cutting-edge tech, but risk creating excess capacity
- 2024f GDP to grow at 4.6% (4.1% in 2025)

Malaysia May Outperform

- Supply Side (employment); Demand Side (Income)
- Exports (global trade growth, tech upcycle, E&E + non-E&E), FTAs
- Monetary Policy (stable mortgage rates & cost of capital)
- Fiscal policy (RM90bn Development Expenditure –cross cutting)
- Strong FDI flows (about 75% -80% realized investment)
- DDI (strategic sectors – E&E, Digital, Aerospace & Exports: Mid-Tier Companies)
- Growth enhancing sectors (High Value-Added activities, RE, AI, EVs, Halal, Services)
- Reforms (Rebuild budgetary room to shocks & ensure debt sustainability)
- Challenges: External & Domestic

Macro Highlights

Malaysia	2022	2023	2024f	2025f
GDP %	8.7	3.7	4.7	4.8
Inflation %	3.3	2.6	3.0	2.9
USD/MYR	4.40	4.70	4.65	4.40
Brent (US\$/bbl)	99	83	85	80
CPO (MYR/ton)	5123	3803	3700	3600
Gross Exports (y/y%)	14.5	-7.9	3.2	3.4

Global GDP %

GDP%	2023e	2024f	2025f
Global	3.1	2.9	2.8
US	2.5	2.1	1.7
euro	0.4	0.8	1.3
Japan	1.9	0.4	1.6
UK	-0.1	0.1	0.6
China	5.2	4.8	4.6
India	7.6	6.8	6.2
Singapore	1.1	2.8	3.0
Indonesia	5.0	4.9	5.2
Thailand	1.9	2.6	3.0
Malaysia	4.4	4.7	4.8
Philippines	5.6	6.0	6.2



Malaysian Institute of
Economic Research

Discussion

&

Thank You

