

Allure of Malaysia stays

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THE Malaysian economy has been on a firm path of progress, with improving data points, more foreign direct investments, higher tourism numbers and resilient consumer spending.

In the past year, we have seen a slew of multinational companies announcing plans to invest in the country, making Malaysia one of the preferred destinations for these companies.

The reconfiguration of supply chains due to China's ongoing tensions with the US and Taiwan, has put Malaysia in a good position as a beneficiary of the China+1 policies (as well as Taiwan+1 policies) as companies seek alternative manufacturing hubs to diversify and mitigate risks.

Malaysia finds itself in a sweet spot supported by:

- A strong legal system as compared to other countries like Vietnam.
- A multilingual and flexible workforce that is able to converse in Mandarin and English.
- Good infrastructure that includes airports, ports and road networks.
- Free from natural disasters.

We have seen technology-related investments benefitting Penang, given its already comprehensive technology ecosystem. This has also led to a property boom and an

increase in infrastructure projects in the state.

Apart from trade diversification, Malaysia also offers other thematic plays which provide catalysts for investments for the second half of 2024 and beyond.

Early in 2024, the announcement of the Madani framework helped to set up clear goals for Malaysia to achieve, aligning both government and corporate-sector to a common goal.

This has been reflected in policies like the Progressive Wage Policy — where the government is looking to reform the labour market, increasing workers' wages to address wage stagnation — which is part of the government's goal of making Malaysia a high-income nation.

Furthermore, the National Energy Transition Roadmap (NETR) charts a path of opportunities towards achieving net-zero emissions by 2050. The NETR is a step in the right direction for longer run energy transition reform.

For example, the emphasis of renewable energy (RE) under NETR, especially solar and biomass may bring more investment opportunities in green or sustainable and responsible investment.

As investors transition to responsible investment/impact investment, there is a good avenue for these RE issuers to raise funding via the domestic ringgit capital market.

There will be intensified competition among RE players, especially with NETR's plan to attract multinational companies to operate in Malaysia.

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■ Madani framework helped to set up clear goals for Malaysia to achieve

■ Hotspots such as Johor and Sarawak have also been attracting investor interest

Additionally, there may also be opportunities for automakers with electric vehicles as well as infrastructure projects as the NETR targets net zero by 2050.

The tourism sector is also one area that Malaysia stands to gain as the China visa-free travel seems to be bearing fruit.

Indeed, looking at the statistics, Malaysia's domestic tourism expenditure reached RM24.1bil in the first quarter of 2024, marking a 25.3% year-on-year increase, according to the Statistics Department.

Hotspots such as Johor and Sarawak have also been attracting investor interest.

Johor's aim to be the next Shenzhen is drawing a lot of economic initiatives, banking on their proximity to Singapore. Meanwhile, Sarawak is embarking on its own journey to become a high-income state by 2030.

Given the positive macro-economic outlook for Malaysia, the sectors that stand to benefit are finance, consumer and construction. There will also be longer-term opportunities in the tech sector.

There will be bouts of volatility ahead, given the geopolitical tensions and global uncertainty, as well as the quantum of rate cuts by the US Federal Reserve.

However, we would look to accumulate fundamentally sound stocks, where valuations have become more attractive.

This year, we have seen assets under management surge for Malaysian equity funds, benefitting from the government's policy of encouraging the GLCs, GLICs and corporates to repatriate excess profits and convert their foreign investment income denominated in other currencies back to Malaysia since March 2024.

This has helped to boost the domestic equity market's performance, and Malaysia has been one of the best performing markets in the Asia-Pacific region.

We still believe the current catalysts in Malaysia will continue in the long run.