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- Global Commodity Market Outlook
- World Palm Oil Production
- World Trade of Palm Oil
- Malaysia's Palm Oil Industry
- Economic Impact on the Malaysian Economy: *Change in Oil and Fats Export & Exchange Rate*
- Conclusion



Global Economic Developments: Uneven Growth

- Global growth in 2016 is projected to grow slower at 3.1 percent before recovering to 3.4 percent in 2017.
- Subdued outlook for advanced and emerging economies due to geopolitical risks and rise of protectionism.
- Persistent of low commodity prices cause readjustment and realignment of world economies to the new norm.

World Economic Outlook Projections (% y-o-y)

Year	2007	2008	2009	2010	2011	2012	2013	Projections		Difference from April 2014 WEO Projections	
								2014	2015	2014	2015
World	5.0	3.1	-0.7	5.3	3.9	3.5	3.2	3.4	4.0	-0.3	0.0
Advanced Economies	2.7	0.8	-3.2	3.2	1.6	1.4	1.3	1.8	2.4	-0.4	0.1
US	2.6	1.4	-3.5	3.0	1.7	2.8	1.9	1.7	3.0	-1.1	0.1
Euro Area	2.6	0.8	-4.3	1.9	1.4	-0.7	-0.4	1.1	1.5	0.0	0.1
Japan	2.1	-0.7	-6.3	4.4	-0.7	1.4	1.5	1.6	1.1	0.3	0.1
Developing Asia	10.6	7.6	7.2	9.7	7.8	6.7	6.6	6.4	6.7	-0.2	-0.1
China	13.0	9.0	9.2	10.4	9.2	7.7	7.7	7.4	7.1	-0.2	-0.2
India	9.4	7.3		10.6	7.2	4.7	5.0	5.4	6.4	0.0	0.0
ASEAN-5	6.3	4.8		7.0	4.5	6.2	5.2	4.6	5.6	-0.4	0.2
World Trade Volume	7.2	2.9	-10.7	12.9	5.8	2.8	3.1	4.0	5.3	-0.3	0.0

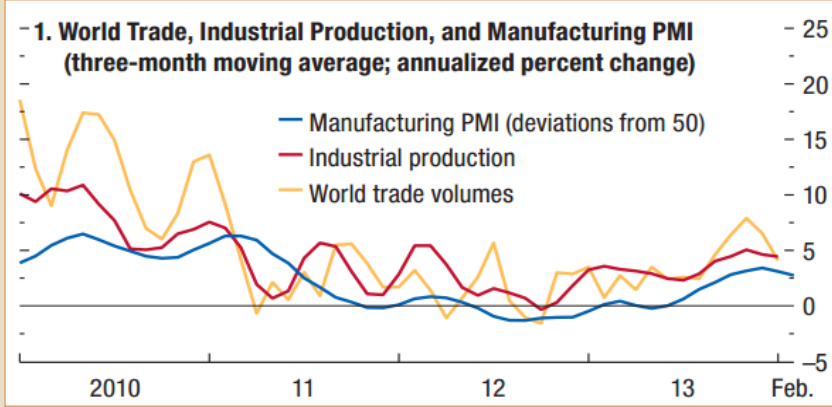
SOURCE: IMF

World Economic Outlook Projections (% y-o-y)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	Projections		Difference from July 2016 WEO Update	
										2016	2017	2016	2017
World	5.7	3.0	-0.1	5.4	4.2	3.5	3.3	3.4	3.2	3.1	3.4	0.0	0.0
Advanced Economies	2.7	0.1	-3.4	3.1	1.7	1.2	1.2	1.9	2.1	1.6	1.8	-0.2	0.0
United States	1.8	-0.3	-2.8	2.5	1.6	2.2	1.7	2.4	2.6	1.6	2.2	-0.6	-0.3
Euro Area	3.0	0.4	-4.5	2.1	1.5	-0.9	-0.3	1.1	2.0	1.7	1.5	0.1	0.1
Japan	2.2	-1.0	-5.5	4.7	-0.5	1.7	1.4	0.0	0.5	0.5	0.6	0.2	0.5
Emerging and Developing Asia	11.2	7.2	7.5	9.6	7.9	7.0	7.0	6.8	6.6	6.5	6.3	0.1	0.0
China	14.2	9.6	9.2	10.6	9.5	7.9	7.8	7.3	6.9	6.6	6.2	0.0	0.0
India	9.8	3.9	8.5	10.3	6.6	5.6	6.6	7.2	7.6	7.6	7.6	0.2	0.2
ASEAN-5	6.2	5.4	2.4	6.9	4.7	6.2	5.1	4.6	4.8	4.8	5.1	0.0	0.0
World Trade Volume (goods and services)	8.0	2.9	-10.5	12.4	7.0	2.8	3.5	3.8	2.6	2.3	3.8	-0.4	-0.1

SOURCE: IMF

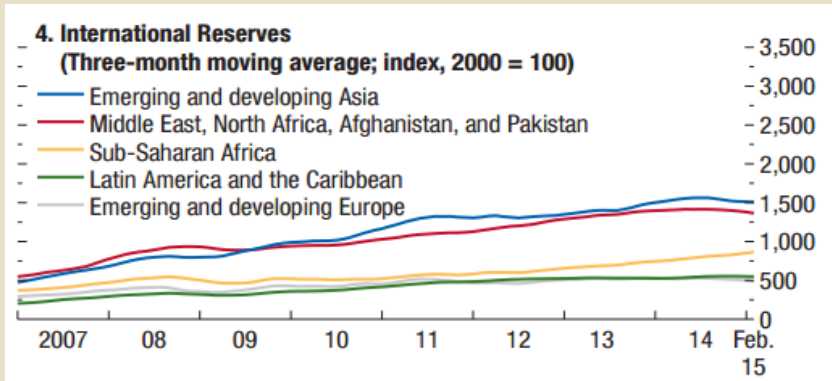
Global Activity



- The strengthening in activity was mirrored in global trade and industrial production.

SOURCE: IMF

International Reserves

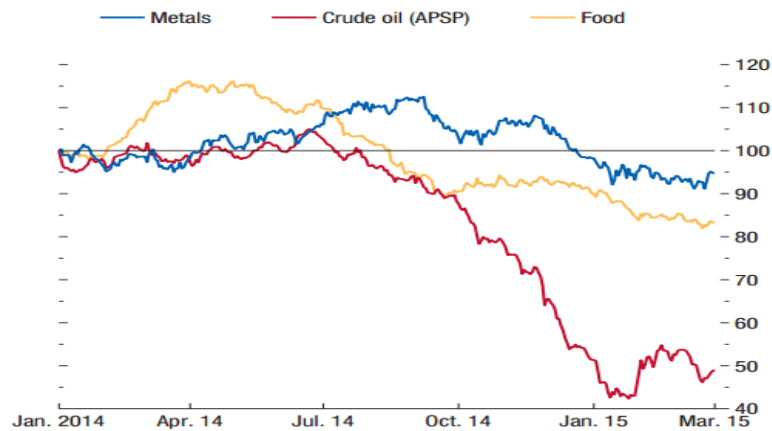


- The distribution of risks to global growth is more balanced than that presented in the October 2014 WEO but is still tilted to the downside. A greater boost to demand from lower oil prices is an important upside risk. And downside risks have moderated given a lower baseline path for growth in emerging market economies.

SOURCE: IMF

Commodity Prices

Figure 1.SF.1. Commodity Price Indices
(January 1, 2014 = 100)

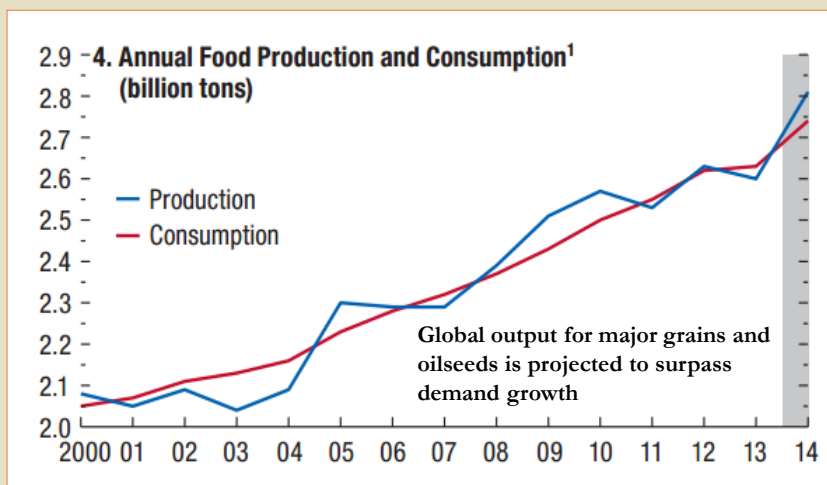


SOURCE: IMF

- Declines in the prices of commodities, especially fuels and food, have been a common force behind recent decreases in headline inflation across the globe.
- Commodity prices in U.S. dollar terms are projected to ease a bit further in 2014–15, partly reflecting the path implied by commodity futures prices.

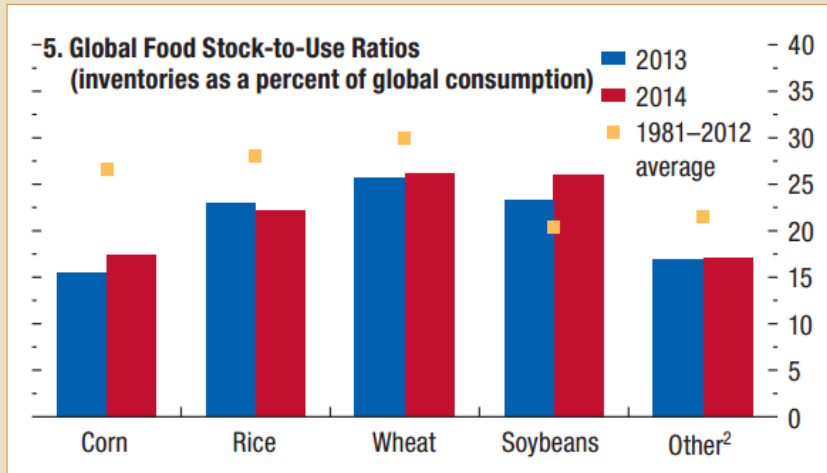
- Since the October 2013 WEO, energy prices have been fairly flat overall, with falling prices for crude oil offset by rising prices for natural gas and coal.
- Metal prices have remained broadly flat at about 30 percent below the highs of early 2011, with most markets in surplus (large and rising stocks and steady gains in production)
- In food markets, the production outlook is favorable for most major crops.

Annual Food Production and Consumption (Billion tons)



SOURCE: IMF

Global Food



SOURCE: IMF

- Stocks continue to gradually recover, especially stocks of corn.
- In early 2014, concerns about the effects of adverse weather on South American harvests have exerted some upward price pressure.

**Some Vital Statistics
of the Major Economies 2013-2014, 2015
(Average)**

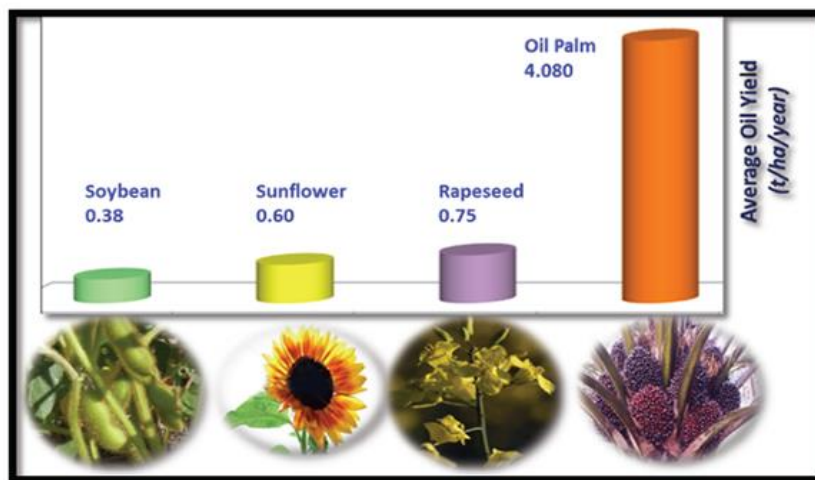
Country	GDP YoY %		Inflation Rate %		Jobless Rate %		Government Budget %		Debt to GDP %	
	2013/ 2014	2015	2013/ 2014	2015	2013/ 2014	2015	2013/ 2014	2015	2013/ 2014	2015
USA	2.5	2.6	2.0	0.1	6.2	5.3	-4.1	-2.5	101.5	104.2
Euro zone	0.7	2.0	0.3	0.0	11.5	10.9	-3.0	-2.1	92.6	90.7
China	7.5	6.9	2.3	1.4	4.1	4.1	-2.1	-2.3	22.4	43.9
Japan	-0.10	0.5	3.4	0.8	3.8	3.4	-7.6	-6.0	227.2	229.2
S. Korea	3.6	2.6	1.4	0.7	3.4	3.6	-1.5	-3.0	33.8	35.1
Malaysia	6.4	5.0	3.2	2.1	2.8	3.1	-3.9	-3.2	54.8	54.0

SOURCE: TRADING ECONOMICS

GLOBAL COMMODITY MARKET OUTLOOK

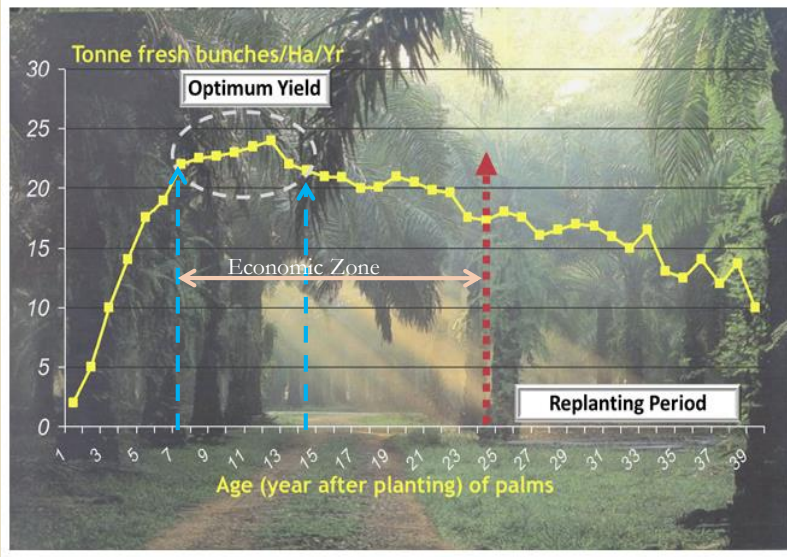
Efficient and Highly Productive

- Oil palm is the most efficient oilseed crop in the world.
- One hectare of oil palm plantation is able to produce up to ten times more oil than other leading oilseed crops.
- The most efficient producers may achieve yields as high as eight tonnes of oil per hectare.
- Indonesia and Malaysia produce about 85.3% of the world's palm oil. Other producer countries include Thailand, Columbia, Nigeria, Ecuador and Papua New Guinea.



Oil Palm – the most productive oil crop

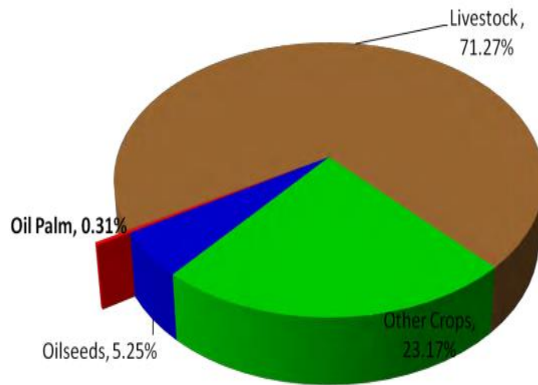
Source: Ahmad Fauzi (2016)



Source: Ahmad Fauzi (2016)

Palm Oil – The Ultimate Sustainable Oil

Distribution of Global Agricultural Area



Total Agricultural Area : 5 Billion Hectares

Source: Oil World (2016)

Global Production

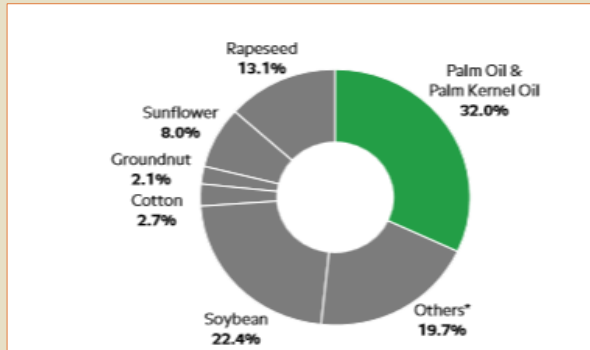
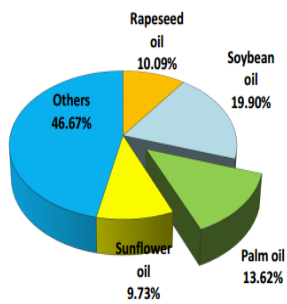


Figure 3

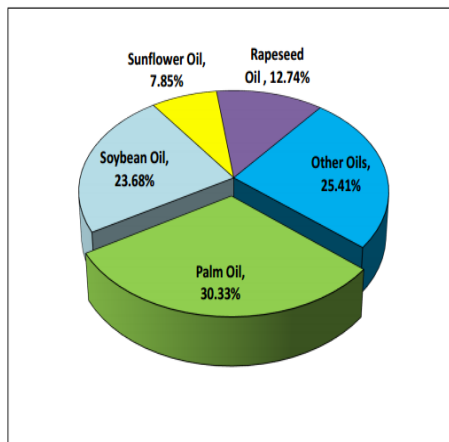
17 Major Oils & Fats : Global Production in 2012 (Total = 186.4 mil tonnes)
 *Includes oils and fats such as butter, lard, fish oil, tallow and grease
 (Source: Oil World 2013)

- But oil palm produced 32.0% of global oils and fats output in 2012.

Oils and Fats Production (1990 – 2015)



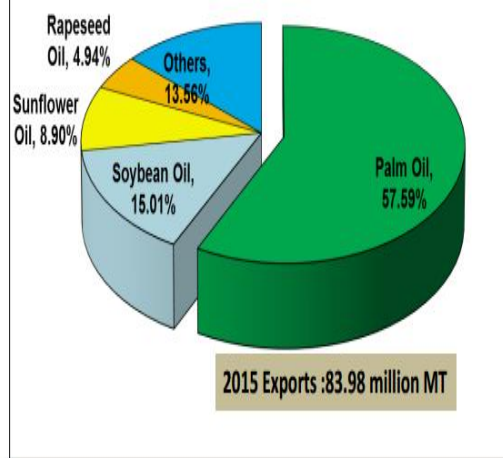
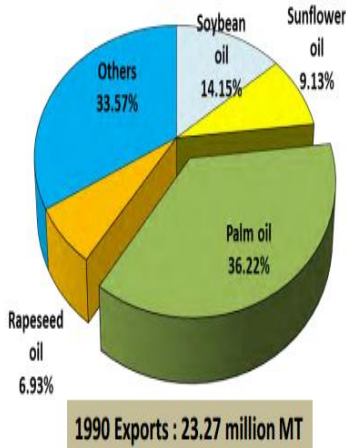
1990 Production : 80.89 million MT



2015 Production : 206.37 million MT

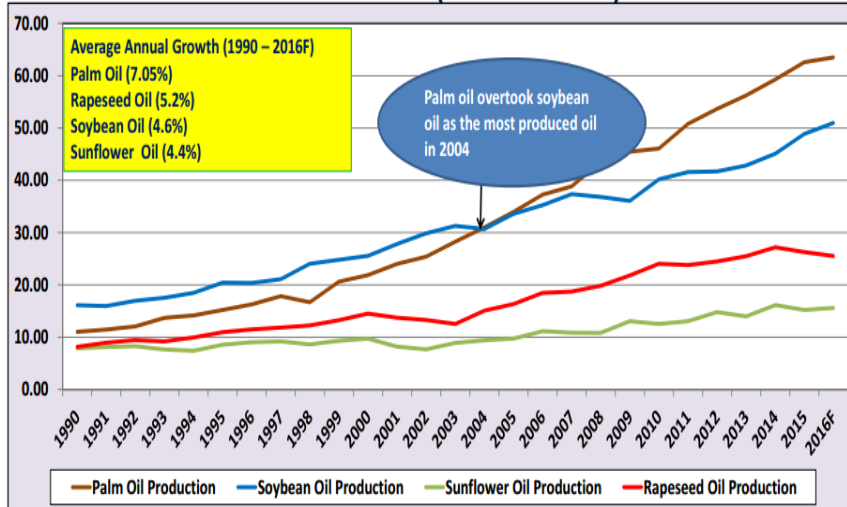
Source: Oil World

Oils and Fats Exports (1990 – 2015)



Source: Oil World

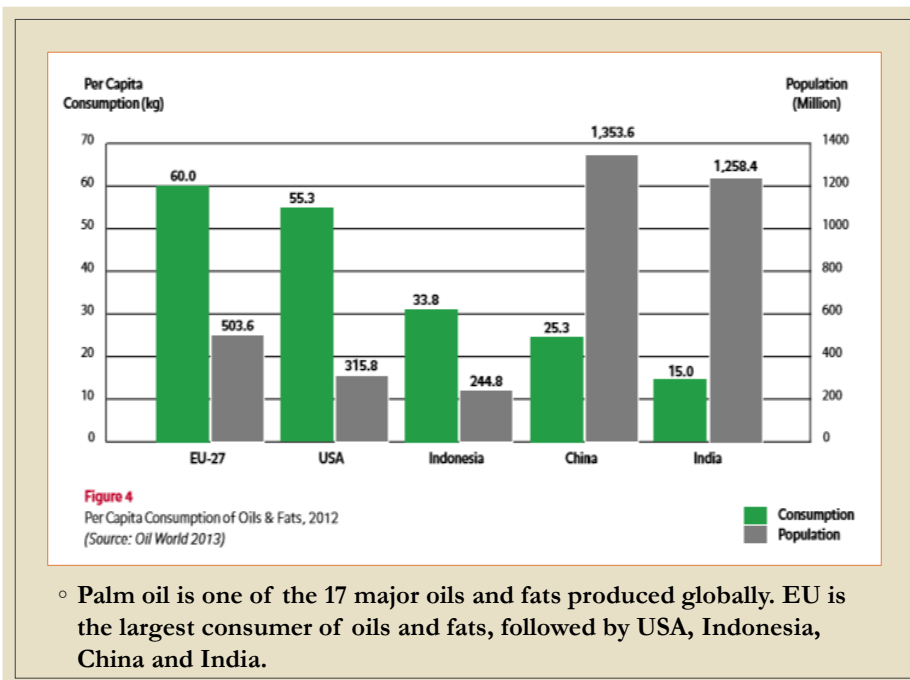
AVERAGE ANNUAL GROWTH IN WORLD VEGETABLE OIL PRODUCTION (1990 – 2016F)



Source: Oil World

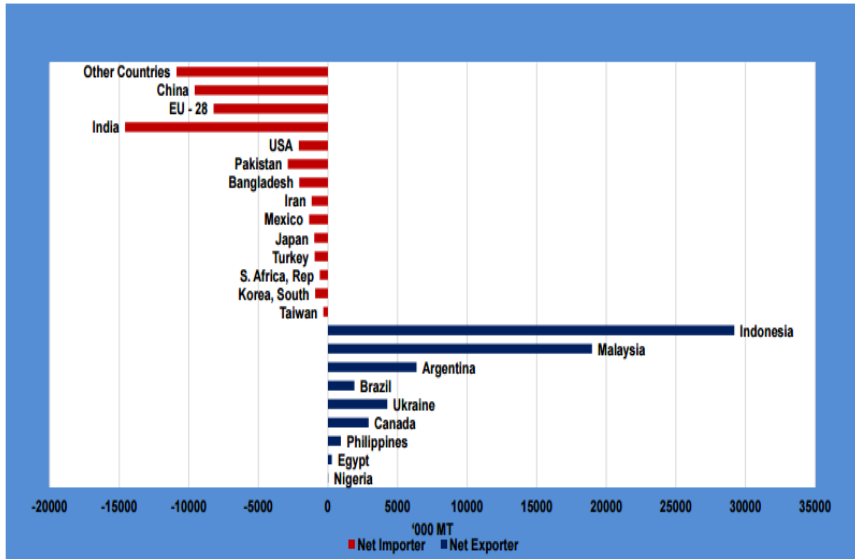
TOP TEN COUNTRIES WITH THE HIGHEST POPULATION					
	Country	2015 Population	2010 Population	2000 Population	2050 Expected Pop.
1	China	1,361,512,535	1,330,141,295	1,268,853,362	1,303,723,332
2	India	1,251,695,584	1,173,108,018	1,004,124,224	1,656,553,632
3	United States	321,368,864	310,232,863	282,338,631	439,010,253
4	Indonesia	255,993,674	242,968,342	213,829,469	313,020,847
5	Brazil	204,259,812	201,103,330	176,319,621	260,692,493
6	Pakistan	199,085,847	184,404,791	146,404,914	276,428,758
7	Nigeria	181,562,056	152,217,341	123,178,818	264,262,405
8	Bangladesh	168,957,745	156,118,464	130,406,594	233,587,279
9	Russia	146,267,288	139,390,205	146,709,971	109,187,353
10	Japan	126,919,659	126,804,433	126,729,223	93,673,826
TOP TEN Countries		4,217,623,064	4,016,489,082	3,618,894,827	4,950,140,178
Rest of the World		3,042,279,179	2,829,120,878	2,466,012,769	4,306,202,522
TOTAL World Population		7,259,902,243	6,845,609,960	6,084,907,596	9,256,342,700

Source: US Census Bureau

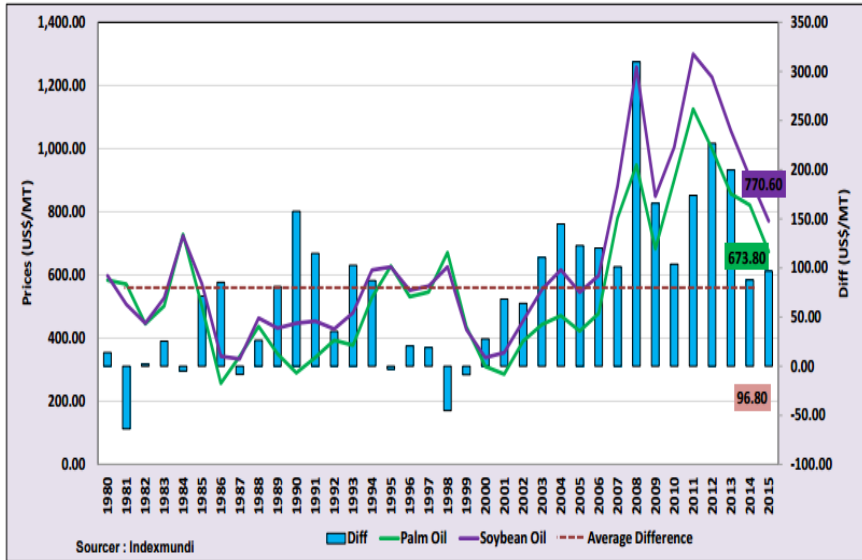


- Palm oil is one of the 17 major oils and fats produced globally. EU is the largest consumer of oils and fats, followed by USA, Indonesia, China and India.

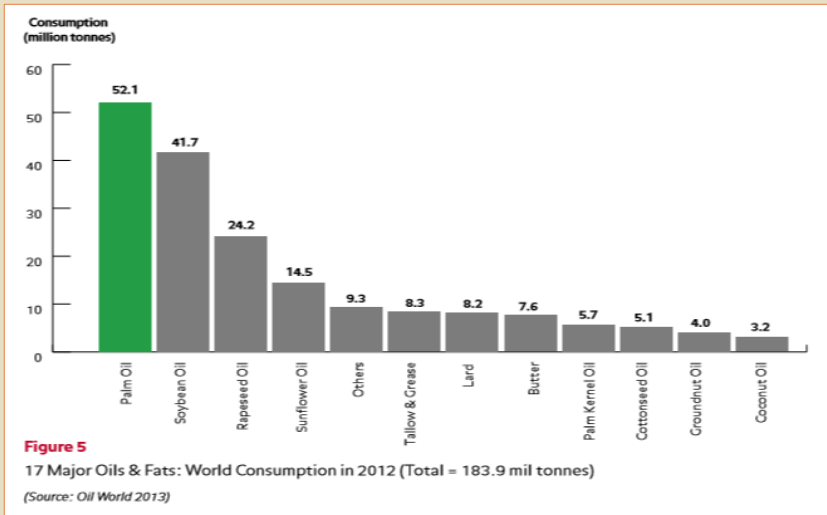
OILS AND FATS NET IMPORTING V NET EXPORTING COUNTRIES 2015



SBO vs CPO Prices (1980 - 2015, US\$/MT)



Sourcer : Indexamundi



- Global consumption for palm oil was 52.1 million tonnes in 2012.

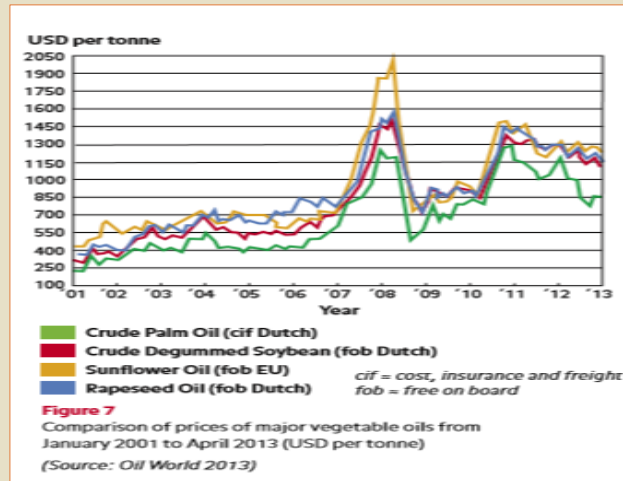
Trends in the Global Consumption of Palm Oil

- Approximately 80% of global palm oil production is used for food purposes. In addition, palm oil is used as an ingredient in non edible products including in the production of bio-fuel, soaps, detergents and surfactants, cosmetics, pharmaceuticals and a wide variety of other household and industrial products.
- Palm oil and palm kernel oil uses, in both food and non-food products, have been growing significantly.



By 2020, global consumption of palm oil is expected to grow almost **60 million tonnes**.

Comparison of Prices of Major Vegetable Oil

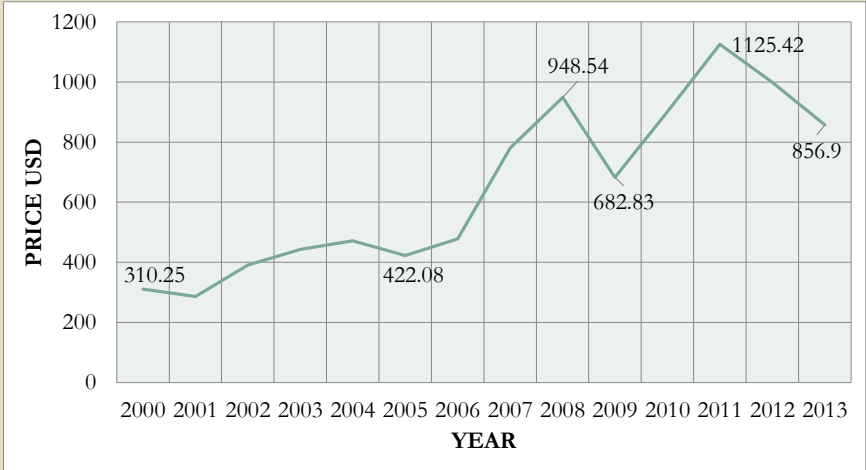


- Price of palm oil is more competitive than prices of soybean, rapeseed and sunflower oil in the world market for oils and fats.

Global Commodity Market Outlook

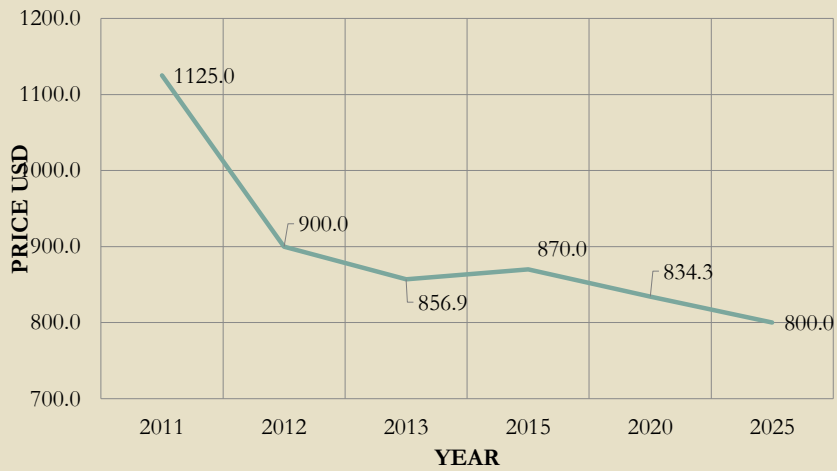
- The oil palm industry is one of the important sources of food for human consumption obviously it is in line with an increase of world population.
- In 2009-10, the commodity prices moving upward were due to strong economic growth, re-stocking in China, and a number of supply constraints.
- However in early 2011, several disruptions, including drought and heavy rains that affected most agriculture markets as well as coal and mineral output in various locales, weakening trend in overseas markets also put pressure on the prices pushed prices downward.

Historical Palm Oil Price (Nominal USD)

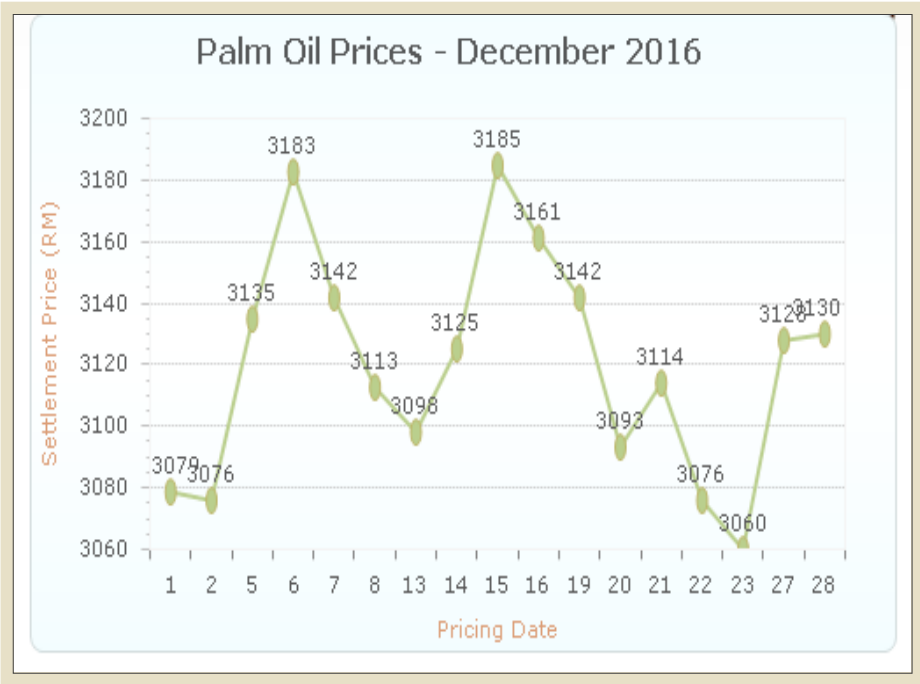


SOURCE: WORLD BANK

Palm Oil Price Forecast (Nominal USD)

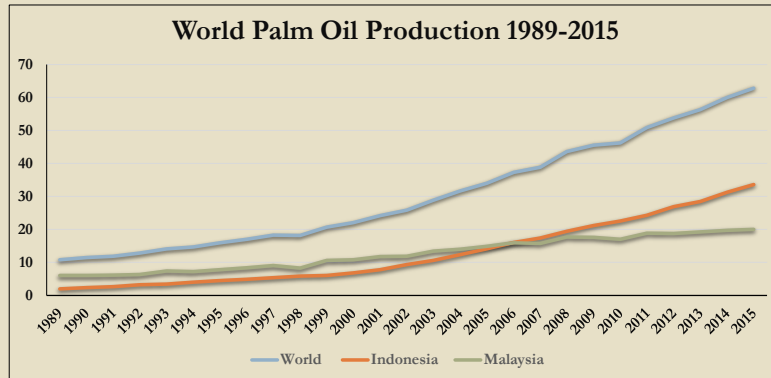


SOURCE: WORLD BANK



WORLD PALM OIL PRODUCTION

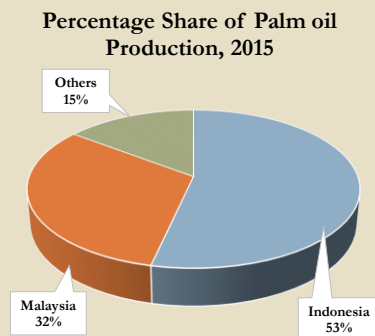
Trend in Global Palm Oil Production



- Total world production of palm oil has increased more than threefold over the past 3 decades to 2010.

Percentage Share of Palm Oil Production

- In 2015, total palm oil production was estimated at 62.79 million tonnes, with Malaysia and Indonesia accounting for more than 85.3 percent of the world total.
- Indonesia and Malaysia each produced about 33.60 million tonnes and 19.96 million tonnes respectively.

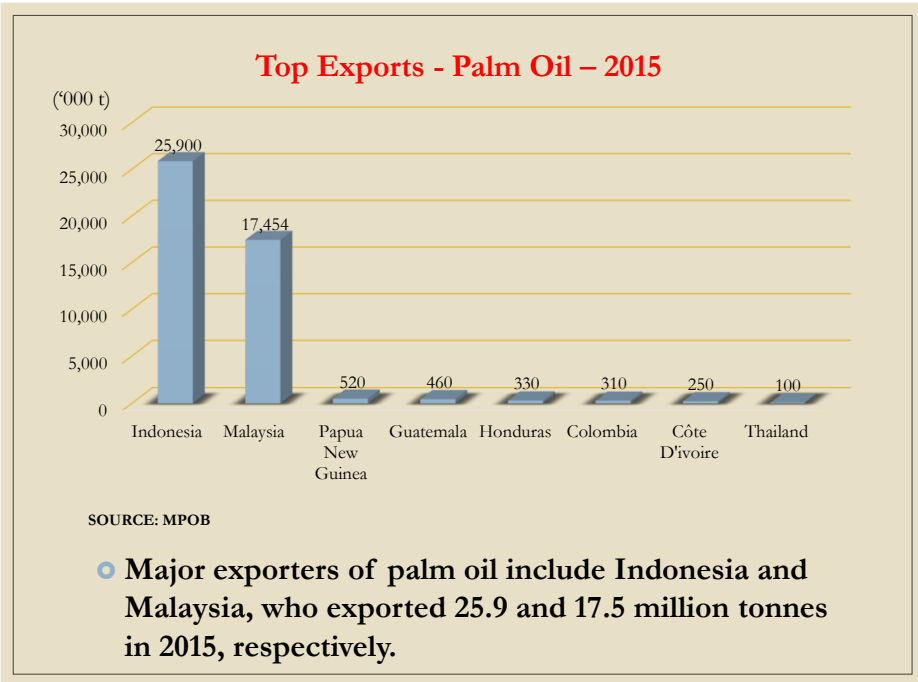
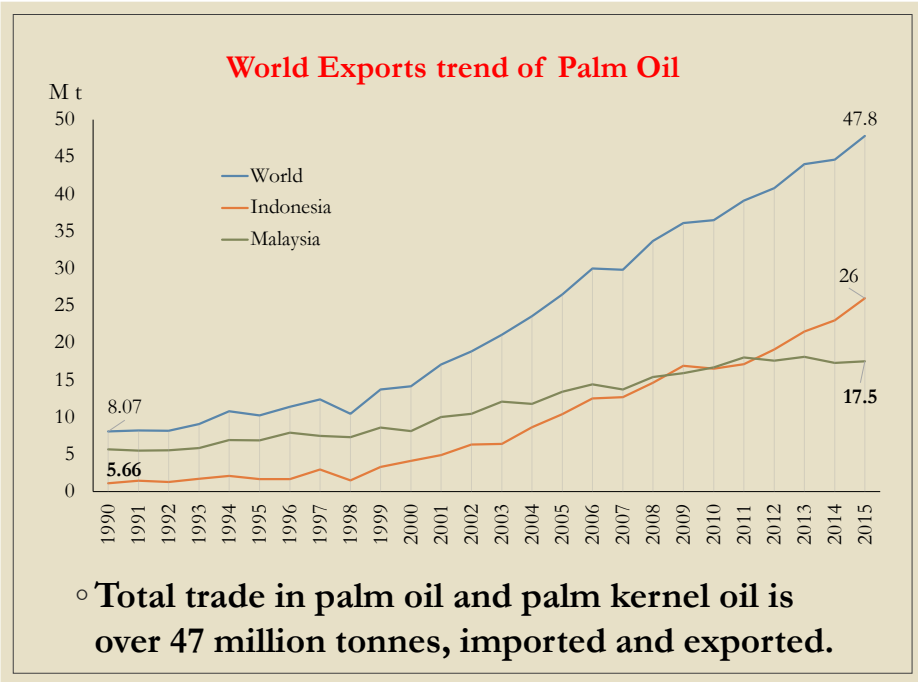


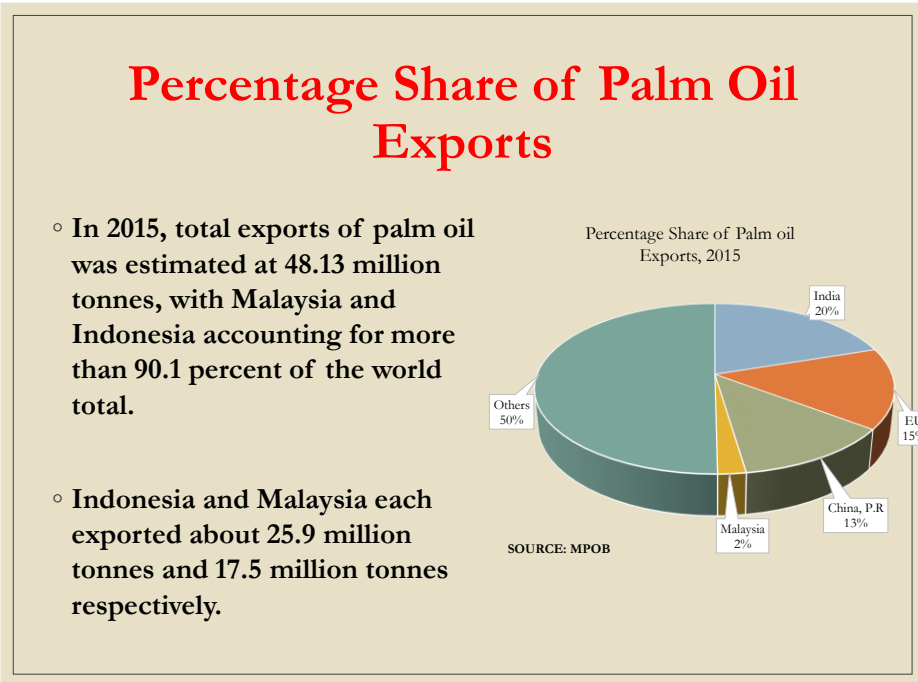
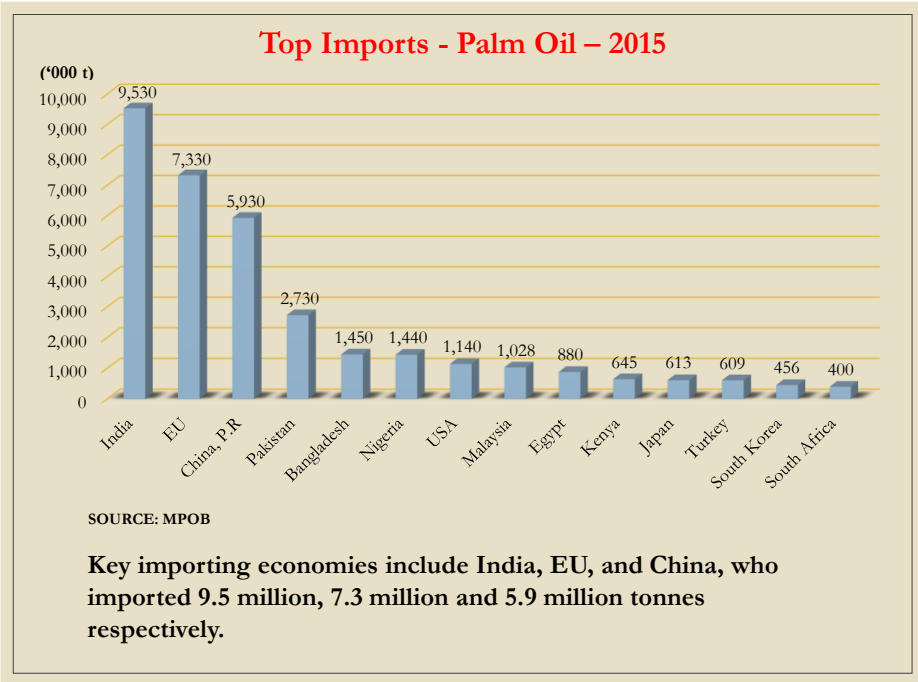
World Palm Oil Production ('000 Tonnes)

Country	2014		2015		Difference	
	Tonnes	%	Tonnes	%	Tonnes	% Change
Indonesia	31,300	52.44	33,600	53.51	2,300	7.35
Malaysia	19,667	32.95	19,962	31.79	295	1.50
Thailand	1,870	3.13	1,850	2.95	(20)	(1.07)
Colombia	1,110	1.86	1,260	2.01	150	13.51
Nigeria	910	1.52	940	1.50	30	3.30
Ecuador	510	0.85	530	0.84	20	3.92
Papua New Guinea	500	0.84	503	0.80	3	0.60
Honduras	460	0.77	470	0.75	10	2.17
Guatemala	448	0.75	462	0.74	14	3.13
Côte D'ivoire	400	0.67	410	0.65	10	2.50
Brazil	370	0.62	400	0.64	30	8.11
Costa Rica	210	0.35	245	0.39	35	16.67
Venezuela	47	0.08	48	0.08	1	2.13
Others	1,885	3.16	2,112	3.36	227	12.04
TOTAL	59,687	100.00	62,792	100.00	3,105	5.20

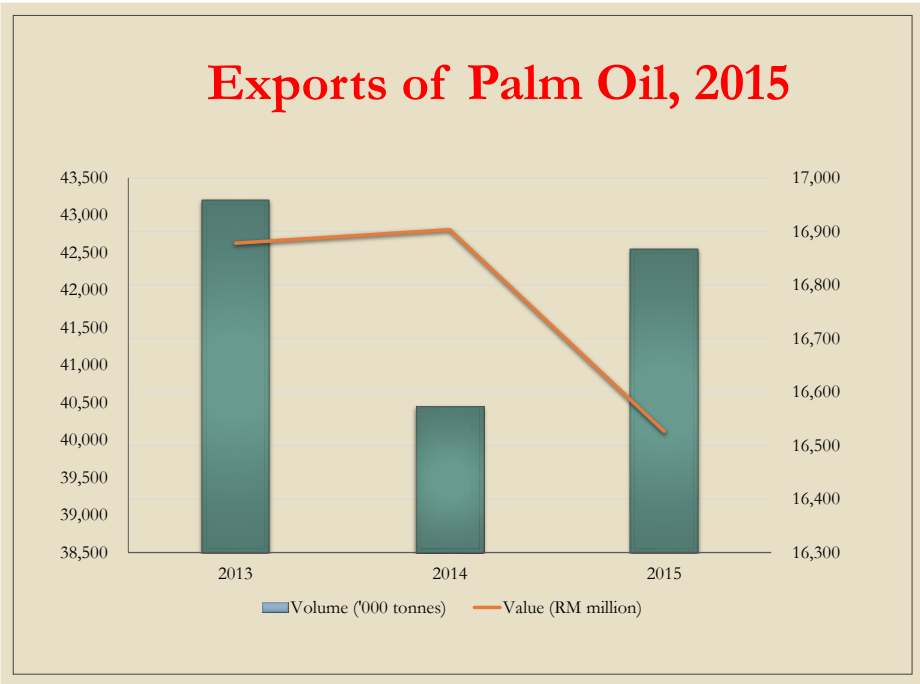
SOURCE: MPOB

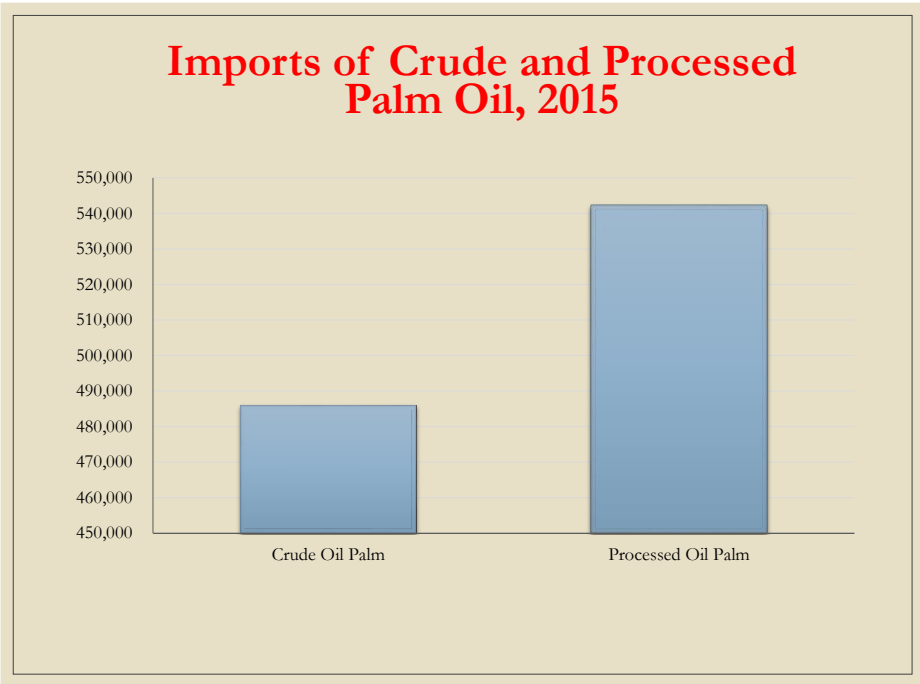
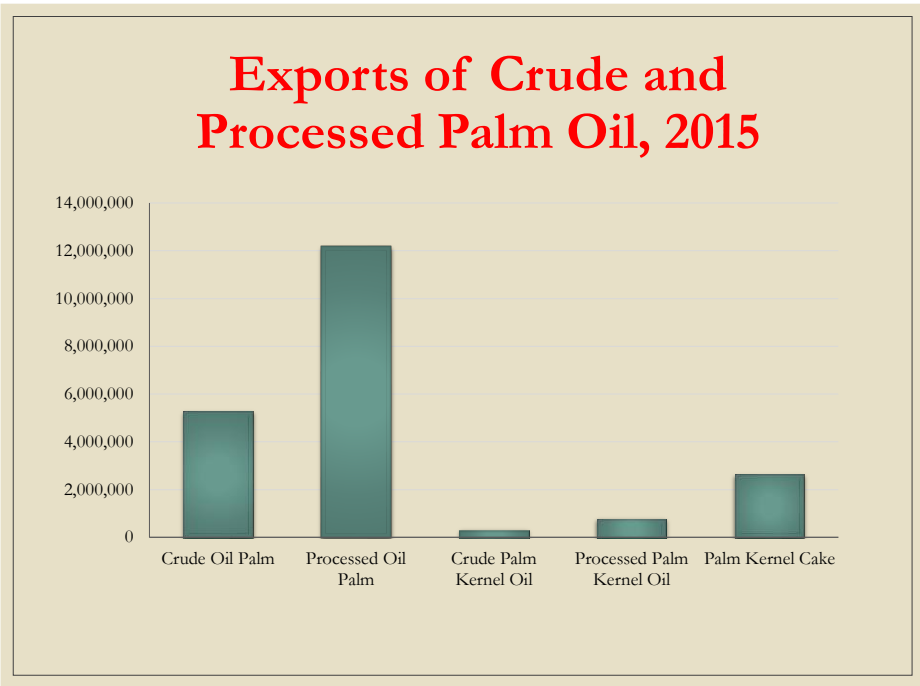
WORLD TRADE OF PALM OIL





MALAYSIA'S PALM OIL INDUSTRY





Malaysia's Palm Oil Industry

- Looking from the world's total oilseed area of 233 million, Malaysian oil palm accounted for the least. Yet, Malaysia was able to supply 10 per cent of the global vegetable oil and 26 per cent of the export trade in oil and fats. In fact Malaysian palm oil production is only the second largest production in the world.



**ECONOMIC IMPACT ON
THE MALAYSIAN
ECONOMY:
*CHANGE IN OIL & FATS EXPORT
AND EXCHANGE RATE***

1. CHANGE IN PALM OIL EXPORT

Change in Malaysia Total Oil and Fats Export (RM 000)

On 2010 , Malaysia total export for Oil and Fats are 51,716,691, if :

- 1% = 517,166
- 5% = 2,585,834
- 10% = 5,171,669

Top 25 Sectors for 1% (Rank by Output)

ABSORPTION MATRIX OF DOMESTIC PRODUCTION AT BASIC PRICES, 2010 124 COMMODITY x 124 COMMODITY (RM'000)	Commodity	Total Output Economic Impact (RM)	Total Gross Value Added Economic Impact (RM)	Total Income Economic Impact (RM)	Total Employment Economic Impact (RM)
Commodity					
Oils and Fats	21	749,690	45,756	16,166	691
Oil Palm	6	319,629	239,378	43,135	1,844
Wholesale & Retail Trade and Motor Vehicle	93	95,113	53,131	14,353	614
Financial Institution	108	39,273	12,350	4,517	193
Petroleum Refinery	44	13,677	3,000	376	16
Crude Oil and Natural Gas	13	12,403	10,410	538	23
Basic Chemicals	45	12,076	3,097	530	23
Other Financial Institution	110	12,067	5,154	2,265	97
Land Transport	96	11,654	4,170	1,165	50
Professional	115	9,839	6,167	2,360	101
Banks	107	8,904	5,387	2,105	90
Electricity and Gas	86	8,072	3,424	235	10
Fertilizers	46	7,887	1,716	438	19
Real Estate	111	6,797	3,310	878	38
Telecommunications	104	6,677	2,178	385	16
Other Transport Services	99	4,863	1,099	453	19
Special Trade Works	92	3,778	1,028	751	32
Business Services	116	3,765	1,636	492	21
Other Chemicals Product	50	3,168	426	64	3
Highway, Bridge and Tunnel Operation Services	101	2,855	2,122	467	20
Motor Vehicles	80	2,672	314	86	4
Restaurants	95	2,643	1,062	416	18
Plastics Products	55	2,473	397	287	12
Other Manufacturing	84	2,341	1,052	385	16
Paper and Paper Products and Furniture	41	2,332	581	161	7
Others		30,889	10,960	3,100	133
		1,375,538	419,306	96,108	4,109

Top 25 Sectors for 5% (Rank by Output)

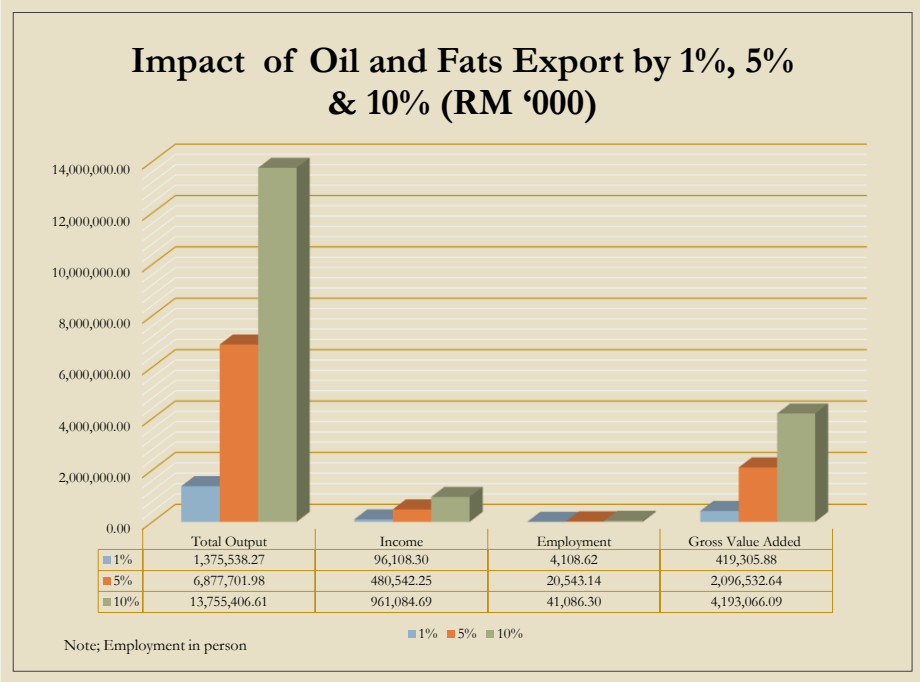
ABSORPTION MATRIX OF DOMESTIC PRODUCTION AT BASIC PRICES, 2010 124 COMMODITY x 124 COMMODITY (RM'000)	Commodity	Total Output Economic Impact (RM)	Total Gross Value Added Economic Impact (RM)	Total Income Economic Impact (RM)	Total Employment Economic Impact (RM)
Commodity					
Oils and Fats	21	3,748,455	228,783	80,830	3,455
Oil Palm	6	1,598,149	1,196,892	215,676	9,220
Wholesale & Retail Trade and Motor Vehicle	93	475,567	265,653	71,763	3,068
Financial Institution	108	196,365	61,750	22,583	965
Petroleum Refinery	44	68,385	15,001	1,882	80
Crude Oil and Natural Gas	13	62,017	52,049	2,689	115
Basic Chemicals	45	60,378	15,484	2,650	113
Other Financial Institution	110	60,335	25,772	11,323	484
Land Transport	96	58,272	20,852	5,826	249
Professional	115	49,194	30,837	11,801	504
Banks	107	44,522	26,935	10,525	450
Electricity and Gas	86	40,360	17,120	1,177	50
Fertilizers	46	39,433	8,580	2,192	94
Real Estate	111	33,987	16,552	4,389	188
Telecommunications	104	33,384	10,888	1,925	82
Other Transport Services	99	24,315	5,495	2,264	97
Special Trade Works	92	18,889	5,140	3,753	160
Business Services	116	18,826	8,178	2,461	105
Other Chemicals Product	50	15,842	2,130	322	14
Highway, Bridge and Tunnel Operation Services	101	14,276	10,609	2,334	100
Motor Vehicles	80	13,360	1,570	428	18
Restaurants	95	13,216	5,312	2,080	89
Plastics Products	55	12,363	1,984	1,436	61
Other Manufacturing	84	11,704	5,261	1,925	82
Paper and Paper Products and Furniture	41	11,661	2,906	806	34
Others		154,447	54,799	15,502	663
		6,877,702	2,096,533	480,542	20,543

Top 25 Sectors for 10% (Rank by Output)

ABSORPTION MATRIX OF DOMESTIC PRODUCTION AT BASIC PRICES, 2010 124 COMMODITY x 124 COMMODITY (RM'000)					
Commodity	Commodity	Total Output Economic Impact (RM)	Total Gross Value Added Economic Impact (RM)	Total Income Economic Impact (RM)	Total Employment Economic Impact (RM)
Commodity					
Oils and Fats	21	7,496,911	457,566	161,661	6,911
Oil Palm	6	3,196,298	2,393,784	431,352	18,440
Wholesale & Retail Trade and Motor Vehicle	93	951,134	531,306	143,527	6,136
Financial Institution	108	392,730	123,500	45,165	1,931
Petroleum Refinery	44	136,770	30,001	3,765	161
Crude Oil and Natural Gas	13	124,034	104,099	5,377	230
Basic Chemicals	45	120,755	30,968	5,301	227
Other Financial Institution	110	120,671	51,545	22,645	968
Land Transport	96	116,545	41,704	11,651	498
Professional	115	98,387	61,673	23,602	1,009
Banks	107	89,045	53,870	21,050	900
Electricity and Gas	86	80,719	34,241	2,354	101
Fertilizers	46	78,866	17,159	4,384	187
Real Estate	111	67,974	33,104	8,778	375
Telecommunications	104	66,769	21,776	3,850	165
Other Transport Services	99	48,631	10,991	4,527	194
Special Trade Works	92	37,779	10,280	7,507	321
Business Services	116	37,653	16,356	4,921	210
Other Chemicals Product	50	31,683	4,259	645	28
Highway, Bridge and Tunnel Operation Services	101	28,551	21,219	4,668	200
Motor Vehicles	80	26,719	3,140	856	37
Restaurants	95	26,432	10,624	4,161	178
Plastics Products	55	24,726	3,967	2,872	123
Other Manufacturing	84	23,407	10,522	3,851	165
Paper and Paper Products and Furniture	41	23,323	5,813	1,612	69
Others		308,895	109,597	31,003	1,325
		13,755,407	4,193,066	961,085	41,086

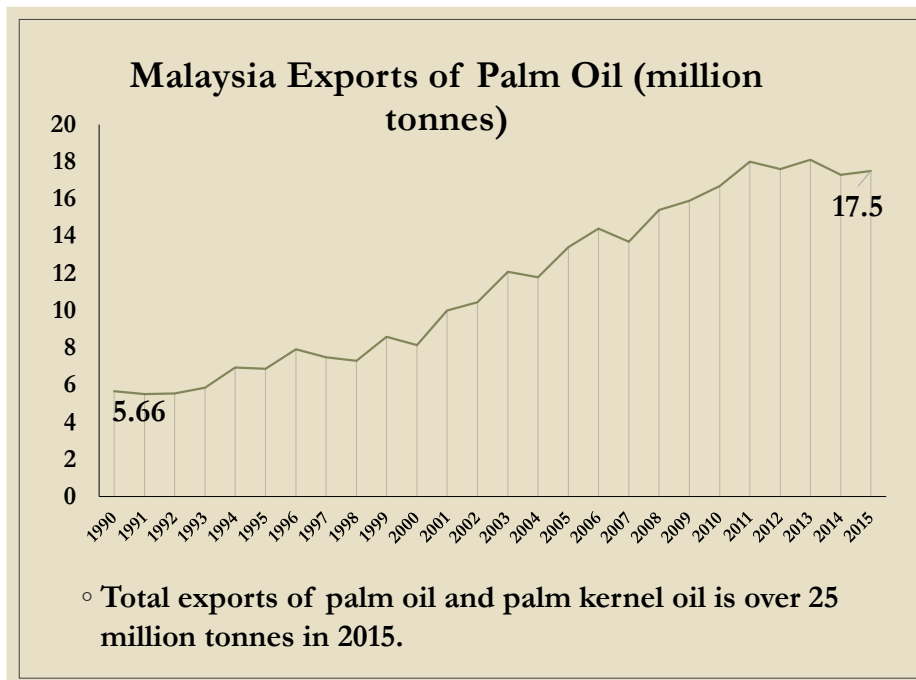
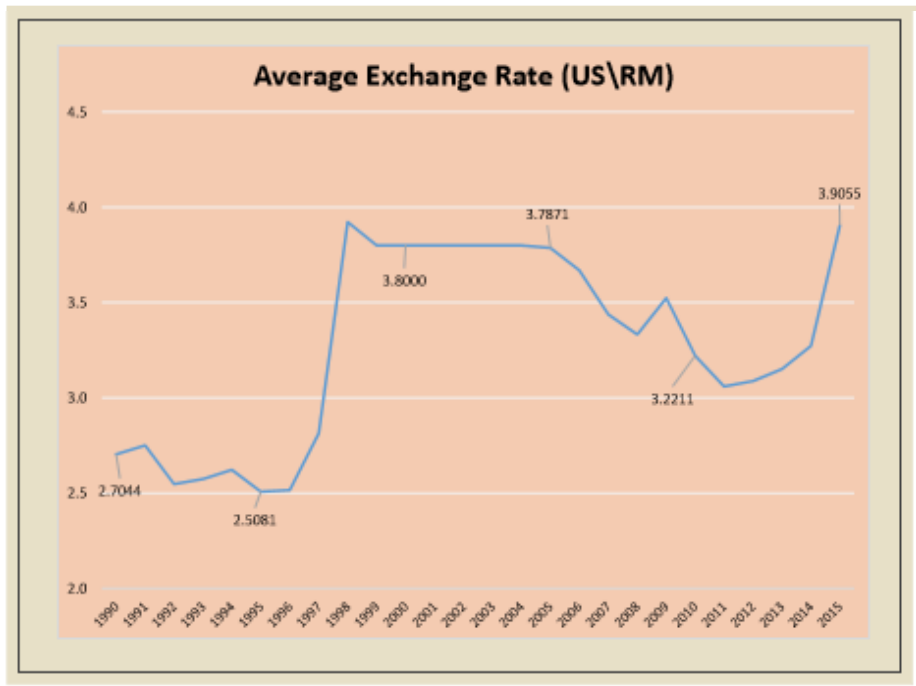
Economic Impact due to Change in Malaysian Oil and Fats Export by 1%, 5% & 10%

TOTAL ECONOMIC Impact	1%	5%	10%
Total Output (RM'000)	1,375,538.27	6,877,701.98	13,755,406.61
Income (RM'000)	96,108.30	480,542.25	961,084.69
Employment (Person)	4,109	20,543	41,086
Gross Value Added (RM'000)	419,305.88	2,096,532.64	4,193,066.09



2. CHANGE OF EXCHANGE RATE (US/RM) AND PALM OIL EXPORT

**Net Total Export 26.49%
= RM13,699,751.32**



Percentage Change Rate (US/RM)

(Base year 1990)

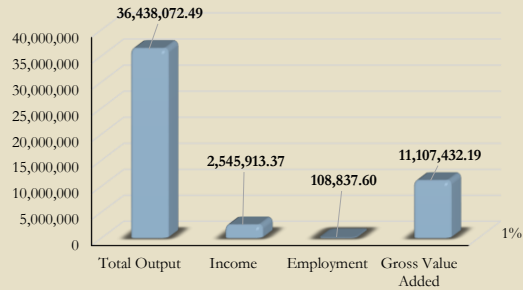
Year \ Items	Change in Exchange Rate (US/RM) %	Change in palm oil export(%)	Net (%)
1990	0.00	0.00	0.00
1995	7.26	21.20	28.46
2000	(40.51)	36.15	(4.36)
2005	(40.03)	95.09	55.06
2010	(19.11)	82.39	63.28
2015	(44.41)	70.90	26.49

Top 25 Sectors (Rank by Output)

Commodity	Commodity	Total Output Economic Impact (RM)	Total Gross Value Added Economic Impact (RM)	Total Income Economic Impact (RM)	Total Employment Economic Impact (RM)	Rank
ABSORPTION MATRIX OF DOMESTIC PRODUCTION AT BASIC PRICES, 2010 124 COMMODITY x 124 COMMODITY (RM'000)						
Commodity						
Oils and Fats	21	19,859,317	1,212,091	428,239	18,307	1
Oil Palm	6	8,466,994	6,341,134	1,142,650	48,848	2
Wholesale & Retail Trade and Motor Vehicle	93	2,519,554	1,407,430	380,203	16,254	3
Financial Institution	108	1,040,341	327,151	119,643	5,115	4
Petroleum Refinery	44	362,305	79,474	9,972	426	5
Crude Oil and Natural Gas	13	328,567	275,758	14,245	609	6
Basic Chemicals	45	319,881	82,035	14,041	600	7
Other Financial Institution	110	319,657	136,542	59,988	2,564	8
Land Transport	96	308,727	110,475	30,864	1,319	9
Professional	115	260,628	163,372	62,522	2,673	10
Banks	107	235,880	142,703	55,762	2,384	11
Electricity and Gas	86	213,825	90,704	6,236	267	12
Fertilizers	46	208,917	45,455	11,612	496	13
Real Estate	111	180,063	87,692	23,254	994	14
Telecommunications	104	176,870	57,684	10,197	436	15
Other Transport Services	99	128,823	29,115	11,993	513	16
Special Trade Works	92	100,076	27,233	19,886	850	17
Business Services	116	99,742	43,326	13,037	557	18
Other Chemicals Product	50	83,929	11,283	1,708	73	19
Highway, Bridge and Tunnel Operation Services	101	75,632	56,209	12,366	529	20
Motor Vehicles	80	70,780	8,319	2,267	97	21
Restaurants	95	70,018	28,143	11,021	471	22
Plastics Products	55	65,499	10,509	7,607	325	23
Other Manufacturing	84	62,006	27,872	10,201	436	24
Paper and Paper Products and Furniture	41	61,781	15,399	4,271	183	25
Others		818,263	290,324	82,127	3,511	26
		36,438,072	11,107,432	2,545,913	108,838	

Total Economic Impact due to Change in Palm Oil Net Export (26.49%) (RM 000)

TOTAL ECONOMIC IMPACT	(RM'000)
Total Output	36,438,072.49
Income	2,545,913.37
Employment	108,838
Gross Value Added	11,107,432.19



Conclusion

- Currently The World Economic Outlook for the global economy is gradually improved a little bit after a major setback during 2011 for temporary measure in the euro area financial policy and with improved economic activity in the United States.
- However, recent improvements are very fragile. Policymakers must calibrate policies to support growth in the near term and must implement fundamental changes to achieve healthy growth in the medium term.
- Based on the Global Commodity Market Outlook the Agriculture Sector prices are expected to slow down for about 19%.
- Using this Global Commodity Market Outlook, the Malaysian palm oil export values is not being exempted.
- The net percentage change for the exchange rate (US\RM) and the total export is estimated net gain by 26.49%. On that note, the total economic impact is expected to increased Total Output by RM36.4 billion, Household Income by RM2.5 billion, Gross Value Added by RM11.1 billion and created 108,838 employment.



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Thank You