

CHAPTER 1

Economic Management and Prospects

3	MALAYSIA MADANI: REACHING FOR THE SKIES, WHILE ANCHORED ON OUR VALUES
3	KEY PERFORMANCE INDICATORS OF THE EKONOMI MADANI FRAMEWORK
5	ECONOMIC OUTLOOK
6	PROGRESS OF BUDGET 2026
15	ECONOMIC MANAGEMENT Information Box 1.1 – Malaysia's Journey in Financing for Sustainability Feature Article 1.1 – Lifting Wages from the Ground Up
30	STRATEGIC INITIATIVES – BUDGET 2027 Feature Article 1.2 – The Role of Government Measures in Cushioning Rising Living Costs
39	CONCLUSION
40	REFERENCES

CHAPTER 1

Economic Management and Prospects

Malaysia MADANI: Reaching for the Skies, While Anchored on Our Values

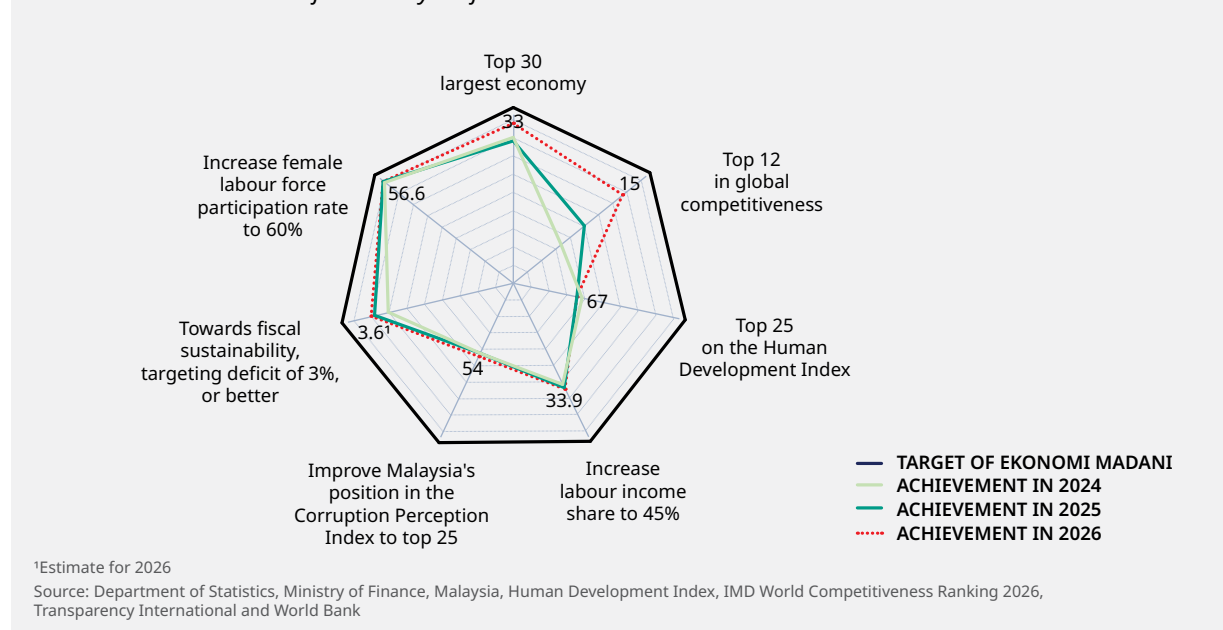
Having demonstrated remarkable resilience in weathering a series of global shocks over the past three years, Malaysia is delivering tangible results as shown by the progress of various initiatives under the Ekonomi MADANI framework. The ongoing Russia-Ukraine conflict fuelled energy and food price volatility, while uncertainties surrounding the US trade policies, particularly the imposition of tariffs, created challenges for export-oriented economies. The conflict in West Asia has heightened geopolitical risks and disrupted global supply chains. Despite these pressures, Malaysia has endured through prudent economic management, strategic reforms, diversified trade relationships, strong domestic demand and greater adaptability among businesses. This resilience reflects the nation's ability to absorb repeated external shocks, maintain stability and continue pursuing sustainable growth, while safeguarding household well-being, strengthening businesses and preserving fiscal space to respond to emerging challenges.

The Government continues to pursue strategic measures under Budget 2026, aimed at channelling resources to fortify governance and fiscal discipline, drive a high-value resilient economy, ensure inclusive and equitable growth as well as return economic gains

directly to the rakyat. The Budget focuses on nine core measures, namely, honing excellence in governance; serving the rakyat's priorities; championing high-value economy; driving 'Made by Malaysia' products; strengthening national resilience; bridging the gap, creating opportunities; ensuring continuity of the rakyat's livelihood; empowering services for the rakyat; and building self-identity, developing human values. By emphasising on 'Raising the Ceiling' and 'Raising the Floor', the Government will continue to mitigate external risks and support sustainable growth through targeted policy enhancements and institutional governance.

Key Performance Indicators of the Ekonomi MADANI Framework

The Government remains committed in advancing the seven key performance indicators (KPIs) under the Ekonomi MADANI framework, which serves as medium-term benchmarks for Malaysia's economic transformation. The KPIs cover economic strength and competitiveness, human capital development, female labour market participation, labour income, governance and fiscal sustainability. As shown in Figure 1.1, Malaysia is making steady gains across the Ekonomi MADANI KPIs, reflecting the ongoing efforts to strengthen economic resilience while advancing inclusive, sustainable and high-value growth.

FIGURE 1.1. Achievement of Seven Key Performance Indicators

Malaysia's economic size is currently ranked 33rd globally, moving closer towards the aspiration of becoming one of the top 30 largest economies. This progress reflects continued growth momentum, supported by strong domestic demand and robust external trade. Sustained development of high growth high value (HGHV) and strategic industries, supported by investments in human capital development, infrastructures and digital technologies, will further strengthen Malaysia's economic capacity.

Similarly, Malaysia's competitiveness strengthened markedly, catapulting eight spots to 15th among 70 economies in the 2026 International Institute for Management Development (IMD) World Competitiveness Ranking. This is Malaysia's best rank in recent years, bringing the country closer to the aspiration of being among the top 12 globally. This strong performance reflects broad-based improvements in economic performance as well as government and business efficiency. Continued efforts will be undertaken to strengthen infrastructure, streamline regulations, enhance digital readiness and bolster Malaysia's competitiveness globally.

In efforts to balance the rakyat's well-being and economic development, Malaysia is working continuously at improving education, health and decent standard of living. In this regard, Malaysia aims to raise its Human Development Index (HDI) ranking from 67th to top 25 globally. The Ekonomi MADANI framework also focuses on better quality of life for households by encouraging greater participation of women in the workforce to enhance household incomes and economic security. Consequently, the female labour force participation improved to 56.6%, remaining on track to achieve the target of 60%.

Meanwhile, raising the labour income share to GDP remains an important priority under the Framework. In 2025, the compensation of employees (CE) stood at 33.9%, with ongoing efforts focused on strengthening wage growth towards achieving the 45% CE target. In narrowing this gap, the Government aims to enhance productivity, strengthen wage-setting mechanisms and promote high-paying employment.

On governance, Malaysia improved three places to 54th position out of 182 countries, with a score of 52 in the Corruption Perception Index

(CPI) 2026. In advancing towards a top 25 position, the National Anti-Corruption Strategy 2024 — 2028 (NACS) prioritises improvements in public sector governance, transparency and accountability. Ongoing efforts include strengthening public procurement practices, enhancing oversight mechanisms and improving integrity management across government institutions. At the same time, Malaysia is expected to narrow its fiscal deficit to 3.6% of GDP in 2026, moving closer to the target of 3% or better. Continued fiscal reforms to strengthen revenue mobilisation, optimise expenditure and improve subsidy targeting will further support economic growth and the well-being of the rakyat.

Overall, the seven KPIs' achievements reflect Malaysia's continued progress towards the aspirations of the Ekonomi MADANI framework. The Government is committed to translate ongoing structural reforms into measurable economic and social outcomes, supported by the implementation of the Thirteenth Malaysia Plan, 2026 — 2030 (Thirteenth Plan).

Economic Outlook

Global Economy

Global economy is projected to grow moderately at 3% in 2026 and 3.4% in 2027 (IMF, 2026), mainly supported by accelerated demand-driven momentum in the global technology sector resulting from advances in artificial intelligence (AI). The outlook is uneven as the conflict in West Asia continues to weigh on energy importers and vulnerable economies, while AI-driven demand will elevate countries that are integrated in the global technology value chain. Growth in advanced economies is expected to expand modestly while emerging markets and developing economies (EMDEs) will continue to be the major driver of global economic activities. The expansion is also supported by easing inflation and gradually less restrictive monetary policy,

providing added impetus to investment and trade activities. Global trade continues to face increasing fragmentation as inward-looking policies especially through higher tariffs weigh on cross-border economic activities. As a trading nation, it is imperative for Malaysia to sustain economic growth by continuing to diversify export markets, strengthen regional integration and enhance supply chain resilience, while preserving macroeconomic and financial stability.

Domestic Economy

In 2026, the economy is expected to grow between 4.8% and 5.3%, underpinned by resilient domestic demand amid a challenging external environment. Domestic demand will remain the key driver, supported by sustained private consumption, favourable labour market conditions and continued consumer confidence. Meanwhile, investment activity is expected to strengthen on the back of strong private sector spending and the continued implementation of strategic projects. On the supply side, growth will be led by the services and manufacturing sectors. The services sector will benefit from sustained tourism-related activities, steady trade flows alongside adoption of digital technology, while the manufacturing sector will be bolstered by stronger demand for E&E products and continued expansion in high-value activities.

Malaysia's economy is projected to expand between 4.2% and 5.2% in 2027, supported by sustained domestic demand, favourable labour market conditions, continued income growth and firm investment activity. Private consumption will remain a key growth driver, supported by sustained household purchasing power and continued expansion in tourism, retail, transportation and other services in conjunction with Visit Malaysia 2026 — 2027. Investment activity is expected to remain robust, underpinned by the realisation of approved investments and strategic initiatives under the Thirteenth Plan, New Industrial

Master Plan 2030 (NIMP 2030), National Semiconductor Strategy (NSS) and National Energy Transition Roadmap (NETR). The services sector will continue to be the primary growth driver, while the manufacturing sector will benefit from the technology upcycle and expansion of high-value activities, particularly in semiconductors and E&E industries. These developments, together with stronger domestic linkages and productivity-enhancing investments, are expected to strengthen Malaysia's productive capacity and support more balanced, inclusive and sustainable growth. The outlook remains subject to external risks, including geopolitical tensions, shifts in international trade policies and global financial market volatility.

Monetary and Financial Developments

Monetary policy in 2026 remains supportive of sustainable economic growth while maintaining price stability amid global uncertainties. The Overnight Policy Rate (OPR) was maintained at 2.75%, remaining unchanged since July 2025. The banking system continues to be well capitalised, with sound asset quality and ample liquidity buffers. The ringgit remained broadly stable against currencies of major trading partners, supported by Malaysia's strong economic fundamentals and sustained growth momentum. Looking ahead, financial intermediation will continue to play an important role in supporting households and businesses, complemented by well-functioning markets and continued policy efforts to strengthen financial inclusion and sustainable financing. The Financial Sector Blueprint 2027 — 2030 and Capital Market Masterplan 2026 — 2030 will guide the next phase of financial sector development with continued reforms, broader investor participation and diverse funding sources, further strengthening the financial system.

Progress of Budget 2026

Budget 2026 remains anchored on three priorities: Strengthening Administration and Governance, 'Raising the Ceiling' to accelerate economic restructuring, and 'Raising the Floor' to enhance socioeconomic well-being. In support of these priorities, the Government allocated RM419.2 billion under Budget 2026, which consists of RM338.2 billion for Operating Expenditure (OE) and RM81 billion for Development Expenditure (DE).

Measure One: Honing Excellence in Governance

Implementation of Budget 2026 measures continue to strengthen governance and institutional capacity, with programmes centred on enhancing fiscal responsibility and public finance. These measures will further improve the delivery of public services and strengthen the country's institutional pillars.

Efforts to strengthen fiscal governance are focused on enhancing tax administration, regulatory compliance and enforcement capacity. The continued implementation of e-Invoices represented a key component of the Government's digitalisation of tax administration. As at end-August 2026, over 265,000 taxpayers submitted e-Invoices, bringing the cumulative issuance of e-Invoices to more than 1.8 billion since its inception.

Public sector transformation continues to adopt digital government services widely to further enhance public service delivery. Notably, the Special Task Force on Agency Reform (STAR) continues to address bureaucratic processes and improve service delivery, while MyDigital ID and GovTech Malaysia provide the digital infrastructure to facilitate seamless access to government services. As of September

2026, MyDigital ID recorded 14 million registered users, while 203 Federal and state governments as well as private-sector online services, had been integrated with the platform. The MyGOV Malaysia platform similarly expanded its reach, recording more than three million users as of August 2026 and providing access to 63 services across 25 government agencies and 91 local authorities.

Measures were also undertaken to reinforce institutional effectiveness and participatory governance, particularly through Parliament and cross-party engagement. Budget 2026 allocated RM20 million to strengthen the functions of Parliamentary Special Select Committees and for community development programmes under the All-Party Parliamentary Group Malaysia (APPGM). Parliamentary oversight was further strengthened through greater visibility of the Special Select Committees' work.

Measure Two: Serving the Rakyat's Priorities

Subsidy rationalisation, especially through the BUDI MADANI programme, is necessary to build a stronger fiscal foundation and ensure continuity of economic activities, while safeguarding vulnerable households from the rising cost of living. Building on the successful rollout of BUDI MADANI RON95 (BUDI95) in Peninsular Malaysia, the programme was further expanded nationwide with the integration of BUDI95 and BUDI MADANI Diesel (BUDI Diesel) from 1 July 2026. The enhanced mechanism enables eligible MyKad holders to purchase RON95 and diesel at subsidised prices. As at end-August 2026, more than 14.8 billion litres of RON95 were purchased at a subsidised price amounting to a subsidy disbursement of RM18 billion. Meanwhile, over 130 million litres of diesel were consumed amounting to approximately RM295 million in subsidies.

The Ikhtiar MADANI Untuk Rakyat is a programme to expand community-based initiatives and improve socioeconomic outcomes at the grassroots level. This initiative includes the expansion of Sejahtera Komuniti MADANI (SejaTi MADANI), Kampung Angkat MADANI, Sekolah Angkat MADANI and Solar MADANI, reflecting the Government's continued commitment to community-driven development. Under SejaTi MADANI, RM8.5 million in grants were approved for 89 communities to undertake income-generating activities, including agriculture and small-scale enterprises, with the initiative expanded to the youth. Meanwhile, 145 Kampung Angkat MADANI projects and 151 Sekolah Angkat MADANI initiatives were approved, alongside the nationwide expansion of Solar MADANI and the introduction of free Tuisyen MADANI. These initiatives are complemented by Sejahtera MADANI, which mobilises private sector contributions through the Tabung Kesejahteraan Rakyat to support community development. As at end-August 2026, the programme managed to raise nearly RM78 million from local corporations.

In delivering government services directly to rural and remote communities, the Government introduced Ikhtiar Perkhidmatan Bergerak MADANI as a targeted mobile outreach programme spanning financial, education, administrative and legal services. A total of RM11 million was channelled to the Mobile Banking Initiative, deploying 36 units across eight states, including 23 in Sabah and Sarawak. Additionally, RM2.6 million was allocated to expand the National Registration Department's Perkhidmatan Menyemai Kasih Rakyat (MEKAR) programme, with two mobile bonded trucks serving rural communities, senior citizens and persons with disabilities (PWDs).

Complementing these initiatives, RM27 million was allocated for community outreach involving mobile clinics, community rehabilitation services and lifelong learning

programmes under the Ministry of Higher Education. As of July 2026, 49 mobile clinics were operated by 10 institutions, benefitting more than 5,700 recipients especially in rural areas, while 197 lifelong learning courses had enrolled over 18,000 participants. In addition, mobile infrastructure was also provided in the form of Mobile Labour Courts and Mobile Children's Court nationwide to resolve workplace disputes and better safeguard the privacy and emotional well-being of young victims and witnesses.

In accelerating development in Sabah and Sarawak, the Government continued to support progress in major transport, energy and water infrastructure projects. The RM24.9 billion (Phase 1A – RM10.9 billion, Phase 1B – RM14 billion) Pan Borneo Highway Sabah continued to advance, with Phase 1A reaching 89% completion, and Phase 1B at 37.6% as at end-August 2026. Phase 1A is targeted for completion in 2028 and Phase 1B in 2030. Meanwhile, the Pan Borneo Highway Sarawak segment which consists of 740km has achieved a 99.9% completion as at end-August 2026. In addition, the RM8.8 billion Sarawak-Sabah Link Road (SSLR) linking both states without crossing international borders is also progressing in phases, with Phase 1 targeted for completion in 2027 and Phase 2 in 2030.

Energy infrastructure projects are also progressing with RM1.9 billion allocated for 18 projects. These projects will enhance the capacity and reliability of electricity transmission and distribution systems in Sabah and Labuan. As of August 2026, two projects have been completed, while the rest are still work in progress.

Measure Three: Championing High-Value Economy

Budget 2026 advances Malaysia's ambition to become a high-value economy by attracting quality investment, strengthening regional

linkages, developing local talents and expanding the Islamic economy. Under the New Incentive Framework introduced on 1 March 2026, investment policies are now linked to job quality, technology transfer, domestic supply chains and sustainability. During the first half of 2026, approved investments increased to RM218.5 billion across more than 2,700 projects, with the potential to create about 99,000 jobs. The manufacturing sector received a substantial share of investment, particularly in the E&E subsector which accounted for RM16.6 billion. Meanwhile, the number of approved manufacturing projects rose to 88.2%, reflecting the sector's vibrancy.

Greater emphasis was also given to support emerging businesses through the Malaysia Co-Investment Fund (MyCIF) by expanding the Food Security Scheme to agri-tech startups. New initiatives were introduced, namely the Venture Capital/Private Equity (VC/PE) Profit-Sharing Incentive and the Silver Economy Scheme, which became operational in March 2026. From January to July 2026, MyCIF recorded RM183 million in co-investments, with two upstream agribusiness deals were approved under the enhanced Food Security Scheme. The VC/PE Profit-Sharing Incentive and Silver Economy Scheme are still at the early stages of implementation.

In strengthening the startup ecosystem, the Government facilitated the growth of startup companies in high-value economy through various programmes including Dana Perintis and Jelawang Capital Khazanah, as well as funds under Cradle Fund programmes such as Bengkel Inovasi GLC 2.0 (BIG 2.0). As at end-August 2026, out of the RM6.9 million allocated to BIG 2.0, around 88% has been disbursed to approved companies.

In addition, cross-border competitiveness was strengthened through the Johor-Singapore Special Economic Zone (JS-SEZ), whereby Johor attracted RM55.6 billion in approved investments during the first half of 2026. The Micron-OCBC JS-SEZ Supplier Event connected

30 major global technology companies with Malaysian suppliers, supporting qualification, localisation and long-term partnerships. Investor procedures were also simplified through the MIDA Expatriate System (MES), which combines expatriate applications, approvals and ePass endorsements acting as the sole submission platform for Employment Pass (EP), Professional Visit Pass (PVP) and Dependent Pass (DP) for the manufacturing and selected services sectors. Furthermore, the Investor Pass was enhanced to facilitate business travellers through the issuance of Multiple Entry Visas (MEVs). As at end-August 2026, MIDA supported over 180 investors across a diverse range of sectors, including manufacturing, construction, ICT and tourism.

Talent development continued alongside investment expansion. By July 2026, Human Resource Development Corporation (HRD Corp) approved close to 1.5 million training slots and more than RM1.3 million in financial assistance. GIATMARA enrolled over 3,800 new trainees and TVET@PerdaTech involving around 1,000 students, achieving their annual intake targets. More than 500 students completed 32 TVET Tahfiz micro-credential courses, with the highest demand recorded in sewing and apparel followed by computer and information technology, catering and food services, business and entrepreneurship as well as E&E.

The 1:3 Internship Policy further links expatriate recruitment to local talent development. This policy requires participating employers to provide up to three paid internships for each expatriate hired under the National Structured Internship Programme, with full implementation starting from June 2026. Meanwhile, Malaysia also strengthened its Islamic-economy ecosystem among others, by increasing halal certification. As at end-August 2026, more than 1,200 certification applications were processed through additional appointment of 78 contract halal auditors.

Measure Four: Driving 'Made by Malaysia' Products

Budget 2026 continues to strengthen Malaysia's capacity to develop, commercialise and scale up locally created products and technologies, while expanding opportunities for domestic firms to compete in regional and global markets. In driving innovation locally, the Government spearheaded initiatives focusing on strengthening AI capabilities, accelerating research commercialisation and developing a steady stream of talents equipped with strong science and technology credentials. In facilitating this effort, the National AI Office (NAIO) was institutionalised as AI Malaysia Berhad as at end-July 2026 under the Ministry of Digital. It was launched together with the National AI Action Plan 2026 — 2030 and the Malaysia AI Safety Institute, to further strengthen the implementation of the national AI agenda and support the country's transition towards a higher value-added digital economy.

While Malaysia is promoting the 'Made by Malaysia' products and services by focusing more on research, development, commercialisation and innovation (R&D&C&I), these efforts are also expected to enhance product competitiveness, unlock new export opportunities and expand access to a wider range of international markets. In this effort, the Government continues to promote export development measures, particularly for micro, small and medium enterprises (MSMEs) under the Penggalakan Pasaran dan Pembangunan Eksport (PPPE) programme, which includes Market Development Grant (MDG) and Malaysia Go Global (MGG) to facilitate wider market access for Malaysian firms. As of June 2026, the PPPE recorded more than 1,200 participants, comprising over 930 under MDG and 280 under MGG. Meanwhile, during the same period, more than 1,100 participants attended various exporter training programmes organised by Malaysia External Trade Development Corporation (MATRADE).

Measure Five: Strengthening National Resilience

The Government continues to advance the energy transition through the National Energy Transition Fund (NETF), implemented by Malaysia Debt Ventures Berhad (MDV) and Bank Pembangunan Malaysia Berhad (BPMB). From 2024 to 2026, a cumulative of RM350 million was approved, with RM175 million channelled to each institution. As at end-August 2026, over RM270 million in NETF funding had unlocked RM1.7 billion from the private sector for 30 energy transition projects. Under Budget 2026, RM150 million was channelled to MDV and BPMB, of which RM77.6 million has been approved, securing more than RM530 million from investors in blended financing for eight projects.

Disaster preparedness and environmental resilience continue to be strengthened through flood mitigation and river conservation projects. Of the RM1.3 billion allocated for the Flood Mitigation Plan, RM942 million was disbursed for 43 high-priority and 12 new projects nationwide. These initiatives were complemented by RM189.9 million spent in 2026 under the broader RM282 million Water Sector Transformation 2040 programme covering river conservation, infrastructure maintenance, water treatment as well as flood forecasting and early warning systems.

The Government has launched the Paddy Price Subsidy Scheme and Paddy Crop Takaful Scheme to strengthen national food security. These efforts encompass key initiatives such as the Paddy Production Incentive Scheme (SIPP) to subsidise ploughing, pest control and harvesting as well as the Soil Fertility Recovery Programme to optimise soil health and crop yields through bio-fertiliser applications. In 2026, RM688 million and RM20 million was allocated to SIPP and Soil Fertility Recovery Programme, respectively, benefitting around 197,000 recipients nationwide. Additionally,

RM178 million was allocated for the Fishermen Subsidies and Incentives Programme enhancing fishermen's livelihood through monthly living allowances and catch incentives, while landing infrastructure was improved through facility upgrades and emergency disaster relief with an allocation of RM5.1 million.

Meanwhile, in raising the country's national defence capabilities, RM5.3 billion was allocated for the procurement, maintenance and repair of military assets to enhance the operational readiness of the Malaysian Armed Forces. In addition, the Royal Military Police procured new assets to strengthen intelligence operations, marine patrol and maritime surveillance involving an allocation of RM1 billion. Furthermore, a total of RM1.2 billion was allocated to construct and upgrade facilities to improve the level of security in border areas.

Measure Six: Bridging the Gap, Creating Opportunities

In the effort to reduce the regional development divide and ensure equitable access to essential utilities, the Government committed RM3.3 billion for rural basic infrastructure spanning roads, water, electricity and bridges across Malaysia. Of this, RM22.8 million and RM70 million was allocated to supply water and electricity, respectively, in Sabah and Sarawak. To enhance water sector resilience, RM2.5 billion was allocated for the Non-Revenue Water (NRW) reduction programme under Budget 2026. Of this, RM824 million was for the management, prevention, detection and solution works in Kelantan, Labuan, Pahang, Perlis, Sabah and Sarawak. Additionally, RM1.7 billion was allocated for the replacement of critical pipes nationwide. Meanwhile, in Selangor, Kuala Lumpur and Putrajaya, Pengurusan Aset Air Berhad allocated RM13 billion over the same period to upgrade water infrastructure for 1.5 million residents. Complementing these efforts, a

RM5 million hybrid desalination initiative was introduced for ESSZONE security posts and remote islands in Sabah, with construction tenders awarded for Pulau Banggi, Pulau Mabul and Pulau Berhala.

In expanding digital infrastructure and high-value technical capacity, the Government continues accelerating high-speed internet penetration in underserved regions. The Point of Presence (PoP) Phase 2 project aims at expanding fibre optic connectivity near industrial parks and rural schools through more than 3,000 network access points, has achieved a 95% progress rate with expenditure exceeding RM497 million as of July 2026. The Bumiputera economy continues to be strengthened with RM6 billion allocated through Majlis Amanah Rakyat (MARA), Yayasan Peneraju and Universiti Teknologi Mara (UiTM) for Bumiputera students and entrepreneurs, alongside RM10 billion in Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) credit guarantees and RM2.4 billion for G1–G4 Bumiputera contractors. Under the GEAR-uP initiative, GLICs and GLCs are expected to coordinate further interventions spanning entrepreneurship, procurement, growth capital and market access to support high-potential enterprises in scaling their businesses. In building industry leaders among Bumiputera companies, the 10 Bumiputera Champions Programme has shortlisted nine high-performing Bumiputera companies towards an IPO-readiness target of RM500 million market valuation each.

In addition, the Government, through SME Corp. Malaysia's Tunas Usahawan Belia Bumiputera Skala (TUBE-S) programme, is actively fostering a new generation of resilient youth entrepreneurs with the aim of scaling up their businesses and creating sustainable employment opportunities. As at end-August 2026, 486 youth entrepreneurs have completed the intensive incubator programme nationwide and secured RM7.3 million in matching business grants of up to RM15,000 each.

Additionally, 50 MSMEs received approvals for a RM2.7 million in TUNAS-i soft loans capped at RM100,000 per business with interest rates of up to 2% per annum. To ensure long-term business growth and operational sustainability, beneficiaries who have completed the programme will receive structured coaching, guidance and continuous performance monitoring for 12 months.

In efforts to strengthen the social mobility of vulnerable groups, particularly women and children, several initiatives are being advanced by the Government. For women MSMEs, RM5 million in financing facilities was disbursed under the Mekar Dinamik programme, an initiative under Yayasan Kebajikan Negara (YKN) in collaboration with Malaysian Prison Department. This initiative provides business kits and skills training for formerly incarcerated women and female primary breadwinners. This programme includes female clients of the Pusat Pemulihan Penagihan Narkotik (PUSPEN), providing a second chance, particularly for clients without family support. From January to August 2026, the programme has assisted more than 1,680 participants.

In safeguarding vulnerable communities and embodying the commitment to leave no one behind, comprehensive interventions are directed towards Orang Asli populations and PWDs. Orang Asli community development continues to be supported through an allocation of RM155 million via Jabatan Kemajuan Orang Asli (JAKOA) with the development of rural roads, TABIKA kindergarten upgrades and Program Khas Pendidikan Manusiawi (ProKhas) Sekolah Terapung in Hulu Perak and Kalabakan, Sabah. For PWDs' welfare, backed by more than RM1.2 billion in direct assistance, RM9.6 million was allocated to establish Autism Service Centres (PPA) in Labuan, Sabah and Sarawak. This early intervention facilitates access to therapy and support services for 5,500 autistic children as at end-August 2026.

Measure Seven: Ensuring Continuity of The Rakyat's Livelihood

In cushioning Malaysian households against cost-of-living pressures, the Government allocated RM15 billion under Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) in 2026. As an immediate relief ahead of festive celebrations in the first quarter of 2026, a total of RM1.9 billion was allocated under the Penghargaan SARA initiative for 20.2 million Malaysian citizens aged 18 and above with a one-off RM100 cashless financial credit channelled through MyKad. In efforts to strengthen the purchasing power of the rakyat, the Government continues to expand the Payung Rahmah Programme across urban and remote regions. More than RM600 million was disbursed for the Jualan Rahmah MADANI initiative across 23,040 locations to offer up to 30% discounts on daily essential goods. For rural communities, more than RM250 million was utilised for the transportation of basic goods distribution across inland Sabah, Sarawak and Peninsular Malaysia.

The Government continued to extend social protection to the self-employed workers including gig workers through contribution matching schemes under the Employees Provident Fund (EPF) and Social Security Organisation (PERKESO). Under the EPF, the i-Saraan, i-Saraan Plus and i-Suri schemes provide matching incentives for eligible contributors, including self-employed workers, full-time e-hailing and p-hailing drivers, housewives and single mothers. Meanwhile, under PERKESO, the Skim Keselamatan Sosial Pekerjaan Sendiri (SKSPS) subsidised up to 70% of contributions for eligible self-employed workers. As of August 2026, SKSPS recorded over 59,000 registrations, with about RM7.8 million channelled by the Government.

In strengthening community livelihoods and well-being, the Government allocated RM100 million under Budget 2026 to encourage

GLICs and GLCs, through their philanthropic arms, to collaborate on social impact initiatives such as addressing urban poverty and strengthening specialised rehabilitation services. The grant adopts a 1:1 matching arrangement, supporting humanitarian, education and community well-being initiatives. As of September 2026, 37 high-impact projects have been awarded grants to undertake social programmes. Through the GDRN platform, these organisations also support the Government in disaster response, complemented by an additional RM20 million GDRN BANTU Matching Grant to strengthen disaster resilience. In addition, development planning is progressing for the new 250-bed PERKESO Rehabilitation Centre in Penang. The centre will provide comprehensive medical and physical rehabilitation services for injured workers.

In efforts to prepare for an ageing population and strengthen standards within the care economy, the Government is developing the National Care Sector Standards to improve care standards, workforce capabilities and community-based support. Under the Malaysia Technical and Vocational Education and Training (MTVET) care worker training modules were completed in August 2026, benefitting 745 participants. Meanwhile, the Ritma Kehidupan Harmoni (RYTHM) initiative mobilised youth volunteers to Senior Citizens Activity Centres (PAWE) and Community-Based Rehabilitation Centres (PDK) nationwide in supporting 140 programmes for elderly health as well as therapy for PWDs, benefitting more than 6,500 beneficiaries.

Measure Eight: Empowering Services for The Rakyat

Budget 2026 strengthens essential public services through measures covering health, education, mobility and housing. Implementation has progressed at different rates, ranging from infrastructure projects still undergoing procurement or construction to fully completed assistance programmes.

In healthcare, the Government allocated RM46.5 billion under Budget 2026 to improve access, facilities and service delivery, including RM1.2 billion for the maintenance and repair of hospitals and clinics as well as RM100 million to upgrade district hospital wards. As at end-August 2026, 89 of the 102 projects received letters of acceptance to upgrade wards in district hospitals, while the remaining projects are still at the preliminary procurement stages. In addition, RM3.9 million was spent on primary healthcare reform, implemented through health departments nationwide. Furthermore, in supporting a more transparent healthcare costs and stronger integration of public and private services, the Ministry of Health Malaysia continues to encourage the sharing of clinical and financial cost information through the Price, Admission and Clinical Electronic Data Hub (PACED) system. As at end-August 2026, over 90 private hospitals submitted more than 480,000 clinical records and around 380,000 billing records, while 50 clinical coding-training sessions benefitted more than 2,700 participants.

Under the education pillar, initiatives continue to focus on enhancing facilities and access as well as expanding student welfare. At the tertiary level, RM20 million was allocated for the expansion of MySISWA Job on Campus initiative to all public universities. As of August 2026, more than 13,000 students have been appointed across 850 types of job placements on campus, exceeding the original target of 10,000. Additionally, the Dapur Siswa MADANI initiative was also expanded from 75 to 143 operating premises, supporting over 200,000 students from lower-income and vulnerable groups as at end-July 2026.

In easing the mobility of the rakyat, measures were put in place to improve public transport access, rural connectivity and road safety. The expansion of the Stage Bus Service Transformation (SBST) programme has increased the number of routes and buses

nationwide, benefitting more than 18 million passengers. Meanwhile, subsidised Rural Air Services in Sabah and Sarawak eased the mobility of more than 800,000 people. The complimentary MyRailLife pass, covering Keretapi Tanah Melayu (KTM) Komuter and rail shuttle services across Peninsular Malaysia, benefitted more than 350,000 users, namely PWDs, primary and secondary schoolchildren as well as children below six years old. In terms of expediting the process of road maintenance, the MYJalan platform plays a pivotal role in ensuring timely response to complaints on road defects and infrastructure issues at the district level. As at end-July 2026, 73.1% of the RM30 million allocation for district road works was disbursed.

Progress in expanding access to affordable housing was sustained through integrated measures encompassing new housing construction, repairs, financing support and maintenance works. Budget 2026 allocated RM672 million for the Program Residensi Rakyat (PRR) and Rumah Mesra Rakyat (RMR) projects, benefitting an estimated 33,000 residents. As at end-August 2026, 60.5% of the total allocation, equivalent to more than RM400 million had been disbursed to finance the PRR and RMR projects comprising of various implementation stages, which are planning (8,122 units), under construction (4,051 units) and completed (5,344 units).

Meanwhile, the Government continues to register strong progress in supporting homeownership, particularly among borrowers who require financing guarantees to secure housing loans. Syarikat Jaminan Kredit Perumahan Berhad (SJKP) is on track to achieve its 2026 target of around RM8 billion total guarantees in home financing, reinforcing its role in promoting greater financial inclusion. As at end-August 2026, more than 20,000 applications were approved, with total financing amounting to RM5.5 billion.

Measure Nine: Building Self-Identity, Developing Human Values

Building self-identity and developing strong human values are essential to creating a united, progressive and resilient nation. These efforts contribute to strengthening social cohesion, good governance and shared values towards building an inclusive and harmonious society.

In upholding Islamic principles, RM35 million was provided to promote the comprehensive practice of Islam. Key community leaders that play an essential role in advancing Islamic education, fostering good character and promoting values that strengthen social harmony and nation-building are appreciated through the special contribution involving 70,000 imam, bilal, siak/noja/marbut and takmir teachers. Furthermore, the upgrading of infrastructure at 27 TVET tahfiz schools are ongoing with RM2 million disbursed as at end-August 2026.

Malaysia's strength lies in its multicultural society. In leveraging this advantage, efforts were undertaken to enhance the rakyat's unity, strengthen national identity and promote multi-racial family-oriented activities. In line with this, Budget 2026 allocated RM55 million for national unity and identity programmes as well as RM60 million for Rukun Tetangga MADANI. As at end-August 2026, progress of expenditures for both programmes stood at 65.9% and 90.5%, respectively.

Investment in sports facilities, talent development and community participation are vital in encouraging healthy lifestyles at the same time uniting Malaysians through shared achievements and national pride. Hence, Budget 2026 further intensified the development of national sports through the Podium Programme with an allocation of RM70 million, of which 52.5% was spent as at end-July 2026. More than 1,000 athletes and

coaches have benefitted from this initiative through training programmes as well as participation in domestic and international competitions. As football plays a significant role in fostering unity, RM68 million was allocated for football development programmes which encompass the Program Pembangunan Bola Sepak Negara (PPBN), succession planning and talent development, with a disbursement of 56% as at end-July 2026.

Promoting arts and creativity strengthens cultural appreciation, preserves heritage and inspires innovation among future generations. The Film in Malaysia Incentive (FIMI) remains a strategic driver of investment in Malaysia's screen industry, attracting both international and domestic productions while generating wider economic benefits through local spending, employment and industry development. As of September 2026, FIMI-supported productions have generated approximately RM550 million in investment and created more than 5,500 jobs for Malaysians nationwide. Under Budget 2026, RM100 million was allocated to FIMI, of which approximately RM40 million has been channelled to the National Film Development Corporation Malaysia (FINAS) for the first and second quarter rebate payments. These outcomes reflect FIMI's strong role as an investment-enabling mechanism that translates public funding into tangible economic value, industry growth and employment opportunities for Malaysia.

Furthermore, RM20 million was allocated under Budget 2026 for the Digital Creative Ecosystem (DICE) initiative, in an effort to position Malaysia as a leading regional digital creative hub. This programme has generated more than 1,600 jobs and trained over 300 participants. It has also supported 20 digital creative startups and 10 digital creative companies. Through its market access initiatives, the programme further facilitated more than RM350 million in export opportunities for the digital creative industry.

Economic Management

Malaysia continues to progress towards the aspirations of the Ekonomi MADANI framework and the Thirteenth Plan, underpinned by sustained economic growth and improvements in competitiveness. In sustaining resiliency amid the challenging and uncertain global landscape, the Government remains committed to prudent and balanced fiscal and economic management as the nation transitions towards a higher-value economy. Building on these efforts, ongoing initiatives seek to strengthen productivity, facilitate investments, scale up MSMEs, accelerate technology and digital adoption, advance the sustainability agenda as well as ensure food security. The Government remains committed to raising living standards and strengthening socioeconomic resilience amid persistent cost-of-living pressures, regional disparity, modest wage progression and demographic shifts.

Raising the Ceiling

MSME Empowerment

Malaysia's MSMEs play an important role in the economy, accounting for 39.7% of GDP in 2025. Being among the frontrunners in the ASEAN SME Policy Index 2024, which includes micro enterprises, Malaysia is recognised for its well-developed institutional framework, robust financing ecosystem and extensive support programmes for MSME digitalisation, innovation and market expansion. Nevertheless, the index highlights further progress is needed in programme evaluation and MSME sustainability initiatives. In light of this, the Thirteenth Plan aims to increase MSME contribution to 50% of GDP by 2030, through the development of more productive and competitive domestic enterprises.

Limited participation in global value chains, financing constraints and uneven digital adoption continue to hinder the firms' ability to scale up and compete internationally.

Gaps in technology, talent, certification and market linkages may further challenge productivity improvements and access to regional and global markets. Strengthening these capabilities will be critical to enabling more firms to participate in higher value-added activities, expand beyond the domestic market and support Malaysia's transition towards a higher-value economy.

Quality Investment

Malaysia continues to strengthen its position as a favourable investment destination, supported by improvements in competitiveness and sustained investment appetite. These developments provide opportunities to advance semiconductors, AI, digital services, the energy transition, pharmaceuticals, logistics and aerospace industries through various national policies. While investment approvals continue to increase, several assessments by the Special Task Force to Facilitate Business (PEMUDAH) and the World Bank, among others, have highlighted persistent challenges in translating approved investments into operational projects. These challenges include regulatory, operational, skilled talents, domestic supply-chain participation and technology adoption among local MSMEs.

Energy and Climate Resilience

Malaysia faces growing challenges in balancing decarbonisation with the need to strengthen resilience against climate-related risks. With a ranking of eighth among 24 Asia Pacific economies and 95th globally in the 2026 Environmental Performance Index (EPI), expanding energy efficiency, renewable energy (RE) and low-carbon technologies requires substantial infrastructure and investment. Notwithstanding, climate mitigation and adaptation must keep pace with increasing exposure to extreme weather globally, which necessitate substantial financing requirements. As gaps in water efficiency and supply resilience persist, strengthening water security is critical to mitigate future supply disruptions.

INFORMATION BOX 1.1

Malaysia's Journey in Financing for Sustainability

Malaysia has always been at the forefront of laying the foundations for financing sustainability through national environmental, energy and climate policies, complemented by fiscal incentives to encourage green investments. Commencing 2014 onwards, efforts have been intensified towards developing the regulatory frameworks, financial instruments and market infrastructure needed to mobilise public and private capital to support the country's sustainability goals including climate initiatives. The highlights are as follows:

2014



- **Sustainable and Responsible Investment (SRI) Sukuk Framework:** The Securities Commission Malaysia's (SC) pioneering regulatory framework which integrates Islamic capital market principles with global sustainability benchmarks to facilitate financing of sustainable and responsible investment initiatives.
- **Green Investment Tax Allowance (GITA)/Green Income Tax Exemption (GITE):** Driving the growth of the country's green economy through tax incentives on green technology purchases and green service providers.
- **FTSE4Good Bursa Malaysia (F4GBM) Index:** Catering to investors' demand for environmental, social and governance (ESG).
- **Malaysian Code for Institutional Investors (MCII):** Encouraging active responsible ownership and good corporate governance through the SC's first institutional investor stewardship code in Southeast Asia.

2015



- **National Conservation Trust Fund (NCTF):** Establishing a dedicated trust fund which is currently managed by the Ministry of Natural Resources and Environmental Sustainability (NRES) to carry out long-term conservation efforts supporting natural resource management, related research and development (R&D) as well as capacity building efforts.
- **Mandatory Sustainability Statement in Main Market & ACE Market:** Shifting focus from Corporate Social Responsibility (CSR) to ESG, requiring listed corporations under Bursa Malaysia to disclose management of material economic, environmental and social (EES) risks and opportunities.
- **Sukuk Ihsan:** Khazanah Nasional Berhad (Khazanah) issuing Malaysia's first SRI Sukuk for social and educational programmes.

2017



- **Green Sukuk:** Launching of the world's first corporate green sukuk for solar farm financing, strengthening Malaysia's position as a leading Islamic finance marketplace and centre for sustainable finance.
- **Strategy Paper for Value-based Intermediation (VBI):** Strengthening Islamic banking as a driver in value-based ethical banking towards generating positive, sustainable impacts on the economy, community and environment, aligning with Maqasid al-Shariah.
- **Islamic Fund and Wealth Management Blueprint:** Establishing Malaysia's five-year blueprint as a regional centre for Shariah-compliant sustainable and responsible investment.

2018



- **Green Technology Financing Scheme (GTFS) 2.0:** Extending the financing mechanism which supports the uptake of green technology projects, with an allocation of RM2 billion for the period from January 2019 until the end of 2020.
- **Guidance Documents on VBI:** Facilitating the practical adoption of VBI to re-orient Islamic finance business models towards realising the objectives of Shariah that generate positive and sustainable impact through practices, processes, offerings and conduct.
- **Green SRI Sukuk Grant Scheme:** Encouraging eligible issuers by defraying the external review costs of sukuk issuance under the SC's SRI Sukuk Framework, ASEAN Bonds under the ASEAN Standards and SRI-linked Sukuk under the SRI-linked Sukuk Framework.

2019



- **Joint Committee on Climate Change (JC3):** Building climate resilience into the financial system in Malaysia through a collaborative regulator-industry platform co-chaired by Bank Negara Malaysia (BNM) and the SC.
- **SRI Roadmap for the Malaysian Capital Market:** Positioning Malaysia as a regional SRI centre through a five-year roadmap.
- **Ecological Fiscal Transfer (EFT):** Introducing annual fiscal transfers from Federal to state governments to incentivise conservation efforts, biodiversity protection as well as the management of forest reserves and protected areas.

2020



- **Waqf-Featured Fund Framework:** Incorporating the development of waqf assets as an eligible SRI project, while facilitating the public offering of the world's first waqf shares through unit trusts and wholesale funds, integrating commercial and social objectives.

2021



- **SDG Sukuk Framework:** Positioning Malaysia at the forefront of funding SDG-aligned development. Malaysia 2021 Global Sukuk Issuance: World's first sovereign USD Sustainability Sukuk to finance eligible programmes and projects aligned with the SDG Sukuk Framework.
- **SDG National Budget Tagging:** First mapping exercise for the Government's annual budget allocation against the SDGs.
- **Climate Change and Principle-based Taxonomy:** Assisting financial institutions to assess and classify economic activities aligned with climate objectives, as published by BNM.
- **SRI Sukuk and Bond Grant Scheme:** Expanding and rebranding the Green SRI Sukuk Grant Scheme to include social and sustainability projects in accordance with ASEAN standards.
- **FTSE4Good Bursa Malaysia Shariah Index:** Incorporating Islamic finance into sustainability investing as a Shariah-compliant version.
- **Capital Market Masterplan 2021 — 2025 (CMP3):** Elevating SRI as one of its central development pillars through the establishment of holistic ESG disclosure guidelines and the SRI Taxonomy, with stronger integration of sustainability compared with CMP2.

2022



- **Malaysia Sustainable Development Goals Foundation (Yayasan MySDG):** Launching of a multi-donor platform to accelerate progress of Malaysia's SDG targets based on national priorities and facilitating the establishment of the Malaysia-UN SDG Trust Fund with the United Nations (UN).
- **Government Green Procurement:** Strengthening the Government's commitment to environmental sustainability by integrating green criteria into government procurement through the implementation of the Treasury Circular on Government Procurement 1.9 (PP/PK 1.9 Dasar Perolehan Hijau Kerajaan).
- **Sustainability Malaysia Government Investment Issues (Sustainability MGII):** Issuing Malaysia's first domestic Sustainability MGII issued via BNM, with proceeds channelled to finance and refinance eligible social and green projects.
- **Principles-based SRI Taxonomy:** Driving the climate and sustainability agenda within the capital market through the classification of qualifying investment activities, as published by the SC.
- **Climate Risk Management and Scenario Analysis Policy:** Enhancing financial sector resilience by mandating banks and insurers to integrate physical and transition risk assessments, governance and scenario modelling into their core business operations, as published by BNM.
- **SRI-linked Sukuk Framework:** Facilitating fundraising by companies in addressing sustainability concerns with features that relate to issuers' sustainability performance commitments.
- **Bursa Carbon Exchange:** Launching of the world's first Shariah-compliant multi-environmental product exchange that facilitates voluntary trading of carbon credits and renewable energy certificates.
- **Low Carbon Transition Facility:** Supporting micro, small and medium enterprises (MSMEs) in adopting sustainable and low-carbon practices through a BNM loan facility.

2023



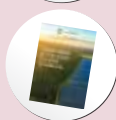
- **National Energy Transition Facility (NETF):** Enabling catalytic blended finance for marginally bankable energy transition projects, established under the National Energy Transition Roadmap (NETR).
- **Simplified ESG Disclosure Guide (SEDG):** Guiding MSMEs to adopt sustainability practices and meet ESG disclosure requirements, in unlocking sustainability financing.
- **ESG Jumpstart Portal:** Launching of JC3's platform with curated ESG resources, step-by-step guides, self-assessment tools and access to green financing for MSMEs.
- **The Sustainable Investing Standards (SIS):** Guiding government-linked investment companies (GLICs) in integrating sustainability considerations into investment processes and disclosures, complementing the Principles on Good Governance (PGG) and MCII on governance and stewardship, while also serving as a reference for the broader investment community.

2024



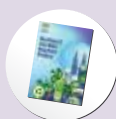
- **National Sustainability Reporting Framework (NSRF):** Establishing a standardised baseline for corporate ESG and climate disclosures, through the adoption of reporting standards by the International Sustainability Standards Board (ISSB), IFRS S1¹ and IFRS S2², to ensure corporate sustainability data in Malaysia is consistent, reliable and globally comparable.
- **Climate Risk Stress Testing (CRST) Methodology Paper:** Introducing a framework for financial institutions to quantify climate risks, strengthen risk management and assess climate-related vulnerabilities through stress testing.

2025



- **Climate Finance Innovation Lab (CFIL):** Developing and accelerating innovative climate finance solutions through a collaborative platform to mobilise capital for Malaysia's net zero, climate resilience and nature-positive initiatives.
- **New Industrial Master Plan 2030 Strategic Co-Investment Fund (NIMP CoSIF):** Channelling financial support to local MSMEs and mid-tier companies through equity crowdfunding (ECF) and peer-to-peer (P2P) digital financing platforms.
- **Dana Iklim+:** Launching of Malaysia's first dedicated climate-focused investment fund by the Retirement Fund (Incorporated) (KWAP) to mobilise capital for the transition to a low carbon and climate resilient economy.
- **Social Exchange:** Launching of a regulated fundraising ecosystem to institutionalise and structure public and corporate fundraising for the nation's third sector, while guaranteeing transparency, measurable impacts and seamless ESG compliance for corporate donors, retail investors and platform operators.
- **JC3 Guidance on Sustainable and Transition Finance:** Providing banks with practical rules to align financing with green principles at both the asset and entity levels, offering tools to assess client transition progress and handle projects falling short of strict taxonomies.

2026



- **National Carbon Market Policy:** Providing a foundational framework to regulate carbon credit generation, ensuring high environmental integrity and supporting future carbon pricing instruments like the domestic emissions trading scheme or carbon tax.
- **Capital Market Masterplan 2026 — 2030 (CMP4):** Launching of the SC's fourth capital-market blueprint, where Sustainability was named as one of its core pillars. It aims to scale Malaysia's capital market to RM5.8 trillion – RM6.3 trillion by 2030, driving high-income economic transition through market vibrancy, inclusivity and sustainability as well as regional gateway opportunities.
- **Blue Sukuk:** Pioneering two blue sukuk issued by Pengurusan Air Selangor Sdn. Bhd. and Pengurusan Aset Air Berhad, to support critical water infrastructure and non-revenue water reduction projects.

In the Pipeline



- **Carbon Tax:** The upcoming tax will target emissions-intensive sectors, beginning with the iron and steel industry. It is expected to incentivise cleaner production technologies, improve energy efficiency and support the sector's transition towards low-carbon and enhance operational competitiveness.
- **Emissions Trading Scheme (ETS):** The ETS is expected to enhance carbon market transparency, drive industrial decarbonisation and support Malaysia's commitment to achieve its climate targets and net-zero aspirations.
- **Malaysia Taxonomy for Sustainable Finance:** JC3 is developing a consistent and unified national classification framework, aligned with the ASEAN Taxonomy for regional consistency.
- **SDG Roadmap for Malaysia Phase III:** Serves as the nation's final strategic framework to achieve the 2030 Agenda, aligned with the national targets under the Ekonomi MADANI framework and the Thirteenth Malaysia Plan, 2026 – 2030.

Moving forward, Malaysia remains firm in strengthening its sustainability finance ecosystem through coordinated policy reforms, regional collaborations and international engagements. Greater interoperability across ASEAN, alignment with evolving international standards and continued innovation in sustainability financing will strengthen policy coherence and facilitate sustainability investment. These efforts will support the country's transition toward a low carbon, climate resilient and inclusive economy.

¹ General Requirements for Disclosure of Sustainability-related Financial Information

² Climate-related Disclosures

Food Security

Malaysia's food security remains stable with the national Food Security Index scoring 61.5 in 2024, compared to 54.5 in 2023. However, continued reliance on imported food and agricultural inputs creates significant long-term structural risks. Out of 60 agricultural commodities, only 24 meet the self-sufficiency level needs of the country. This dependency exposes Malaysia to volatility in food prices, especially for staple food. In overcoming the challenges, there is a need in accelerating the adoption of technology in raising yields, reducing losses and increasing skilled employment.

Digitalisation and Cybersecurity

Malaysia ranked 34th in the IMD World Digital Competitiveness Ranking 2025, improving from 36th in 2024, while its Future Readiness Indicator stood lower at 40th. This reflects Malaysia's preparedness in digital readiness that requires further adoption among businesses which translates into higher productivity, innovation and competitiveness. Nevertheless, the digital transformation significantly increases the nation's exposure to external cyber threats. Despite Malaysia's early progress in post-quantum cryptography (PQC), readiness remains uneven, with a multitude of gaps in technical expertise, cryptographic inventories and migration planning across organisations.

Raising the Floor

Infrastructure and Regional Development

Disparities in access to quality infrastructure and public services remain a key challenge to balanced development across states and rural-urban areas. At the same time, rapid urbanisation continues to place pressure on public transport, housing affordability and urban liveability. Community development to uplift the socioeconomic status of the target groups also remains a challenge. These include

limited Bumiputera economic participation and ownership as well as inadequate access to job opportunities and universally designed infrastructure for PWDs. The youth and women also continue to encounter social mobility and capability constraints to pursue a more decent living.

Social Protection

Despite significant progress, Malaysia's social protection landscape continues to face challenges in providing adequate and comprehensive protection across different forms of employment and household circumstances amid the rising cost of living. Employment-based protection frameworks, particularly for the self-employed and informal employment, require further administrative enhancements including mandatory registration and coverage depth. The effectiveness of Active Labour Market Policies (ALMPs) and income-generating programmes is also constrained by skills mismatches, heavy reliance on low-skilled foreign workers and ineffective intervention.

Meanwhile, fragmentation across cash and welfare assistance schemes face inefficiencies in social safety net delivery. While targeted assistance programmes have helped cushion vulnerable groups from rising living costs, persistent income disparities and socioeconomic challenges underscore the need for continued support. This presents an opportunity to enhance the mechanism and delivery of social safety net programmes, including STR, SARA and welfare schemes for children, senior citizens and PWDs.

However, continued dependence on income assistance among vulnerable households highlights the need to complement social transfers with stronger pathways toward sustainable employment and income generation. Better integration of social assistance, contributory protection and ALMPs will therefore be important in strengthening household resilience and reducing longer-term vulnerability.

Education and Healthcare

The education system has undergone various phases of change, aimed at developing the potential of the rakyat through a holistic and integrated approach. However, there are shortcomings in terms of quality and learning outcomes at different levels of education, despite substantial annual investments. Although Malaysia has achieved high preschool (93.5%), universal primary school (99%) and high secondary school (94.9%) enrolments, overall student outcomes such as the Programme for International Student Assessment (PISA) as well as Trends in International Mathematics and Science Study (TIMSS) remain below targeted standards. Tertiary institution outputs are often misaligned with actual industry talent requirements. Moreover, dilapidated infrastructures in remote rural schools need to be upgraded while urban areas are faced with overcrowded schools.

At the same time, the healthcare sector is strained by shortages of specialists and escalating medical cost that risks service affordability and quality, alongside a growing prevalence of non-communicable diseases and unhealthy lifestyle trends. These healthcare pressures are further intensified by rapid demographic ageing, inadequate long-term care ecosystems and expanding fiscal burdens

on the public healthcare infrastructure, underscoring the urgency for comprehensive reforms to strengthen both accessibility and quality of care.

Workers' Well-being

Malaysia has made notable strides in strengthening the labour market ecosystem through targeted employment and decent-wage initiatives. Nonetheless, driving sustained wage progression to elevate workers' living standards remains a persistent structural challenge. Consequently, the distribution of economic growth remains imbalanced, with a low CE share of GDP. This reflects demand- and supply-side constraints including limited creation of high-paying jobs; heavy concentration of workers in semi-skilled occupations; low technology adoption; and skills-related underemployment that depress wage floors. Furthermore, wage-setting practices remain predominantly employer-driven rather than determined through equitable collective negotiations, restricting wage growth and upward worker mobility. To ensure economic growth translates into inclusive outcomes, a coordinated approach is required in streamlining structural industrial reforms, controlling the hiring of foreign labour, formulating holistic wage policies and expanding collective bargaining platforms.

FEATURE ARTICLE 1.1

Lifting Wages from the Ground Up*In collaboration with THE FUTURE¹***Introduction**

Malaysia has made significant progress in strengthening the wage ecosystem and improving workers' living standards through various decent wage policies. These initiatives have successfully raised the wage floor for low-paid workers, strengthened income progression and established important foundations for a more inclusive and productive labour market. As the market becomes more dynamic, the next policy challenge lies in ensuring workers are able to progress more meaningfully beyond the wage floor throughout the career path.

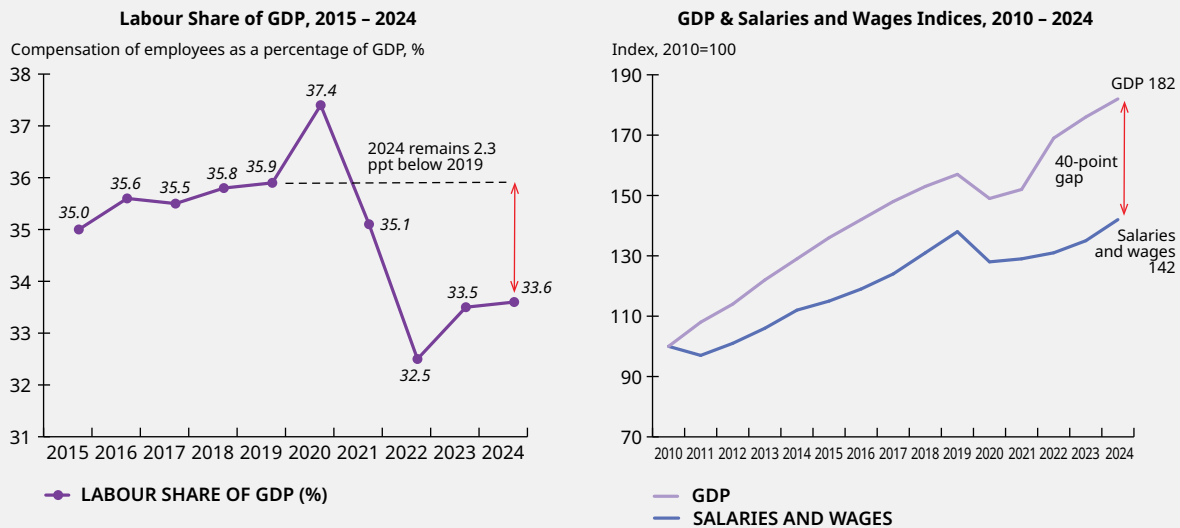
The challenge facing Malaysia's wage ecosystem is deeply rooted in the structure of its economy, particularly the concentration of labour-intensive micro, small and medium enterprises (MSMEs) in persistently low-wage industries. While existing policies have strengthened wage protection and workers capabilities, further uplift towards sustainable wage growth requires firms to generate greater demand for high-skilled workers and better-paying jobs. This article analyses the current structural wage imbalances and proposes policy options needed for a targeted 'big push' that integrates MSMEs' upgrading, industrial development and workforce interventions. By positioning productivity as the bridge between stronger business capabilities and wage progression, the country will be able to address structural wage imbalances, strengthen the wage ladder and ensure economic growth delivers broader improvements in workers' living standards.

From a Higher Wage Floor to a Stronger Wage Ladder

Over the years, Malaysia's economic expansion has generated employment and raised nominal wages, but the distribution of these gains across workers remains uneven. An important indicator of economic growth distributed to workers is the labour income share, measured by compensation of employees (CE). A rising labour income share suggests that workers are benefitting more from the gains in production, whereas a persistently low or declining share may indicate that economic growth is not being translated proportionately into employee compensation.

As shown in Figure 1.1.1., the CE accounted for 33.6% of Malaysia's GDP in 2024, which remained below the pre COVID-19 pandemic levels. Although GDP and employment have recovered, the post-pandemic pattern highlights a continuing challenge in ensuring economic recovery translates into broad-based improvements in labour income. This situation points to an important dimension in Malaysia's wage challenge, as the issue extends beyond the earnings of low-paid workers to the capacity of the economic structure in generating sustained and widely shared wage progression. To understand the overall wage dynamics, it is important to distinguish the varying impacts of the minimum wage policy, the compression of wages and the disproportionate wage growth.

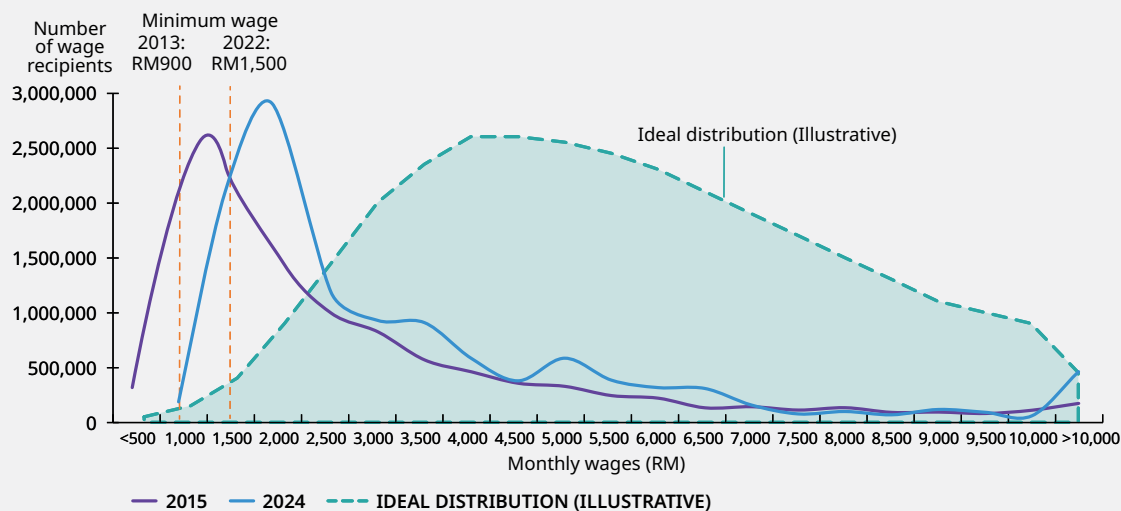
¹ Centre for Future Studies Berhad (THE FUTURE) is a Malaysian think tank that supports evidence-based decision-making, capacity building and policy innovation. It has contributed to policy studies, strategic publications and reform initiatives to various governments.

FIGURE 1.1.1. Labour Income Share and Distribution of Growth

Note: The increase in labour share in 2020 partly reflects the sharper contraction in GDP during the pandemic
 Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

Minimum Wage Increases Have Raised the Floor, but Not Transformed the Distribution

Minimum wage legislation has played an important role in protecting low-paid workers. As shown in Figure 1.1.2., Malaysia's wage distribution has shifted to a higher trajectory for the period of 2015 to 2024, as a result of successive increases in the statutory minimum wage. The peak of the distribution moved from below RM1,300 in 2015 to approximately RM1,700 — RM2,000 in 2024. This pattern is consistent with minimum wage adjustments lifting the lower tail of the distribution and reducing the concentration of workers in the lowest wage brackets.

FIGURE 1.1.2. Wage Distribution: Comparison Between Malaysia and Ideal Condition

Note: Illustrative benchmark only; not an official forecast or statistical target. Wage recipients include citizens and non-citizens; wages below the statutory minimum may include part-time workers and other permitted categories
 Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

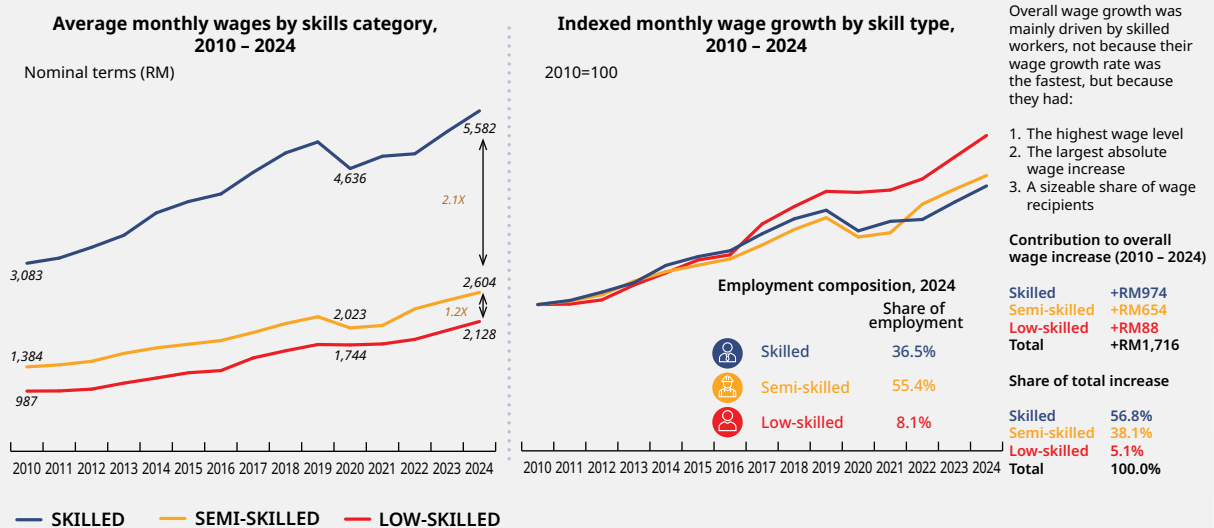
Nevertheless, a substantial proportion of wage recipients continues to earn close to the statutory minimum, while the middle-wage bracket remains comparatively narrow. This reflects the different wage dynamics across the distribution, as the statutory minimum wage directly lifts wages at the lower end, while workers in the higher brackets above the minimum wage are not necessarily offered wage adjustments. The lack of wage adjustments assurance would result in relatively weaker wage progression within the middle-wage bracket. While wage spillover effects remain limited, the minimum wage has been more effective as a protective floor than as a mechanism for generating sustained wage progression beyond the floor.

Figure 1.1.2. also shows that the actual wage distribution in Malaysia is skewed to the right, where the majority of workers earn relatively modest wages, while a small proportion of high-income earners receive substantially larger wages. This scenario presents a wider gap compared to the ideal distribution, which depicts the broad characteristics of a more mature high-wage economy. Moving towards the ideal distribution requires more than periodic adjustments to the statutory minimum wage, alongside stronger productivity growth, occupational upgrading and the creation of more middle- and high-skilled jobs.

The Missing Middle is Concentrated among Semi-Skilled Workers

Although skills command a wage premium, employment remains concentrated in semi-skilled occupations, reflecting the underlying structure of the economy. As shown in Figure 1.1.3., semi-skilled occupations accounted for 55.4% of total employment in 2024, compared with 36.5% for skilled and 8.1% for low-skilled. Consequently, the wage distribution is shaped principally by the earnings trajectory of semi-skilled workers, rather than by low-skilled employment alone.

FIGURE 1.1.3. Wages, Employment and Overall Wages Increase by Skills Category



Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

In general, average monthly wages across the three occupational groups experienced an increasing trend between 2010 and 2024. Skilled workers' wages rose from RM3,083 to RM5,582, while semi-skilled wages increased from RM1,384 to RM2,604 and low-skilled wages from RM987 to RM2,128. Despite these improvements, the skilled to semi-skilled wage gap in 2024 remained substantial

at 2.1 times, whereas the average semi-skilled to low-skilled wage was only about 1.2 times. The wage differential signifies the incidence of a lack of gradual ladder that supports continuous wage progression among the semi-skilled workers. Without clearer intermediate wage intervention, workers may have limited motivation and opportunities to progress, while employers may face greater difficulty retaining and upgrading workers.

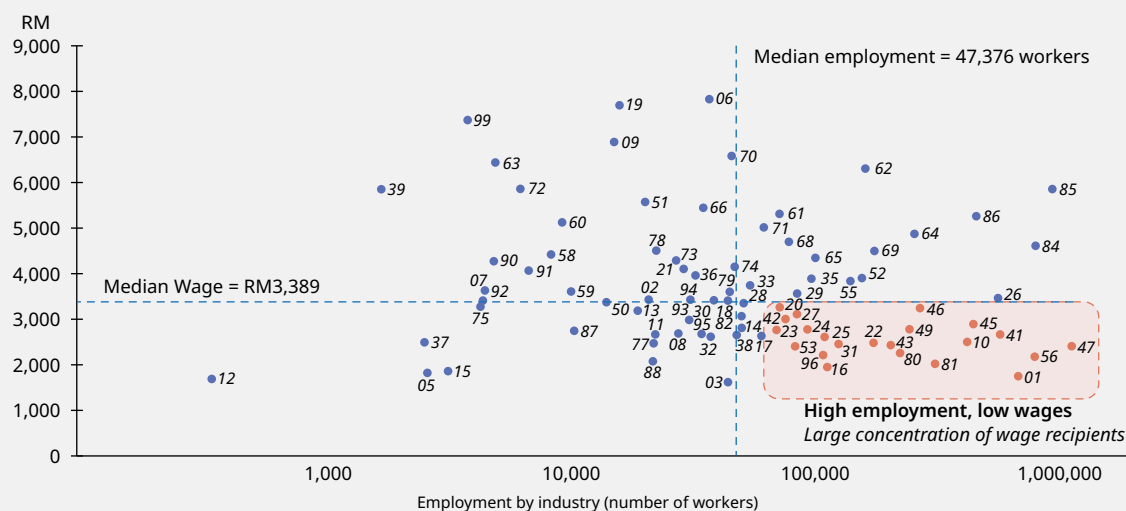
Skilled Workers Contributed Disproportionately to Aggregate Wage Gains

Aggregate wage increase was contributed disproportionately by skilled workers, as shown in Figure 1.1.3. Between 2010 and 2024, an estimated 56.8% of the overall increase in average wages was earned by skilled workers, compared with 38.1% for semi-skilled workers and 5.1% for low-skilled workers. This contribution was driven by the higher wage base for skilled workers who experienced the largest absolute wage increase with a sizeable share of wage recipients. Meanwhile, the semi-skilled workers who represented the largest share of employment, contributed a relatively smaller share of aggregate wage gains. Hence, a substantial wage increase within this group is pertinent to accelerate the upward wage progression.

Labour-Intensive Industries Associated with Low Wages and Weak Wage Progression

The industry-level analysis provides further insight into the structural factors shaping Malaysia's wage landscape. Figure 1.1.4. shows that many of the largest employing industries are positioned below the median monthly wage. The concentration of workers in this high-employment, low-wage segment indicates the continued importance of labour-intensive industries in employment creation, often underpinned by business models that rely on relatively low labour costs. The overall wage level is therefore constrained by the composition of employment, with a large share of workers remaining concentrated in industries characterised by relatively low value-added and productivity per worker.

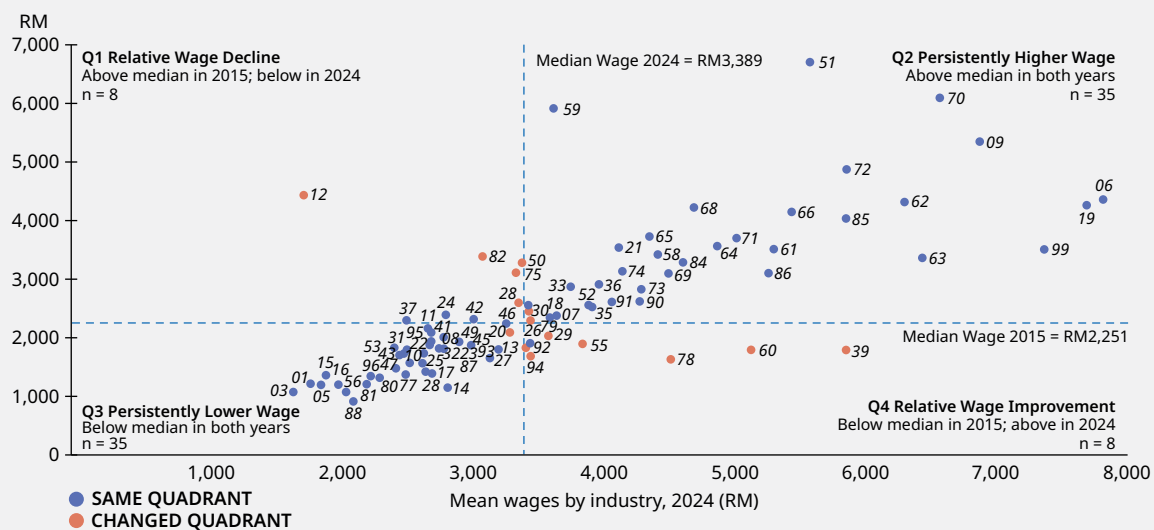
FIGURE 1.1.4. *Employment and Wages by Industry, 2024*



Note: Numbers in the figure refer to the two-digit Malaysia Standard Industrial Classification (MSIC) codes
Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

Moreover, the challenge extends beyond wage levels at a particular point in time. It involves a limited improvement in the relative wage position of many industries, suggesting lower wage industries made little progress in narrowing wage gaps over time. Figure 1.1.5. shows that 81% of industries remained in the same wage quadrant between 2015 and 2024, including 35 industries that remained below the sectoral median wage in both years. Meanwhile, only eight industries managed to move from below to above the median wage between the same period. This persistence suggests that wage growth has generally been insufficient to alter the relative position of most lower-wage industries, pointing to structural constraints on wage progression rather than solely to temporary cyclical weakness.

FIGURE 1.1.5. Wages Position by Industry, 2015 and 2024

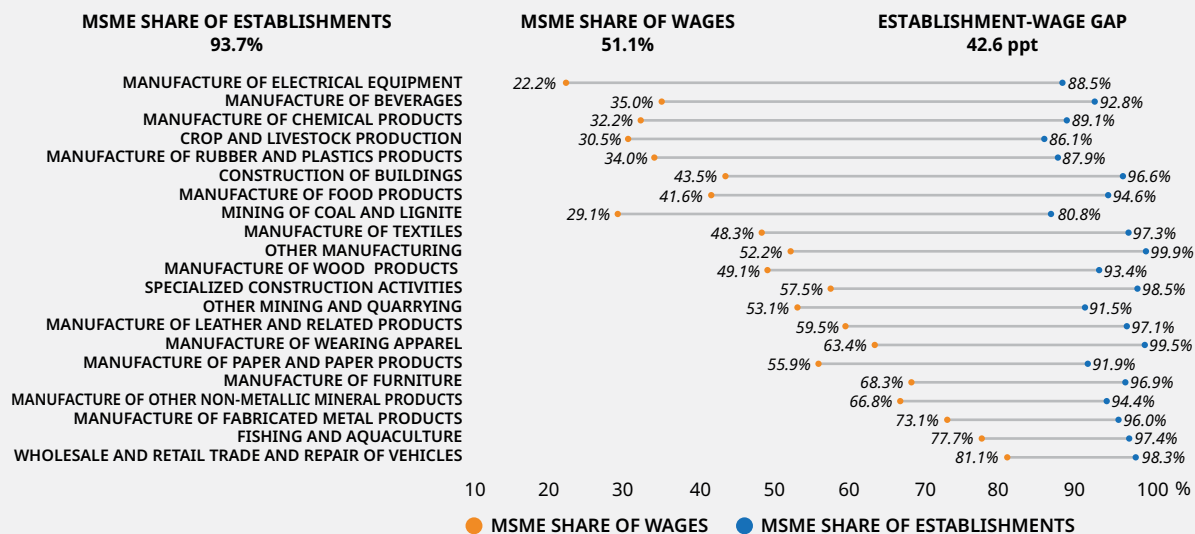


Note: Numbers in the figure refer to the two-digit Malaysia Standard Industrial Classification (MSIC) codes
Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

Upgrading Labour-Intensive MSME Can Create a 'Big-push' Impact

Figure 1.1.6. shows the structural distribution of MSMEs across industries that dominate 93.7% of total establishments. However, MSMEs contributed only 51.1% of total wages, indicating an average establishment-to-wage gap of 42.6 percentage points (ppt). This gap is consistent with a fragmented production structure in which many smaller firms operate at a limited scale and remain concentrated in labour-intensive and lower-value activities. As MSMEs play a vital role in shaping the wage outcomes, it is important to accelerate MSMEs transformation by enhancing technology adoption, managerial sophistication and integration into high-value markets as well as translating productivity gains effectively into wage progression.

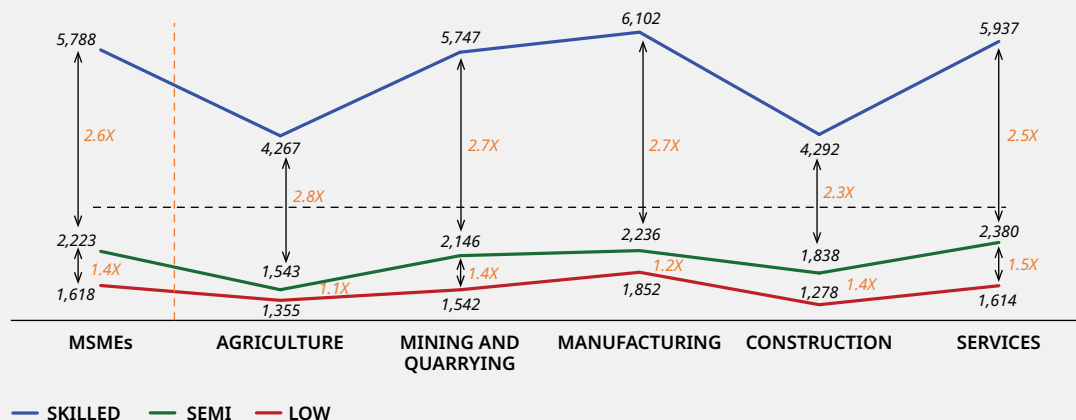
FIGURE 1.1.6. Selected MSME Shares of Establishments and Wages by Industry, 2022



Note: Industries refer to the two-digit Malaysia Standard Industrial Classification (MSIC) codes
Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

An analysis of remuneration across skill categories suggests that Malaysia's wage challenges persist despite favourable labour market conditions. Figure 1.1.7. confirms the substantial wage gap between skilled and semi-skilled workers, while a much narrower gap was observed between semi- and low-skilled workers. This reflects the wage challenges faced by MSMEs across all economic industries, particularly the concentration in labour-intensive and lower-productivity activities.

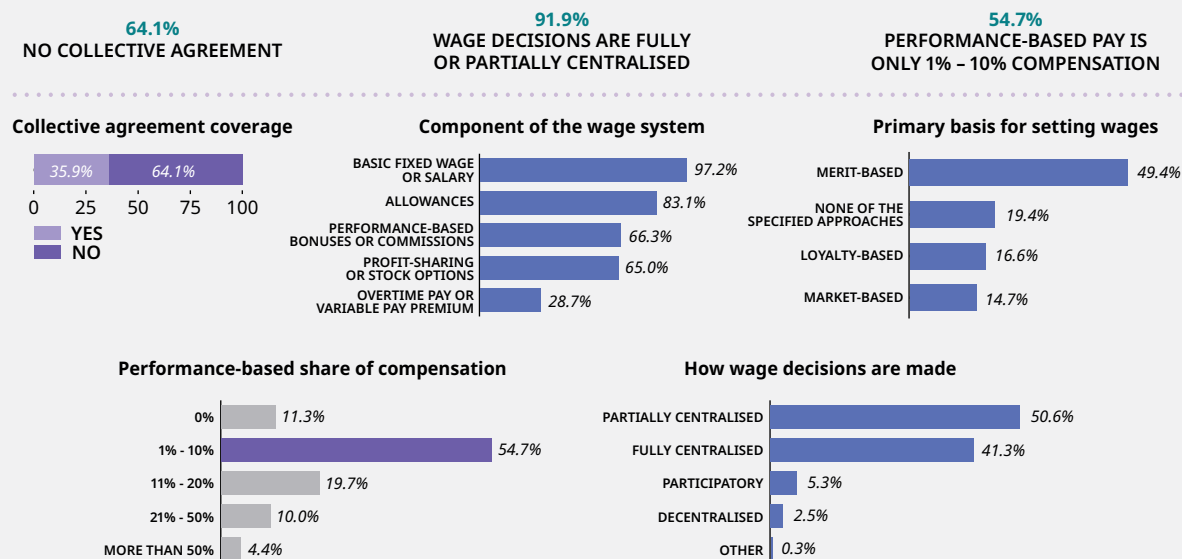
FIGURE 1.1.7. Average Monthly Wages (RM) by Skills Category and Sector in MSMEs, 2022



Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

The MSME Wage Inequality Survey conducted by the Malaysia Productivity Corporation in 2025 further underscores the case for strengthening wage systems within MSMEs. The survey shows that MSMEs generally have basic compensation arrangements, but these have not developed into coherent and institutionalised wage-progression systems (Figure 1.1.8.). Although basic fixed wage or salary (97.2%), allowances (83.1%) and performance-based bonuses or commissions (66.3%) are widely reported, only 35.9% of firms have workers covered by collective agreements that bind the employers and workers to mutually agreed wage and employment conditions. The survey also confirms that wage setting remains predominantly management-led, in which 91.9% of decisions are made through fully or partially centralised arrangements, while only 5.3% involve employee participation. Moreover, less than half of firms primarily use merit-based wage setting, suggesting that pay progression is not consistently anchored to skills, qualifications, responsibilities or market benchmarks.

FIGURE 1.1.8. Wage-Setting Practices in MSME, 2025



Source: MSME Wage Inequality Survey by Malaysia Productivity Corporation, 2025

The survey further highlights the relationship between remuneration and productivity remains misaligned. A total of 54.7% of firms offer performance-based compensation, accounting for between 1% — 10% of average employees' total remuneration, while 11.3% of firms do not provide any performance-based pay. These patterns suggest that many MSMEs practise some form of individualised pay component but lack a transparent mechanism linking skills development, improved performance and productivity gains to sustained wage progression, hindering workers from obtaining a performance-based wage increment. To strengthen this, policy support could therefore help MSMEs introduce occupational wage bands, skills-based career pathways and productivity-based incentives, alongside technology adoption and business upgrading that strengthen a firm's ability to finance higher wages sustainably.

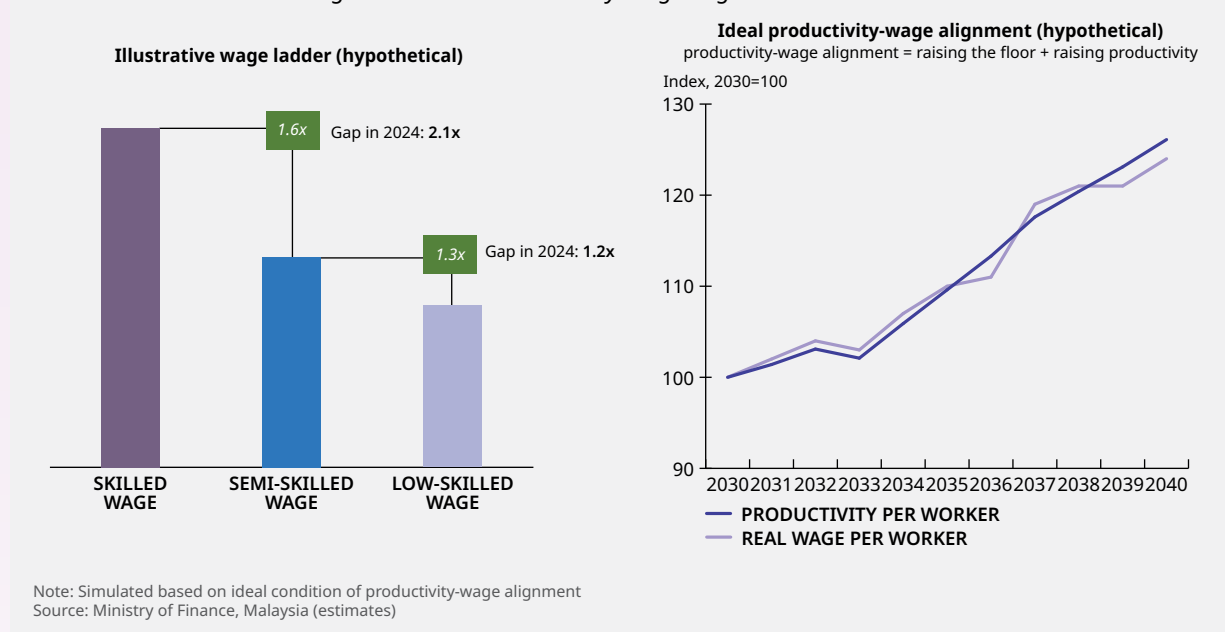
Building a Stronger Wage Ladder Requires an Integrated Approach

Raising wages in labour-intensive industries should not be viewed solely as achieving labour-market or supply-side objectives. It must be complemented by demand-side initiatives that promote firm and industrial upgrading through automation and digitalisation, with productivity serving as the critical link between higher-value economic activities and sustainable wage progression. The key challenge is to ensure that wage increases are underpinned by productivity improvements that make such progression sustainable over time for the labour market to reach an ideal state, where ratios between skill categories are more balanced.

Closing the Wage Gap Requires Productivity-Led Wage Progression

The ideal proportion of adjustment required to establish a stronger and more balanced wage ladder is illustrated in Figure 1.1.9. The simulation narrows the wage ratio between skilled and semi-skilled workers from approximately 2.1 times in 2024 to a ratio of 1.6 times, while the ratio between semi-skilled and low-skilled workers widens from approximately 1.2 times to 1.3 times. Together, these adjustments would strengthen wage progression in the lower and middle segments of the distribution while preserving an appropriate premium for higher levels of skill, occupational complexity and responsibility.

FIGURE 1.1.9. Illustrative Wage Ladder and Productivity-Wage Alignment



These ratios are intended to illustrate the desired direction of wage adjustment rather than serve as prescribed wage targets. The ratios characterise a more balanced wage structure in which each advancement in skills and responsibilities is accompanied by a meaningful increase in remuneration. The objective of having a more balanced wage structure is to establish a clearer and more sustainable pathway for workers to receive decent wages.

The simulated productivity-wage alignment in Figure 1.1.9. highlights a fundamental condition for sustainable wage progression where real wage needs to grow in tandem with productivity over the medium to longer term. Raising wages must correspond with productivity gains to avoid widening the gap between labour costs and productive capacity, as this would affect a firm's competitiveness and employment decisions. On the other hand, the labour income share would weaken if workers' productivity improvements are not adequately compensated through higher wages, resulting in constrained domestic demand. A sustainable high-wage economy therefore requires productivity and real wages to advance concurrently².

Nevertheless, the central challenge in the labour market that impedes the intended outcome lies in the limited integration between the supply and demand for skills. While education and training institutions shape the supply of workforce, the types of skills, occupations and jobs demanded by the economy are determined by the industry. When these two sides are insufficiently aligned, the labour market may experience persistent skills mismatches, youth unemployment and underemployment, weak wage progression and a disconnect between productivity and wages. These indicate that improvements in education and training alone may not translate into better wage outcomes unless firms simultaneously create high-paying jobs and strengthen demand for more advanced skills.

Way Forward

Malaysia's next phase of wage reform should move beyond raising the wage floor towards building a stronger wage ladder that enables meaningful career progression for workers. While maintaining an effective national minimum wage remains important for protecting workers at the lower end of the labour market, wage regulation alone would not transform the underlying structure of employment and industries. Sustainable wage progression requires a broader approach that simultaneously strengthens workers' opportunities to move up the wage ladder and firms' capacity to support higher wages through productivity growth and higher-value economic activities. This is particularly important given the continued concentration of employment in labour-intensive and relatively low-wage industries.

A key priority is therefore to accelerate the upgrading of labour-intensive industries, particularly MSMEs. Policy support should enable these firms to adopt technology, improve managerial and organisational capabilities, modernise business processes, strengthen domestic and global market linkages as well as progressively transition into higher-value activities. Such upgrading would increase value-added and productivity at the firm level, strengthening the capacity of industries to support meaningful and sustained wage progression across skill levels.

At the same time, workforce development must be more closely aligned with the evolution in demand for skills. Strengthening education, including TVET, reskilling and upskilling remains essential, but improvements in the supply of talent will generate stronger wage outcomes only when firms create jobs that utilise and reward those capabilities. This requires strategic coordination between education and training institutions, and industries to improve job matching. Existing initiatives such as the Progressive Wage Policy and Academy in Industry provide useful foundations for strengthening this connection.

² The Malaysia Economic Monitor: Raising the Ceiling, Raising the Floor report by the World Bank documents the degree of convergence between wage growth and labour productivity growth in Malaysia.

Stronger business capabilities should be accompanied by a more comprehensive and structured wage architecture. While the national minimum wage should remain the universal wage floor, consideration could be given to sectoral wage floors that better reflect productivity and wage conditions, particularly in persistently low-paid industries, without allowing any sectoral floor to fall below the national minimum. A structured annual wage progression framework could provide workers with clearer pathways for wage advancement based on experience, skills, competency, responsibilities and productivity. A wider coverage of collective agreements would complement this framework by providing an extensive channel for employers and workers to operationalise industry- and occupation-specific wage ladders, including appropriate annual increments, career pathways and productivity-linked wage adjustments.

Conclusion

Uplifting wages in labour-intensive MSMEs must be made the primary focus to generate a broad-based 'big-push' impact in rebuilding the wage ladder, enabling more workers to benefit from higher-value activities and meaningful wage progression. This requires an integrated framework connecting both sides of the labour market. The demand-side interventions should support firms through industrial upgrading to create high-value jobs, while supply-side measures should strengthen skills, job matching and career progression. Productivity must serve as a bridge between the measures by converting stronger business capabilities and a more competent workers into higher output, greater competitiveness and sustainable wage growth. Therefore, strong foundations can expedite the development of a more progressive wage-ladder structure in Malaysia, ensuring that workers gain a sustainable income growth in line with the aspirations of Ekonomi MADANI.

Governance and Transparency

Governance reforms have continued to advance, strengthening Malaysia's institutional foundations. However, the key challenge remains in translating these reforms into faster, more transparent and measurable outcomes. While Malaysia's standing in governance has improved, challenges in the rule of law, politics and economy persist, highlighting the need to enhance implementation effectiveness, enforcement efficiency, as well as the timeliness of regulatory and administrative processes. Furthermore, increasing demands arising from education, population ageing, healthcare, social protection and digital transformation, together with the need to rebuild fiscal buffers and manage debt levels, highlight the importance of improving the value and effectiveness of every ringgit spent.

Strategic Initiatives – Budget 2027

Budget 2027, the fifth MADANI Budget and the second under the Thirteenth Plan, marks a pivotal step in advancing the Ekonomi MADANI framework while striking a balance between addressing the immediate needs of the rakyat and facilitating business activities. Building on the reform momentum, the Budget will focus on strengthening Malaysia's economic resilience and competitiveness while ensuring the benefits of growth are broadly shared. Strategic initiatives will be anchored on driving reform in governance to enhance institutional effectiveness and fiscal sustainability, raising the ceiling through higher-value economic activities and quality investments as well as raising the floor by improving living standards and social protection.

Governance

Prudent fiscal and strong economic management including improvement of government procurement process, compliance of audit and adherence to anti-corruption policy remain the Government's priority. Moreover, in strengthening governance, bureaucracy will be reduced through the expansion of GovTech, including cross-agency data integration and end-to-end digital services. Institutional reforms will continue to be undertaken through the tabling of proposed legislations such as the separation of power between Attorney General and Public Prosecutor bill, comprehensive ombudsman bill, freedom of information bill and state-owned entities bill. A more transparent and efficient public service delivery will reduce transaction costs and therefore, reinforce investor confidence, business competitiveness and public trust while supporting the national development agenda.

Priority will also be accorded to HGHV projects that address critical infrastructure gaps, strengthen connectivity and regional development, enhance economic capacity and resilience as well as generate sustainable social and economic returns. In this effort, the whole-of-government coordination will be emphasised to improve efficiency and reduce overlapping programmes. These measures will be complemented by continued subsidy rationalisation and public-sector reform to create fiscal space for strategic priorities. Budget 2027 will ensure every ringgit is directed towards programmes and projects which will deliver the highest economic and social returns, strengthen Malaysia's long-term fiscal resilience as well as support inclusive and sustainable growth.

Raising the Ceiling

The MSMEs are crucial in creating jobs, fostering innovation and contributing to economic growth. As such, access to financing for MSMEs involved in export-oriented and HGHV activities will continue

to be strengthened through SJPP guarantee programmes, complemented by the RM10 billion BNM-CGC post-crisis guarantee scheme. The Bumiputera Agenda Steering Unit (TERAJU), in collaboration with financial institutions and government agencies, will also provide strategic financial support to scale up and expand Bumiputera enterprises, in line with the Bumiputera Economic Transformation Plan 2035 (PuTERA35). These measures will complement digitalisation support implemented through SME Corp. Malaysia and Malaysia Digital Economy Corporation (MDEC), helping MSMEs adopt technology, improve productivity and strengthen capacity to scale into higher value-added activities. Government procurement, GLIC investment and stronger commercialisation of public R&D can further provide local firms with opportunities to establish track records, develop Malaysian-owned products and intellectual property and scale up internationally. These supports aimed to deliver clear value for money as well as uphold fair competition, transparency and sound governance, in line with the 'Made by Malaysia' aspiration.

In attracting quality investment, the Government will focus on providing significant opportunities to deepen investment multiplier effects. This includes strengthening the Invest Malaysia Facilitation Centre (IMFC) to expedite approvals across Federal and state authorities, utility providers and technical agencies. In parallel, Budget 2027 will accelerate the conversion of investment commitments into realised projects supported by post-approval facilitation and closer monitoring throughout the investment lifecycle, including addressing bottlenecks in land and utility approvals as well as talent availability. The recently introduced outcome-based New Incentive Framework (NIF) will place greater emphasis on technology upgrading, quality employment, local supplier development, technology transfer, R&D&C&I and productivity improvements. This will also strengthen domestic value creation by enabling Malaysian companies and MSMEs to integrate into the supply chains of incoming investors. Priority will be given to strategic sectors,

including semiconductors, AI, digital services, the energy transition, pharmaceuticals, logistics and aerospace, in line with NIMP 2030, NETR, NSS and the National AI Action Plan 2030, as well as regional hubs such as the JS-SEZ, Kulim Hi-Tech Park and Penang Silicon Island. Building on Malaysia's rise to 15th place in the 2026 IMD World Competitiveness Ranking, these efforts will support the aspiration of a top-12 position under the Ekonomi MADANI framework.

Malaysia's transition towards a low-carbon and climate-resilient economy presents opportunities to strengthen economic resilience while unlocking new sources of investment and growth. The Government will accelerate investments in RE capacity, battery storage, national grid upgrades and ASEAN interconnection as well as energy efficiency under the Energy Efficiency and Conservation Act (EECA) 2024. Furthermore, low-carbon technologies including carbon capture, utilisation and storage (CCUS) and hydrogen will also be given priority in advancing decarbonisation. On top of that, in meeting the growing industrial demands, particularly from new industries such as AI and data centres, focus will be on ensuring the availability of adequate and reliable energy as well as water supply. Incentives will be linked to energy and water efficiency performance, ensuring that the expansion of the digital economy does not place undue pressure on resource supply or impose additional burden on the rakyat. In addition, the Federal, state and local governments will be encouraged to develop structured stakeholder engagements, comprehensive guidelines as well as targeted capacity building programmes to address the emergence of these new industries. These efforts will further strengthen the resilience of businesses and communities.

In advancing smart agriculture, precision farming, automation and digital technologies, the Government will continue to improve access to financing, technical assistance and shared technology infrastructure. Greater emphasis will be placed on reducing post-harvest losses by strengthening storage, cold-chain, processing and distribution facilities, thereby improving the availability and reliability of domestic food supply. Budget 2027 will accelerate technology adoption, supply-chain resilience and commercialisation activities by emphasising closer linkages among farmers, research institutions and industry to modernise farming and enhance food security. These measures will support higher productivity, raise income, encourage greater participation of young and technology-driven agropreneurs as well as generate higher value-added activities. Strategic supply management and enforcement will also be continued to stabilise the supply and prices of essential food items for the rakyat.

Advancing digitalisation and AI remains a key priority of the MADANI administration. Guided by the National AI Action Plan 2030 and initiatives such as AI untuk Rakyat, Budget 2027 will build on this momentum to broaden the adoption of AI and digital technologies across the economy and public services, while strengthening AI literacy and digital capabilities among workers and MSMEs so that the benefits of AI are shared by all. Malaysia's early progress in PQC presents an opportunity to strengthen cybersecurity resilience while developing domestic technological capabilities. Advancing the National PQC Migration Plan 2025 — 2030 through regulatory sandboxes, cross-agency pilot programmes and stronger industry-government collaboration can accelerate secure migration across critical sectors. Greater

adoption and commercialisation of locally developed cybersecurity solutions can reduce external technology dependence while creating more intellectual property, skilled jobs and new economic activities. These capabilities will strengthen digital sovereignty and position Malaysia to capture emerging regional opportunities in advanced cybersecurity and cryptographic technologies. Beyond this, cybersecurity, including the prevention of online fraud, reinforcement of data resilience and protection of critical infrastructure, will be elevated as a key component of national security, as digital threats now directly affect the rakyat, businesses and the stability of the financial system.

Raising the Floor

Given the critical role of infrastructure in supporting economic activity and community development, public expenditure will be directed towards investments that deliver the best value for the rakyat. In supporting this, Budget 2027 will focus on enhancing the provision of quality transport connectivity, digital infrastructure, healthcare and education facilities to drive balanced growth across regions and states, particularly in Sabah and Sarawak, focusing on rural and interior areas to bridge the rural-urban disparity. Sustainable urban development will simultaneously elevate public transportation accessibility, home ownership and rental affordability as well as urban liveability, enhancing households' overall quality of life.

In rural areas, the Government will focus on strengthening physical and digital connectivity, expanding access to essential services, improving agricultural productivity and rural enterprises, as well as creating greater economic opportunities to raise household

income and narrow development gaps. These efforts will be supported by various community-focused programmes centred on advancing Bumiputera economic ownership and unlocking the full potential of youth, women and indigenous communities as well as cooperatives and the social economy. This will also include an emphasis on universal infrastructure design and accessible job opportunities to uplift PWDs' participation in economic activities.

As demographic, economic and labour market dynamics continue to evolve, the Government will further enhance the social protection system to be more inclusive and comprehensive. In easing cost-of-living pressures, Budget 2027 will continue implementing targeted cash assistance and subsidies, including BUDI MADANI. In this regard, the identification of eligible recipients of STR and SARA as well as welfare assistance schemes for children, senior citizens, PWDs and other vulnerable groups will be improved to minimise inclusion and exclusion errors. Furthermore, the retirement and social security protection frameworks under EPF and PERKESO will be reassessed to ensure the adequacy and long-term sustainability, with priority given to extending coverage to informal employment and the self-employed, including gig workers. As Malaysia is already an ageing nation, priority will also be given to improving the adequacy of retirement savings and developing the care economy, including long-term and community-based care. Beyond direct financial assistance, greater emphasis will be placed on supporting beneficiaries towards sustainable income generation through strategic skills development and entrepreneurship support, thereby promoting greater long-term economic self-reliance against income shocks.

FEATURE ARTICLE 1.2

The Role of Government Measures in Cushioning Rising Living Costs

Introduction

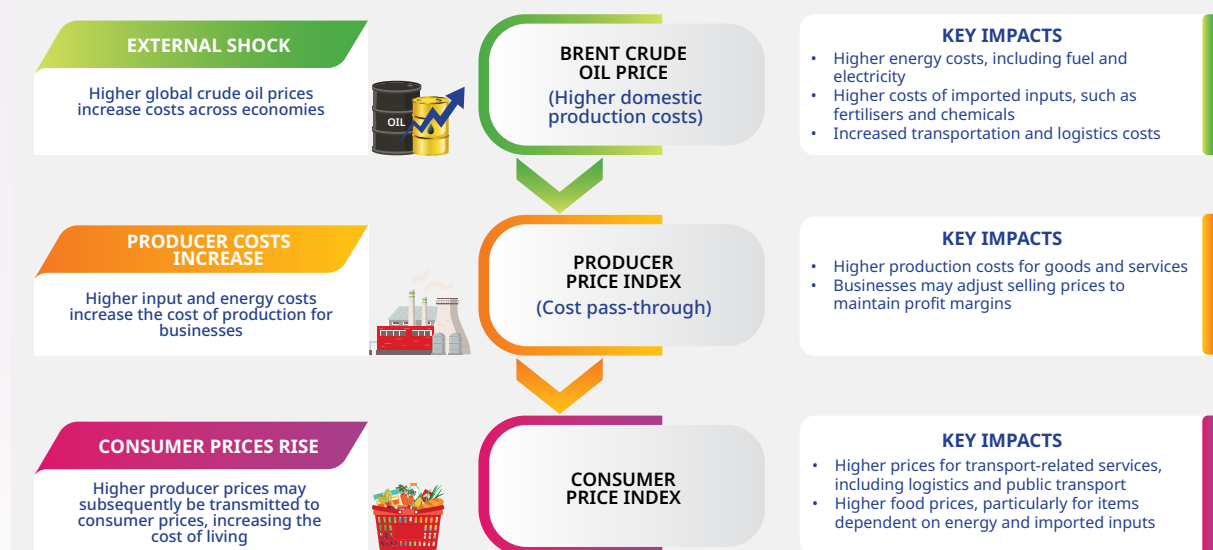
As a small and open economy, Malaysia is exposed to heightened global uncertainties, including volatility in global energy prices. Focusing on the price transmission channel, any disruption could raise import and production costs, exert upward pressure on consumer prices and, in turn, weigh on business activities and household spending. Nonetheless, Malaysia's position as a net energy exporter provides buffers against the impact in the domestic market. Against this backdrop, this article examines:

- the impact of higher global oil prices on producer and consumer prices;
- Government measures in buffering the impact of higher pump prices on households; and
- the role of cash assistance in cushioning household expenditures.

Transmission Channel on Prices

Higher global crude oil prices would increase domestic production costs through rising energy and intermediate input costs. These increased costs are subsequently reflected in the Producer Price Index (PPI) before being transmitted to the Consumer Price Index (CPI), particularly for food items and transport-related services that rely on energy and imported inputs. Given the role of Brent as the global crude oil benchmark, Brent is used to analyse the pass-through effects on domestic inflation. Figure 1.2.1. illustrates the transmission of external cost pressures through domestic production costs to consumer prices.

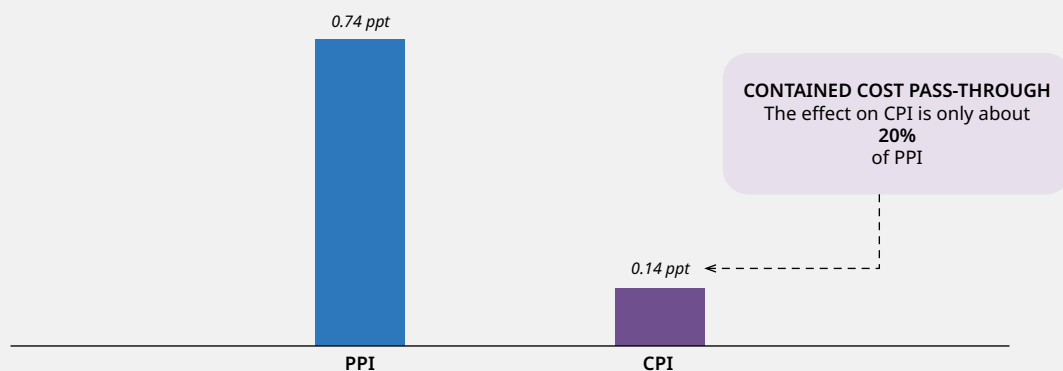
FIGURE 1.2.1. *Transmission Channel from Global Crude Oil Price to Consumer Price*



Source: Ministry of Finance, Malaysia

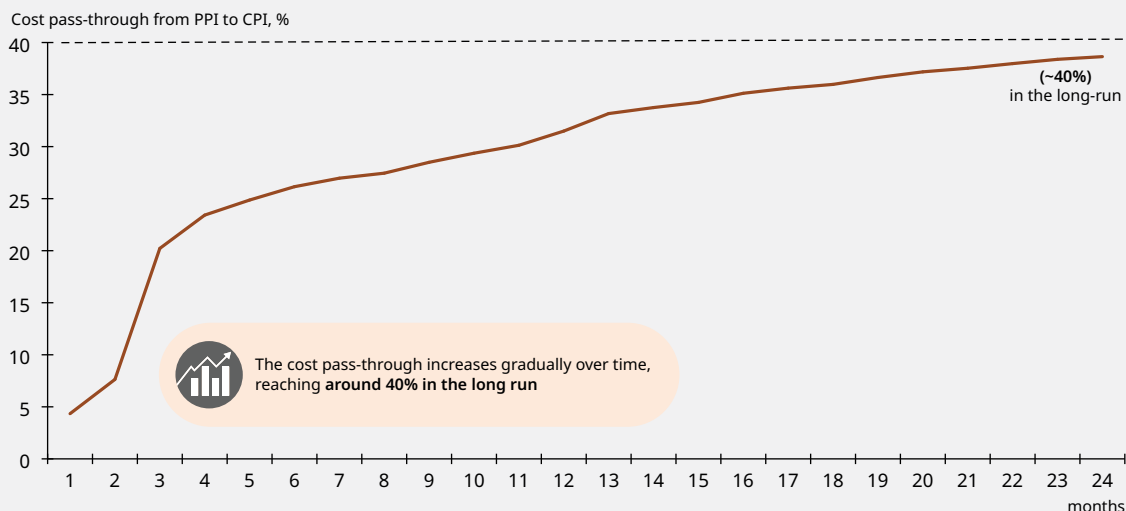
An empirical analysis was conducted to assess the transmission of higher crude oil prices to the PPI and CPI. In the short-run, the results indicate that an increase of USD20 in the Brent crude oil price will cause both PPI and CPI to increase by 0.74 percentage points (ppt) and 0.14 ppt, respectively. Figure 1.2.2. shows that the effect of pass-through in CPI is only about 20% of the PPI, suggesting that the transmission of higher production costs to consumer prices is contained.

FIGURE 1.2.2. *Macroeconomic Impact on PPI and CPI*



Note: USD20 represents the difference between the Brent crude estimate in the Economic Outlook 2026 and the current price estimate
Source: Ministry of Finance, Malaysia (estimates)

Further analysis indicates that the pass-through effect from producer prices to consumer prices experiences a sharp increase within the first four months before rising gradually, reaching around 40% in the long-run, as highlighted in Figure 1.2.3. This relatively contained transmission is consistent with empirical evidence for Malaysia, which shows that consumer prices tend to respond less strongly to oil price shocks than producer prices, partly reflecting the role of energy subsidies and price-related measures in mitigating the impact on consumer prices (Husaini et al., 2019; Sek, 2017). These findings demonstrate the role of Government interventions in cushioning external cost pressures and limiting the extent to which higher production costs are passed on to consumers.

FIGURE 1.2.3. Cost Pass-through from Producer Price to Consumer Price

Source: Ministry of Finance, Malaysia (estimates)

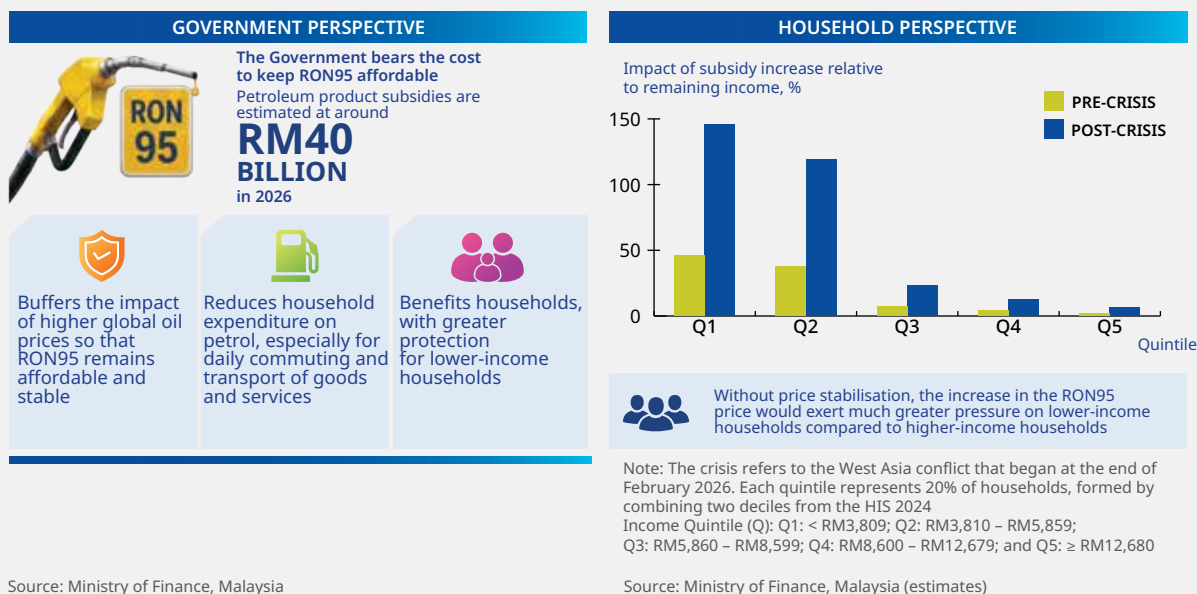
While the cost pass-through to consumer prices is relatively contained, households may still experience varying degrees of financial pressure depending on income levels and expenditure patterns. The transmission of higher production costs to consumer prices may be contained following various Government interventions such as fuel price stabilisation as well as targeted cash and subsidy assistance to enhance households' resilience.

Government Measures to Cushion the Impact of Rising Living Costs

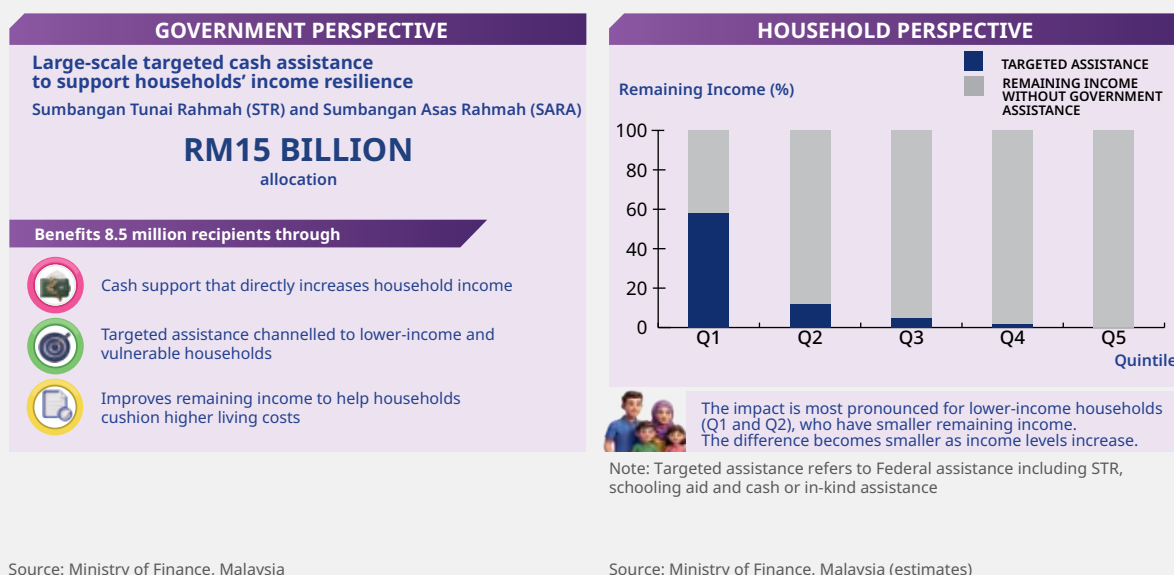
The Government has adopted a broad and complementary set of measures to cushion the impact of rising living costs and safeguard household wellbeing, particularly during periods of heightened external cost pressures. These measures operate through two main channels: **price stabilisation measures** which help moderate increases in the price of essential goods and services; and **targeted assistance** which provides direct financial support to improve the remaining income¹ of eligible households and vulnerable groups. Together, these interventions help preserve households' purchasing power by addressing both the increase in expenditure and strengthening the financial capacity to absorb higher living costs.

Price stabilisation measures, particularly capping the prices of RON95 and diesel, help moderate the transmission of higher global energy prices to the costs of domestic essential items, as shown in Figure 1.2.4. This is particularly important for lower-income households, which have smaller income buffers and less capacity to absorb increases in essential expenditure. The price stabilisation measures have helped contain household expenditure pressures at the source, despite an increase of nearly RM40 billion in the Government's fiscal obligation by maintaining the subsidised pump price at RM1.99 per litre.

¹ Remaining income refers to gross income minus total consumption expenditure

FIGURE 1.2.4. Price Stabilisation Measures and Impact on Households

Targeted assistance of RM15 billion allocated for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) in 2026 strengthens households' financial capacity to cope with higher living costs. The household analysis in Figure 1.2.5. shows that Government assistance increases the remaining income of households after meeting the consumption expenditure. As the group with the smallest income buffers, Q1 households experienced a substantial increase in remaining income following the receipt of Government assistance. Nevertheless, the relative impact becomes progressively smaller for higher-income groups, reflecting greater capacity to absorb additional costs.

FIGURE 1.2.5. Targeted Assistance and Impact on Households

Conclusion

Global uncertainties increase external cost pressures on Malaysia's industries and consumers due to higher global oil and commodity prices. Given that the impact of higher living costs is heterogeneous across households, the household-level microsimulation indicates that Government assistance provides additional relative support for lower-income households. Overall, the findings highlight the complementary nature of the Government's policy response in safeguarding the livelihoods of households, particularly during periods of elevated cost pressures. Price stabilisation measures help contain the increase in household expenditure through the price channel, while targeted assistance strengthens household capacity by improving remaining income. By combining these two approaches, the Government helps ease financial burdens, sustain consumption and reduce the risk of a significant decline in living standards, particularly for vulnerable groups.

Universal access to affordable education and healthcare is fundamental in elevating living standards and driving social mobility. Under Budget 2027, investment in education will prioritise enhancing access to quality learning and advancing educational outcomes. Education reform, led by the National Education Council in line with the Thirteenth Plan, will emphasise literacy and numeracy, TVET, STEM, digital and AI capabilities, language proficiency and character development, while narrowing education gaps across regions and socioeconomic groups. Emphasis will be placed on mandating early childhood education to foster foundational cognitive development. Given the varying needs of localities nationwide, construction of schools will be instituted as a mandatory requirement in large-scale housing projects. Furthermore, digital and AI capabilities will be integrated across teaching and learning levels, complemented by stronger industry-academia collaboration and work-based learning models to prepare a future-ready workforce capable of sustaining productivity as the population ages.

Simultaneously, healthcare measures will focus on enhancing access, affordability and overall system capacity, reducing congestion at public facilities and strengthening the health workforce, while containing rising

medical costs. In this regard, the Ministerial Joint Committee on Private Healthcare Costs will continue to lead integrated public-private efforts to address rising treatment costs. Sustained capital investment in public healthcare infrastructure, primary and preventive care as well as AI-enabled electronic medical records remains central to healthcare system advancement. The adoption of Internet of Things (IoT) solutions will also be intensified to improve the efficiency and responsiveness of healthcare delivery. These initiatives will be reinforced by expanded public-private partnerships for high-value medical services and structural reforms in health financing to meet evolving demographic and healthcare demands.

Improving wage-setting mechanisms and employability remains an important component of labour market reforms. Budget 2027 will focus on key measures including accelerating industry shifts, particularly among MSMEs, towards high value-added activities through greater technology adoption, digitalisation and integration into global supply chains, making MSMEs a source of high-paying jobs. Synchronised collaboration between industries and educational institutions will also be reinforced, including through industry-led TVET, apprenticeships, reskilling and

upskilling as well as AI literacy programmes, to ensure efficient talent development and job matching, while efforts to translate productivity gains into sustainable wage progression will be strengthened. Furthermore, higher wages should be recognised as a catalyst for sustainable business growth by boosting worker motivation and productivity. Employers are encouraged to prioritise local workers for job opportunities commensurate with skills and qualifications. At the same time, excessive reliance on low-skilled foreign labour will continue to be reduced through automation and better workforce planning.

In increasing employees' purchasing power and enhancing domestic demand, the Government will continue undertaking comprehensive wage adjustments through reviews of the statutory minimum wage and the living wage as well as supporting performance-based wage mechanisms. Tripartite cooperation will be strengthened through social dialogues to deliberate on compulsory structured annual wage increment¹.

The living wage adopted by GLICs and GLCs will also be revised and is expected to provide a benchmark for other corporate sectors, particularly in setting minimum starting salaries for graduates. Collective agreement coverage must be expanded to strengthen workers' bargaining power leading to improved employment terms. Meanwhile, strategies to raise women's participation in the labour market through quality and affordable childcare, flexible work arrangement and return-to-work support will continue to be prioritised under Budget 2027. These strategic measures will strengthen labour market resilience and contribute to achieving the targets of 45% CE to GDP and 60% female labour force participation under the Ekonomi MADANI framework.

Conclusion

Malaysia enters the next phase of economic reform from a position of resilience. Supported by sound economic management, robust domestic demand and ongoing structural reforms outlined in Budget 2027, the economy is expected to grow between 4.2% and 5.2% in 2027. The priority ahead is an economic growth that is of a higher-value, with greater productivity and inclusivity. Meanwhile, investment must generate stronger domestic capabilities, deepen linkages with local firms, create high-paying jobs and improve living standards.

Budget 2027 will ensure households are protected through targeted assistance, complemented by better access to infrastructure, education, healthcare, mobility and social protection. Achieving these outcomes demands fiscal discipline, sound governance and credible institutions. Policy commitments must translate into timely implementation, clear accountability and measurable outcomes. The Ekonomi MADANI framework will continue to serve as a coherent delivery agenda, raising the national potential, while improving the rakyat's living standards.

¹ The increment should be reasonable, incorporating inflation and the living-wage concept. For instance, the indicative adjustment could be set around 3%–5% annually. This is broadly in line with the findings from Malaysian Employers Federation salary survey, which reported average salary adjustments of around 5% for executives and non-executives. The average wage adjustment across the board for employees covered under collective agreements was around 5% in 2024.

References

- Asian Productivity Organization. (2024). *Global perspectives on premature deindustrialization: Insights from APO member economies*. https://www.apo-tokyo.org/wp-content/uploads/2024/09/Global-Perspectives-on-Premature-Deindustrialization_PUB.pdf
- Bank Negara Malaysia. (2017). *Strategy Paper for Value-based Intermediation (VBI)*. <https://www.bnm.gov.my/-/strategy-paper-on-value-based-intermediation-strengthening-the-roles-and-impact-of-islamic-finance-1>
- Bank Negara Malaysia. (2018). *Guidance Documents on VBI*. <https://www.bnm.gov.my/documents/20124/761682/Implementation+Guide+for+Value-based+Intermediation.pdf>
- Bank Negara Malaysia. (2021). *Climate Change and Principle-based Taxonomy*. <https://www.bnm.gov.my/documents/20124/938039/Climate+Change+and+Principle-based+Taxonomy.pdf>
- Bank Negara Malaysia. (2022a). *Climate Risk Management and Scenario Analysis Policy*. https://www.bnm.gov.my/documents/20124/938039/PD_
- Bank Negara Malaysia. (2022b). Low Carbon Transition Facility. https://www.bnm.gov.my/documents/20124/2294076/lctf2022_en_broc.pdf
- Bank Negara Malaysia. (2022c). *Sustainability Malaysia Government Investment Issues (Sustainability MGII)*. <https://www.mof.gov.my/portal/en/news/press-release/mgii-sukuk>
- Bank Negara Malaysia. (2024). *Climate Risk Stress Testing (CRST) Methodology Paper*. https://www.bnm.gov.my/documents/20124/938039/CRST_Methodology_paper_V3.0.pdf
- Bank Negara Malaysia. (2026a). *Economic and monetary review 2025*. <https://www.bnm.gov.my/publications>
- Bank Negara Malaysia. (2026b, January 6). *BNM announces additional RM2.5 billion fund for SMEs and introduction of credit guarantee scheme* [Media statement]. <https://www.bnm.gov.my>
- Bank Negara Malaysia. (2026c, May). *Statement on economic and financial developments* [Media statement]. <https://www.bnm.gov.my>
- Bank Negara Malaysia. (2026d). Navigating the great commodities disruption: Macroeconomic implications of the Middle East conflict to Malaysia. *Quarterly Bulletin*, 1Q 2026, 20–30. <https://www.bnm.gov.my/-/quarterly-bulletin-1q-2026>
- Bank Negara Malaysia, & Securities Commission Malaysia. (2019). *Joint Committee on Climate Change (JC3)*. <https://www.bnm.gov.my/-/inaugural-meeting-of-joint-committee-on-climate-change>
- Bank Negara Malaysia, & Securities Commission Malaysia. (2026, June 23). *BNM, SC align strategic priorities in advancing Malaysia's global Islamic finance leadership* [Joint media release]. <https://www.bnm.gov.my>
- Bursa Malaysia. (2015). *Mandatory Sustainability Statement in MAIN & ACE Markets*. <https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content>
- Bursa Malaysia. (2022). *Bursa Carbon Exchange*. <https://bcx.bursamalaysia.com/products.html>
- Credit Guarantee Corporation Malaysia Berhad. (2026, June 3). *CGC to implement RM10 billion BNM-CGC Portfolio Guarantee (PG) and Portfolio Guarantee-i (PG-i) Schemes* [Media statement]. <https://www.cgc.com.my>

- Department of Statistics Malaysia. (2023). *Economic Census 2023: Profile of small and medium enterprises*. <https://www.dosm.gov.my/site/downloadrelease?id=economic-census-2023-profile-of-small-and-medium-enterprises&lang=English>
- Department of Statistics Malaysia. (2025a). *Household expenditure survey report Malaysia 2024*. https://storage.dosm.gov.my/hies/household_expenditure_2024.pdf
- Department of Statistics Malaysia. (2025b). *Household income survey report Malaysia 2024*. https://storage.dosm.gov.my/hies/household_income_2024.pdf
- Department of Statistics Malaysia. (2026a). *Gross domestic product, income approach 2025*. <https://www.dosm.gov.my/portal-main/release-content/gross-domestic-product-income-approach-2025>
- Department of Statistics Malaysia. (2026b). *Labour force survey report 2025*.
- Department of Statistics Malaysia. (2026c). *Salaries & wages survey report 2025*.
- Department of Statistics Malaysia. (Various years). *Salaries and wages survey report*.
- Dewan Rakyat Malaysia. (2026a, July 8). *Jawapan bertulis kepada soalan Wong Shu Qi (Kluang) mengenai pendaftaran MyDigital ID dan integrasi perkhidmatan kerajaan dalam talian* [Written answer to the question by Wong Shu Qi (Kluang) on MyDigital ID registration and integration of online government services] (Mesyuarat Kedua, Penggal Kelima, Parlimen Kelima Belas). Parlimen Malaysia. <https://www.parlimen.gov.my/jawapan-bertulis-dr.html?uweb=dr>
- Dewan Rakyat Malaysia. (2026b, July 16). *Penyata rasmi Dewan Rakyat, 16 Julai 2026* [Official report of the House of Representatives, 16 July 2026]. Parlimen Malaysia. <https://hansard.parlimen.gov.my>
- FTSE Russell, & Bursa Malaysia. (2014). *FTSE4Good Bursa Malaysia (F4GBM) Index*.
- FTSE Russell, & Bursa Malaysia. (2021). *FTSE4Good Bursa Malaysia Shariah Index*.
- Government of Malaysia. (2018). *Green Technology Financing Scheme (GTFS) 2.0*. <https://www.mgtc.gov.my/our-services/green-technology-financing-scheme/>
- Government of Malaysia. (2019). *Ecological Fiscal Transfer (EFT)*. https://www.nres.gov.my/ms-my/teras/perhutanan/Documents/Lampiran1-Maklumat_EFT.pdf
- Government of Malaysia. (2021a). *Malaysia 2021 Global Sukuk Issuance*.
- Government of Malaysia. (2021b). *SDG National Budget Tagging*. <https://mof.gov.my/portal/en/news/speech/malaysian-rating-corporation-berhad-marc-360-sustainable-development-financing-2022>
- Government of Malaysia. (2021c). *SDG Sukuk Framework*. <https://financialmarkets.bnm.gov.my/data-download-documents/1848>
- Government of Malaysia. (2022). *Government Green Procurement* (Treasury Circular PP/PK 1.9). <https://www.scribd.com/document/658998095/Pk-1-9-Dasar-Perolehan-Hijau-Kerajaan-20122022>
- Government of Malaysia. (2023). *National Energy Transition Facility (NETF)*. <https://ekonomi.gov.my/sites/default/files/2023-08/National%20Energy%20Transition%20Roadmap.pdf>

- Government of Malaysia. (2025). *New Industrial Master Plan 2030 (NIMP 2030) Strategic Co-Investment Fund (NIMP COSIF)*. https://www.nimp2030.gov.my/nimp2030/resources/NIMP_2030.pdf
- Government of Malaysia. (2026). *National Carbon Market Policy*. [https://www.nres.gov.my/ms-my/pustakamedia/Penerbitan/National%20Carbon%20Market%20Policy%20\(DPKK\)_NRES_2026.pdf](https://www.nres.gov.my/ms-my/pustakamedia/Penerbitan/National%20Carbon%20Market%20Policy%20(DPKK)_NRES_2026.pdf)
- Government-Linked Investment Companies. (2023). *The Sustainable Investing Standards (SIS)*. <https://www.sc.com.my/annual-report-2023/strengthening-the-sustainability-and-competitiveness-of-the-capital-market/facilitating-esg-through-the-capital-market>
- Human Resource Development Corporation. (2026a). *HRD Corp financial report 2025*. <https://hrdcorp.gov.my/wp-content/uploads/2026/07/HRD-Corp-Financial-Report-2025-Digital-Version.pdf>
- Human Resource Development Corporation. (2026b, January 13). *HRD Corp approved RM2.62 billion in financial assistance in 2025, delivering skills outcomes at national scale* [Media release]. <https://hrdcorp.gov.my/wp-content/uploads/2026/01/Media-Release-Highlights-of-2025.pdf>
- Husaini, D. H., Puah, C.-H., & Lean, H. H. (2019). Energy subsidy and oil price fluctuation, and price behavior in Malaysia: A time series analysis. *Energy*, 171, 1000–1008. <https://doi.org/10.1016/j.energy.2019.01.077>
- Immigration Department of Malaysia, Expatriate Services Division. (2026). *Investor Pass* [FAQ]. <https://esd.imi.gov.my/portal/faq/investor-pass/>
- International Institute for Management Development. (2026). *World competitiveness ranking 2026*. <https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/>
- International Monetary Fund. (2026, July 8). *World economic outlook update July 2026: Global economy in crosscurrents of war and technology*. <https://www.imf.org/en/publications/weo/issues/2026/07/08/world-economic-outlook-update-july-2026>
- Joint Committee on Climate Change. (2023). *ESG Jumpstart Portal*. <https://theedgemalaysia.com/node/687376>
- Joint Committee on Climate Change. (2025a). *Climate Finance Innovation Lab (CFIL)*. <https://www.bnm.gov.my/-/jc3-cfil>
- Joint Committee on Climate Change. (2025b). *JC3 Guidance on Sustainable and Transition Finance*. <https://jc3malaysia.com/>
- Keretapi Tanah Melayu Berhad. (2026). *Pas MyRailLife*. <https://ihsanmadani.gov.my/inisiatif/pengangkutan/program-myraillife>
- Khazanah Nasional Berhad. (2015). *Sukuk Ihsan*. <https://www.khazanah.com.my/wp-content/uploads/Khazanah-to-issue-first-Ringggit-denominated-sustainable-and-responsible-investment-sukuk.pdf>
- Lembaga Hasil Dalam Negeri Malaysia. (n.d.). *Kenyataan media e-Invois* [e-Invoice media statements]. <https://www.hasil.gov.my/en/e-invois/komunikasi-dan-hebahan/kenyataan-media/>
- Lembaga Hasil Dalam Negeri Malaysia. (2026, August 30). *Ambang pengecualian pelaksanaan e-Invois dinaikkan* [e-Invoice implementation exemption threshold raised] (Media Statement No. HASiL/2026/08/30–44). https://www.hasil.gov.my/wp-content/uploads/20260830-Kenyataan-Media-HASiL_AMBANG-PENGEQUALIAN-E_INVOIS-DINAIKKAN.pdf
- Malaysia External Trade Development Corporation. (2026). *Market Development Grant (MDG)*. <https://www.matrade.gov.my/en/export-to-the-world/step-6-financial-assistance/market-development-grant-mdg>

- Malaysia Productivity Corporation. (2025). *A study of the Gini coefficient dynamics: Analysing the impact of wage inequality among MSMEs on labour productivity growth in Malaysia's labour market*.
- Malaysian Investment Development Authority. (2026a, January 30). *MIDA stands ready to implement new outcome-based incentive framework from 1 March* [Media release]. <https://www.mida.gov.my/media-release/mida-stands-ready-to-implement-new-outcome-based-incentive-framework-from-1-march/>
- Malaysian Investment Development Authority. (2026b, March 12). *MIDA launches one-stop digital system for expatriate applications, cutting red tape for investors* [Media release]. <https://www.mida.gov.my/media-release/mida-launches-one-stop-digital-system-for-expatriate-applications-cutting-red-tape-for-investors/>
- Malaysian Investment Development Authority. (2026c, May 7). *MIDA anchors Malaysia as a strategic semiconductor supply chain partner under Johor-Singapore SEZ* [Media release]. <https://www.mida.gov.my/media-release/mida-anchors-malaysia-as-a-strategic-semiconductor-supply-chain-partner-under-johor-singapore-sez/>
- Malaysian Investment Development Authority. (2026d, June 3). *Announcement: Full rollout of the MIDA Expatriate System (MES)* [Media release]. <https://www.mida.gov.my/media-release/announcement-full-rollout-of-the-mida-expatriate-system-mes/>
- Malaysian Investment Development Authority. (2026e, June 24). *MIDA-GreatAsic Value Chain Programme strengthens Malaysia's semiconductor ecosystem through strategic industry collaboration* [Media release]. <https://www.mida.gov.my/media-release/mida-greatasic-value-chain-programme-strengthens-malaysias-semiconductor-ecosystem-through-strategic-industry-collaboration/>
- Malaysian Investment Development Authority. (2026f, August 28). *Malaysia secures RM218.5 billion in approved investments in 1H 2026, with domestic investment in manufacturing up 23%* [Media release]. https://www.mida.gov.my/wp-content/uploads/2026/08/FINAL_1H2026_Investment-Performance_Media-Release_MIDA.pdf
- Malaysian Technology Development Corporation. (2026). *SemiconStart Malaysia*. <https://mtdc.com.my/semiconstart/>
- Ministry of Digital. (2026a, January 20). *MyGOV Malaysia records over 1 million downloads, offering 38 services across 13 government agencies* [Press release]. <https://www.digital.gov.my/en-GB/siaran/MyGOV-Malaysia-Mencatatkan-Lebih-1-Juta-Muat-Turun,Menyediakan-38-Perkhidmatan-Melibatkan-13-Agensi-Kerajaan>
- Ministry of Digital. (2026b, July 28). *AI Malaysia — Pemacu utama menuju Negara AI 2030* [AI Malaysia — Driving the journey towards an AI Nation 2030] [Press release]. <https://www.digital.gov.my/en-GB/siaran/AI-Malaysia-Pemacu-Utama-Menuju-Negara-AI-2030>
- Ministry of Digital. (2026c, August 10). *MyGOV Malaysia melangkah ke era baharu dengan Agentic AI* [MyGOV Malaysia embarking on a new era with Agentic AI] [Press release]. <https://www.digital.gov.my/siaran/MyGOV-Malaysia-Melangkah-Ke-Era-Baharu-Dengan-Agentic-AI>
- Ministry of Employment and Labor Republic of Korea. (n.d.). *Wages and working hours by age* [Data set]. Korean Statistical Information Service. https://stathtml.moel.go.kr/statHtml/statHtml.do?conn_path=I2&orgId=118&tblId=DT_118N_LCE0004
- Ministry of Finance Malaysia. (2024). *National Sustainability Reporting Framework (NSRF)*. <https://www.investmalaysia.gov.my/media/swqntak1/national-sustainability-reporting-framework.pdf>

- Ministry of Finance Malaysia. (2025a). *Belanjawan 2026: Langkah-langkah percukaian* [Budget 2026: Tax measures]. <https://belanjawan.mof.gov.my/pdf/belanjawan2026/ucapan/tax-measures.pdf>
- Ministry of Finance Malaysia. (2025b). *Budget 2026 touchpoints*. <https://belanjawan.mof.gov.my/pdf/belanjawan2026/ucapan/touchpoint-budget-en.pdf>
- Ministry of Finance Malaysia. (2025c, October 10). *Budget 2026 speech* [Speech delivered in the Dewan Rakyat by the Prime Minister and Minister of Finance]. <https://belanjawan.mof.gov.my>
- Ministry of Finance Malaysia. (2026a, July 1). *Subsidi produk petroleum dijangka hampir RM40 bilion tahun ini – MOF*. <https://mof.gov.my/portal/ms/berita/akhbar/subsidi-produk-petroleum-dijangka-hampir-rm40-bilion-tahun-ini-mof>
- Ministry of Finance Malaysia. (2026b, August 15). *Penyaluran Sumbangan Tunai Rahmah Fasa 3 kepada 5.3 juta penerima mulai hari ini* [Press release]. <https://www.mof.gov.my/portal/ms/berita/siaran-media/penyaluran-sumbangan-tunai-rahmah-fasa-3-kepada-5-3-juta-penerima-mulai-hari-ini>
- Ministry of Health Malaysia. (2025, August 18). *Jawapan bertulis mengenai pelaksanaan sistem Diagnosis Related Group* [Written answer on the implementation of the Diagnosis Related Group system]. Dewan Rakyat, Parlimen Malaysia. <https://www.parlimen.gov.my>
- Ministry of Higher Education. (2026). *Peluncuran Program MySISWA@JoC Peringkat Kebangsaan 2026* [National launch of the MySISWA@JoC Programme 2026]. <https://www.mohe.gov.my/en/broadcast/activities/peluncuran-program-mysiswa-joc-peringkat-kebangsaan-2026>
- Ministry of Investment Trade and Industry. (2026). *New Incentive Framework (NIF)*.
- Ministry of Manpower Singapore. (2019, January 31). *Gross monthly income from work 2018* [Data set]. <https://stats.mom.gov.sg/Pages/Gross-Monthly-Income-Tables2018.aspx>
- Ministry of Manpower Singapore. (2021, January 28). *Gross monthly income from work 2020* [Data set]. <https://stats.mom.gov.sg/Pages/Gross-Monthly-Income-Tables2020.aspx>
- Ministry of Natural Resources and Environmental Sustainability. (2015). *National Conservation Trust Fund (NCTF)*. <https://www.nres.gov.my/en-my/Core/Biodiversity/Pages/nctf.aspx>
- Ministry of Science Technology and Innovation. (2026a, July). *Peserta Malaysia Techlympics 2026 di Kelantan melepasi 200,000 peserta* [Malaysia Techlympics 2026 participation in Kelantan exceeds 200,000]. <https://www.mosti.gov.my/en/berita/peserta-malaysia-techlympics-2026-di-kelantan-melepasi-200000-peserta>
- Ministry of Science Technology and Innovation. (2026b, July 15). *Malaysia Techlympics 2026 targets 1.8 million participants in STI talent drive* [Media statement]. <https://www.mosti.gov.my>
- Pengurusan Air Selangor Sdn. Bhd., & Pengurusan Aset Air Berhad. (2026). *Blue Sukuk*. <https://www.mof.gov.my/portal/en/news/speech/launching-of-pengurusan-aset-air-berhad-paab-sustainable-islamic-finance-framework-siff>
- Protect Health Corporation. (2026). *Project — Diagnosis Related Group*. <https://protecthealth.com.my/drg/>
- Retirement Fund Incorporated. (2025). *Dana Iklim*. <https://www.kwap.gov.my/media-centre/kwap-launches-dana-iklim-catalysing-malaysias-sustainable-investment-ecosystem/>

- Securities Commission Malaysia. (2014a). *Green Investment Tax Allowance (GITA)/Green Income Tax Exemption (GITE)*. <https://www.sc.com.my/resources/media/media-release/sc-introduces-sustainable-and-responsible-investment-sukuk-framework>
- Securities Commission Malaysia. (2014b). *Malaysian Code for Institutional Investors (MCII)*. <https://www.sc.com.my/api/documentms/download.ashx?id=9f4e32d3-cb97-4ff5-852a-6cb168a9f936>
- Securities Commission Malaysia. (2014c). *Sustainable and Responsible Investment (SRI) Sukuk Framework*. <https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416>
- Securities Commission Malaysia. (2017). *Islamic Fund and Wealth Management Blueprint*. <https://www.sc.com.my/api/documentms/download.ashx?id=ae2432a7-a0c7-4221-b262-b170827ae703>
- Securities Commission Malaysia. (2018). *Green SRI Sukuk Grant Scheme*. <https://www.sc.com.my/api/documentms/download.ashx?id=dbdf1bea-8612-4ead-a171-830b9257f24a>
- Securities Commission Malaysia. (2019). *SRI Roadmap for the Malaysian Capital Market*. <https://www.sc.com.my/api/documentms/download.ashx?id=89dea0ab-f671-4fce-b8e4-437a2606507c>
- Securities Commission Malaysia. (2020). *Waqf-Featured Fund Framework*. <https://www.sc.com.my/development/icm/developmental-initiatives/waqf-featured-fund-framework>
- Securities Commission Malaysia. (2021). *Capital Market Masterplan 2021–2025 (CMP3)*. <https://www.sc.com.my/api/documentms/download.ashx?id=99798151-53e6-4809-b9de-6e2f094202b9>
- Securities Commission Malaysia. (2022a). *Principles-based SRI Taxonomy*. <https://www.sc.com.my/api/documentms/download.ashx?id=a0ab5b0d-5d7d-4c66-8638-caec92c209c1>
- Securities Commission Malaysia. (2022b). *SRI-linked Sukuk Framework*. <https://www.sc.com.my/api/documentms/download.ashx?id=ac052748-f264-4781-85c6-334ab313005e>
- Securities Commission Malaysia. (2023). *Simplified ESG Disclosure Guide (SEDG)*. <https://sedg.capitalmarketsmalaysia.com/wp-content/uploads/2023/10/SEDG-Full-Guide.pdf>
- Securities Commission Malaysia. (2025). *Social Exchange*. <https://www.sc.com.my/api/documentms/download.ashx?id=da7ab3f3-c642-4a61-8f19-1cbe816c3295>
- Securities Commission Malaysia. (2026a). *Capital Market Masterplan 2026–2030 (CMP4)*. <https://www.sc.com.my/api/documentms/download.ashx?id=5465cb2e-48de-40c7-b05f-9c3f5fc959c8>
- Securities Commission Malaysia. (2026b). *Malaysia Co-Investment Fund (MyCIF)*. <https://www.sc.com.my/mycif>
- Securities Commission Malaysia. (2026c, March 16). *MyCIF unveils new Silver Economy Scheme and VC-led profit-sharing incentive to ease MSME funding access* [Media release]. <https://www.sc.com.my/resources/media/media-release/mycif-unveils-new-silver-economy-scheme-and-vc-led-profit-sharing-incentive-to-ease-msme-funding-access>
- Sek, S. K. (2017). Impact of oil price changes on domestic price inflation at disaggregated levels: Evidence from linear and nonlinear ARDL modeling. *Energy*, 130, 204–217. <https://doi.org/10.1016/j.energy.2017.04.118>

- Suruhanjaya Pencegahan Rasuah Malaysia. (n.d.). *Tax incentives to boost anti-corruption efforts*. https://www.sprm.gov.my/index.php?cat=CN&contentid=3469&language=en&page_id=103
- Sustainable Finance Platform. (2017). *Green Sukuk*. <https://www.sc.com.my/api/documentms/download.ashx?id=1316fd32-1993-44cb-9669-5d5687adda35>
- Talent Corporation Malaysia. (2026). *Introducing the 1:3 Internship Policy*. <https://www.talentcorp.com.my/1to3policy/>
- Transparency International. (2026). *Corruption perceptions index 2025*. <https://www.transparency.org/en/cpi/2025>
- United Nations Development Programme. (2025). *Human development report 2025: Human development index and its components* [Table 1]. https://hdr.undp.org/sites/default/files/2025_HDR/HDR25_Statistical_Annex_HDI_Table.pdf
- World Bank. (n.d.). *World development indicators* [Data set]. Retrieved September 29, 2026, from <https://databank.worldbank.org/source/world-development-indicators>
- World Bank. (2026). *Malaysia economic monitor: Raising the ceiling, raising the floor—The jobs agenda as a productivity agenda for Malaysia*. <https://documents.worldbank.org/en/publication/documentsreports/documentdetail/099051226192580550>
- Yayasan MySDG, & United Nations. (2022). *Malaysia Sustainable Development Goals Foundation (Yayasan MySDG)*. <https://www.mysdg.com.my/>