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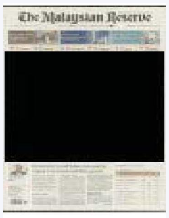

06 JAN, 2025

Economic growth in 2025 with focus on to be sustained

The Malaysian Reserve, Malaysia

Economic growth to be sustained in 2025 with focus on green sector

TMRgraphic

Key domestic factors and a global recovery are expected to drive growth this year

by GLORIA HARRY BEATTY

THE Malaysian economy is set to thrive with renewed green vigour in 2025.

Various industry reports highlight that the country is projected to experience continued growth across several sectors and industries this year.

In its annual economic outlook for 2025, the Mastercard Economics Institute (MEI) forecast Malaysia's economy to achieve 4.7% growth in GDP, driven by a robust labour market and strengthening investments.

According to MEI, private consumption is expected to be a key driver of growth as household purchasing power improves, propelled by better-quality and higher-paying employment, particularly within the higher-skilled white-collar services sub-sectors.

Meanwhile, MIDF Amanah Investment Bank Bhd's Market Outlook 2025 projected the economy to grow by 4.6%, despite anticipating possible volatility next year.

Head of research Imran Yassin said the anticipated growth in 2025 will be driven by key domestic factors and a global recovery.

He also projected the FTSE Bursa Malaysia KLCI (FBM KLCI) to reach 1,800 points in 2025, with market consensus forecasting a healthy 9% year-on-year (YoY) earnings growth this year.

"Furthermore, the FBM Hijrah and FBM 70 are projected to register robust YoY earnings growth of 16.1% and 9.7% respectively, this year," he said.

The job market shows positive trends, with rising employment, wage increases and a growing tourism sector supporting higher consumer spending.

He added that these factors, combined with government initiatives such as salary hikes for civil servants and cash assistance programmes, will provide a solid foundation for economic expansion.

Malaysia is expected to experience continued growth in international trade, driven by high demand for technology products, automotive goods and raw materials.

Although global tensions between China and the US may pose some challenges, Malaysia's trade is projected to remain resilient.

The recent release of the third quarter of 2024 GDP statistics indicated that the

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economy expanded by 5.2% overall in the first three quarters of 2024.

Bank Negara Malaysia (BNM) governor Datuk Abdul Rasheed Ghaffour said moving forward, the growth of the Malaysian economy will be driven by robust expansion in investment activity, continued improvement in exports and resilient household spending.

Malaysia Committed to Green Agenda

In recent years, the government has introduced numerous initiatives to promote sustainability among industry players and across the nation, aiming to attract more foreign direct investment (FDI) and demonstrate its commitment to combating climate change.

Under the Paris Climate Agreement, Malaysia is committed to achieving net zero by 2050.

Recognising that manufacturing is the second-largest source of greenhouse gas emissions in Malaysia — contributing 10% of the nation's total emissions, second only to the energy sector at 78.5% — the International Trade and Industry Ministry (MITI) has emphasised the importance of implementing robust policies to transition the manufacturing sector towards sustainable practices. These efforts are pivotal in supporting the country's ambition to achieve its net-zero emissions target.

As such, the New Industrial Master Plan 2030 has made the "Push for Net Zero" one of its four key missions.

The plan aims to decarbonise Malaysia's industries by accelerating the transition to sustainable practices, shifting to renewable and clean energy, catalysing new green growth areas and advancing green infrastructure.

Malaysia has launched several key initiatives to advance its decarbonisation goals, including three mission-based "kick-off" projects — creating decarbonisation pathway role models, launching a locally manufactured electric vehicle (EV) by Perusahaan Otomobil Kedua Sdn Bhd and deploying large-scale carbon capture, utilisation and storage (CCUS) solutions.

MITI said additional projects aligned with these goals are anticipated in the future.

"The current projects are progressing well, but they are by no means the only initiatives we are focused on," the ministry told *The Malaysian Reserve (TMR)*.

Hard-to-abate sectors such as iron and steel, cement and chemicals — currently reliant on fossil/coal-based power — must also be addressed.

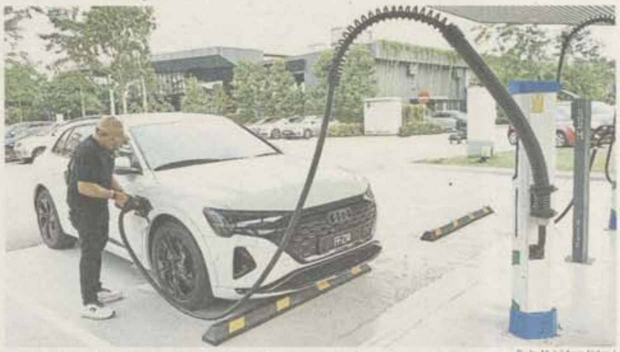
Collectively, these sectors contribute over 66% to total emissions (including process and fuel emissions for Malaysia's industrial production under the United Nations Framework Convention on Climate Change).

Other efforts include the establishment of the Independent Steel Committee and the Green Investment Strategy launched last year.

"All these efforts contribute to a decarbonisation push that will create new economic opportunities for Malaysia, particularly in positio- ning ourselves as a leader in emer- ging green growth areas such as EVs, renewable energy (RE) and CCUS.

"These new growth areas also depend on the adoption of sustainable practices and technologies, as well as transitioning our power generation to renewable and clean energy — an area we are actively collaborating with the relevant ministries," MITI added.

As of September 2024, MITI has approved 588 green investment projects across sectors such as bioenergy, circular economy, energy efficiency, green mobility and RE, with a total investment value of RM8.2 billion.



Pic by Muhd Amin Naharul

Under Budget 2024, the govt has expanded the Green Technology Tax Encouragement, to cover EV charging stations among others

Source: midf.com.my

Imran projects FBM KLCI to reach 1,800 points this year

Pic courtesy of Kamarulzaman

MK Land plays a key role in supporting the country's shift to RE, says Kamarulzaman

Source: William's LinkedIn

According to Williams, BNM is likely to maintain OPR at 3%

Tenaga Nasional Bhd (TNB) began the development of a utility-scale solar power plant through a competitive bidding process in April 2024, with a total quota of 2,000 megawatt (MW). TNB has also implemented a corporate Power Purchase Agreement (PPA), allowing direct purchase of renewable electricity based on third-party access and has offered special incentives to companies adopting green initiatives, including solar power.

MITI said the government is ensuring economic growth aligns with sustainability goals through a combination of regulatory frameworks, market incentives, investment in green technologies and international cooperation.

These efforts support the transition to a sustainable, low-carbon economy while stimulating innovation, creating jobs and safeguarding the environment for future generations, it added.

Various incentives and funding opportunities are available for sustainable investment projects, such as the Green Investment Tax Allowance (GITA) and the Green Income Tax Exemption (GITE).

Under Budget 2024, the government has expanded the Green Technology Tax Encouragement, including GITA and GITE, to cover green hydrogen activities, EV charging stations and wind energy. These measures are expected to attract more investment from industry players to carry out green and low-carbon activities.

Growth, Reforms and Green Opportunities Await

The economic outlook for this year is marked by expectations of continued robust growth, stable inflation and the implementation of structural reforms aimed at boosting incomes.

Williams Business Consultancy Sdn Bhd director Dr Geoffrey Williams said that domestic demand will remain the cornerstone of the economy, providing a solid foundation for expansion.

However, there is also hope for an improvement in trade and FDI, which could further bolster economic prospects.

He also pointed out that the current economy is in good shape, with strong economic growth, inflation at normal levels and low unemployment.

Williams said the central bank is likely to maintain the Overnight Policy Rate (OPR) at 3%, and that fiscal policy remains stable in line with fiscal responsibility guidelines.

"Next year, we should see the rollout of subsidy rationalisation for RON95 and the progressive wage. There was a rebound in the trade surplus, and hopefully, this can be sustained as global growth and trade improve," he told *TMR*.

Commenting on sustainability, Williams pointed out that the sectors which will benefit most from the government's push towards green technology and carbon neutrality would be the clean energy generation and rare earth industries.

Malaysia's economic shift towards sustainability and green technology offers certain advantages, particularly in RE, with green electricity exports to Singapore already underway.

He said that Malaysia's investment in green energy could potentially bear fruit by this year, through growth in income, as "clean energy investment can provide a good source of export revenue" for the country.

"The abundance of rare earth metals will be a useful long-term resource for Malaysia to meet international demand from green industries, especially in EV batteries," he said.

Williams also believes that investment in sustainable agriculture could yield significant economic benefits by 2025.

"Sustainable agriculture should focus on providing food security for domestic consumers to reduce dependence on international sources," he added.

In the face of rapid industrialisation and urbanisation, he cautioned the government to strike a balance between economic development and environmental conservation.

"Economic development in Malaysia can benefit from the demand from green industries overseas. The balance to be struck is between the opportunities of the green economy and the benefits to economic growth and rising incomes for Malaysians.

"Environmental conservation has to be a priority, but this requires moderate regulation and enforcement that does not compromise economic benefits."

Regarding foreign investment, the primary attraction will be access to clean energy and water for data centres.

Beyond this, green initiatives are not expected to have a significant effect on FDI in Malaysia by 2025.

Moreover, Williams believes that green technology will have minimal impact on Malaysia's economic diversification efforts by this year.

The country will continue to rely on traditional sectors such as oil and gas, palm oil, electrical and electronics, and services.

Govt Initiatives Support RE Industry

Meanwhile, MK Land Holdings Bhd RE head Kamarulzaman Abu Bakar said the government's increased emphasis on sustainability and RE targets has positively impacted the company's operations and investments, particularly through policies that promote green technology and initiatives such as the Corporate Green Power Programme (CGPP), Large-Scale Solar 5 (LSS5) and the Corporate Renewable Energy Supply Scheme. These initiatives have enabled the company to expand its RE portfolio.

"These shifts have also encouraged the establishment of a dedicated RE division within MK Land, underscoring our commitment to long-term involvement in the sector," he told *TMR*.

He added that the company plays a significant role in supporting the country's RE transition, aligning with national aspirations to achieve 31% RE usage by 2025 and 70% by 2050.

The company has several RE projects at various stages, including a 10.95 MW solar farm at Lembah Beriah, Kerian, Perak, which was completed in May 2023. The farm supplies green energy to TNB under a 25-year PPA.

The company is currently developing a 30 MW solar farm in Kulim, Kedah, under CGPP, in partnership with Total Energies Renewables SAS. This project aims to provide clean energy to corporate consumers.

Looking ahead, the company is also participating in the LSS5 scheme with a proposed 94 MW project, pending approval from the Energy Commission, which is expected to issue a decision in the first quarter of 2025.

"In addition to solar energy, we are exploring opportunities in other RE areas such as biomass, mini-hydro and floating solar systems, aligning with Malaysia's sustainability goals and global net-zero carbon targets by 2050," he added.

On the outlook, Kamarulzaman believes that the RE and green tech sectors are poised for significant growth, driven by global net-zero carbon targets by 2050, government incentives and green funding opportunities from financial institutions.

In anticipation of 2025, the company is confident in its preparedness for this evolution, supported by its dedicated RE division, its track record of completed and ongoing solar farm projects, as well as its RE diversification plans.

"Our focus remains on leveraging both local and international partnerships to drive innovation and long-term sustainability in the RE sector."

However, Kamarulzaman said the company faces key barriers in scaling up its RE initiatives, primarily due to high capital costs and changing regulations.

"The substantial upfront investment required for solar farm development remains a significant challenge.

"(Regarding) regulatory compliance, adapting to evolving regulations and obtaining necessary approvals can be challenging," he said.

In his view, to accelerate the adoption of RE and green tech in Malaysia by 2025, the government could provide additional policy or regulatory support, such as offering more MW capacity allocations to RE players, thereby expediting the achievement of national targets.

He also suggested that the government create opportunities for more companies to participate in RE projects, fostering a competitive and innovative market landscape.

"The government could provide financial incentives and subsidies to offset high initial capital costs. These measures, combined with clear and streamlined regulatory processes, will support Malaysia's transition to a sustainable energy future."

At the same time, he expressed that strategic partnerships, both local and international, are essential in driving the adoption of green tech in the country.

Kamarulzaman emphasised the crucial role of local partners, highlighting their in-depth understanding of local regulatory requirements and processes, which significantly accelerates project approvals and implementation.

On the other hand, international partners, equipped with expertise and experience in green technology, provide valuable insights that local players can adopt and emulate for effective project execution.

For example, he shared its partnership with Total Energies Renewables for the 30 MW CGPP solar farm demonstrates the benefits of combining local insights with global expertise.