PREFACE

The global economy is entering 2027 amid profound change. Geopolitical tensions are reshaping trade, investment and energy security. Climate risks are becoming more immediate, while technological advances are transforming industries, jobs and the foundations of competitiveness. These forces are increasingly interconnected, creating both new challenges and new opportunities for Malaysia.

The experience of recent years has demonstrated the importance of resilience and adaptability. The pandemic, disruptions to global supply chains, heightened geopolitical tensions and rapid technological change have altered the environment in which economic policy is made. Malaysia must respond not by seeking a return to old assumptions, but by preparing confidently for the world now emerging.

The Ekonomi MADANI framework was conceived for this purpose: to address structural vulnerabilities and place Malaysia on a more sustainable and inclusive path. Its ambition is clear — to build an economy of greater value and complexity, founded on good governance, environmental sustainability and social justice. This is not merely an economic undertaking. It is also a commitment to restore dignity, widen opportunity and ensure that progress is shared.



MINISTER OF FINANCE MALAYSIA

The results thus far have been encouraging. Economic growth exceeded expectations in both 2024 and 2025. This momentum continued into 2026, with the economy expanding by 5.7% in the first half of the year. Full-year growth is now expected to be at the upper end of the projected range of 4.8% to 5.3%.

Yet headline growth cannot be the sole measure of our progress. The greater imperative is to translate stronger investment and economic expansion into higher incomes, better jobs and wider opportunities for Malaysians, particularly our youth. Investments secured today must strengthen productive capacity, deepen domestic capabilities and create high-value opportunities for the future.

Our approach is grounded in sound economic principles and empirical evidence, but policy cannot be shaped by models and statistics alone. It must also respond to the lived realities of the rakyat, their aspirations, anxieties and experiences of the economy in their daily lives.

Raising the Ceiling of Malaysia's economic potential must ultimately serve to Raise the Floor of the rakyat's living standards. Both must rest on the firm foundation of good governance.

Progress cannot be judged by economic statistics alone if its benefits are not broadly shared. Fiscal reforms have enabled the Government to direct resources more effectively towards those who need them. Sumbangan Tunai Rahmah, Sumbangan Asas Rahmah and BUDI MADANI continue to provide essential support to households, particularly as global energy prices and supply disruptions place renewed pressure on the cost of living.

Social protection, however, cannot substitute for productive opportunity. Our responsibility is to provide security and assistance where they are needed today, while creating the conditions for higher incomes, better employment and greater social mobility tomorrow.

Our efforts to Raise the Ceiling are also producing results. Malaysia climbed 19 places in two years to rank 15th in the IMD World Competitiveness Ranking 2026, its highest position in more than a decade. This progress reflects the strength of our economic fundamentals and the growing confidence in Malaysia's direction.

There remains much more to do. Malaysia must move decisively towards higher-value manufacturing, accelerate the energy transition and strengthen its capabilities in artificial intelligence, robotics and other emerging technologies. These are among the forces reshaping global investment, productivity and competitiveness.

Technological and economic disruption cannot be avoided, but it can and must be managed responsibly. The Government's task is to equip Malaysians with the skills and opportunities to benefit from change, assist workers and industries through periods of transition, and ensure that technological progress contributes to wider prosperity rather than deeper inequality.

These efforts are expected to support economic growth of between 4.2% and 5.2% in 2027. The significance of this outlook, however, lies not only in the headline number. It lies in whether growth delivers stronger productivity, better wages, quality employment and a more secure future for Malaysians.

The year ahead will remain challenging. Geopolitical fragmentation, climate risks and rapid technological change will continue to reshape the global economic landscape. Malaysia must therefore remain agile, strengthen its resilience and pursue reform with clarity and purpose.

Our task is not to recreate the economy of the past, but to build one capable of succeeding in the world now emerging — an economy that is more productive and competitive, yet also more inclusive, sustainable and humane.

Insya-Allah, with sound policies, effective execution and the continued resolve of our people, Malaysia will enter 2027 from a position of growing strength and confidence.

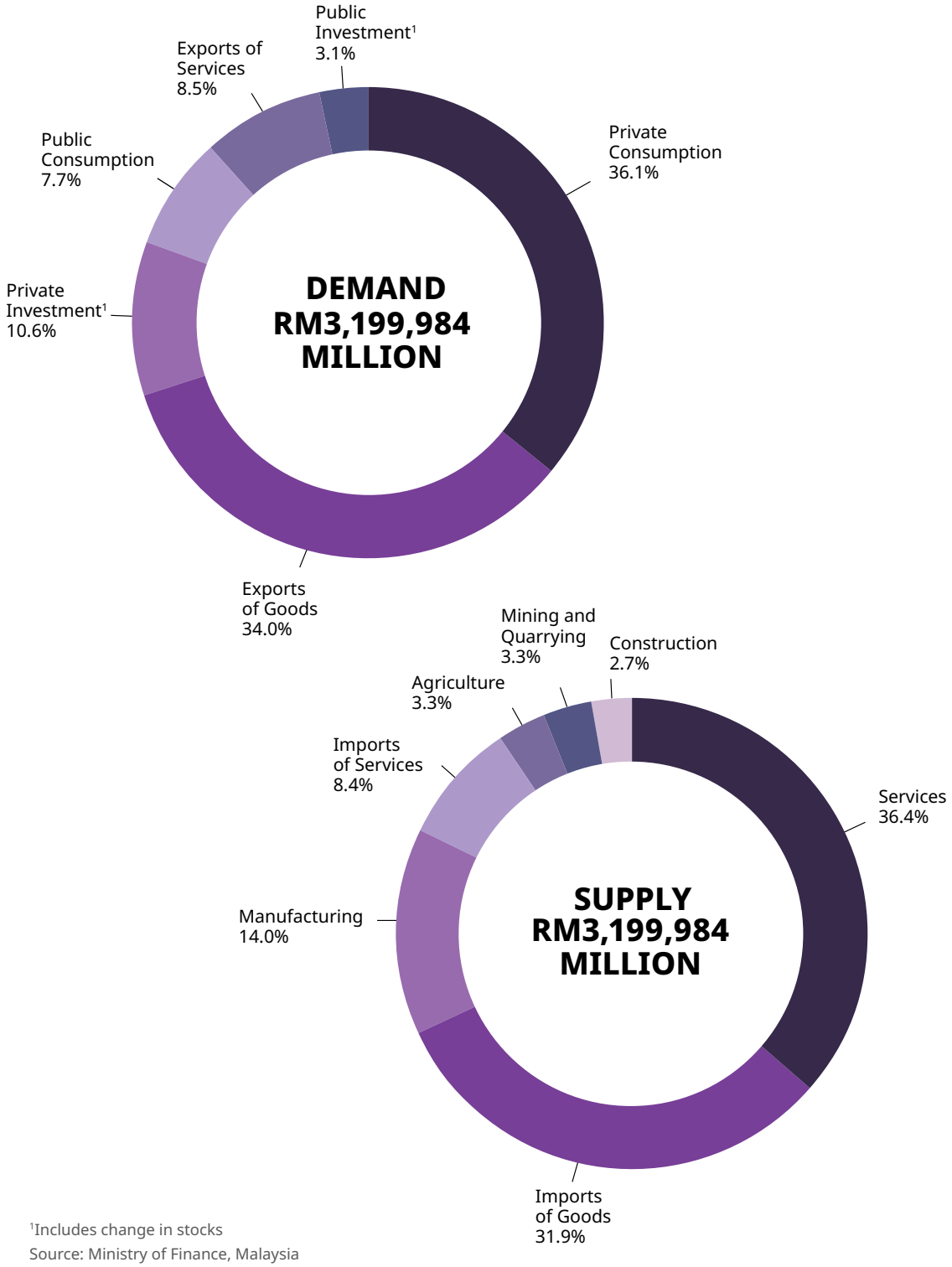
I wish to record my sincere appreciation to all those who have contributed, directly and indirectly, to the preparation of this Report.



ANWAR IBRAHIM
9 October 2026

THE ECONOMY 2027

in constant 2015 prices
(share to total in %)



[1]Includes change in stocks

Source: Ministry of Finance, Malaysia