

Malaysia Newsletter

Q2 2024

Insight on market information, trends, policies and investments.



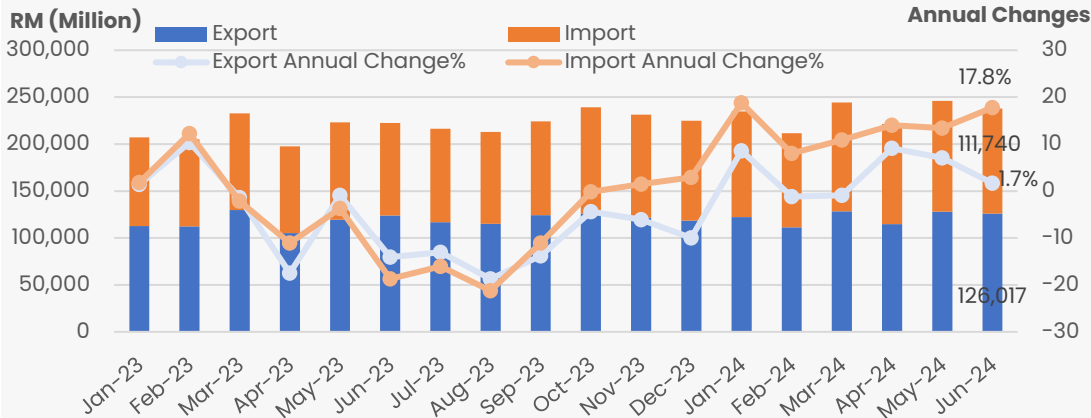
Summary

In the second quarter of 2024, Malaysia's economy demonstrated significant growth, with the GDP expanding by **5.9%** year-on-year, the highest since the fourth quarter of 2022. This robust growth was supported by strong output across all key sectors. Meanwhile, **inflation** remained relatively stable, with a year-on-year rate of **1.9%** in June 2024, slightly higher than the 1.7% recorded in Q1 2024. The increase in inflation was mainly driven by a rise in housing and utilities costs, which saw a 3.1% increase. Looking ahead, both headline and core inflation are expected to climb in the second half of 2024, primarily due to the rationalization of diesel subsidies.

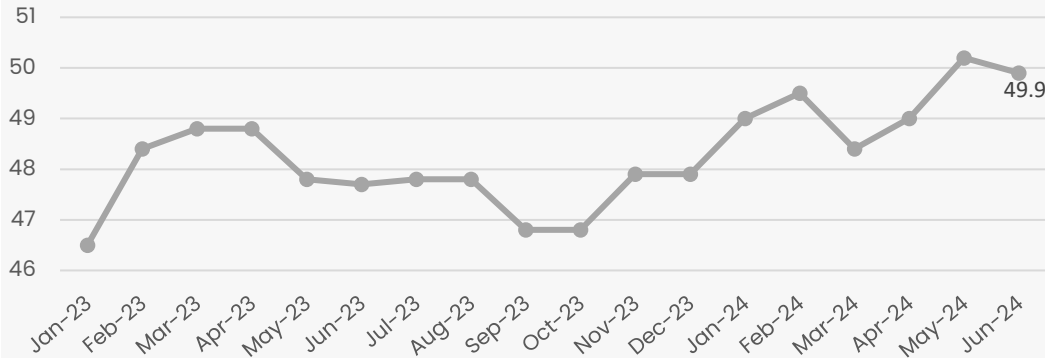


KEY DATA

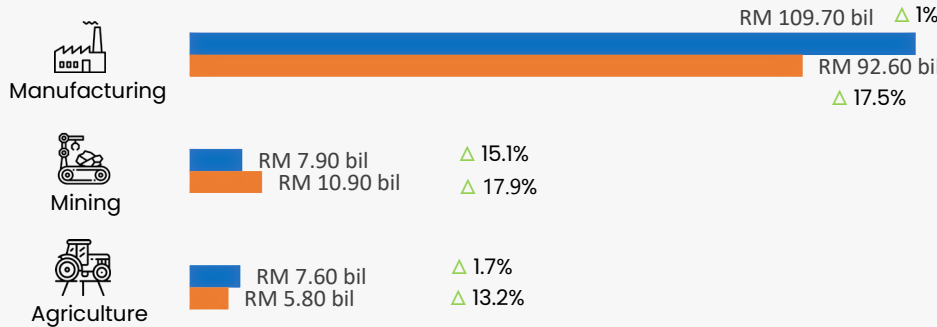
Trade Performance (year-on-year)



Purchasing Managers Index (PMI)



Sectorial Performance

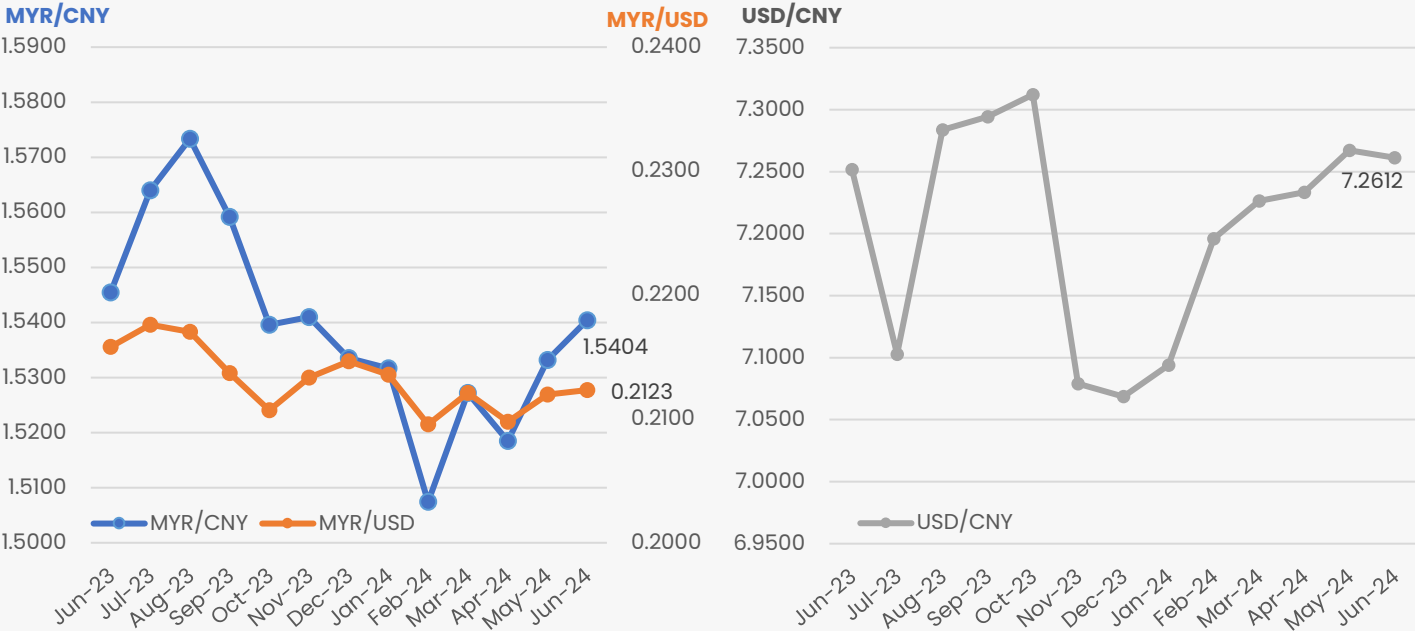


For more information, refer to URL: dosm.gov.my

Trend: The Malaysia Manufacturing PMI fell to **49.9** in March 2024 from 50.2 in the prior month. The average PMI reading for the second quarter of 2024 was the highest since the third quarter of 2022.

For more information, refer to URL: <https://www.fxempire.com/macro/malaysia/manufacturing-pmi>

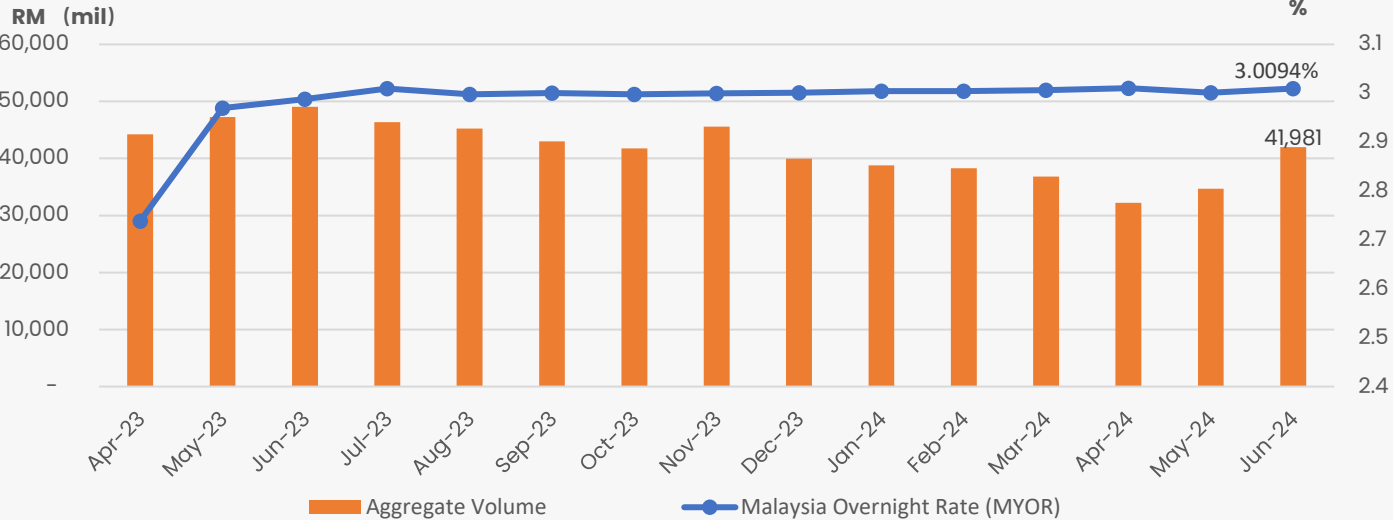
Foreign Exchange Rate (FX)



- **MYR/CNY:** MYR appreciated against CNY in Jun 2024 (at a rate of 1.5404).
- **MYR/USD:** MYR appreciated against USD in Jun 2024 (at a rate of 0.2123).
- **USD/CNY:** USD depreciated against CNY in Jun 2024 (at a rate of 7.2612).

For more information, refer to URL: <https://www.bnm.gov.my/exchange-rates>

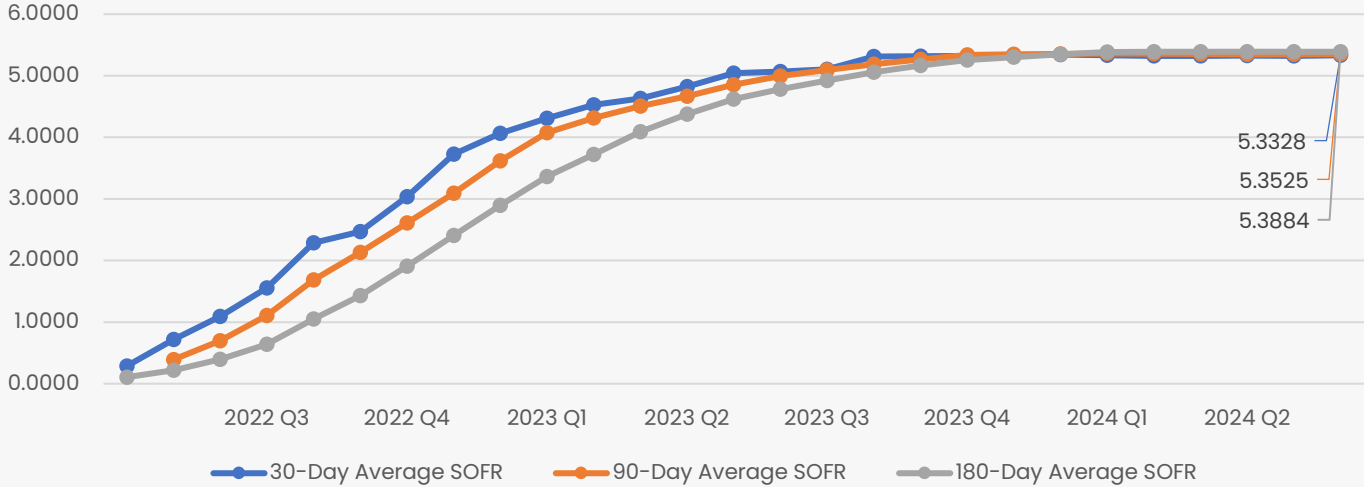
Malaysia Overnight Rate (MYOR)



Trend: The Bank Negara Malaysia (BNM) remained the key policy rate at **3%** unchanged since May 2023. It is expected to maintain the policy rate unchanged through 2024.

For more information, refer to URL: <https://www.bnm.gov.my/myor>

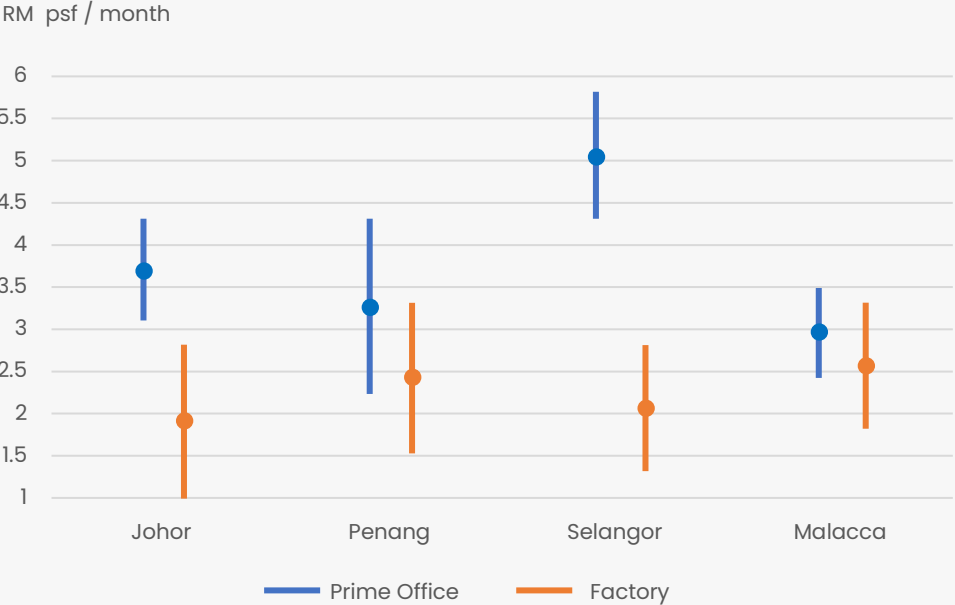
Secured Overnight Rate (SOFR)



Trend: The SOFR remains with 30-day average SOFR at 5.3328, 90-day average SOFR at 5.3525 and 180-day average SOFR at 5.3884 in Jun 2024.

For more information, refer to URL: <https://www.newyorkfed.org/markets/reference-rates/sofr>

Rentals for Offices and Factory



- **Johor** sees a rising trend in industrial and data centre demand, fuelled by rapid infrastructure development such as the Johor Bahru-Singapore RTS Link. The on-going government negotiations to set up the proposed special economic zone (SEZ) is also fuelling the optimism on the Johor property market.
- **Penang's** state government has announced plans to establish an Integrated Circuit (IC) Design and Digital Park, designed to accommodate high-impact activities such as IC design, research and development, global business services, digital technologies investments, and others.
- **Selangor** has established a 0.6-hectare semiconductor integrated circuit (IC) design park as part of Malaysia's strategy to advance up the value chain from back-end processes such as packaging and testing to the front-end IC design segment.
- **Malacca** initiate to develop industrial areas to support high-tech industrial ecosystem, innovating and producing products and services with high added value. The government target to develop in new industrial areas such as MCORP Hi-Tech Park, German Industrial Park and Elkay Industrial Park Phase 2.

For more information, refer to URL: <https://www.mida.gov.my/>

Utilities: Electricity Tariffs and Water Rates

Electricity Rate

Tariff Category	Current Rate (RM)
TARIFF D - LOW VOLTAGE INDUSTRIAL TARIFF ($\leq 1, 000\text{V}$)	
For the first 200 kWh (1 - 200 kWh) per month	38.00 sen/kWh
For the next kWh (201 kWh onwards) per month	44.10 sen/kWh
<i>The minimum monthly charge is RM7.20</i>	
TARIFF E1 - MEDIUM VOLTAGE GENERAL INDUSTRIAL TARIFF ($\leq 50, 000\text{V}$)	
For each kilowatt of maximum demand per month	29.60 RM/kW
For all kWh	33.70 sen/kWh
<i>The minimum monthly charge is RM600.00</i>	
TARIFF E2 - MEDIUM VOLTAGE PEAK/OFF-PEAK INDUSTRIAL TARIFF	
For each kilowatt of maximum demand per month during the peak period	37.00 RM/kW
For all kWh during the peak period	35.50 sen/kWh
For all kWh during the off-peak period	21.90 sen/kWh
<i>The minimum monthly charge is RM600.00</i>	
TARIFF E3 - HIGH VOLTAGE PEAK/OFF-PEAK INDUSTRIAL TARIFF ($\leq 230, 000\text{V}$)	
For each kilowatt of maximum demand per month during the peak period	35.50 RM/kW
For all kWh during the peak period	33.70 sen/kWh
For all kWh during the off-peak period	20.20 sen/kWh
<i>The minimum monthly charge is RM600.00</i>	

Water Rates

Industrial/Commercial	State	
	Johor 	Selangor / Federal Territory of Kuala Lumpur & Putrajaya 
Effective Date	Feb 2024	Feb 2024
0 - 35 m³	RM 3.15	RM 2.70
More than 35 m³	RM 3.55	RM 2.94
Minimum charge	RM 31.50	RM 36



Malaysia water supply services are provided by the respective state water operator with exception to the state of Sarawak where it is provided by regional water operators.



Tenaga Nasional Berhad (TNB) is the main electricity power generator and supplier in Peninsular Malaysia. This tariff is effective from January 2017.

For more information, refer to URLs:

[Water tariff 2024 \(span.gov.my\)](https://www.span.gov.my)

<https://www.airselangor.com/wp-content/uploads/2022/07/Appendix-A.pdf>

https://www.tnb.com.my/assets/files/Tariff_Rate_Final_01.Jan.2014.pdf



Manufacturing: Malaysia overtakes Thailand as Asean's second-biggest auto market

Malaysia has overtaken Thailand to become South-East Asia's second-largest auto market, after Indonesia, a major shift in a region that has become a key battleground for Asian automakers.

Nikkei Asia compiled sales data released by industry groups in those three countries plus the Philippines and Vietnam and found that Malaysia's sales figures, which had been third for a long time, topped Thailand's for three consecutive quarters through January to March 2024. According to the Malaysian Automotive Association, auto sales increased 5% in the first quarter from a year earlier to 202,245 vehicles. This followed an 11% increase in 2023 to a record 799,731 vehicles.

In contrast, sales in Thailand have been in a slump. Known as the "Detroit of Asia" due to its concentration on the automotive industry, Thailand had long held second place until sales fell 25% in the first quarter from a year earlier. Thailand's monthly auto sales have declined year-on-year starting last June due to increasing non-performing auto loans and general stagnant consumption. The share of EVs is growing thanks to the entry of Chinese makers.

For more information, refer to URL: <https://www.malaymail.com/news/money/2024/05/17/malaysia-overtakes-thailand-as-aseans-second-biggest-auto-market/134882>

Labour Market: Some Johor SMEs losing half of workforce to Singapore

Random checks with about 20 small and medium enterprises (SMEs) here in Johor have found that they have lost about half of their workers to Singapore because of Singapore's strong dollar. Even hair salons are facing a shortage of hairdressers.

SME Association of South Johor president Tan Siew Keng mentioned that the lure of the Singapore dollar is quite strong. She said checks with about 20 of its member companies showed that about 50% of their employees had left due to this. Some of the affected sectors are manufacturing, logistics, services and accounting. Many non-technical staff have also opted for blue-collar jobs in Singapore.

The weak ringgit has caused many SMEs to face an increase in operating cost, which affected their profits. The government need to stabilise and strengthen the ringgit for the nation's long-term economic growth. Thigh cost of living in Malaysia, especially in Johor Baru, had caused locals to look for higher- paying jobs not only across the border, but also in other countries such as Hong Kong.



Business Environment: Demand boom, resources make Johor fit as data centre hub

According to Malaysia Digital Economy Corp (MDEC), Johor's potential as a data centre hub is largely driven by its strategic location near Singapore and the resources it offers in terms of energy, water, transportation and suitable land.

MDEC digital industry acceleration head Wan Murdani Wan Mohamad said when demand for more data centre capacity exceeded the neighbouring region's resources, global companies started looking beyond – to Batam and Jakarta in Indonesia, the Philippines, Bangkok in Thailand, and Malaysia.

He said Johor offers the perfect solution due to its geographical closeness, allowing companies to leverage Singapore's established digital ecosystem while benefiting from the ability to expand and grow in the region. This proximity ensures minimal latency and high-speed connectivity, which are essential for data centre operations.

He further added that these factors collectively create a favourable environment for the establishment and growth of data centre operations, positioning Johor as a key player in the regional data centre landscape.

Wan Murdani opined that the increasing demand for artificial intelligence (AI), cloud computing and data storage presents significant opportunities for Malaysia to advance in the digital economy. As more businesses transition to cloud-based services and leverage AI, the need for scalable compute and data storage solutions will drive further investments in data centres, particularly in strategic locations like Johor. These investments will enhance Malaysia's digital infrastructure and attract global companies seeking cost-effective and well-connected hubs.

In attracting more investments, MDEC has established close collaborations with various federal and state agencies such as Iskandar Regional Development Authority, Invest Johor, JCorp, Plan Malaysia Johor, and Koridor Utiliti Johor to streamline and enhance the experience for both current and potential investors. By working closely together, MDEC and these agencies ensure that investors' requests and requirements are promptly addressed and effectively met.

For more information on the report, refer to URL: <https://www.thestar.com.my/business/business-news/2024/06/24/demand-boom-resources-make-johor-fit-as-data-centre-hub>



Manufacturing: Malaysia to become global semiconductor R&D hub, attract billions in investment, says PM

Prime Minister Datuk Seri Anwar Ibrahim stated that Malaysia aims to attract RM500bil of investment in integrated circuit (IC) design, advanced packaging and manufacturing equipment for semiconductor chips.

He said under Malaysia's National Semiconductor Strategy (NSS) launched in April, Putrajaya also aims to establish at least 10 Malaysian companies in design and advanced packaging with revenue between RM 1bil and RM 4.7bil. He also mentioned that the federal administration has set a target of establishing about 100 semiconductor-related companies with a total revenue of RM 1bil as an effort to create higher wages for Malaysians.

On top of that, the Prime Minister said the NSS will also see Malaysia being developed as a global research and development (R&D) hub for semiconductors. Malaysia will also develop Malaysia as a global R&D hub for semiconductors, featuring world-class universities, corporate R&D and centres of excellence, blending the very best of Malaysian and international talent. The NSS will also train and upskill 60,000 Malaysian engineers.

He said in his keynote address when launching the Semicon South-East Asia 2024 at the Malaysia International Trade and Exhibition Centre in Malaysia on May 28, the government will allocate at least RM 25bil in fiscal support to operationalise the NSS with targeted incentives, details of which will be announced by the Investment, Trade and Industry Ministry soon.

Anwar said the salient features of the NSS are the crucial elements to ensure that the country achieves its ambition of becoming a global chip hub. Under the NSS, which is led by the ministry, Anwar said the strategy is structured in three phases, which are designed to foster collaboration with companies across Asean, Asia and the global stage. Phase one involves building on our foundations, phase two is all about moving to the frontier and phase three is about innovating at the frontier. To stay flexible and agile, the NSS will be a living document, evolving as needed, but Malaysia remains steadfast in its aspiration to make Malaysia a major global player in accessible technology for all, powered by our semiconductor industry.

For more information on the news, refer to URL: <https://www.thestar.com.my/news/nation/2024/05/28/m039sia-to-become-global-semiconductor-rd-hub-attract-billions-in-investment-says-pm>



Business Environment: Johor proposes Iskandar Malaysia and Pengerang as locations for JS-SEZ

Menteri Besar Datuk Onn Hafiz Ghazi mentioned that Johor has proposed establishing the Johor-Singapore Special Economic Zone (JS-SEZ) in the Iskandar Malaysia region and Pengerang. He said this involves an area of 3,505sq km and six local councils: Johor Baru, Iskandar Puteri, Pasir Gudang, Kulai, Pontian and Pengerang.

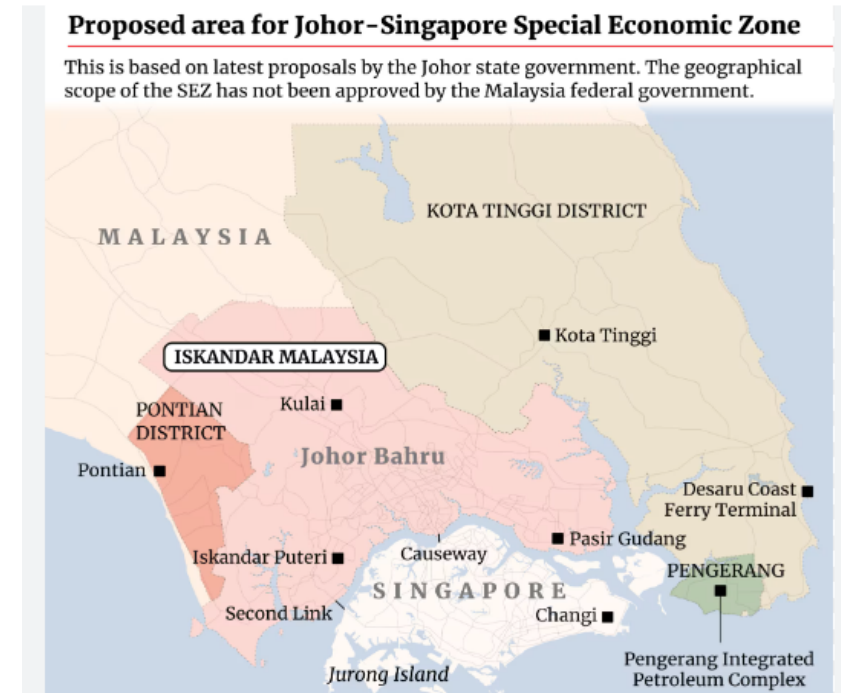
He mentioned in the state assembly that since the memorandum of understanding was signed between Malaysia and Singapore on Jan 11, a total of eight working groups have been formed involving federal and state departments and agencies.

The working groups will address areas such as governance; the economic sector; tax and incentives; talent; ease of doing business; ease of movement for goods, services and people; infrastructure and utilities; and land matters.

He further added that besides putting forward Iskandar Malaysia and Pengerang as the locations for the JS-SEZ, Johor also proposed 16 economic sectors expected to give economic spillover to the people. He listed the sectors as: electrical and electronics; medical; pharmaceutical; aviation; specialty chemicals; logistics; healthcare; education; finance and business services; energy; digital economy; tourism; food and agricultural technology; creative industry; halal industry; and manufacturing.

The Menteri Besar also mentioned that an engagement session regarding the special economic zone would be organised by the state government and Economy Ministry in early June. An official engagement session between both countries is also expected to kick off in June and Johor and the Federal Government are committed to ensuring that the JS-SEZ agreement is finalised and signed by the end of 2024.

For more information, refer to URL: <https://www.thestar.com.my/news/nation/2024/05/12/johor-proposes-iskandar-malaysia-and-pengerang-as-locations-for-js-sez>





Infrastructure: Malaysia secures RM9.4bil Google investment

Four weeks after Microsoft unveiled its US\$2.2bil investment in Malaysia, Google has pledged to invest US\$2bil (RM9.4bil) that includes a hyperscale data centre to be built by Gamuda Bhd in Sime Darby Property Bhd's Elmina Business Park.

The data centre will be Google's first in the country and once operational, Malaysia will join the 11 countries where Google currently runs data centres to serve its global users. The RM9.4bil investment also consists of the Google Cloud region that will join 40 regions and 121 zones currently in operations around the world.

Ruth Porat, president and chief investment officer of Alphabet Inc and chief financial officer of Google, said the data centre and the cloud region was Google's largest planned investment so far in Malaysia. Trade and Industry Ministry (Miti) said the investment by Google will support 26,500 jobs across various sectors in Malaysia – including in healthcare, education and finance.

It is noteworthy that the Google data centre will power its popular digital services such as Search, Maps and Workspace, while also playing an essential role in enabling Google to deliver the benefits of AI to users across the country. The Google Cloud region, on the other hand, will deliver high-performance and low-latency cloud infrastructure, analytics and AI services to large enterprises, startups and public-sector organisations. It also seeks to support AI literacy programmes for Malaysian students and educators.


Miti Minister Tengku Datuk Seri Zafrul Abdul Aziz said Google's investment in Malaysia will significantly advance the digital ambitions outlined in the New Industrial Master Plan 2030.


He further noted that the Google data centre and Google Cloud region in Greater Kuala Lumpur will empower the country's manufacturing and service-based industries to leverage AI and other advanced technologies to move up the global value chain.

For more information on the news, refer to URL: <https://www.thestar.com.my/business/business-news/2024/05/31/msia-secures-rm94bil-google-investment>

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