



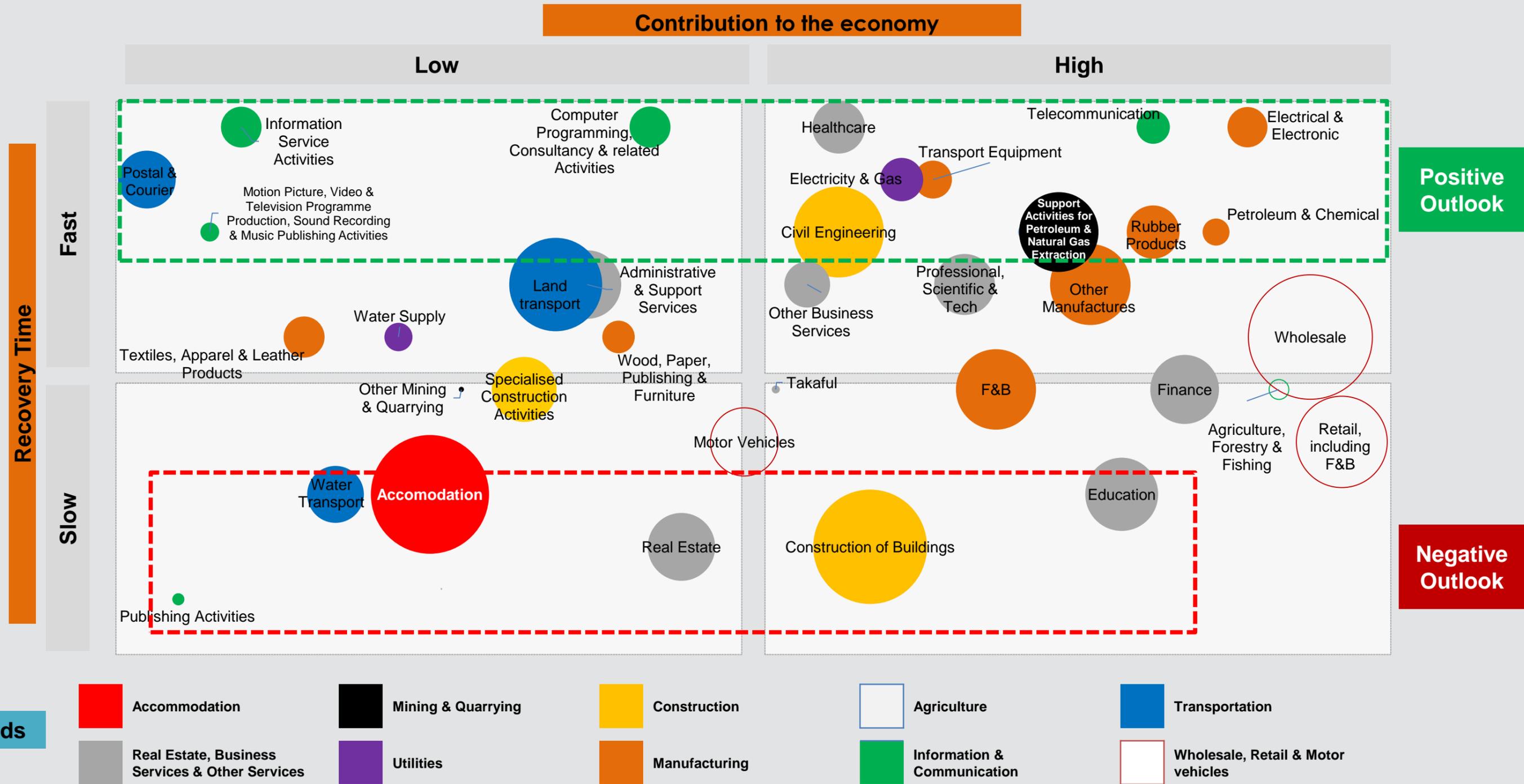
# Industry Focus: ENVIRONMENTAL SCANNING

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# Environmental Scanning: Moving forward, which sectors to focus?



# Environmental Scanning: Sectors with positive outlook; upside and downside risks



01



- Major infrastructure projects such as MRT3 in Greater KL, the Rapid Transit System Link in Johor announced in Budget **2021 should spur growth of construction projects and unlock values around the stations' vicinity.**
- The key downside risks include political leadership changes and/or a hung Parliament, **the resurgence of Covid- 19 cases, tighter SOP measures, labour constraints and delays.**

Civil Engineering

02



- Under the **digital content fund 3.0, RM46 mil** will be distributed to help 81 local production businesses.
- More than 3,175 new jobs in the creative industry are projected to be created.
- The **video-on-demand services** are rising.
- Digital piracy costs** the Malaysian media and entertainment industry about **RM3 bil each year.**
- Malaysian entertainment industry is a **relatively small industry**, competing with the influx of films from Hollywood and South Korea.

Motion Picture, Video & Television Programme Production, Sound Recording And Music Publishing Activities

03



- By 2023, ICT spending in Malaysia could reach USD25.2 bil.** This spending will be supported by a growing rate of digital adoption and cloud computing in Malaysia.
- The Asia-Pacific IT services sector is expected to be worth USD619.6 bil in 2025, (2020: +51.8% growth).
- Competitive market.** The IT services sector is transitioning from providing basic services (outsourcing) to delivering value-added services (analytics consulting) which has higher-margins.

Computer Programming, Consultancy & Related Activities

04



- Work-from-home and virtual learning** have become the new reality.
- Jendela's aims to strengthen the fibre network before the launch of 5G services to ensure better reach.
- Introduction of 5G services, which was postponed until end-2022 or early 2023, will be a watershed moment.
- Capital intensive industry.** This sector requires operators to have enough fund flows to support **escalating capital requirement.**

Telecommunications

# Environmental Scanning: Sectors with positive outlook; upside and downside risks



05



- The pandemic has accelerated the adoption of application software, data analytics & cyber security.
- Cloud computing and digital transformation strategies will continue to be in high demand.
- **Dominated by international players.** SAP is the market leader, along with Oracle and Microsoft.
- Among local players, noteworthy names include HeiTech Padu and VADS Professional Services.

Information Services

06



- **Enjoys ready access to feedstock** - considerable crude oil & natural gas reserves.
- **Sabah and Sarawak** are planning to increase development of petrochemical production capacities.
- The Malaysian petrochemicals industry will likely continue to **face considerable competition** as several countries in the region are ramping up capacity.
- The issue will probably persist for several years.

Mfg: Petroleum & Chemical

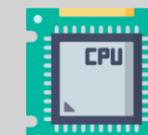
07



- This industry has benefit from the government's National Automotive Policies (NAP).
- The **NAP 2020** will maintain the promotion of **energy efficient vehicles** and support the **production of next generation vehicles** through an intensive use of 4th Industrial Revolution technologies.
- The relatively high level of **dependence on domestic market** unveils two structural weaknesses, which are **high vulnerability to the Malaysian economic cycle** and considerably **low international competitiveness**.

Mfg: Transport Equipment

08



- **USD527.2 bil** worth of semiconductor sales is expected for 2021, **+19.7% increase from 2020**.
- **In 2022**, the global market is forecast to **grow by a substantial 8.8%**.
- Key drivers include global **5G rollout and robust fabrication investments** in China.
- Key downside risks include a **prolonged pandemic** weighing on economic growth and sentiment, **a heightened trade war**, weaker-than-expected sales, and stronger Ringgit against the USD.

Mfg: Electrical & Electronic

# Environmental Scanning: Sectors with positive outlook; upside and downside risks



09



- **Global economic recovery** led to significant improvement in **oil demand**.
- OPEC projects global oil demand to **pick up pace in 2H21**, reaching 99.0 mb/d (1H21: 94.1 mb/d) as greater mobility in major economies supports gasoline and on-road diesel demand.
- The **resurgence of Covid-19 infections**, as well as renewed lockdowns in major economies (Eurozone, Japan & India), weigh on global recovery.
- **OPEC+ expects the oversupply to return in 2H 2022.**

Oil and Gas

10



- Malaysia's total health expenditure is anticipated to grow at a **CAGR of 7.3%** between 2020 and 2024.
- At this rate, Malaysia will spend **4.76% of GDP on healthcare in 2024.**
- Malaysia will have to continue **importing patented drugs** from other countries to treat chronic diseases such as cardiovascular disease and cancer, pushing up medical costs.

Healthcare

11



- Total throughput in MYS ports expected to return to **positive growth in 2021-22** amid global recovery.
- Port Klang, Port of Tanjung Pelepas and other smaller ports, have plans to expand their port capacity significantly.
- MYS ports also stand to gain from the **RCEP trade deal and "China Plus One" strategy.**
- **Recovery of the airport sector unlikely in the near term.**
- Downside risks include uncertainty on vaccine efficacy, possibility of new waves, **rising protectionism and trade tension. Domestic policy uncertainty** could also dampen business confidence.

Port/Airport

12



- The courier sector has **spiked in demand due to the e-commerce boom**, thanks to digitalisation and busy lifestyles.
- **The pandemic** has given impetus to **online shopping.**
- **Convenience and attractive deals** will continue to drive the courier business.
- **Competition is stiff** given high number of players, which results in price wars and small margins.
- **Low entry barrier.** There were 109 courier service license holders in the country as at October 2020.

Postal & Courier



## Positive Outlook

13



- Demand for disposable gloves would grow by **15% CAGR for the next few years**, amid higher consumption from the medical segment.
- Likely change in consumption patterns, given **increase awareness**.
- **New players** estimated to **add 6.5-10 bil pieces of glove production capacity/year**. **Oversupply situation** may happen post-2024.
- **Labour freeze** still plagues the industry. The glove industry **requires an additional 25,000 workers** (in addition to the existing manpower of 71,800).

Rubber Products

14



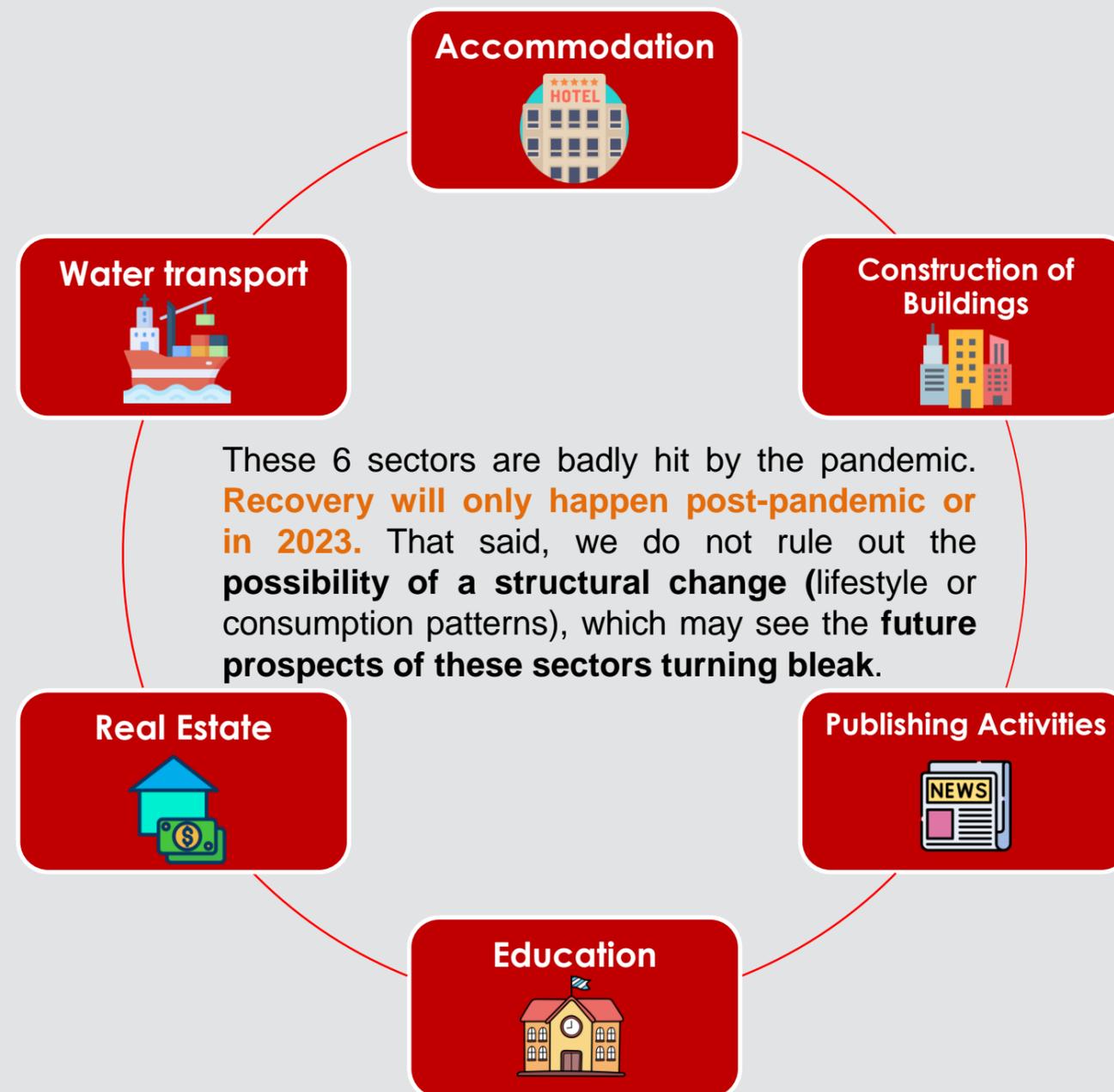
- New opportunities in renewable energy (RE), especially **solar energy**, in line with the **20% RE capacity mix target by 2025**.
- Malaysia's **power consumption is forecast to grow at a CAGR of 2.5%** between 2019 and 2023.
- The **subdued economic environment** and the protracted **political uncertainty** may **delay investments** in new projects.
- **Intense competition for RE projects** may continue to push down bid rates, increasing earning risks.

Electricity & Gas



## Negative Outlook

### Moving forward: Which sectors to avoid?



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