

## Malaysia renewable energy growth

Allianz SE chief economist Ludovic Subran said industries such as solar energy, sustainable manufacturing and green tech innovation are experiencing high demand, especially as global supply chains push for cleaner energy sources.

"We are seeing a surge in new export orders for technology and industrial machinery, with the renewable energy market particularly well-positioned to benefit. As the world transitions to greener energy solutions, Malaysia is poised to capture more value from its exports in this space," Subran said during a media briefing on Autumn Economic Outlook 2024-2026: The Great Balancing Act today.

He said that the potential for service-based sectors, particularly in high-value outsourcing, to contribute to future growth. "Malaysia's proficiency in English and its cost advantages present a strong case for attracting more business in services like legal, tax, and consulting related to the green transition."

"A significant adjustment is happening due to a weaker domestic real estate market and concerns around political-economic uncertainties. Households are feeling the pressure and without interest rate cuts, residential real estate prices are not growing as fast, which impacts consumption," said Subran.

Additionally, he noted that fiscal tightening measures have reduced public expenditures, which is expected to contribute to slower growth. "The half-point fiscal cut is creating what we call the "Ricardian" effect, where consumers are holding back on spending due to expectations of higher taxes or reduced public benefits," he added.

"If former US president Donald Trump returns to office, the ringgit could depreciate by 5-10% due to a stronger US dollar. A Trump presidency would put considerable downward pressure on the ringgit as the dollar strengthens. On the other hand, if Kamala Harris takes office, we expect the ringgit to face only a mild depreciation of around 2-3%, which is more manageable," he said.

Despite the potential recovery, Subran noted, the volatility of the global market remains a concern for Malaysia, especially with the need for external capital to fund growth. "The ringgit's vulnerability stems from Malaysia's reliance on external financing, which exposes it to currency shifts, particularly in times of political and economic turbulence abroad."

Looking ahead, Subran mentioned that Malaysia will need to navigate these economic challenges by balancing domestic policy adjustments with efforts to strengthen its renewable energy and green technology sectors.

"While the immediate outlook may appear challenging, sectors tied to green energy and sustainable technology provide a solid foundation for future growth. The key will be to foster strong research and



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development partnerships, improve incentives for technology investment and ensure that Malaysia continues to move up the value chain in the global market."

As Malaysia positions itself to capitalise on these industries, Subran said, the country's long-term economic prospects remain bright, provided that both external vulnerabilities and domestic policy adjustments are managed effectively.

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Web: <https://sumthingtasty.co.za/contact-us/>

Email: [energystorage2000@gmail.com](mailto:energystorage2000@gmail.com)

WhatsApp: 8613816583346

