



ECONOMIC OUTLOOK

2 0 2 7

MALAYSIA MADANI: REACHING FOR THE SKIES, WHILE ANCHORED ON OUR VALUES

Economic Outlook 2027

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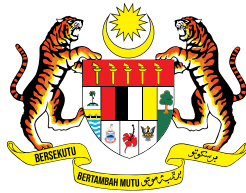
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PREFACE

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.

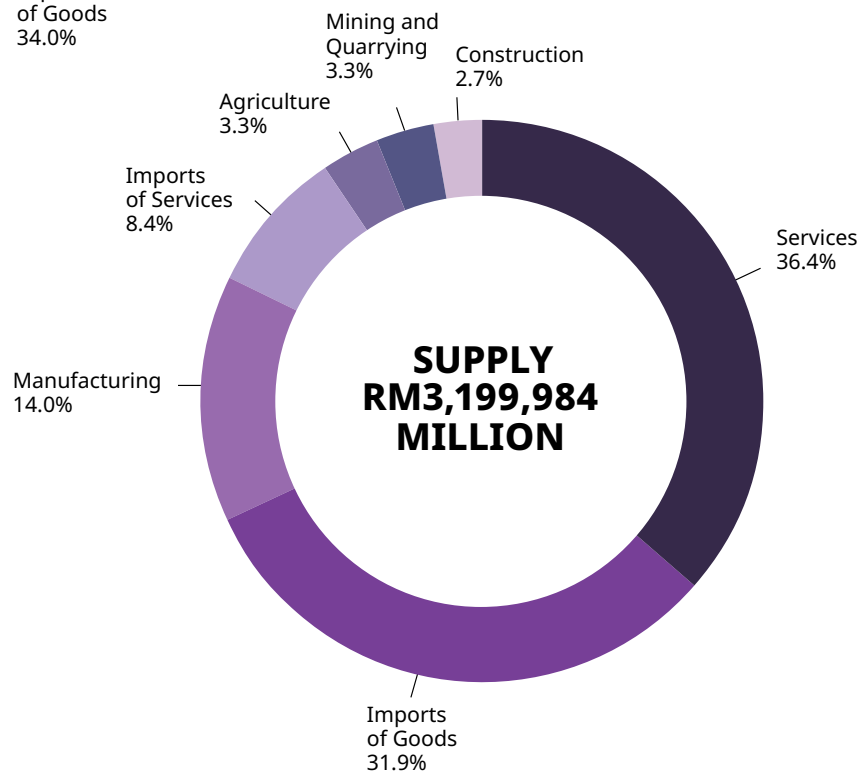
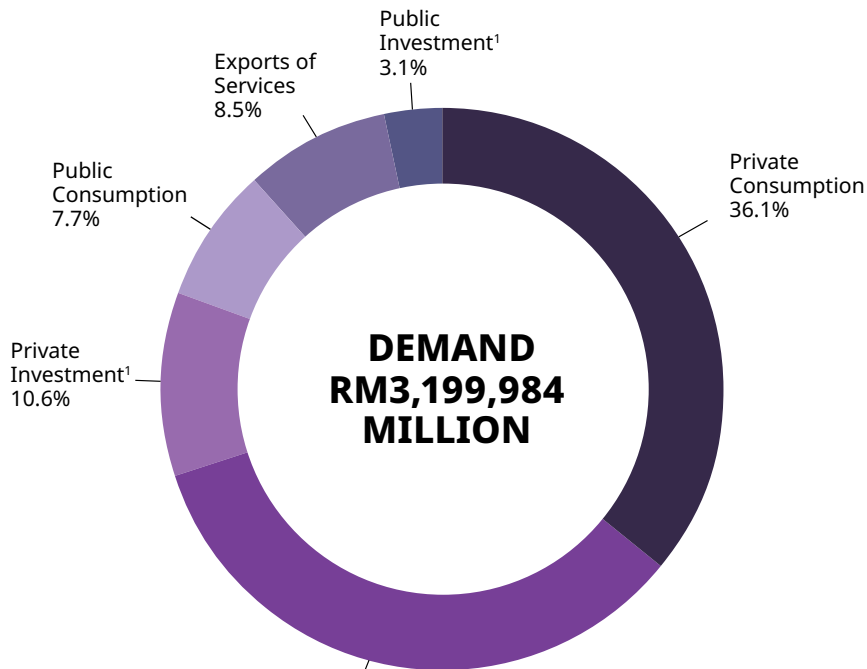
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ANWAR IBRAHIM

9 October 2026

THE ECONOMY 2027

in constant 2015 prices
(share to total in %)



¹Includes change in stocks

Source: Ministry of Finance, Malaysia

MALAYSIA: KEY DATA AND FORECAST

AREA (square kilometres)						
Malaysia	Peninsular Malaysia		Sarawak	Sabah	Federal Territories ¹	
331,580	133,187		124,171	74,106	408	
	2025 ⁹		2026 ¹⁰		2027 ¹¹	
POPULATION² (million)	34.2		34.4 ⁹		35.3	
DOMESTIC PRODUCTION	RM million	change (%)	RM million	change (%)	RM million	change (%)
Gross Domestic Product (constant 2015 prices)	1,736,953	5.2	1,826,515	4.8 - 5.3	1,909,833	4.2 - 5.2
Agriculture	106,354	2.2	104,128	-2.1	104,656	0.5
Mining and quarrying	99,258	0.6	101,794	2.6	103,047	1.2
Manufacturing	399,363	4.5	423,951	6.2	441,208	4.1
Construction	74,709	12.2	79,525	6.4	84,049	5.7
Services	1,033,980	5.4	1,090,848	5.5	1,147,720	5.2
Import duties	23,290	17.6	26,270	12.8	29,153	11.0
Gross Domestic Product (current prices)	2,025,379	4.8	2,185,474	7.5 - 8.0	2,319,084	5.8 - 6.8
Final consumption expenditure: Public	249,138	7.0	261,845	5.1	273,023	4.3
Private	1,248,108	6.5	1,324,833	6.1	1,404,932	6.0
Gross fixed capital formation: Public ³	98,706	9.8	107,126	8.5	115,568	7.9
Private	333,044	8.4	364,584	9.5	397,315	9.0
Changes in inventories and valuables	-14,322	-	-16,688	-	-20,127	-
Exports of goods and services	1,462,781	5.9	1,683,216	15.1	1,756,445	4.4
Imports of goods and services	1,352,076	5.5	1,539,443	13.9	1,608,072	4.5
NATIONAL INCOME AND EXPENDITURE						
Gross National Income (constant 2015 prices)	1,691,372	4.6	1,766,968	4.5	1,848,289	4.6
Gross National Income (current prices)	1,958,059	4.8	2,095,230	7.0	2,224,429	6.2
Gross National Savings (current prices)	450,233	-1.1	496,284	10.2	534,519	7.7
Per Capita Income (current prices, RM)	57,219	4.3	60,927	6.5	63,015	3.4
FEDERAL GOVERNMENT FINANCE	2025		2026 ¹²		2027 ¹³	
Revenue	336,069	3.5	363,640	8.2	380,817	4.7
Operating expenditure	330,776	2.9	363,055	9.8	376,840	3.8
Current balance	5,293		585		3,977	
Development expenditure (net)	80,582	-2.1	79,100	-1.8	81,500	3.0
Overall balance	-75,289		-78,515		-77,523	
% of GDP	-3.7		-3.6		-3.3	
Domestic borrowings (net)	80,194		76,757		-	
Offshore borrowings (net)	-4,634		1,818		-	
Change in assets ⁴	-271		-60		-	

MALAYSIA: KEY DATA AND FORECAST (cont'd)

	2025		2026 ¹²		2027 ¹³	
	RM million	% GDP	RM million	% GDP	RM million	% GDP
Federal Government Debt⁵	1,320,777	65.2	1,378,894	63.1	–	–
Domestic debt	1,299,661	64.2	1,362,226	62.3	–	–
Malaysian Treasury Bills	4,500	0.2	4,500	0.2	–	–
Malaysian Islamic Treasury Bills	5,500	0.3	7,000	0.3	–	–
Malaysian Government Investment Issues	619,800	30.6	644,300	29.5	–	–
Malaysian Government Securities	669,861	33.1	706,426	32.3	–	–
Offshore borrowings	21,116	1.0	16,668	0.8	–	–
Market loans	18,588	0.9	14,314	0.7	–	–
Project loans	2,528	0.1	2,354	0.1	–	–
	2025		2026 ¹⁰		2027 ¹¹	
BALANCE OF PAYMENTS (NET)	RM million		RM million		RM million	
Balance on current account	32,805		41,261		41,763	
Goods	105,424		135,873		130,604	
Services	5,281		7,899		17,768	
Primary income	-67,320		-90,244		-94,655	
Secondary income	-10,579		-12,268		-11,955	
Balance on capital and financial accounts	-16,090		–		–	
Net errors and omissions	-8,314		–		–	
Overall balance	8,400		–		–	
EXTERNAL TRADE	RM million	change (%)	RM million	change (%)	RM million	change (%)
Gross exports	1,609,391	6.6	2,107,753	31.0	2,171,668	3.0
<i>of which:</i>						
Manufactured goods	1,390,552	7.9	1,873,112	34.7	1,922,161	2.6
Agriculture goods	111,747	5.6	102,139	-8.6	107,088	4.8
Mining goods	92,442	-11.0	113,532	22.8	122,899	8.3
Gross imports	1,452,558	6.0	1,787,753	23.1	1,850,084	3.5
<i>of which:</i>						
Intermediate goods	718,837	-4.1	868,009	20.8	897,610	3.4
Capital goods	214,500	29.1	234,787	9.5	244,005	3.9
Consumption goods	119,523	1.8	121,166	1.4	124,970	3.1
Total trade	3,061,950	6.3	3,895,506	27.2	4,021,752	3.2
Trade balance	156,833	12.8	320,000	104.0	321,584	0.5
PRICES	Index	change (%)	Index	change (%)	Index	change (%)
Consumer Price Index (2010 = 100)	134.6	1.4	–	1.5 – 2.5	–	1.8 – 2.8
LABOUR	Thousands	change (%)	Thousands	change (%)	Thousands	change (%)
Labour force	17,088.0	1.1	17,387.0	1.8	17,734.8	2.0
Unemployment ⁶	507.2	(3.0)	517.5	(3.0)	536.3	(3.0)

MALAYSIA: KEY DATA AND FORECAST (cont'd)

	2025 End-July		2026 End-July	
FINANCIAL AND CAPITAL MARKETS	RM million	change (%)	RM million	change (%)
Money supply				
M1	680,177	6.8	736,245	8.2
M2	2,508,144	3.9	2,653,944	5.8
M3	2,516,210	3.8	2,659,386	5.7
Banking system (including Islamic banks)				
Fund ⁷	2,535,797	4.2	2,668,046	5.2
Loans	2,100,530	4.2	2,207,146	5.1
Loan-to-fund ratio (%)	82.8		82.7	
Interest rates (average rates, %)	July		July	
3-month interbank	3.26		3.43	
Commercial banks				
Fixed deposits: 3-month	2.34		2.18	
12-month	2.45		2.20	
Savings deposit	0.80		0.64	
Weighted base rate (BR)	3.40		3.39	
Base lending rate (BLR)	6.45		6.43	
Treasury bills (3-month)	-		-	
Malaysian Government Securities ⁸				
1-year	2.89		3.10	
5-year	3.15		3.50	
Movement of ringgit	End-August		End-August	
	RM per unit of	change ¹⁴ (%)	RM per unit of	change ¹⁴ (%)
Special Drawing Rights (SDR)	5.7768	0.7	5.5214	4.6
US dollar	4.2180	2.3	4.0275	4.7
Euro	4.9195	-2.9	4.6906	4.9
100 Japanese yen	2.8695	3.9	2.5259	13.6
Pound sterling	5.6937	-0.2	5.4734	4.0
Bursa Malaysia				
FBM KLCI	1,575.12		1,725.88	
Market capitalisation (RM billion)	1,950.30		2,191.73	

¹ Includes the Federal Territories of Kuala Lumpur, Labuan and Putrajaya

² Current Population Estimates based on the 2020 Population and Housing Census

³ Includes investment of public corporations

⁴ (+) indicates drawdown of assets; (-) indicates accumulation of assets

⁵ For 2026, data is as at end-June 2026

⁶ Figures in parentheses show the unemployment rate

⁷ Funds comprise deposits (exclude deposits accepted from banking institutions and Bank Negara Malaysia) and all debt instruments issued (including subordinated debt, debt certificates/sukuk, commercial papers and structured notes)

⁸ Market indicative yield

⁹ Preliminary

¹⁰ Estimate

¹¹ Forecast

¹² Revised estimate

¹³ Budget estimate excluding Budget 2027 measures

¹⁴ Annual rate of appreciation (+) or depreciation (-) of the ringgit

Note: Total may not add up due to rounding

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank	bps	basis points
AFTA	ASEAN Free Trade Agreement	BR	Base Rate
AI	artificial intelligence	BUDI Diesel	BUDI MADANI Diesel
AKPK	Credit Counselling and Debt Management Agency	BUDI95	BUDI MADANI RON95
ALMP	Active Labour Market Policy	CAGR	compound annual growth rate
ALR	Average Lending Rate	CCUS	carbon capture, utilisation and storage
AMS	ASEAN Member States	CE	compensation of employees
APG	ASEAN Power Grid	CET1	Common Equity Tier 1 Capital
APGF	ASEAN Power Grid Financing Initiative	CFIL	Climate Finance Innovation Lab
APPGM	All-Party Parliamentary Group Malaysia	CGC	Credit Guarantee Corporation
ASEAN	Association of Southeast Asian Nations	CMP	Capital Market Masterplan 2026 – 2030
ASEAN-5	Association of Southeast Asian Nations (Indonesia, Malaysia, Philippines, Singapore, Thailand)	CoSIF	Strategic Co-Investment Fund
ATP	assembly, testing and packaging	COVID-19	Coronavirus Disease of 2019
bcf/d	billion cubic feet per day	CPI	Consumer Price Index
BIG 2.0	Bengkel Inovasi GLC 2.0	CPO	crude palm oil
BIMP	Brunei Darussalam, Indonesia, Malaysia and the Philippines	CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
BIMP-PIP	BIMP Power Integration Project	CRESS	Corporate Renewable Energy Supply Scheme
BLR	Base Lending Rate	CRST	Climate Risk Stress Testing
BMQ	Bursa Malaysia Quality 50 Index	CSR	corporate social responsibility
BMQ-S	Bursa Malaysia Quality 50 Shariah Index	DFIs	Development Financial Institutions
BNM	Bank Negara Malaysia	DE	development expenditure
BNPL	Buy Now, Pay Later	DI	domestic investment
BPMB	Bank Pembangunan Malaysia Berhad	DIA	direct investment abroad
		DICE	Digital Creative Ecosystem
		DLT	Distributed Ledger Technology

DP	Dependent Pass	FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
DSR	debt service ratio	FBM70	FTSE Bursa Malaysia Mid 70 Index
E&E	electrical and electronics	FDI	foreign direct investment
ECF	equity crowdfunding	Fed	US Federal Reserve
ECRL	East Coast Rail Link	FEN	Financial Education Network
EECA	Energy Efficiency and Conservation Act 2024	FFB	fresh fruit bunches
EES	economic, environmental and social	FI	foreign investment
EFT	Ecological Fiscal Transfer	FIKRALab	ICM Innovation Lab
EIA	U.S. Energy Information Administration	FIMI	Film in Malaysia Incentive
EMDEs	emerging markets and developing economies	FINAS	National Film Development Corporation Malaysia
EMGS	Education Malaysia Global Services	FMM	Federation of Malaysian Manufacturers
ENEGEM	Energy Exchange Malaysia	FPSO	Floating Production, Storage and Offloading
EP	Employment Pass	FTAs	free trade agreements
EPF	Employees Provident Fund	GDP	gross domestic product
EPFG	Employment Pass for Foreign Graduates	GDRN	GLC Demi Rakyat dan Negara
EPI	Environmental Performance Index	GEAR-uP	Government-linked Enterprises Activation and Reform Programme
ESG	environmental, social and governance	GITA	Green Investment Tax Allowance
ETF / ETFs	exchange-traded fund / exchange-traded funds	GITE	Green Income Tax Exemption
ETP	Economic Transformation Programme	GLCs	government-linked companies
ETS	Emissions Trading Scheme	GLICs	government-linked investment companies
EU	European Union	GMTI	Global Muslim Travel Index
EV/EVs	electric vehicles	GNI	gross national income
FaS	Fast-track	GNS	gross national savings
		GOS	gross operating surplus

ACRONYMS AND ABBREVIATIONS

GovTech	Government Technology	JKM	Social Welfare Department
GTFS	Green Technology Financing Scheme	JS-SEZ	Johor-Singapore Special Economic Zone
GTRI	Global Trade Resilience Index	Khazanah	Khazanah Nasional Berhad
GW	gigawatt(s)	KLIBOR	Kuala Lumpur Interbank Offered Rate
HDI	Human Development Index	KPIs	key performance indicators
HGHV	high growth high value	kV	kilovolt(s)
HHFS	Hybrid Hydro Floating Solar	KVDT2	Klang Valley Double Track Phase 2
HKEX	Hong Kong Exchanges and Clearing Limited	KWAP	Retirement Fund (Incorporated)
HLEP	Hydro Life Extension Programme	Lao PDR	Lao People's Democratic Republic
HRD Corp	Human Resource Development Corporation	LCR	Liquidity Coverage Ratio
HVDC	high-voltage direct current	LIMA	Langkawi International Maritime and Aerospace Exhibition
IC	integrated circuit	LNG	liquefied natural gas
i-CITA	Risk Sharing Fund	LRT	Light Rail Transit
ICM	Islamic Capital Market	LSS5	Large-Scale Solar 5
ICT	Information and Communication Technology	LTM-PIP	Lao PDR–Thailand–Malaysia Power Integration Project
IEA	International Energy Agency	LTMS-PIP	Lao PDR–Thailand–Malaysia–Singapore Power Integration Project
IMD	International Institute for Management Development	MAA	Malaysian Automotive Association
IMFC	Invest Malaysia Facilitation Centre	MAHA	Malaysia Agriculture, Horticulture and Agrotourism Show
Industry4WRD	National Policy on Industry 4.0	MARA	Majlis Amanah Rakyat
IO	input-output	MARDI	Malaysian Agricultural Research and Development Institute
IoT	Internet of Things	MATRADE	Malaysia External Trade Development Corporation
IPOs	Initial Public Offerings	MCII	Malaysian Code for Institutional Investors
ISSB	International Sustainability Standards Board	MDBs	Multilateral Development Banks
JAKOA	Jabatan Kemajuan Orang Asli	MDEC	Malaysia Digital Economy Corporation
JC3	Joint Committee on Climate Change		
JENDELA Phase 2	Jalinan Digital Negara Phase 2		

MDG	Market Development Grant	MYOR	Malaysia Overnight Rate
MDV	Malaysia Debt Ventures Berhad	MYOR-i	Malaysia Islamic Overnight Rate
MEKAR	Program Perkhidmatan Menyemai Kasih Rakyat	MySIP	National Structured Internship Programme
MES	MIDA Expatriate System	MY-AISafe	Malaysia AI Safety Institute
MEVs	Multiple Entry Visas	NACS	National Anti-Corruption Strategy 2024 - 2028
MGG	Malaysia Go Global	NAIO	National AI Office
MGII	Malaysian Government Investment Issues	NCTF	National Conservation Trust Fund
MGS	Malaysian Government Securities	NEER	Nominal Effective Exchange Rate
MHTC	Malaysia Healthcare Travel Council	NEM	New Economic Model
MICE	meetings, incentives, conferences and exhibitions	NETF	National Energy Transition Fund
MIFC	Malaysia International Islamic Financial Centre	NETR	National Energy Transition Roadmap
MITI	Ministry of Investment Trade and Industry	NIA	National Investment Aspirations
mmb/d	million barrels per day	NIF	New Incentive Framework
MNCs	multinational companies	NIMP 2030	New Industrial Master Plan 2030
MoU	Memorandum of Understanding	NPO / NPOs	Non-Profit Organisations
MPC	Monetary Policy Committee	NRES	Ministry of Natural Resources and Environmental Sustainability
MSMEs	micro, small and medium enterprises	NRW	Non-Revenue Water
MTC / MTCs	Mid-Tier Companies	NSFR	Net Stable Funding Ratio
MTEN	National Economic Action Council	NSRF	National Sustainability Reporting Framework
MTVET	Malaysia Technical and Vocational Education and Training	NSS	National Semiconductor Strategy
MW	megawatt(s)	OE	operating expenditure
MyCIF	Malaysia Co-Investment Fund	OPR	Overnight Policy Rate
MyDigital ID	Malaysia's National Digital Identity	P2P	Peer-to-Peer
MyGOV	Malaysian Government Official Portal	PACED	Price, Admission and Clinical Electronic Data Hub
MYMT 2026	Malaysia Year of Medical Tourism 2026	PAWE	Senior Citizens Activity Centres
		PDK	Community-Based Rehabilitation Centres

ACRONYMS AND ABBREVIATIONS

PE	Private Equity	R&D&C&I	research, development, commercialisation and innovation
PEMUDAH	Special Task Force to Facilitate Business	RCEP	Regional Comprehensive Economic Partnership
PERKESO	Social Security Organisation	RE	renewable energy
PETRA	Ministry of Energy Transition and Water Transformation	REIT / REITs	Real Estate Investment Trust / Real Estate Investment Trusts
PFLNG3	Petronas Floating Liquefied Natural Gas 3	RGT-3	Third Liquefied Natural Gas Regasification Terminal
PGG	Principles on Good Governance	RM	Ringgit Malaysia
PISA	Programme for International Student Assessment	RMR	Rumah Mesra Rakyat
PJRM	Program Jualan Rahmah MADANI	RTS Link	Rapid Transit System
PLC / PLCs	Public Listed Company / Public Listed Companies	RYTHM	Ritma Kehidupan Harmoni
PMI	Purchasing Managers' Index	SALAM	Sambungan Kabel Dasar Laut MADANI
PoP	Point of Presence	SARA	Sumbangan Asas Rahmah
PPA	Autism Services Centres	SBST	Stage Bus Service Transformation
PPBN	Program Pembangunan Bola Sepak Negara	SC	Securities Commission Malaysia
PPI	Producer Price Index	SEA Games	South East Asian Games
PPPE	Penggalakan Pasaran dan Pembangunan Eksport	SEDG	Simplified ESG Disclosure Guide
ppt	percentage points	SejaTi MADANI	Program Sejahtera Komuniti MADANI
PQC	post-quantum cryptography	SFC	Securities and Futures Commission
PRR	Program Residensi Rakyat	SIPP	Paddy Production Incentive Scheme
ProKhas	Program Khas Pendidikan Manusiawi	SIS	Sustainable Investing Standards
PUSPEN	Pusat Pemulihan Penagihan Narkotik	SJKP	Syarikat Jaminan Kredit Perumahan
PuTERA35	Bumiputra Economic Transformation Plan 2035	SJPP	Syarikat Jaminan Pembiayaan Perniagaan Berhad
PVP	Professional Visit Pass	SKSPS	Skim Keselamatan Sosial Pekerjaan Sendiri
PWDs	persons with disabilities	SMEs	small and medium enterprises
PWP	Progressive Wage Policy	SRI	Sustainable and Responsible Investment
R&D	research and development		

SRR	Statutory Reserve Requirement	TVET	technical and vocational education and training
SSLR	Sarawak-Sabah Link Road	TWh	Terawatt-hour(s)
SSPA	Public Service Remuneration System	UiTM	Universiti Teknologi MARA
STAR	Special Task Force on Agency Reform	UK	United Kingdom
ST-ECE	Energy Competency Excellence ST Initiative	UN	United Nation
STR	Sumbangan Tunai Rahmah	UNCTAD	UN Trade & Development
SUMED	Suez-Mediterranean Pipeline	US	United States
Sustainability MGII	Sustainability Malaysia Government Investment Issues	USD	US Dollar
TABIKA	Taman Bimbingan Kanak-kanak	VBI	Value-based Intermediation
TERAJU	Bumiputera Agenda Steering Unit	VC	Venture Capital
Thirteenth Plan	Thirteenth Malaysia Plan, 2026 – 2030	VM2026	Visit Malaysia 2026
TIMSS	Trends in International Mathematics and Science Study	VM2026 – 2027	Visit Malaysia 2026 – 2027 Campaign
TIV	total industry volume	WBG	World Bank Group
TNB	Tenaga Nasional Berhad	WEO	World Economic Outlook
TTDI	Travel & Tourism Development Index	WSTS	World Semiconductor Trade Statistics
TUBE-S	Tunas Usahawan Belia Bumiputera Skala Programme	xEV	all types of electric vehicle
		Yayasan MySDG	Malaysia Sustainable Development Goals Foundation
		YKN	Yayasan Kebajikan Negara

CHAPTER 1

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CHAPTER 1

Economic Management and Prospects

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

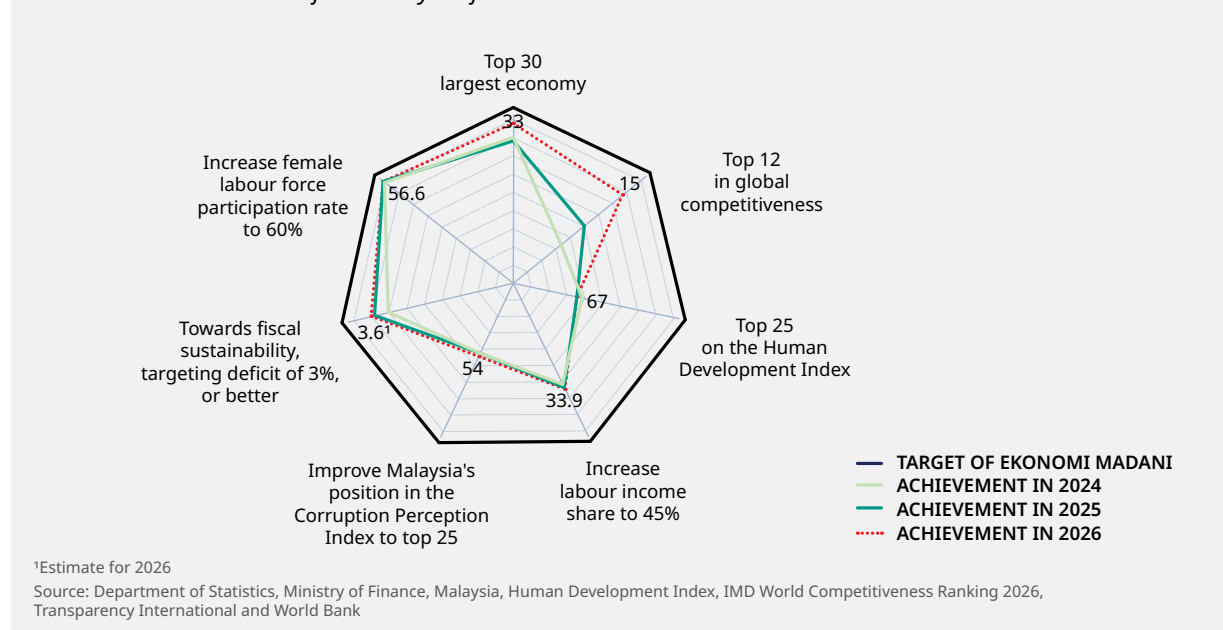
Having demonstrated remarkable resilience in weathering a series of global shocks over the past three years, Malaysia is delivering tangible results as shown by the progress of various initiatives under the Ekonomi MADANI framework. The ongoing Russia-Ukraine conflict fuelled energy and food price volatility, 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



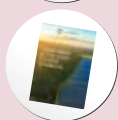
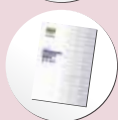
- **National Energy Transition Facility (NETF):** Enabling catalytic blended finance for marginally bankable energy transition projects, established under the National Energy Transition Roadmap (NETR).
- **Simplified ESG Disclosure Guide (SEDG):** Guiding MSMEs to adopt sustainability practices and meet 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



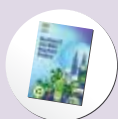
- **National Sustainability Reporting Framework (NSRF):** Establishing a standardised baseline for corporate ESG and climate disclosures, through the adoption of reporting standards by the International Sustainability Standards Board (ISSB), IFRS S1¹ and IFRS S2², to ensure corporate sustainability data 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.

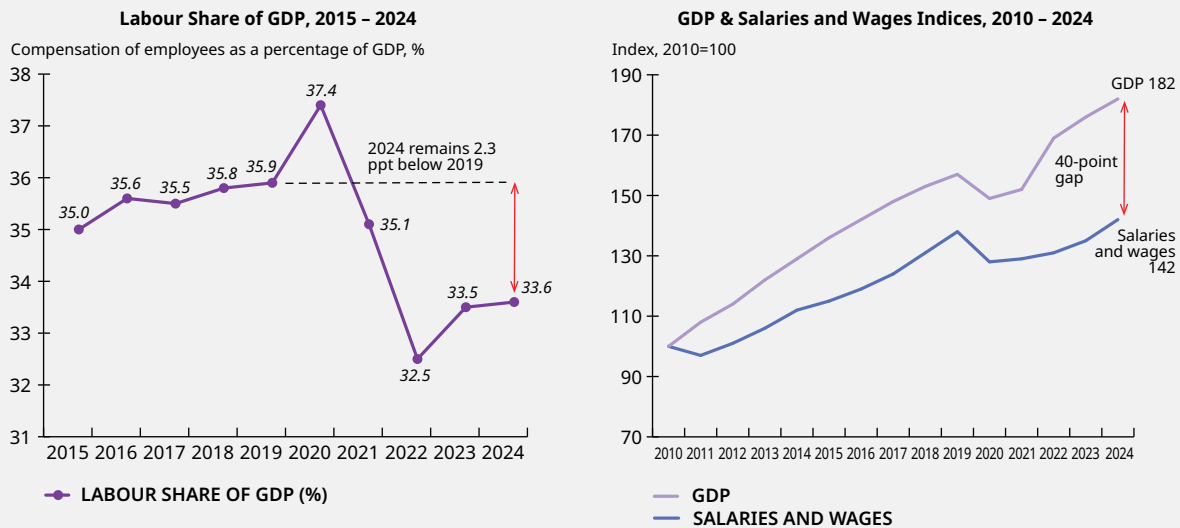
The challenge facing Malaysia's wage ecosystem is deeply rooted in the structure of its economy, particularly the concentration of labour-intensive micro, small and medium enterprises (MSMEs) in persistently low-wage industries. While existing policies have strengthened wage protection and workers capabilities, 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.

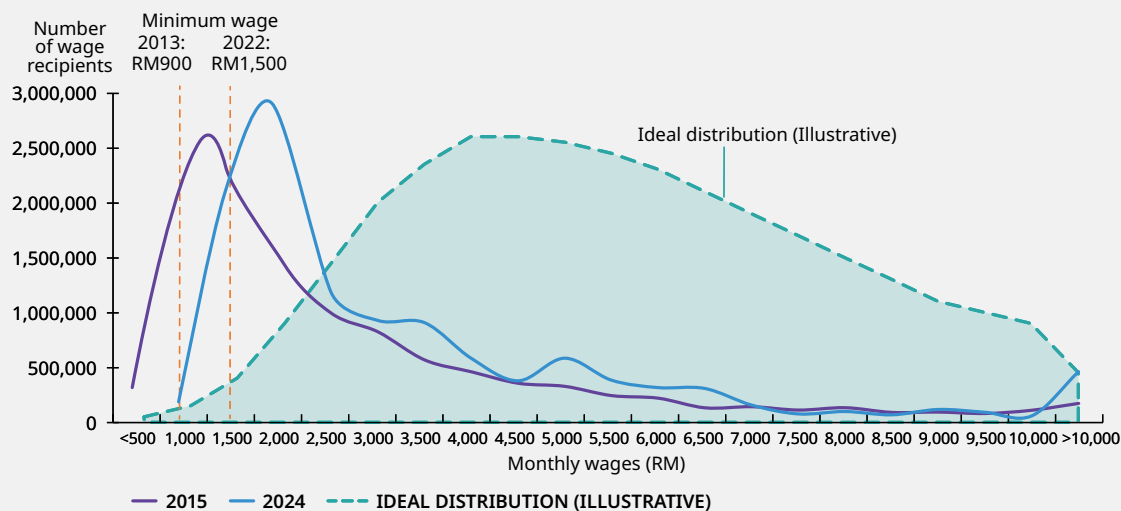
¹ Centre for Future Studies Berhad (THE FUTURE) is a Malaysian think tank that supports evidence-based decision-making, capacity building and policy innovation. It has contributed to policy studies, strategic publications and reform initiatives to various governments.

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)

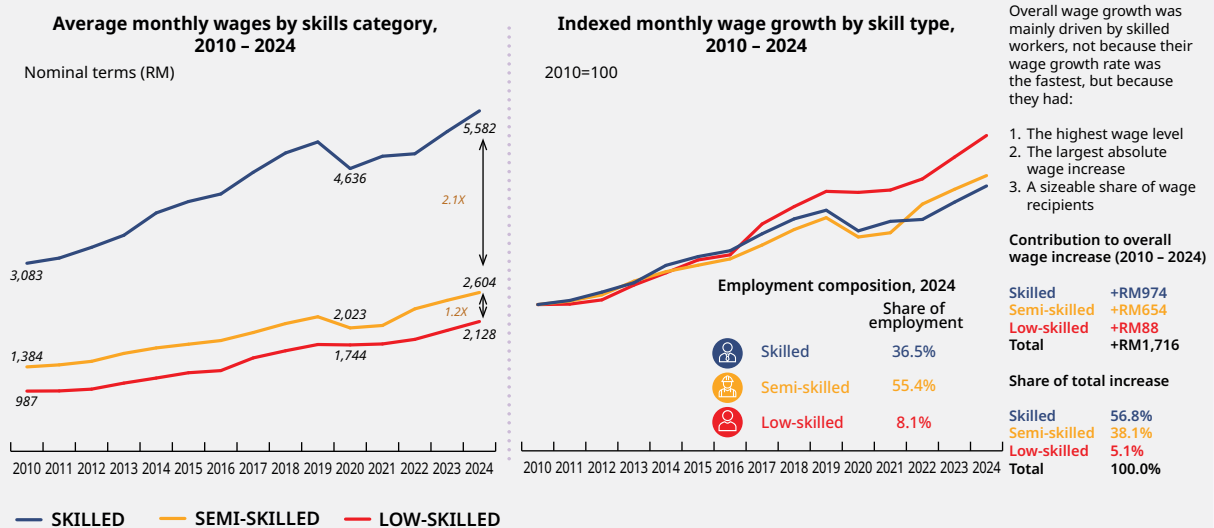
Nevertheless, a substantial proportion of wage recipients continues to earn close to the statutory minimum, while the middle-wage bracket remains comparatively narrow. This reflects the different wage dynamics across the distribution, as the statutory minimum wage directly lifts wages at the lower end, 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.

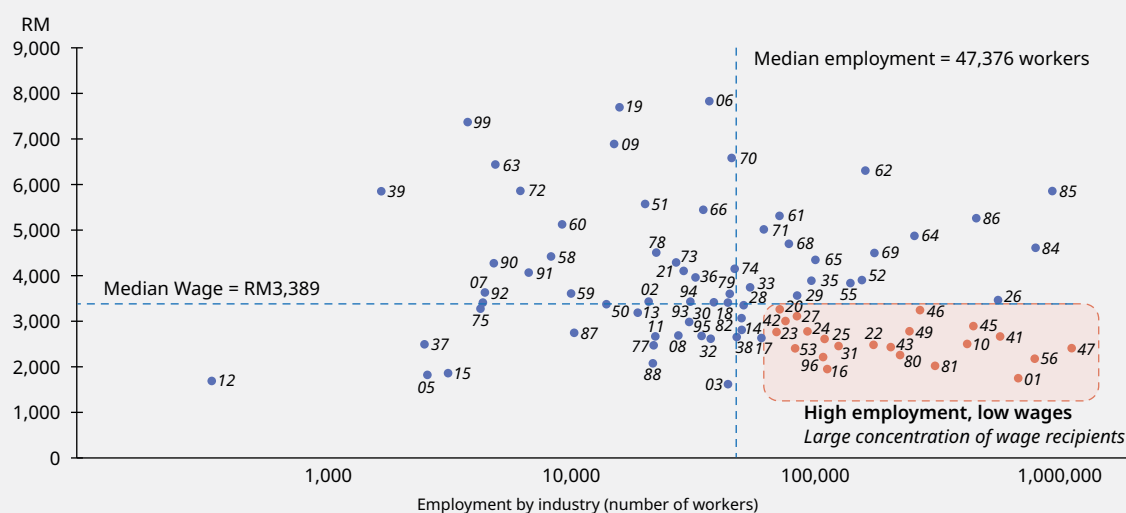
Skilled Workers Contributed Disproportionately to Aggregate Wage Gains

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.

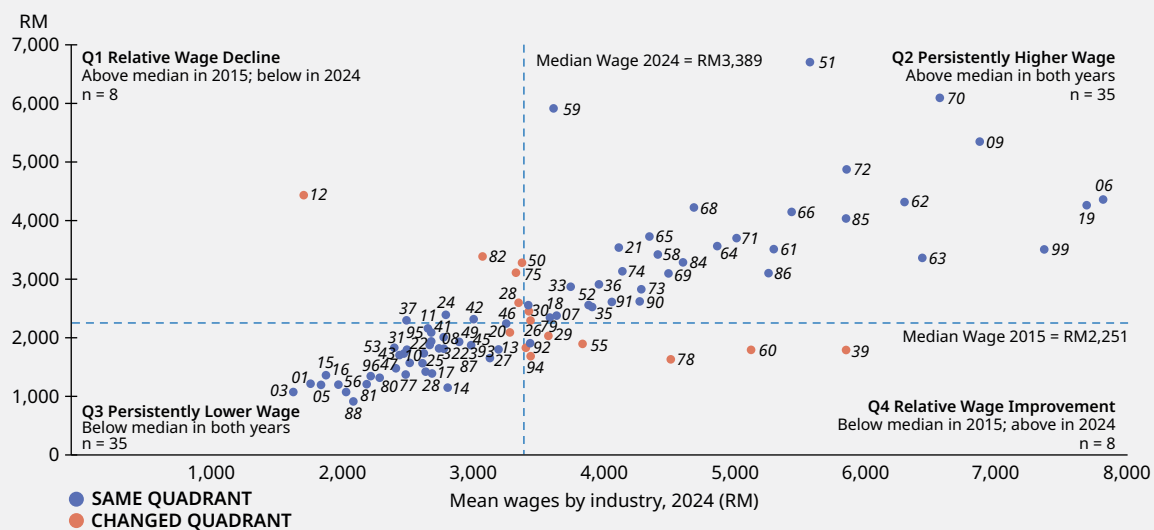
FIGURE 1.1.4. *Employment and Wages by Industry, 2024*



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.

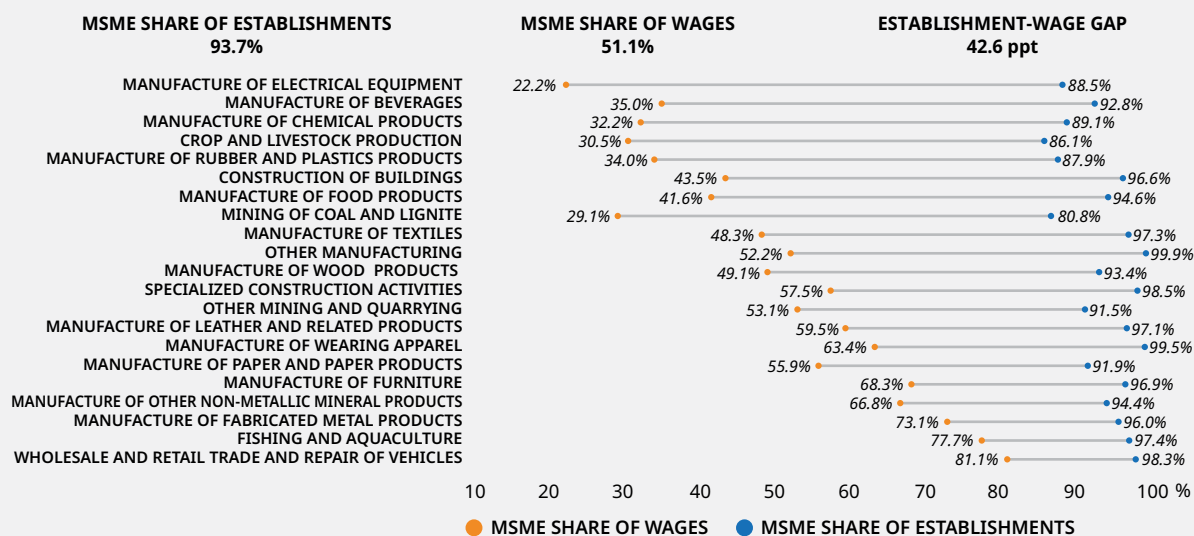
FIGURE 1.1.5. Wages Position by Industry, 2015 and 2024



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)

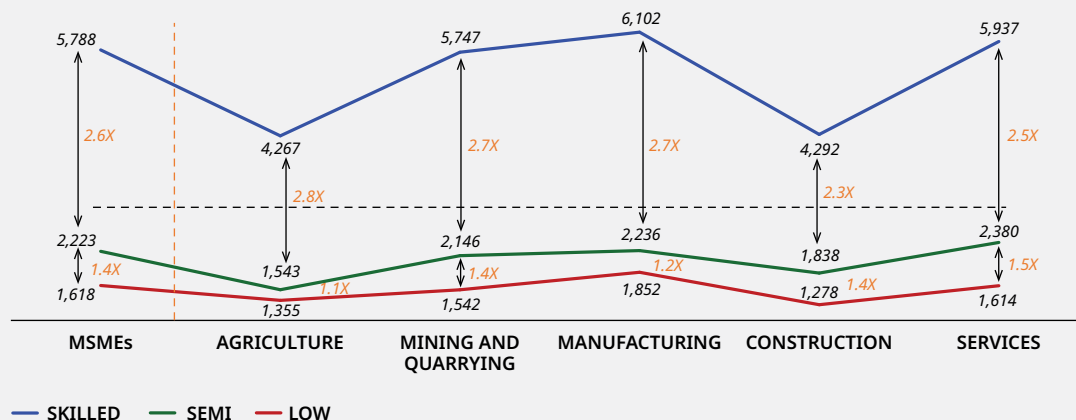
Upgrading Labour-Intensive MSME Can Create a 'Big-push' Impact

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)

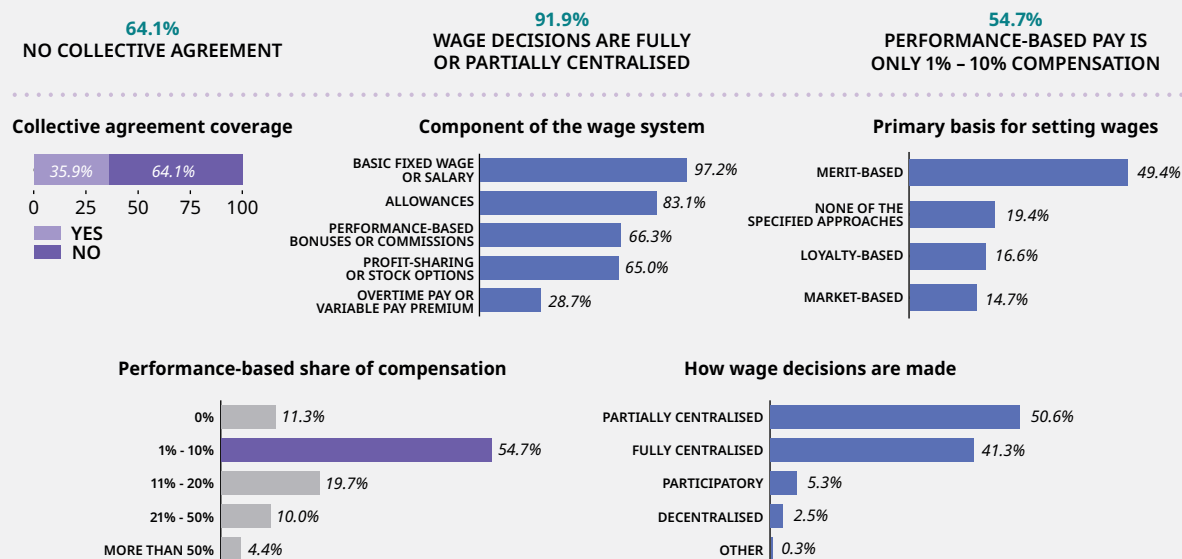
An analysis of remuneration across skill categories suggests that Malaysia's wage challenges persist despite favourable labour market conditions. Figure 1.1.7. confirms the substantial wage gap between skilled and semi-skilled workers, while a much narrower gap was observed between semi- and low-skilled 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.

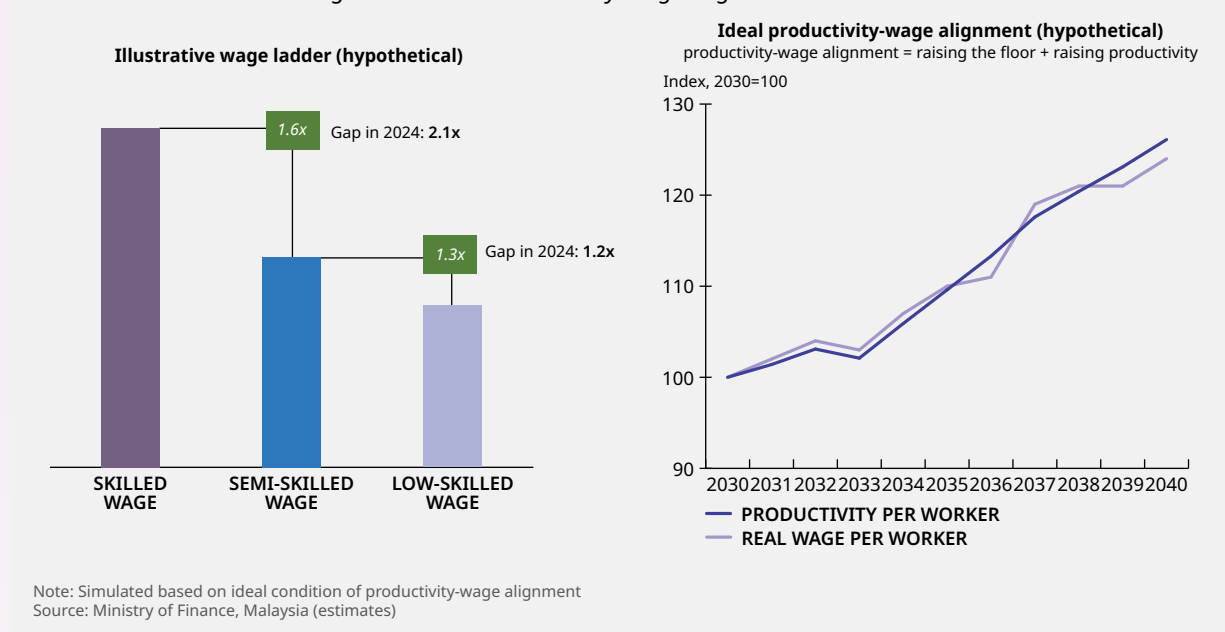
Building a Stronger Wage Ladder Requires an Integrated Approach

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

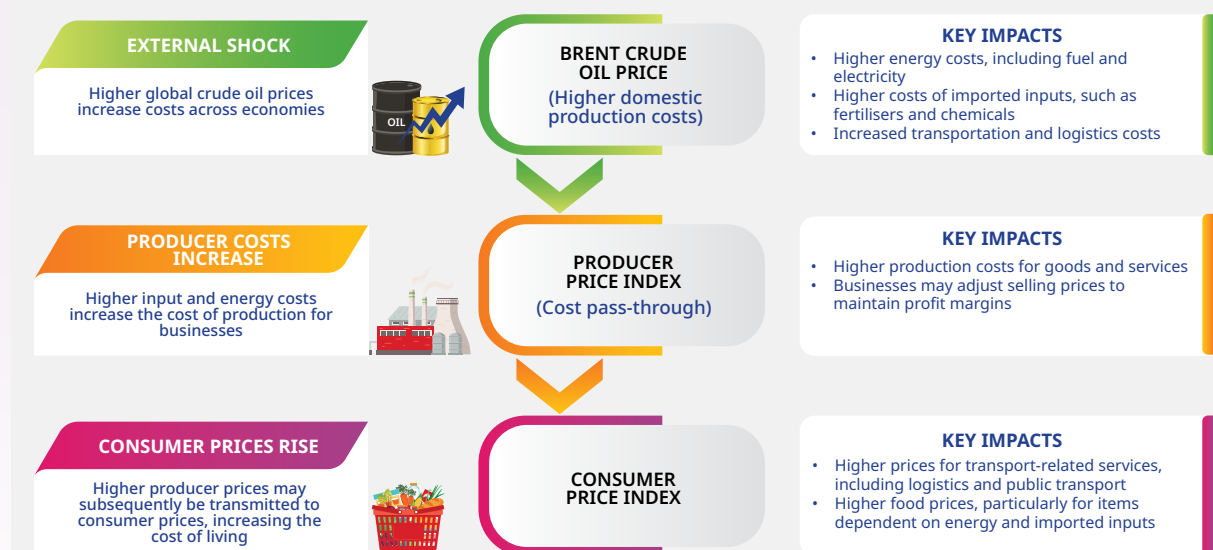
As a small and open economy, Malaysia is exposed to heightened global uncertainties, including volatility in global energy prices. Focusing on the price transmission channel, any disruption could raise import and production costs, exert upward pressure on consumer prices and, in turn, weigh on business 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.

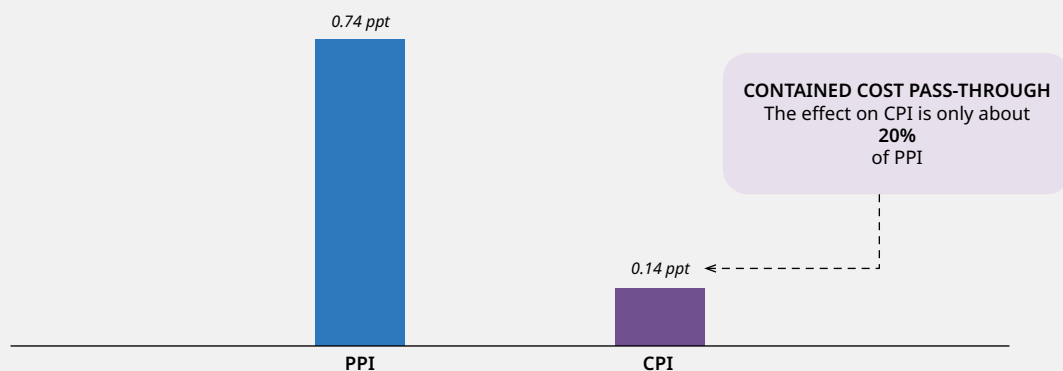
FIGURE 1.2.1. *Transmission Channel from Global Crude Oil Price to Consumer Price*



Source: Ministry of Finance, Malaysia

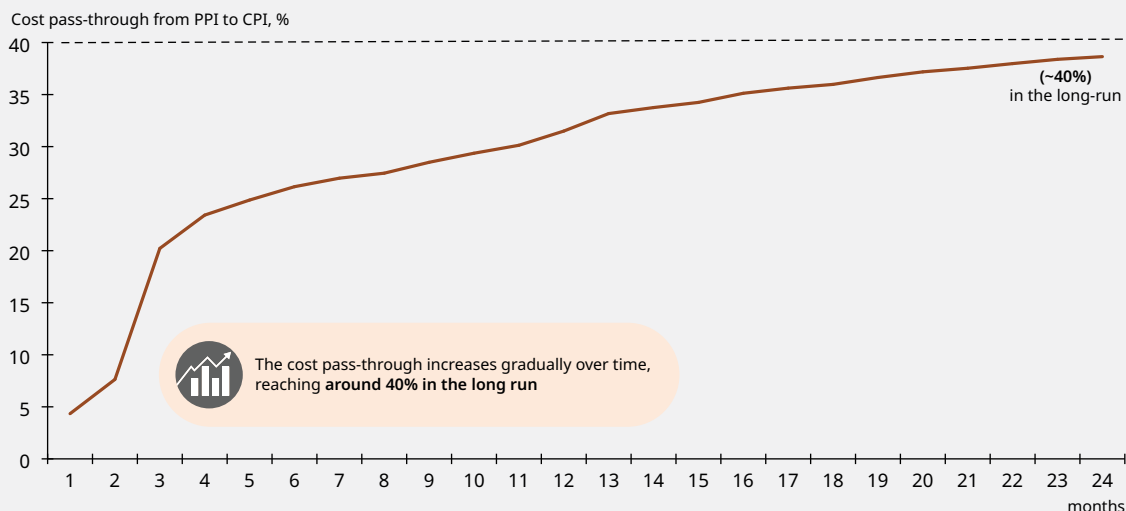
An empirical analysis was conducted to assess the transmission of higher crude oil prices to the PPI and CPI. In the short-run, the results indicate that an increase of USD20 in the Brent crude oil price will cause both PPI and CPI to increase by 0.74 percentage points (ppt) and 0.14 ppt, respectively. 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)

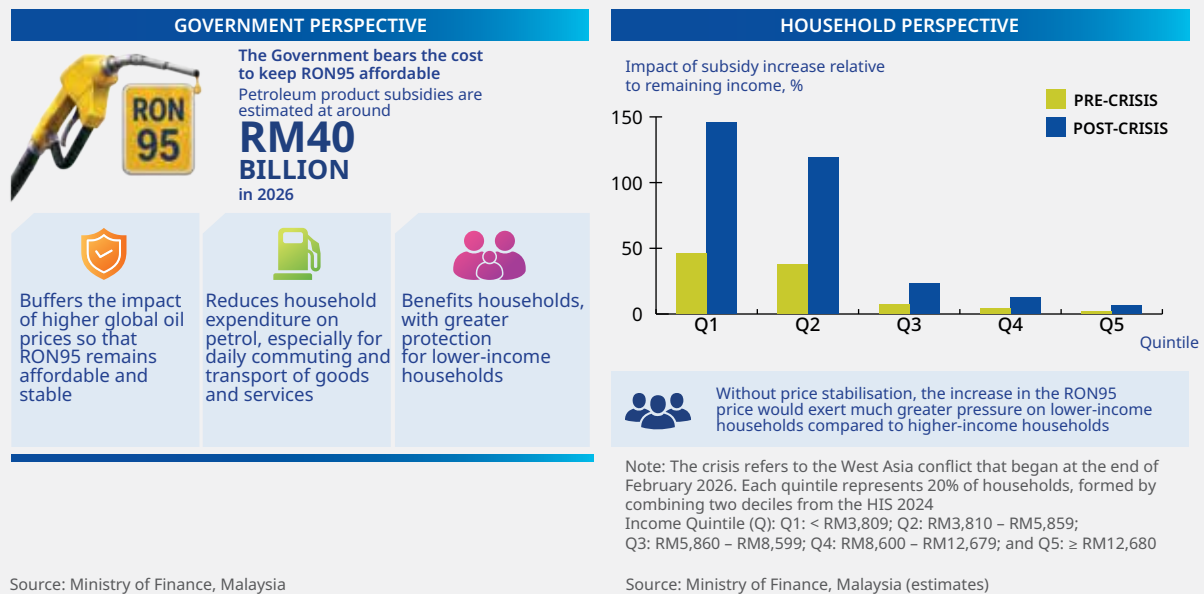
While the cost pass-through to consumer prices is relatively contained, households may still experience varying degrees of financial pressure depending on income levels and expenditure patterns. The transmission of higher production costs to consumer prices may be contained following various Government 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

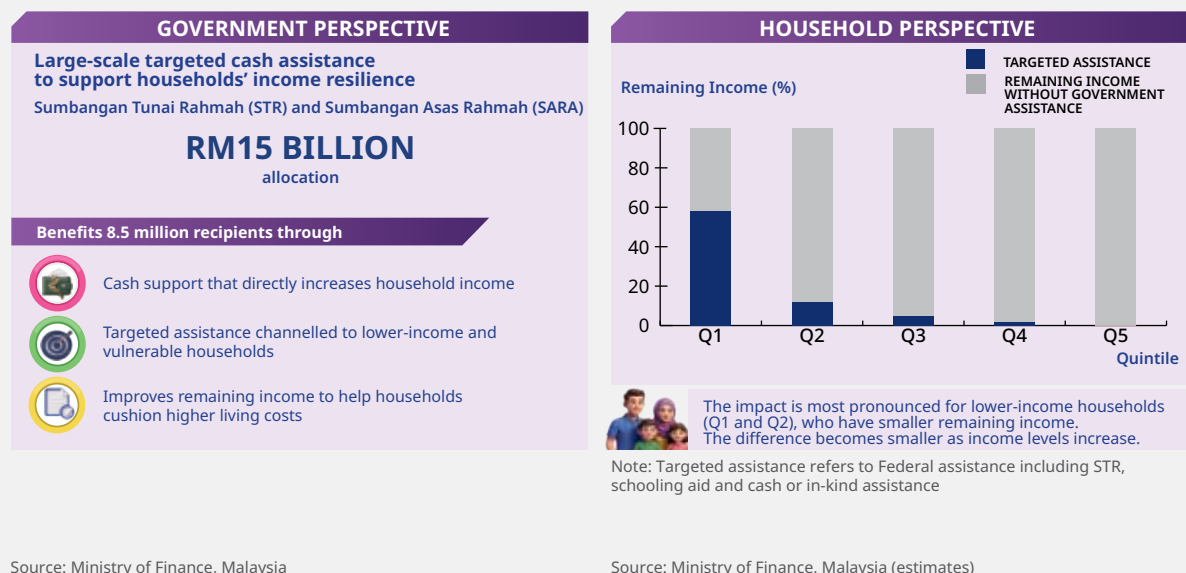
The Government has adopted a broad and complementary set of measures to cushion the impact of rising living costs and safeguard household wellbeing, particularly during periods of heightened external cost pressures. These measures operate through two main channels: **price stabilisation measures** which 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.

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CHAPTER 2

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CHAPTER 2

Global Economic Outlook

Overview

Global economic growth is expected to remain resilient in the near term, balancing the severe impacts of the West Asia Crisis against a booming technology sector. The closure of the Strait of Hormuz has triggered energy supply shocks, driving global inflation higher and heavily burdening energy-importing economies. However, massive ongoing investments in artificial intelligence (AI), technology and digital infrastructure are offsetting these negative effects and keeping global employment steady. This situation is creating a diverging global economy where tech-heavy and energy-producing economies are experiencing stronger expansion, while economies reliant on imported energy and traditional manufacturing are facing constraints.

Global growth is projected to improve and inflation will ease as energy-related pressures gradually subside. While global trade is anticipated to remain fragmented due to ongoing geopolitical tensions and changes in the supply chain, the continued expansion of AI, technology and digital investments is expected to support economic growth. This tech-focused future will help to reshape the labour market, shifting demand toward high-skilled workers. In essence, economies that are highly integrated into the technology supply chain and attain energy security will thrive, while economies dependent on traditional manufacturing industries will face challenging economic prospects.

Global Economy 2026

Global economy growth is expected to remain resilient in 2026, despite geopolitical tension, energy disruptions and uncertainties in global trade. **Global GDP growth** is projected at 3% in 2026, mainly supported by continued investment in AI, technology and digital infrastructure. Nevertheless, growth advantages will likely remain unequally distributed across economies, driven by structural differences in economic vulnerability to geopolitical conflicts, energy supply shocks and shifts in the global technology cycle.

In 2026, the global economy is facing significant pressure from the West Asia Crisis, mainly from energy supply disruptions. Global energy market volatility has escalated following the closure of the Strait of Hormuz, driving energy prices upward. These elevated energy expenses weigh on commercial operations by increasing production and transport costs, while concurrently dampening corporate activity and eroding domestic purchasing power. Energy-importing economies are particularly vulnerable, while economies with stronger energy supplies or technology sectors are in a better position to absorb the shock. Despite these pressures, strong investment in AI, technology and digital infrastructure is providing an important source of support to the global economy.

Among the **advanced economies**, growth is expected to remain moderate at 1.7% as higher energy costs, inflationary pressures and geopolitical uncertainty affect domestic demand and business confidence. However, economies with strong technologies are expected to benefit from increasing investment in AI, technology and digital infrastructure. This causes a growing divergence between economies that are closely connected to the global technology value chain and those that remain dependent on traditional manufacturing industries and imported energy.

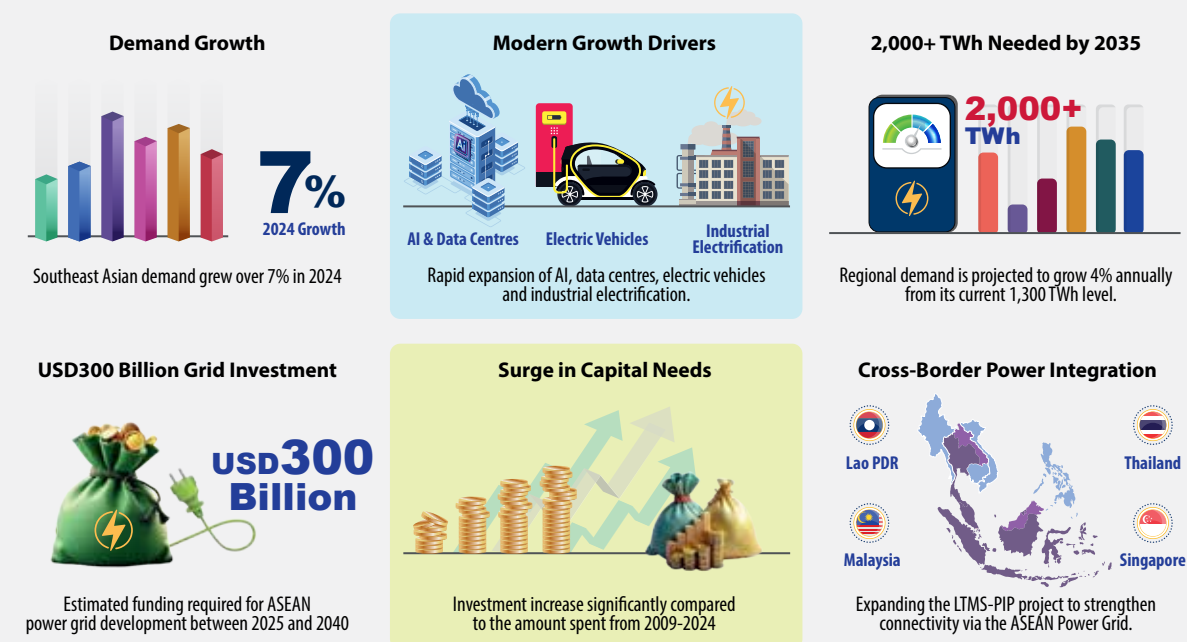
Growth in **emerging markets and developing economies (EMDEs)** is also expected to remain uneven at 3.8%. Energy-importing economies are anticipated to experience greater pressure from higher energy and transportation costs, while energy-producing economies may benefit from stronger energy revenues. Meanwhile, economies that are integrated into AI-related supply chains are expected to have better growth prospects as global technology investment continues.

The global **unemployment rate** is expected to record 4.9%, indicating that labour markets remain resilient despite challenging economic conditions. **Inflation** is expected to remain elevated due to higher energy and commodity prices. Global inflation is projected to rise to 4.7%, reversing some of the gains made in containing inflationary pressures in previous years.

INFORMATION BOX 2.1

ASEAN POWER GRID: THE MALAYSIAN PERSPECTIVE

The energy sector is undergoing a significant transformation as countries seek to reduce their reliance on fossil fuels and accelerate the adoption of cleaner sources of electricity. Electricity demand is increasing rapidly driven by the expansion of artificial intelligence (AI), data centres, electric vehicles (EVs) and the electrification of industries traditionally dependent on fossil fuels. The scale of this transformation is particularly evident in Southeast Asia. According to the International Energy Agency (IEA), regional electricity demand increased by more than 7% in 2024, which is nearly twice the global average. Under the IEA's current-policies scenario, electricity demand in the region is projected to grow by approximately 4% annually through 2035, rising from more than 1,300 terawatt-hours (TWh) to over 2,000 TWh as shown in Figure 2.1.1.

FIGURE 2.1.1. *The Growing Demand of Electricity in ASEAN*

Source: Ministry of Finance, Malaysia

The rapid growth in electricity demand is creating a need for additional generation capacity and investment in electricity transmission and distribution networks across Southeast Asia. IEA estimates that ASEAN will require more than USD300 billion in investment in electricity grids between 2025 and 2040, representing a 72% increase from USD174 billion investment during the 2009 – 2024 period. Regional cooperation is becoming increasingly important because ASEAN Member States (AMS) have different electricity demand profiles, power supply mixes and renewable energy (RE) potential.

The ASEAN Power Grid (APG) was established as a regional initiative to strengthen electricity connectivity, enhance energy security and facilitate cross-border electricity trade among AMS. Although the APG has been a longstanding regional objective since the 1980s, recent development

indicates substantial progress of this initiative. These developments include the expansion of the Lao People's Democratic Republic (Lao PDR)–Thailand–Malaysia–Singapore Power Integration Project (LTMS-PIP), progress towards a regional framework for subsea power cables and the establishment of new financing initiatives to support APG development.

The LTMS-PIP provides a practical example of progress in regional electricity integration. The project became operational in 2022 and enables electricity trading among Lao PDR, Thailand, Malaysia and Singapore through existing transmission networks. In 2025, the project entered its next phase, increasing the maximum electricity transfer capacity from 100 megawatts (MW) to 200 MW, thus flowing from Lao PDR to Singapore through Thailand and Malaysia.

Malaysia plays an important role in this regional integration process. Its participation in the LTMS-PIP provides experience in multilateral cross-border electricity trading. Malaysia also contributed efforts to develop financing mechanisms for the APG during its 2025 ASEAN Chairmanship, including engagement with financial institutions, multilateral development banks (MDBs) and other capital providers. The ASEAN Power Grid Financing (APGF) Initiative was launched in Kuala Lumpur, Malaysia in October 2025 by the World Bank Group (WBG), the Asian Development Bank (ADB), ASEAN and the ASEAN Centre for Energy to support investment in regional electricity infrastructure.

However, the development of the APG also presents several challenges, including the need for stronger regulatory and technical coordination, harmonised arrangements for cross-border electricity trading, appropriate investment and business models as well as substantial financing for grid infrastructure. For Malaysia, these challenges are particularly relevant as the country seeks to balance regional electricity integration with domestic energy security, infrastructure requirements and the development of competitive cross-border electricity markets.

From Vision to Reality

The APG is based on a simple idea that AMS can benefit by connecting their electricity systems. At present, AMS largely manage their electricity systems at the domestic level. However, demand and supply do not always move in the same direction. One economy may have excess electricity while another is facing a shortage. Cross-border connections can help balance these differences. An economy with surplus electricity can export it, while another can import power when it needs additional supply.

The IEA report shows that ASEAN electricity consumption has increased ninefold since 1990 and is expected to continue growing at 3 – 4% a year through 2040. The APG requires substantial investment between 2025 and 2040 to expand and modernise its electricity-grid networks. Thus, APG cannot be developed through government funding alone and will require funding from development banks, commercial banks, private investors and other financial institutions.

Malaysia's Strategic Advantage

Malaysia is not simply one node in the current APG map; it is the only economy spanning two of the grid's three main subsystems, with Peninsular Malaysia positioning in the South subsystem and Sabah and Sarawak in the East subsystem. Geographically, Malaysia is a natural bridge between mainland Southeast Asia and Borneo. Peninsular Malaysia is already interconnected with Thailand

and Singapore while Sarawak exchanges power with West Kalimantan. Malaysia is also a wheeling economy in ASEAN's first multilateral electricity trade. In January 2026, LTMS-PIP enabled Malaysia to earn wheeling charges for the use of its transmission system independently of any energy sale.

Malaysia has been among the early AMS to participate actively in cross-border electricity trading. Its involvement began with the Lao PDR–Thailand–Malaysia Power Integration Project (LTM-PIP) in 2018 followed by the LTMS-PIP in 2022. Recently, Brunei Darussalam, Indonesia, Malaysia and the Philippines (BIMP) announced the BIMP Power Integration Project (BIMP-PIP) through a joint statement. The initiative aims to explore the potential for greater electricity interconnectivity across Borneo, strengthening regional energy cooperation and connectivity among the participating AMS.

Leveraging Malaysia's Geographical Position

Malaysia's unique geographical position gives it close physical links with several ASEAN electricity markets, including Brunei Darussalam, Indonesia, Singapore and Thailand. Existing and planned interconnections with these neighbouring systems create opportunities for Malaysia to play a larger role in regional electricity trade. Its position could allow electricity to move between different markets as more cross-border connections are developed. Malaysia is geographically divided into Peninsular Malaysia, Sabah and Sarawak with each region operating distinct energy networks and power infrastructure. Sarawak, in particular, has large hydropower resources and this gives Malaysia access to different sources of electricity that could support wider regional trade.

Growing Electricity Demand

Malaysia is experiencing strong growth in electricity demand. In Peninsular Malaysia, peak electricity demand increased 4.9% from 20,066 MW in 2024 to 21,049 MW in 2025. This increase demonstrates the growing pressure on Malaysia's electricity system and the need to ensure sufficient capacity to meet future demand. Malaysia therefore needs to expand and strengthen its electricity system even before considering additional demand that could arise from regional electricity exports. Tenaga Nasional Berhad (TNB) as the national electricity utility company, expects Peninsular Malaysia's electricity demand to continue growing, forecasting approximately 141.87 TWh in 2026 and 148.66 TWh in 2027, representing an average annual growth rate of about 4.9%. These figures indicate that continued investment in electricity generation, transmission networks and grid infrastructure is necessary to ensure Malaysia meets growing domestic demand while maintaining reliable and secure electricity supply.

Infrastructure Readiness

Malaysia's electricity system is well-developed with an established power sector and extensive transmission infrastructure. TNB operates the National Grid in Peninsular Malaysia, which comprises 132 kilovolts (kV), 275kV and 500kV transmission networks and is responsible for ensuring safe, reliable and economical operation of the electricity transmission system. However, the system will require expansion in line with increasing electricity demand, particularly in areas experiencing rapid growth in data centres and industrial projects. TNB reported that, as at December 2025, data centres accounted for 850 MW of actual load utilisation out of approximately 4.5 Gigawatts (GW) of capacity. TNB also reported projects in the pipeline that will require load utilisation up to 7.5 GW, demonstrating the potential for continued growth in electricity demand.

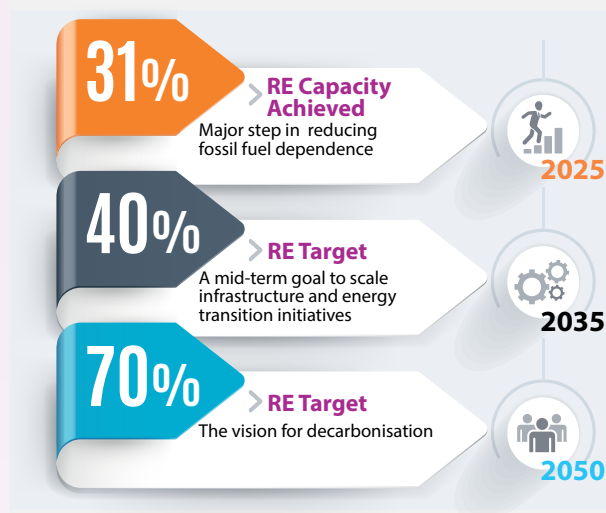
These grid expansions are important not only for supporting regional electricity trade but also for meeting Malaysia's own growing electricity needs. A reliable power system is also important for attracting new investment because energy-intensive industries such as data centres require scalable and reliable electricity connections. TNB's continued investment in grid capacity and resilience is therefore important for supporting economic growth while maintaining the reliability and security of Malaysia's electricity supply.

Renewable Energy Potential

Malaysia has tremendous potential for RE development, especially in solar power as Malaysia receives a high level of sunlight throughout the year and significant hydropower resources are abundant in Sarawak. The Ministry of Energy Transition and Water Transformation (PETRA) reported that RE accounted for 31% of the nation's installed generation capacity by October 2025 as shown in Figure 2.1.2. Malaysia has set a target of achieving 40% RE capacity by 2035 and 70% by 2050. The development in RE could help Malaysia reduce its dependence on fossil fuels over time. It could also create more electricity that can be traded with neighbouring economies. RE is becoming more important for businesses as international companies are trying to reduce carbon emissions linked to their operations. Having access to cleaner electricity will make Malaysia more attractive to these companies.

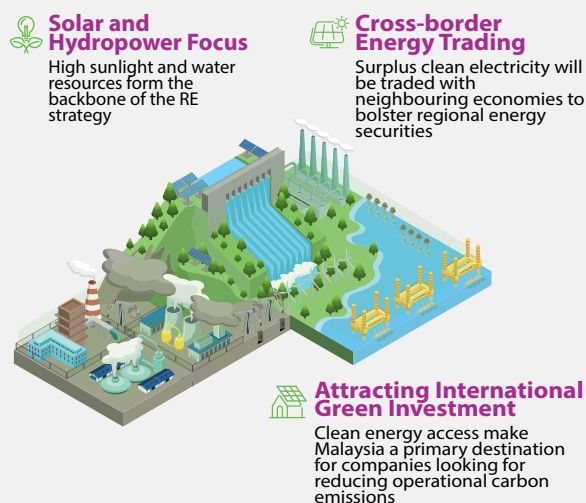
FIGURE 2.1.2. Renewable Energy Potential

Roadmap to 2050: Capacity Targets



Source: Energy Commission and Tenaga Nasional Berhad

Strategic Drivers & Economic Impact



Supportive Financial Ecosystem

Large energy projects require substantial funding, especially for transmission lines, RE projects, power plants and energy storage. In Malaysia, potential sources of financing are from the Government, local banks, development financial institutions, MDBs and private investors. For example, ADB has committed up to USD10 billion over the next 10 years to support the APG, including the strengthening of cross-border connections, National Grid upgrades and RE projects. The WBG has contributed USD12.7 million in grants for APG project preparation, including an initial USD5 million grant in 2024 and an additional fund of USD7.7 million in 2025.

Opportunities and Challenges

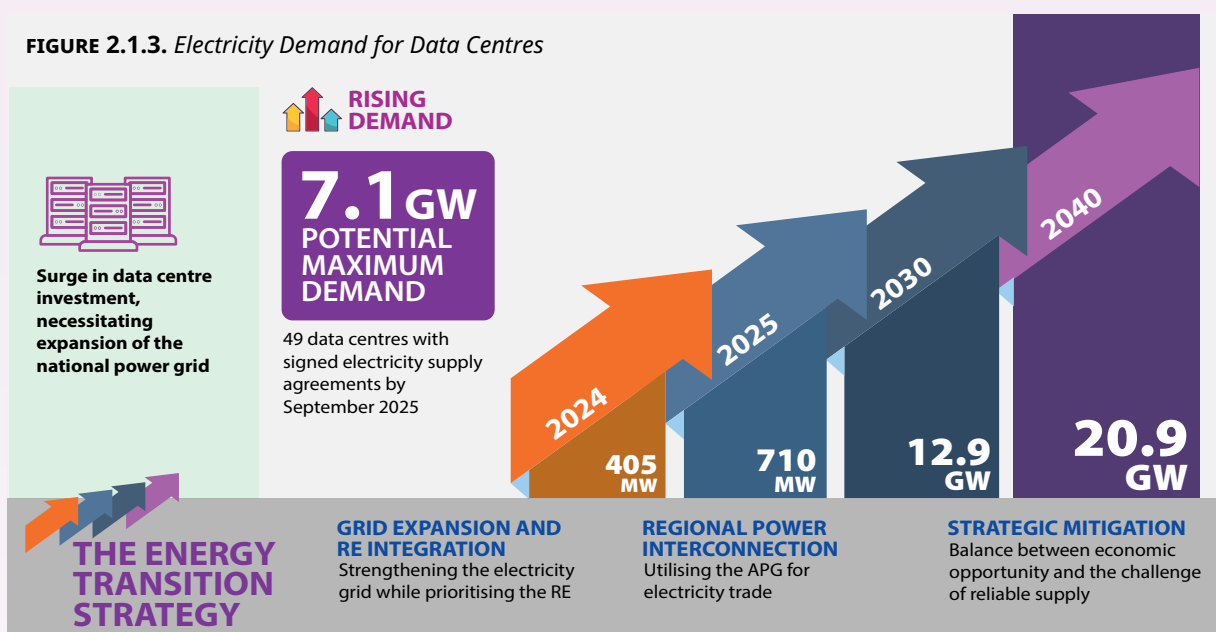
Electricity Trading Hub

One of the biggest opportunities for Malaysia to leverage on from this framework is electricity trading. Malaysia could potentially export electricity when it has surplus generation and import electricity when domestic supply is tight. This could create diverse opportunities for utilities and energy companies as well as financial institutions and other businesses to capitalise from this framework. Malaysia has started using mechanisms such as the Energy Exchange Malaysia (ENEGEM) to support cross-border RE sales to Singapore. The APG could allow such arrangements to grow over time and become part of a wider regional electricity market.

Data Centre Growth

Data centres are one of the clearest examples of why Malaysia needs more electricity as Malaysia has attracted large amounts of investment in this sector. Recent data shows how electricity demand from data centres is increasing. By September 2025, 49 data centres had signed electricity supply agreements with TNB, representing a potential maximum demand of around 7.1 GW as shown in Figure 2.1.3. Actual electricity use from data centres had increased significantly, reaching approximately 710 MW, compared with 405 MW at the end of 2024. These figures show data centres are both an opportunity and a challenge for Malaysia as they bring significant economic activities but require a large and reliable electricity supply.

FIGURE 2.1.3. Electricity Demand for Data Centres



Source: Ministry of Energy Transition and Water Transformation, Malaysia and Tenaga Nasional Berhad

PETRA has projected that electricity demand from data centres could reach 12.9 GW by 2030 and 20.9 GW by 2040 and the need to mitigate these challenges. To manage this growth, Malaysia needs to expand its electricity grid while increasing the availability of RE. PETRA has been promoting the development of RE and stronger regional electricity interconnections as part of Malaysia's energy transition. APG can support this strategy by enabling greater cross-border electricity trade, giving Malaysia access to additional sources of electricity from neighbouring economies. Malaysia's participation in the LTMS-PIP is an example of this regional approach and forms part of the wider APG initiative.

Green Manufacturing

Malaysia is expected to benefit from the growing shift towards green manufacturing, as multinational companies increasingly consider the carbon intensity and reliability of electricity in deciding the location of production. This is particularly relevant to semiconductors, electronics, electrical equipment and EV-related manufacturing, which require substantial and reliable power. The Government is also expanding corporate access to renewable electricity through the Corporate Renewable Energy Supply Scheme (CRESS), which allows businesses to procure green electricity through the National Grid. These initiatives strengthen Malaysia's attractiveness to manufacturers seeking to reduce their carbon emissions and meet increasingly stringent environmental, social and governance standard.

APG further supports this opportunity by increasing cross-border electricity interconnections and providing access to a more diverse electricity source, including RE. Malaysia's National Energy Transition Roadmap (NETR) explicitly identifies the APG as a pathway for Malaysia to participate in regional green energy trade. Greater regional integration could therefore complement Malaysia's domestic RE expansion, improve electricity system resilience and support the growing power needs of high value industries. Combined with reliable grid infrastructure and accessible renewable electricity, the APG could help Malaysia position herself as a competitive hub for lower carbon, technology intensive manufacturing while attracting investment from companies seeking cleaner production locations.

Workforce Development

The Energy Commission has projected that Malaysia will require approximately 62,000 highly-skilled workers by 2050 and has placed continuous training and reskilling at the centre of its Energy Competency Excellence ST (ST-ECE) initiative. Grid infrastructure of the future will necessitate the need for specialised proficiency beyond conventional roles like wiremen, chargemen and substation personnel to skilled workers knowledgeable in high-voltage direct current (HVDC) technology, subsea power cables, variable renewable integration, battery storage systems, advanced digital controls and operational technology cybersecurity. Many of these skills are within Malaysia's technical and vocational education and training (TVET) ecosystem, whereby certified competency and industrial excellence are equally important as academic qualifications.

Regulatory Harmonisation

AMS do not operate under one common electricity law or regulatory system. Each AMS retains authority over its own electricity sector including generation, transmission, distribution, licensing, electricity pricing, market access and system operation. This means that the legal rules governing cross-border electricity trade can differ significantly from one economy to another. The APG

framework recognises this issue and requires cooperation on national and regional legal and institutional frameworks, including regulatory harmonisation, electricity-trading arrangements and third-party access to transmission networks. One important legal issue that needs to be addressed is third-party access that concerns whether an electricity producer or trader from one economy should be allowed to use another economy's transmission network to deliver electricity to a customer. To address this, ASEAN has specifically identified the need for arrangements governing third-party access and for a regional transmission-pricing framework.

Another issue is electricity pricing and wheeling charges. Electricity prices are determined through different national market structures, subsidies, tariffs and regulatory mechanisms. Cross-border trade therefore requires agreement on how the cost of transporting electricity across national transmission systems will be calculated. ASEAN studies have identified transmission pricing, wheeling charges and congestion management as important mechanisms for developing multilateral power trade. There are legal questions concerning contracts, liability and reliability, therefore, cross-border electricity agreements need to establish the responsible party in the event of electricity supply interruption, transmission infrastructure failure or any unfulfilled contractual obligations. ASEAN's approach on multilateral power trading therefore emphasises not only physical interconnection but also appropriate institutional and contractual arrangements.

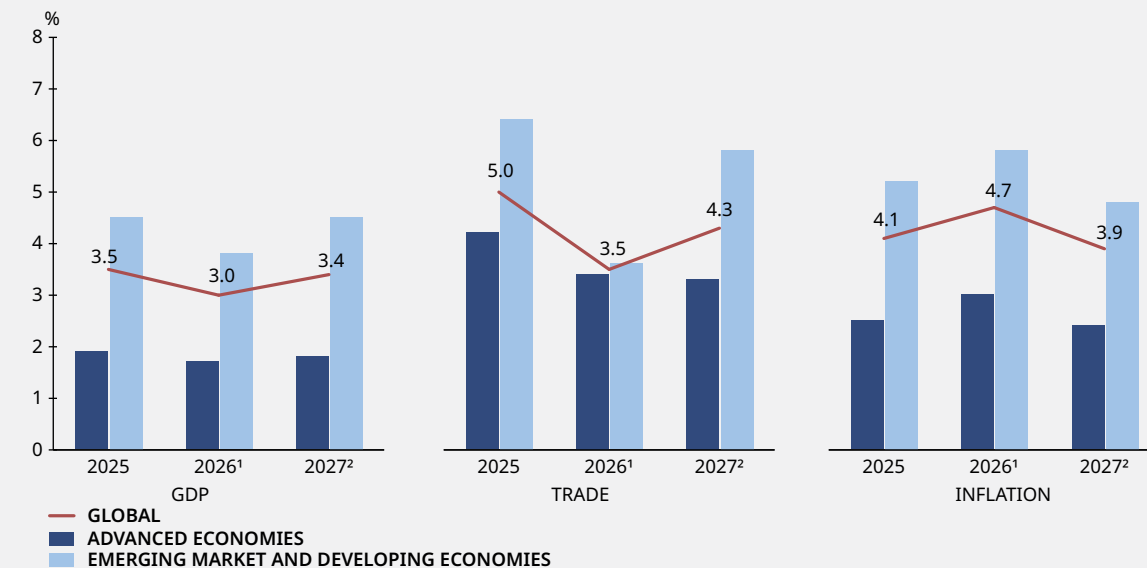
Further challenges faced by AMS are the different levels of electricity-market development and national policy priorities. Some markets are more liberalised, while others remain dominated by state-owned enterprises or centrally-regulated utility providers. ASEAN has therefore favoured a gradual and voluntary approach rather than immediately imposing one uniform electricity market on all AMS. APG's implementation strategy requires stronger market rules, regional institutional coordination and regulatory frameworks to operationalise multilateral power trade. Recent ASEAN efforts also highlight differences in technical standards and regulatory arrangements as obstacles to expanding multilateral electricity trading.

Strengthening Grid Resilience

While regional electricity trade under the APG enhances Malaysia's ability to manage rising electricity demand, the increasing interconnectedness of power systems also makes grid resilience a critical priority. Malaysia therefore needs to maintain adequate domestic generation capacity, robust transmission infrastructure and diversified supply routes to ensure that disruptions, congestion or failures along any single corridor do not cascade across the wider system. A resilient grid will allow Malaysia to manage fluctuations in RE generation and cross-border power flows more effectively, while supporting reliable participation in regional electricity trading without compromising domestic system stability or its capacity to fulfil regional export commitments.

Conclusion

The ASEAN Power Grid is expected to become the regional electricity network by 2045, allowing AMS to trade electricity seamlessly and increase the use of RE. The APG is also expected to shift from a mainly bilateral to multilateral electricity trading arrangement, allowing economies with excess electricity to supply to other AMS in need. Malaysia's strategic geographical position, well-developed power infrastructure and resilient financial framework are uniquely suited to capitalise on regional energy grid integration. However, challenges such as regulatory disharmonisation and grid flexibility need to be managed. Sustained investments in energy storage, transmission networks, grid technology, and renewable power remain essential to achieve APG goals. Beyond boosting economic growth and reinforcing ASEAN's energy security, the APG offers Malaysia a vital opportunity to solidify its position in the regional energy market.

FIGURE 2.1 Global Gross Domestic Product, Trade and Inflation Growth 2025 - 2027 (% change)¹ Estimate² Forecast

Note: Trade for Advanced Economies and Emerging Market and Developing Economies refers to the average volume of exports and imports of goods and services

Source: International Monetary Fund, World Economic Outlook Update (July 2026)

The **US** economy grew by 2.1% in the first quarter of 2026, before moderating to 1.5% in the second quarter of 2026. Growth in the first quarter of 2026 was stronger than the 0.6% contraction recorded in the first quarter of 2025, while during the second quarter of 2026 the GDP expanded at a slower rate than 3.8% recorded in the second quarter of 2025. Growth in the first half of 2026 was supported by increases in AI, technology and digital infrastructure investment and consumer spending. The ongoing conflict in West Asia has spiked global energy prices and exacerbated inflationary pressures, posing risks to the growth outlook. However, the impact of higher energy prices on the US economy is less severe as the US has been a net energy exporter since 2019. Overall, the second quarter slowdown suggests that the US economy remains resilient amid a more challenging external environment, particularly from higher energy prices and geopolitical uncertainty.

Overall, the US economy is projected to grow at 3.6% in 2026. Meanwhile the labour market is expected to remain relatively resilient, with the unemployment rate averaging around 4.4%, supported by continued job creation. Inflation is forecast to be higher at 3.6%, reflecting persistent upward price movements in the services sector alongside higher energy and food prices arising from the conflict in West Asia. While the overall outlook remains favourable, risks to growth continue to stem from geopolitical tensions, trade fragmentation and the potential for a sharp correction in technology-related counters, which could weigh on investment and consumer confidence.

The **UK's** economy increased by 0.9% in the first quarter of 2026 as compared to 0.7% in the first quarter of 2025. Growth mainly emanated in the services sector, specifically in professional, scientific and technical activities, alongside wholesale and retail trade. The unemployment rate recorded at 5% in the

first eight months 2026 as compared to 4.5% in 2025 due to a rise in operational costs. Meanwhile, the inflation rate increased to 3.3% as compared to 2.6% in 2025. This upward pressure was propelled by rising transport costs, surging fuel and domestic heating oil prices.

In 2026, the UK's GDP is projected to record a slower growth of 1% as compared to 1.4% in 2025, owing to the negative supply shock from the conflict in West Asia weighing on economic activity. The unemployment rate is expected to rise from 4.9% in 2025 to 5.6% in 2026. Meanwhile, inflation is anticipated to moderate at 3.2% over the course of 2026, reflecting high base effects and softening domestic demand.

The **euro area** expanded by 0.5% in the first quarter as compared to 1.6% in 2025 and 1% in the second quarter of 2026 as compared to 1.4% in 2025. This sluggish pace was mainly due to conflict in West Asia which is continuing to weigh on economic activities, following a sharp decline in oil imports particularly diesel and jet fuel. Meanwhile, the labour market remains buoyant with the unemployment rate holding steady at 6.4%, the same rate recorded in the second quarter of 2025.

For the rest of 2026, the euro area economy is forecast to grow marginally at 0.9% as compared to 1.4% in 2025 as the conflict in West Asia contributes to weaker confidence, tighter financial conditions and heightened uncertainty. Private consumption is forecast to increase, supported by wage growth and employment gains. The labour market will continue to demonstrate resilience, with the unemployment rate projected to decline to 6.2%. This is partly due to the extension of temporary protection for more than four million Ukrainian refugees through March 2027 which continues to alleviate labour shortages in low-wage sectors across EU member states.

Nevertheless, a higher forecast of inflation at 2.6% compared to 2.1% in 2025 due to supply-chain disruptions and increased production costs.

In **Germany**, the economy grew by 0.6% in the first quarter of 2026, compared to 0.3% recorded in the corresponding quarter in 2025 and 0.9% in the second quarter of 2026 compared with 0.4% recorded in 2025, supported by strong increases in public consumption, private non-residential investment and exports. Subdued economic conditions are weighing on the labour market with unemployment rising slightly to 3.8% as compared to 3.7% in the same period of 2025, despite employment gains in public services offsetting job losses in the manufacturing sector. The sudden energy price shock triggered by the conflict in West Asia drove fuel prices up, which led to an increase in inflation rate at 2.6% as compared to 2.1% in 2025.

For 2026, the economy is expected to grow by 0.7% from 0.2% in 2025 driven by private consumption and a strong public expenditure particularly in defence and infrastructure. Meanwhile, the unemployment rate is projected to increase by 3.9% as compared to 3.8% in 2025 following subdued demand for labour. Inflation is projected to increase by 2.7% as compared to 2.3% in 2025 due to higher energy prices and increased private consumption as a result of rising nominal wages.

The economy of **France** remained modest in the first quarter and second quarter of 2026, with GDP recorded at 0.7% and 0.5% respectively, compared to 0.8% recorded in both the first and second quarter of 2025. However, labour market conditions weakened, with the unemployment rate increasing to 8.3% in the second quarter 2026 compared with 7.6% in the same period of 2025, reflecting

weaker hiring amid slower economic activities. Inflation increased to 2.1% in the second quarter 2026, compared with 1.1% in the same period of 2025. These conditions were partly driven by the conflict in West Asia, which broadly disrupted economic momentum and dampened hiring activity, while strong net exports in aeronautics and defence kept GDP growth positive.

For 2026, the growth is estimated at 0.6%, down from 0.9% in 2025, reflecting the impact of fiscal consolidation, weaker domestic demand and continued uncertainties in the global economy. Consequently, the unemployment rate is projected to rise to 7.9% from 7.6% in 2025. Inflation is projected at 1.8% in 2026 compared to 0.9% in 2025 as fiscal consolidation measures and higher energy prices continue to weigh on real disposable incomes and dampen private domestic demand.

The economy of **Japan** grew by 0.6% and 0.9% in the first and second quarter of 2026 respectively, as compared to 1.6% and 2% in the corresponding quarters of 2025. This growth is supported by increases in private and public consumption, alongside higher exports of goods and services. The unemployment rate increased to 2.7% in the first quarter of 2026 from 2.4% in the corresponding quarter of 2025. Inflation moderated at 1.4% in the first quarter of 2026 from 3.8% in the corresponding quarter of 2025.

For the whole year, the economy of Japan is projected to moderate to 0.6% as compared to 1.1% in 2025. The growth is expected to be supported by stronger global demand related to AI and various government measures which include reducing household burden arising from higher energy prices. The unemployment rate is projected to remain unchanged at 2.5% in 2026 as in 2025. Meanwhile, inflation is forecast to moderate to 2.2% compared to 3.2% in 2025.

The economy of **Australia** recorded 0.3% and 0.4% in the first and second quarter of 2026 respectively, as compared to 0.3% and 0.6% growth recorded in the corresponding quarters in 2025. This growth was underpinned by household expenditure, contributions from manufacturing, construction, professional, scientific, and technical activities, as well as administrative and support services. This growth occurred alongside adjustments in broad private consumption, business capital expenditure and general government spending, which reflected changes in household social benefits. Employment indicators and price showed ongoing stabilisation as the unemployment rate stood at 4.5%, while inflation recorded at 3.5% in July 2026.

Building on these early-year trends, Australia's 2026 GDP is projected to expand by 1.9%. The growth is primarily contributed by strategic investments in AI, technology and digital infrastructure; defence and public services. Output in primary sectors such as agriculture and mining remains resilient as industries adapt to shifting input costs and climate factors. Conversely, private consumption, commercial investment and net trade continue to face headwinds from tight credit conditions and energy price volatility. The unemployment rate is projected to average at 4.4% as compared to 4.1% in 2025, buffered by a resilient labour market that continues to sustain short-term strength in household spending. Inflation is projected at 4.1% as compared to 3.2% in 2025, underpinned by non-tradable price pressures in housing, utilities and insurance, alongside higher input costs across energy and freight.

The economy of the **Republic of Korea** expanded strongly by 3.8% and 3.7% in the first and second quarter of 2026, as compared to 0.2% and 0.7% in the corresponding quarters of 2025. The growth is mainly supported by the manufacturing sector,

particularly in semiconductors, machinery and equipment, as well as the services sector. The unemployment rate recorded 3.5% in the first quarter of 2026, slightly higher than 3.3% recorded in the corresponding quarter of 2025, while inflation remained stable at 2.1%.

In 2026, the Republic of Korea's GDP is projected to grow at 2.6%, as compared to 1.1% in 2025. The economic activity is expected to strengthen, driven by robust semiconductor exports, despite continued uncertainties arising from the conflict in West Asia. The government's supplementary budget is introduced to cushion the energy crisis, targeting households, businesses and local governments. The unemployment rate is projected to remain at 2.8% in 2026. Meanwhile, inflation is projected higher at 2.5% compared to 2.1% in 2025.

The economy of **China** recorded 5% and 4.3% in the first and second quarter of 2026, as compared to 5.4% and 5.2% in the corresponding quarters of 2025. The growth is mainly supported by the services sector following strong activities in information transmission, software and information technology services, and financial intermediation. However, the growth was partly weighed down by contractions in the construction and real estate sectors. The unemployment rate remained stable at 5.3%, while inflation was at 0.9% in the first quarter of 2026, reflecting a gradual pickup in consumer prices.

China's economy is projected to grow by 4.6% in 2026, as compared to 5% in 2025. The growth is expected to moderate amid higher global oil prices, weaker global demand and persistent structural headwinds. The unemployment rate is projected to remain at 5.1% in 2026, unchanged as in 2025 while inflation is projected at 1.2%.

India's GDP for 2026 is projected at 6.4% supported by strong momentum in the private consumption and services sector, indicating that domestic demand remains an important source of growth amid a tumultuous external environment. India's outlook faces downside risks from higher energy prices and geopolitical tensions, particularly due to higher oil prices that increases the country's import costs and puts pressure on domestic inflation and consumption. Overall, the projected growth demonstrates considerable economic resilience. Nonetheless, to sustain this growth momentum, there needs to be a balance between managing external risks and maintaining strong domestic demand. Meanwhile, the projected inflation at 4.7% in 2026 suggests that price pressures remain relatively manageable.

The **ASEAN-5** economies grew by 4.1% in 2026 compared to 4.5% in 2025. The economies face risks from the conflict in West Asia, global trade tensions, commodity price volatility, climate events and political uncertainties, causing regional growth divergence at the beginning of 2026. While several economies experienced cooling momentum, this was largely offset by technology-driven exports, robust domestic demand and public spending. Meanwhile, the ASEAN-5 inflation rate recorded at 2.6%.

Indonesia's GDP expanded by 5.6% and 5.3% in the first and second quarter of 2026 as compared to 4.9% and 5.1%, respectively in 2025. The first quarter growth was driven by robust household consumption and a significant surge in government expenditure, fueled by civil servant festive bonuses and a free school meal programme. The highest growth was recorded in the accommodation and food services followed by transportation and warehousing sub-sectors.

The unemployment rate recorded at 4.7% while job creation continues to lag behind growth in the labour force. Inflation rate recorded 3.3% in June 2026 driven by the depreciation of the Indonesian rupiah. For 2026, Indonesia's GDP is projected to grow at 5% with unemployment rate at 4.9% and inflation rate at 3%.

Thailand's GDP recorded 2.8% and 1.9% growth in the first and second quarter of 2026 as compared to 3.1% and 2.8% respectively in 2025 primarily driven by the E&E export segment, which in turn boosted manufacturing output. Private investment accelerated while private consumption, public consumption and exports of goods moderated as public investment contracted. The unemployment rate remained stable at 0.9% with structural shifts from new technologies like AI and electric vehicles risking over 8.7 million jobs. Inflation rate contracted by 0.5% due to the weakening of the Thai Baht against the US dollar following the conflict in West Asia. For 2026, Thailand's economy is projected to grow by 1.9% with unemployment rate at 1% and inflation rate at 0.9%.

Singapore's GDP grew by 6.3% and 5.9% in the first and second quarter of 2026 as compared to 4.5% and 5.4% respectively in 2025 driven by strong performance in the manufacturing and services sectors particularly AI and digital infrastructure. The labour market continued to expand alongside sustained economic growth with the unemployment rate remaining low at 2% in June 2026. Inflation rate is recorded at 1.7% in the first half of 2026 contributed by the increase in household income groups which are food, motor cars, health insurance, accommodation and petrol.

Singapore's GDP for 2026 is projected at 3.5% although downside risks have risen significantly as a result of the conflict in West Asia. Growth is expected to be driven by the AI investment surge. Looking ahead, despite the unemployment rate remaining low and stable at 2.1%, firms may adopt a more cautious approach in hiring workers amid external uncertainties. Inflation rate is projected to rise to 2.6% in 2026 due to geopolitical tensions.

The **Philippines'** GDP recorded 2.8% and 2.3% in the first and second quarter of 2026 respectively as compared to 5.4% in both quarters of 2025 driven by the growth in wholesale and retail trade; repair of motor vehicles and motorcycles; education and manufacturing. However, the overall economic performance was weighed down by sharp contractions in public infrastructure and capital spending in construction activities, as well as reduced industrial mining output. The unemployment rate recorded 4.9% while inflation averaged at 4.8%, primarily driven by the slower annual increase in the transport and household maintenance indexes. In 2026, growth in the Philippines' GDP is projected at 3.9% amid the energy crisis and a weak 2025 baseline driven by a sharp decline in public investment and confidence. Meanwhile, the unemployment rate is forecast at 4.7% and inflation at 4.3%.

Global Outlook 2027

Global growth is expected to improve to 3.4% in 2027, as impact from energy shock gradually subsides and investment in AI, technology and digital infrastructure continues to support economic activity. The stronger growth outlook suggests that technological investment could increasingly offset some of the negative effects of geopolitical tensions. AI-related investment is expected to expand beyond the major technology economies, supporting demand for AI, technology and digital infrastructure. However, growth is likely to remain uneven because economies with weak technology sectors may not benefit to the same extent.

Global unemployment is expected to remain around 4.9%, indicating continued resilience in global labour markets. However, technological changes and AI are expected to gradually affect the structure of employment by increasing demand for high-skilled workers while reducing demand for low-skilled conventional jobs. Meanwhile, **global inflation** is projected to decline to 3.9% in 2027 as energy-related pressures ease. Nevertheless, inflation is expected to remain an important concern because geopolitical disruptions could continue to affect energy and commodity prices.

Global trade is expected to remain affected by geopolitical tensions, supply chain disruptions and increasing economic fragmentation throughout 2026 and 2027. Businesses may continue to diversify their supply chains to reduce exposure to geopolitical risks and disruptions to major transport routes. At the same time, investment flows are likely to focus on technology, AI, energy security and strategic industries. These may create new opportunities for economies that can attract technology-related investment, while economies that are less integrated into these sectors could face weaker investment and growth prospects.

Looking ahead to 2027, the **US** economic growth is projected at 2.2% supported by favourable financial conditions and continued investments in AI, technology and digital infrastructures. The US economy has remained relatively resilient despite the ongoing conflict in West Asia, supported by its position as a net energy exporter and its prominent role in the global technology value chain. While household consumption is expected to moderate from previous years, business investment in equipment and intellectual property is anticipated to contribute significantly to growth.

Private consumption is expected to remain sensitive to broader macroeconomic and financial conditions. A potential pullback in AI technology-driven expectations heightens downside risks, while depleted policy buffers could further exacerbate these vulnerabilities. Inflationary pressures are expected to ease gradually as energy market disruptions subside. While the labour market is projected to remain resilient with the unemployment rate at 4.2%, inflation is expected to remain above the US Federal Reserve's 2% target throughout 2027.

Growth in the **UK** is expected to recover to 1.3% in 2027 as the disruptions from the global energy shock begin to dissipate. However, the unemployment rate is projected to continue its upward trajectory into 2027, reaching a higher rate of 5.3% as the labour market continues to experience lagging adjustments. Inflation is projected to record 2.4% in 2027 as the effects of higher energy prices gradually fade and the softening labour market cools wage pressures.

Downside risks to the UK's economic outlook in 2027 remain predominant stemming from localised vulnerabilities as well as cascading global shocks. Domestically, the lingering impacts of elevated energy costs continue

to drag on manufacturing and consumer confidence. Intensification of the conflict in West Asia presents an immediate risk to maritime transit routes, which could trigger an even larger energy crisis, extend commodity price volatility and abruptly tighten financial conditions.

Growth in the **euro area** is projected at 1.2% in 2027, mainly supported by strengthening domestic demand and a rebound in trade growth. The overall euro fiscal stance is projected to be neutral in 2027 with the expiration of the Recovery and Resilience Facility spending being partially offset by small expansions in nationally financed components. The labour market is expected to remain tight and resilient, with the unemployment rate forecast at 6.1%. Private consumption is expected to strengthen as inflation moderates to 2.2%, supported by growing disposable income and a lower household saving rate.

However, the outlook remains exposed to significant downside risks, primarily from the conflict in West Asia. Delays in restoring global energy supplies could stifle economic growth and exacerbate inflationary pressures. Broader spillovers from these geopolitical factors, alongside weaker confidence or financial market stress could further weaken demand. Concurrently, an escalation of the conflict in Ukraine or increased volatility regarding trade policies and tariffs, may suppress economic activity for a more prolonged period than currently anticipated.

Germany's economy is forecast to grow by 1% in 2027, driven by stronger domestic demand and a gradual recovery in exports as global demand rebounds. The labour market is expected to improve with the unemployment rate projected to decrease slightly to 3.5%. Inflation is anticipated to moderate to 2.3% as energy price pressures are expected to ease, providing relief to consumers.

The economic outlook continues to face considerable downside risks, with Germany's manufacturing sector being exposed to trade tensions and geopolitical uncertainties. A longer duration or escalation of the conflict in West Asia could trigger higher energy prices and inflation, eroding confidence and dampening private consumption and investment. Externally, mounting trade protectionism, rising tariffs and competition from other economies could threaten Germany's export-oriented industries, leading to projections that overall exports will broadly stagnate in the near term.

France's GDP is expected to improve to 0.9% in 2027, driven by a recovery in external and domestic demand. Implementation of the France 2030 investment plan particularly in innovation, clean energy, digital technology and strategic industries, will bolster overall economic growth and strengthen resilience to shocks. The unemployment rate is projected to remain at 7.9%, while inflation is anticipated at 1.7% in 2027.

Risks to the outlook remain tilted to the downside. On the domestic front, heightened political uncertainty ahead of the 2027 presidential election is expected to delay necessary fiscal consolidation and structural reforms. These delays, coupled with weaker private demand threaten to heighten market pressures and worsen the country's debt dynamics. On the external front, a prolonged conflict in West Asia risks disrupting energy supplies and trade, fueling inflation and hampering economic growth. Additionally, a potential disorderly correction in the AI market could disrupt financial flows and dampen broader market sentiment.

Japan's GDP is projected to record a moderate expansion of 0.7% in 2027 supported by continued growth in exports, particularly those related to global AI investment. The growth

outlook is subject to downside risks arising from the conflict in West Asia, global AI-related demand and external economic conditions. Meanwhile, the unemployment rate is projected to remain unchanged at 2.5% and inflation is forecast to increase slightly to 2.3%.

Australia's economic growth is projected at a slower rate of 1.7% in 2027, reflecting the impact of a tighten policy which weakens household consumption. In the external sector, structural realignments within China's real estate market pose a challenge to exports, particularly for iron ore and coking coal. Nonetheless, investment in rare earth elements and green hydrogen infrastructure, alongside demand for steel from China's automotive and renewable energy sectors, will help mitigate the challenges in the external sector. The unemployment rate is expected at 4.3%, while inflation is projected to moderate towards 3%.

The **Republic of Korea's** economy is projected to grow by 2.5% in 2027. The growth is expected to remain resilient supported by strong global AI-related demand. The continued strength in the semiconductor sector is also expected to improve income conditions and support a gradual recovery in private consumption. The outlook remains subject to downside risks arising from conflicts in West Asia and uncertainty in the global trade environment. The unemployment rate is projected to increase slightly to 2.9% in 2027, while inflation is projected to moderate to 1.9%.

China's economy is projected to grow by 4.1% in 2027, as compared to 4.6% in 2026. The growth is expected to remain moderate amid the continued adjustment in the real estate and subdued domestic demand, particularly household consumption. Risks to growth remain tilted to the downside with the prolonged conflict in West Asia could continue to affect energy supplies and weigh on

exports. The unemployment rate is projected to remain unchanged at 5.1% in 2027, while inflation is projected to increase to 1.5%.

India's GDP growth is projected to strengthen to 6.7% in 2027, driven by strong domestic demand. However, the forecast faces downside risks from geopolitical tension and volatile energy prices. Reescalation in West Asia could spike energy and commodity costs, straining household purchasing power, business margins and financial conditions. Sustaining the growth momentum hinges on energy market normalisation, robust domestic demand and manageable inflationary pressure. Meanwhile, the unemployment rate is projected at 4% and inflation at 4.9%.

The **ASEAN-5** economies are projected to expand by 4.3% in 2027 and remain resilient supported by strong domestic demand. The economies confront risks from global trade tensions, commodity volatility, climate events and political uncertainties. Meanwhile the ASEAN-5 inflation rate is forecast at 2.3%.

Indonesia's GDP growth is projected at 5.1% in 2027 propelled by easing commodity market pressures, stronger private credit growth and the acceleration of investments and structural reform efforts. While commodity-based manufacturing, agribusiness, construction, services and digital sectors are forecast to remain the primary driver of growth, the recovery will depend on the pace of reform implementation and the capacity to attract private investment. Meanwhile, the unemployment rate is forecast at 4.8% and inflation at 2.6%.

Thailand's GDP growth is projected at 2.2% in 2027, driven by technology-related exports and an expansion in data centre investments. While the delayed impact of higher trade tariffs tampers near-term momentum, recovery in global trade is expected to spur

growth. Meanwhile, the unemployment and inflation rates are both forecast at 1%. Risks to Thailand's outlook remain tilted to the downside with growth and inflation remaining vulnerable to volatile global markets and domestic political changes.

Singapore's GDP is projected at 2.7% in 2027 as higher input prices and supply chain disruption weigh on energy-intensive industries, compress income growth and tighten financial conditions. Both unemployment and inflation rates are projected to be stable at 2.1%. Singapore faces significant risks from unpredictable geopolitical tensions given its strong reliance on international trade.

The **Philippines'** GDP is projected at 5.5% in 2027 as public investment normalises and borrowing costs decline. However, any intensification of global trade tensions is expected to weigh on external demand and export revenues. The unemployment rate is forecast at 4.6% due to better labour market performance. Inflation rate is projected to improve gradually to 3.2% as temporary effects from global energy prices fade.

Downside risks that could adversely affect the outlook include natural disasters, energy supply disruptions and AI-driven labour market shifts. Ranked among the world's most disaster-prone economies, the Philippines experiences an average of 20 typhoons annually, alongside frequent flooding, landslides and earthquakes. These events impose persistent economic costs for damaged infrastructure, displaced communities and destroyed agriculture crops, which would divert fiscal resources away from development priorities.

Conclusion

The global economy will remain resilient in 2026 while its outlook in 2027 is vulnerable to geopolitical tensions, energy disruptions and increasing economic fragmentation. The West Asia crisis may continue to affect energy prices, inflation and global trade. Energy-importing economies are particularly more vulnerable, while economies with strong technology sectors and highly integrated in the AI supply chains are expected to benefit more from continued technological investment.

Overall, the global economy in 2026 and 2027 is anticipated to be shaped by two opposing factors, namely geopolitical and energy-related pressures which could dampen growth while technological innovation including AI, technology and digital infrastructure are expected to be an important source of economic resilience. Nevertheless, sustainable global growth is contingent upon economies effectively managing inflation, energy security, financial stability and geopolitical risks.

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CHAPTER 3

Macroeconomic Outlook

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CHAPTER 3

Macroeconomic Outlook

Overview

Malaysia's economic trajectory is reflected in real GDP growth of 5.7% in the first six months of 2026 and is forecast to expand by 4.7% in the second half of the year. Domestic demand continues to power the nation's growth, driven by sustained private sector expenditure. Labour market conditions are likely to remain firm, supported by continued employment growth. Steady income growth, bolstered by sustained economic expansion and moderate headline inflation, is set to underpin private consumption. In addition, investment activities are expected to maintain its momentum as the gradual realisation of approved investment projects is set to provide a solid foundation for continued economic expansion. The robust implementation of national masterplans and strategic initiatives across both the private and public sectors will provide further impetus to economic activities. On the external front, Malaysia is poised to benefit from the continued technological advancements, which are reflected in export growth, notwithstanding persistent global uncertainties.

At the sectoral level, most economic sectors are set to expand, with the services and manufacturing sectors remaining as the mainstay to overall growth. The services sector is expected to leverage on the Visit Malaysia 2026 – 2027 Campaign (VM2026 – 2027) to boost inbound visitors, supported by diverse tourism-related activities alongside continuous adoption of digital technologies. Within the manufacturing sector, the E&E industry is poised to benefit from the ongoing global semiconductor upcycle, driven by strong demand for AI-related products and digitalisation. A vibrant economy, coupled with steady domestic consumption, will continue to anchor Malaysia's economic stability and

maintain its growth momentum. Overall, the economy is projected to grow between 4.8% and 5.3% in 2026 and expand between 4.2% and 5.2% in 2027.

Economy in 2026

Sectoral

Services Sector

Robust growth momentum

The **services** sector expanded by 5.7% in the first half of 2026 and is expected to grow by 5.3% in the second half, underpinned by diverse tourism-related activities in conjunction with VM2026 – 2027, steady trade flows and an accelerating pace of digital adoption. Overall, the sector is projected to increase by 5.5% in 2026, with all subsectors registering growth.

TABLE 3.1. *Gross Domestic Product by Sector, 2025 – 2027*
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2026 ¹	2025	2026 ¹	2027 ²
Services	59.7	5.4	5.5	5.2
Manufacturing	23.2	4.5	6.2	4.1
Agriculture	5.7	2.2	-2.1	0.5
Mining and quarrying	5.6	0.6	2.6	1.2
Construction	4.4	12.2	6.4	5.7
GDP	100.0	5.2	4.8 – 5.3	4.2 – 5.2

¹ Estimate

² Forecast

Note: Total may not add up due to rounding and exclusion of import duties component

Source: Department of Statistics and Ministry of Finance, Malaysia

TABLE 3.2. *Performance of the Services Sector, 2025 – 2027*
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2026 ¹	2025	2026 ¹	2027 ²
Wholesale and retail trade	29.6	4.9	4.6	4.4
Information and communication	11.3	7.4	7.8	7.9
Finance and insurance	10.2	0.6	2.2	2.3
Real estate and business services	8.3	8.2	6.8	7.0
Transportation and storage	7.5	9.0	7.7	7.4
Food & beverages and accommodation	5.3	9.1	7.4	6.0
Utilities	4.2	0.2	5.6	3.7
Other services	8.1	6.1	5.7	5.8
Government services	15.5	5.5	5.4	4.5
Services	100.0	5.4	5.5	5.2

¹ Estimate

² Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

The wholesale and retail trade subsector grew by 4.8% in the first half of 2026, sustained by steady household spending and tourism-related activities following festive celebrations, public holidays and the mid-year school holidays. This growth was also partly driven by phase two of the salary adjustment under the Public Service Remuneration System (SSPA) for public servants. The subsector is anticipated to expand by 4.4% in the second half of the year supported by growth in all segments, particularly wholesale and retail trade segments, buoyed by higher spending from ongoing various targeted government assistance programmes. These include the expansion of the monthly Sumbangan Asas Rahmah (SARA), with a higher allocation by 60% to RM8 billion (2025: RM5 billion) and eligible recipients increasing to 8.1 million (2025: 5.4 million), alongside Sumbangan Tunai

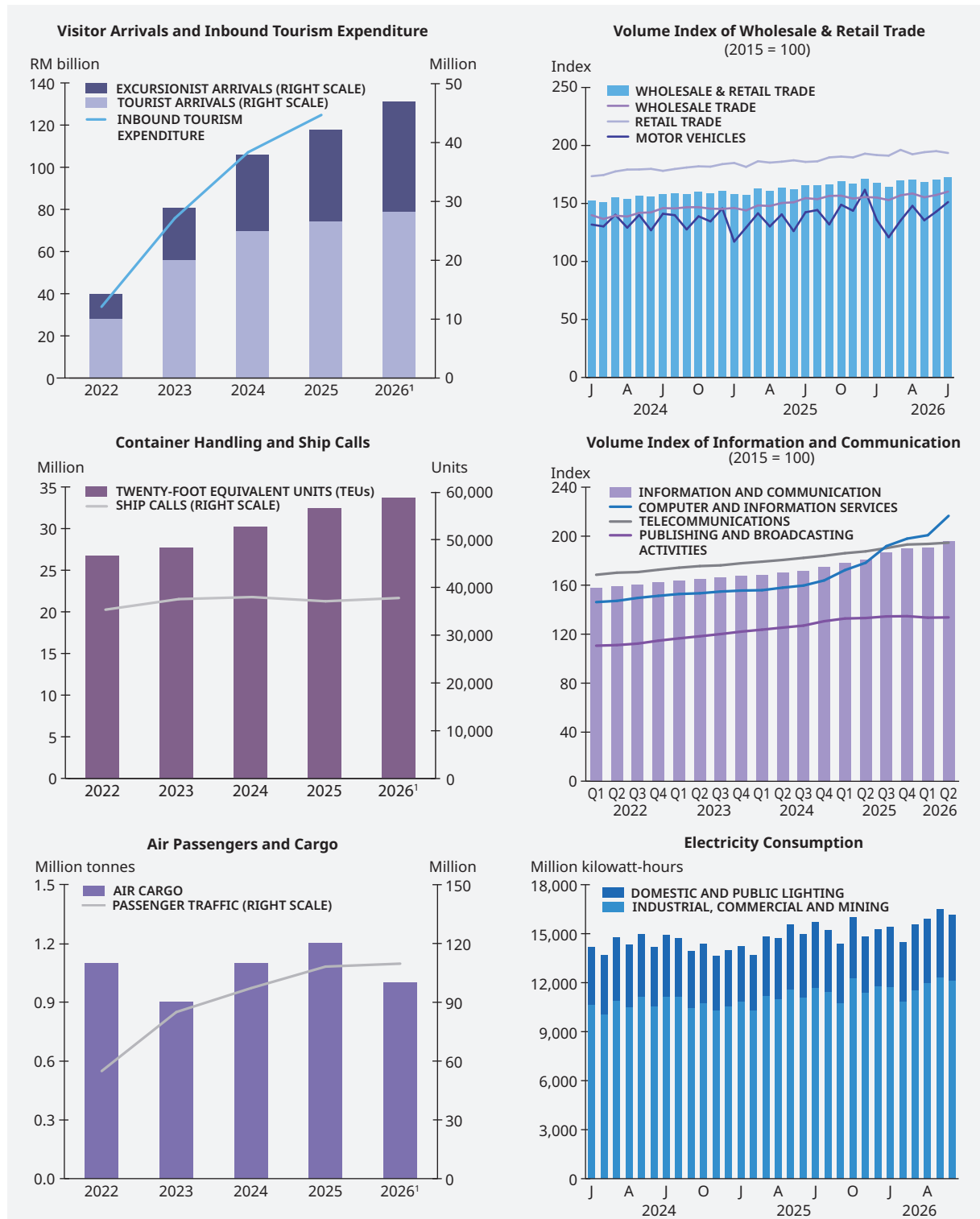
Rahmah (STR) assistance and the expansion of the Program Jualan Rahmah MADANI (PJRM) to 30,000 programmes in 2026. Meanwhile, the growth of the motor vehicles segment is supported by new xEV¹ model launches, the newly amended legislation on hire-purchase financing framework for motor vehicles and year-end promotional activities. Reflecting favourable market demand, the Malaysian Automotive Association (MAA) revised its 2026 total industry volume (TIV) forecast upward to 800,000 units from 790,000 units, with xEV sales expected to account for about 120,000 units. Overall, the subsector is projected to grow by 4.6% in 2026.

The information and communication subsector grew by 7.8% in the first half of 2026 supported by the sustained demand for digital connectivity, cloud computing and other data intensive services reflecting the continued efforts across industries and businesses towards digitalisation as well as operationalisation of data centres. Meanwhile, major sporting events such as the 2026 FIFA World Cup, 2026 Commonwealth Games and the 20th Asian Games Aichi-Nagoya 2026 are also expected to boost streaming subscriptions this year. The subsector is projected to increase by 7.9% in the second half of the year, driven by continued demand for ICT-related services and further expansion in data centre activities, resulting in an overall growth of 7.8% in 2026.

The transportation and storage subsector registered a growth of 7.8% in the first half of 2026, attributed to strong trade performance resulting in increased cargo and logistic operations alongside various tourism- and travel-related activities. The subsector's performance was led by growth in the land and water transport segments, supported by higher traffic volumes on toll highways and increased port activities. In the second half of 2026, the subsector is expected to increase by 7.6%, particularly driven by growth in land transport on account of higher traffic volumes on toll

¹ xEV refers to all types of electric vehicle (EV) comprising battery EV (BEV), plug-in hybrid EV (PHEV), hybrid EV (HEV) and fuel cell EV (FCEV).

FIGURE 3.1. Selected Indicators for the Services Sector



¹ Estimate

Note:

Visitor consist of tourists and excursionists

Inbound tourism expenditure is based on the Tourism Satellite Account 2025

Source: Department of Statistics, Malaysia; Malaysia Airports Holdings Berhad; Malaysia Tourism Promotion Board; Senai International Airport; and seven major ports (Bintulu, Johor, Klang, Kuantan, Kuching, Penang and Tanjung Pelepas)

highways and increased rail ridership. Growth will be further supported by the implementation of BUDI MADANI Diesel (BUDI Diesel) and the revised BUDI MADANI monthly eligibility limit. These measures are expected to mitigate fuel cost pressures on eligible individuals, small businesses and logistics operators. Higher domestic travel during school holidays and festivities, together with ongoing tourism-related mobility under VM2026 – 2027, will also boost land transport activities. The water transport segment is expected to remain supported by sustained trade activities despite elevated shipping and logistics costs. Meanwhile, growth in the air transport segment may be affected due to persistent geopolitical uncertainties in West Asia, elevated fuel costs and potential disruptions from transboundary haze. Overall, the subsector is estimated to expand by 7.7% in 2026.

The real estate and business services subsector rose by 6.8% in the first half of 2026 underpinned by the strong performance of professional, scientific & technical activities under the business services segment, following robust construction-related activities, including data centre projects. The subsector is expected to grow by 6.7% in the second half of the year buoyed by continued realisation of approved investment activities in tandem with ongoing industrial expansion particularly related to data centres and manufacturing as well as infrastructure development. Furthermore, the stable Overnight Policy Rate (OPR) is expected to stimulate demand for properties. For the year, the subsector is anticipated to expand by 6.8%.

The food & beverages and accommodation subsector increased by 7.3% in the first half of 2026, supported by sustained domestic demand and continued growth in visitor arrivals albeit at a slower pace. The subsector is expected to expand by 7.4% in the second half of the year, supported by tourism activities under VM2026 – 2027, with further momentum gains following various international events including meetings, incentives, conferences and exhibitions (MICE) programmes; Malaysia Agriculture, Horticulture and Agrotourism Show

(MAHA 2026); Formula 1 Gulf Air Bahrain Grand Prix 2026 in Malaysia and PETRONAS Grand Prix of Malaysia 2026. These promotional activities are primed to stimulate visitor arrivals and tourism expenditure. Overall, the subsector is projected to grow by 7.4% in 2026.

For the first half of 2026, the finance and insurance subsector grew by 2.4%. The growth was supported by higher loan disbursements in the finance segment, in line with stronger financing demand, particularly for working capital purposes. Meanwhile, the insurance segment benefited from higher new business and gross direct premiums, particularly from investment-linked, medical and health as well as motor insurance, although higher claims partly offset the gains. In the second half of the year, the subsector is anticipated to register a growth of 2% in tandem with ongoing economic activities. The finance segment is expected to be supported by favourable credit conditions and continued financing demand, including ongoing investment activities in high value-added industries such as E&E and digital technologies. Meanwhile, household financing activity is also anticipated to remain supported by conducive labour market and stable financing conditions. The insurance segment is expected to benefit from sustained demand for insurance and takaful products, although medical cost pressures and higher claims severity may temper its performance. Overall, the subsector is estimated to register a growth of 2.2% in 2026.

The utilities subsector registered a growth of 5.3% in the first half of 2026 driven by higher electricity demand which was attributed to increased industrial and commercial activities as well as data centre operations. In the second half of the year, the subsector is estimated to increase by 5.9% attributed to higher electricity and water consumption amid stronger industrial, commercial and economic activities particularly in E&E-related activities, together with the continued demand from data centres. Overall, the subsector is expected to grow by 5.6% in 2026.

The other services subsector grew by 6.1% in the first half of 2026, mainly supported by the private healthcare and other private services. The subsector is projected to grow by 5.3% in the second half of the year, alongside vibrant entertainment, recreation and personal services activities. The private health services is expected to benefit from the Malaysia Year of Medical Tourism 2026 (MYMT 2026), backed by joint promotional activities with Malaysia Tourism Promotion Board and industry partners. Meanwhile, the private education services is anticipated to remain favourable, supported by higher student enrolment, particularly among international students.

Overall, the subsector is projected to expand by 5.7% in 2026.

Meanwhile, the government services subsector recorded a growth of 6.2% in the first half of 2026 underpinned by the second phase of salary adjustments for public servants under the SSPA. The subsector is expected to expand moderately by 4.7% in the second half, reflecting continued austerity measures implemented to prioritise operational savings in lieu of the energy crisis due to the protracted West Asia situation. The subsector is expected to register a growth of 5.4% for the whole year.

INFORMATION BOX 3.1

More than a Destination: The Value of Tourism to Malaysia's Growth

In collaboration with the Ministry of Tourism, Arts and Culture, Malaysia & Malaysia Tourism Promotion Board

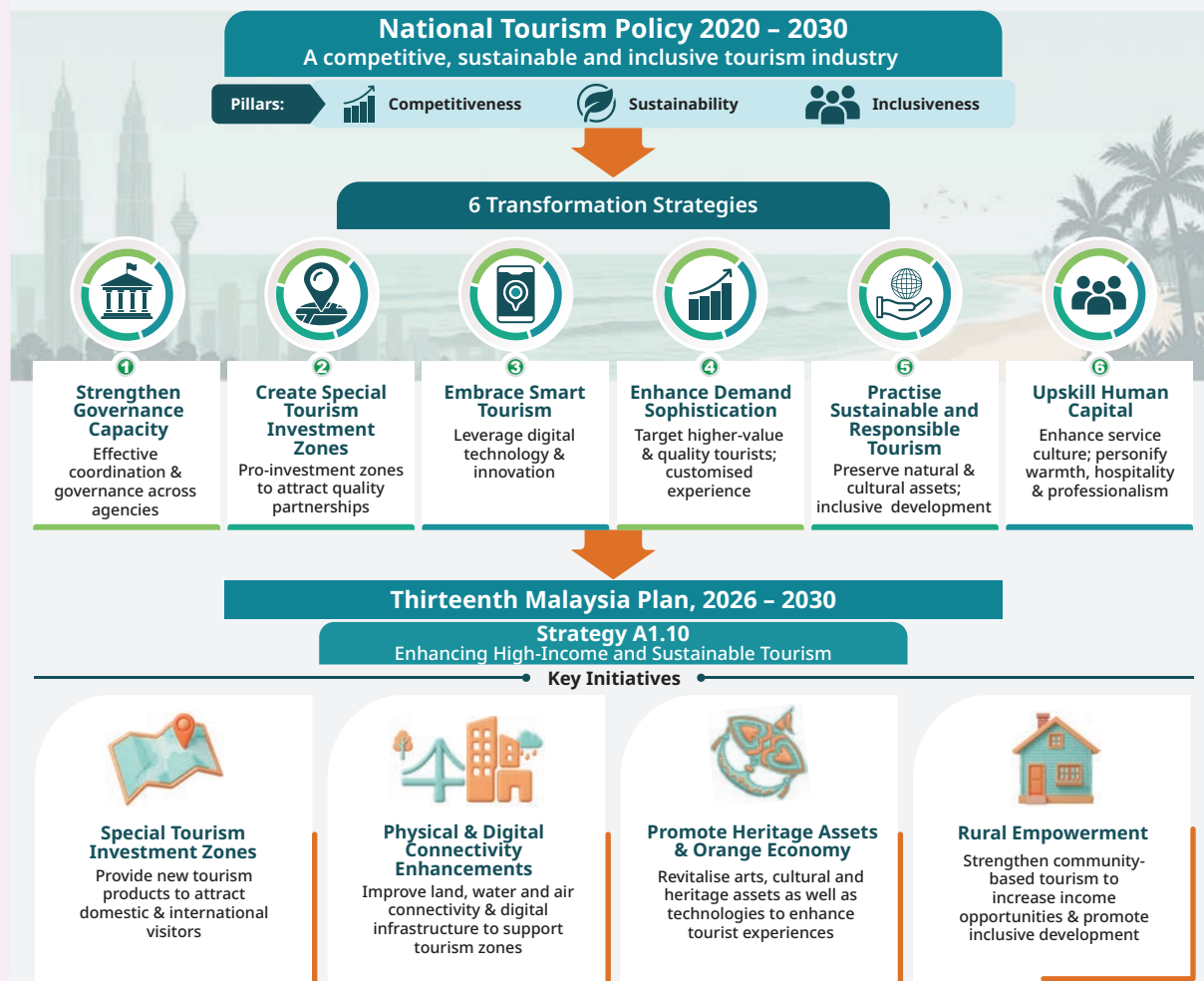
Introduction

Tourism generates economic value through foreign and domestic spending, creates jobs, provides opportunities for local businesses as well as communities and improves public infrastructure. According to the World Bank (2026), the arrival of visitors for business or leisure purposes is a powerful economic driver for the national growth and livelihoods particularly in developing and middle-income economies. The World Tourism Barometer report by UN Tourism in September 2026 stated that international tourist arrivals grew by 4.7% in 2025, with an estimated 1.5 billion arrivals worldwide and exceeding pre-pandemic levels. During the same period, international tourism receipts increased by 7.8%, reaching around USD1.9 trillion, reflecting robust global travel demand and higher visitor spending. The continued expansion of international tourism underscores the industry's significant contribution to global economic activity, employment, trade and services.

Malaysia's Tourism Overview

Malaysia benefits from ongoing tourism and travel activities, particularly across high-touch services including retail, food and beverages as well as accommodation, in addition to employment, foreign exchange earnings and regional development. As the National Tourism Policy 2020 – 2030 continues to revitalise the industry, the strategies under the Thirteenth Malaysia Plan, 2026 – 2030 further accelerate tourism as one of the strategic sectors towards high-income and sustainable economic growth. The Visit Malaysia 2026 – 2027 Campaign (VM2026 – 2027) complements these efforts by boosting tourism activities nationwide. The national strategic framework for tourism development is illustrated in Figure 3.1.1.

FIGURE 3.1.1. National Strategic Framework for Tourism Industry



Source: Ministry of Economy and Ministry of Tourism, Arts and Culture, Malaysia

Malaysia's Recognition and Performance

Globally, Malaysia's value proposition lies in the ability to offer high value and diverse experiences without the premium price tag of competing destinations, anchored on these appeals:

- Cultural diversity and inclusivity - multicultural identity captured in "Malaysia Truly Asia" and the nation's status as a global halal hub;
- World-class ecotourism and biodiversity - mega-biodiverse ecosystems and globally-recognised heritage sites;
- Premier niche offerings - medical and wellness tourism, business events covering meetings, incentives, conferences and exhibitions (MICE); and
- Connectivity, infrastructure and value - seamless logistics and value for money for accommodation, dining and attraction experiences at competitive rates.

Benchmarks Driving Malaysia's Tourism Appeal

Malaysia's international tourism proposition is recognised across global benchmarks, which highlight the country's competitive strengths as shown in Figure 3.1.2.

FIGURE 3.1.2. Malaysia's Global Ranking for Tourism

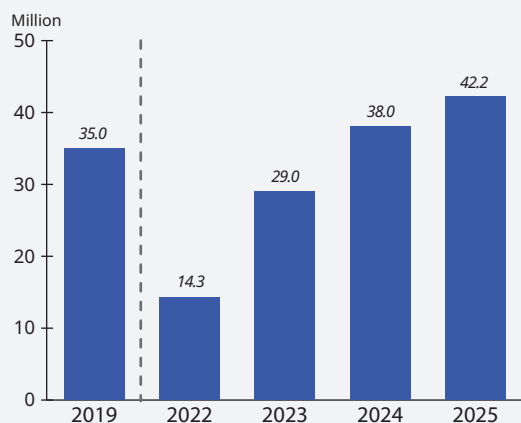


Source: Mastercard-CrescentRating, World Economic Forum and UN Tourism

Tourism's Contribution to the Economy

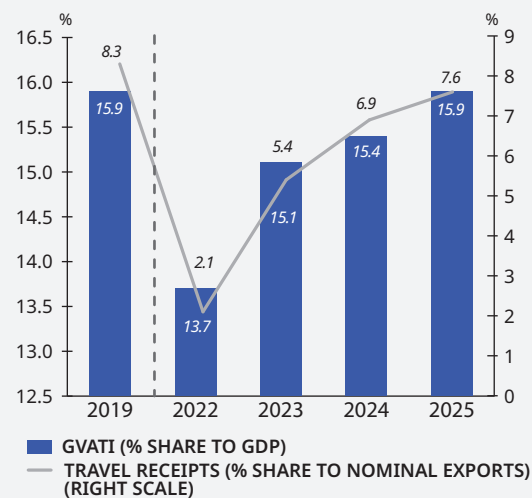
As international borders reopened and travel abroad resumed after the COVID-19 pandemic, Malaysia's tourism industry has steadily regained momentum since 2022, in tandem with higher visitor arrivals and increasing contributions to GDP, travel receipts and employment. In 2025, the tourism industry contribution returned to pre-pandemic levels at 15.9% of GDP while travel receipts accounted for 7.6% of nominal exports. The industry also accounted for about 3.7 million jobs, representing 22.1% of total employment, underscoring tourism's significant contribution to Malaysia's economic activity, services exports and employment. The summary of tourism's contribution to the economy is shown in Figure 3.1.3, Figure 3.1.4 and Figure 3.1.5, respectively.

FIGURE 3.1.3. Visitor Arrivals, 2019, 2022 – 2025



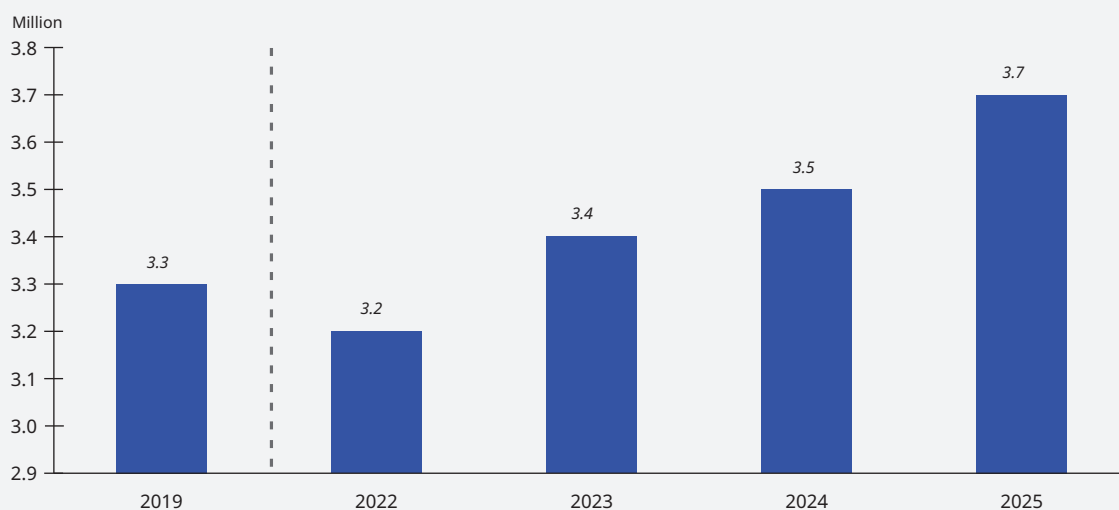
Source: Malaysia Tourism Promotion Board

FIGURE 3.1.4. Share of Gross Value Added of Tourism Industries and Travel Receipts, 2019, 2022 – 2025



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

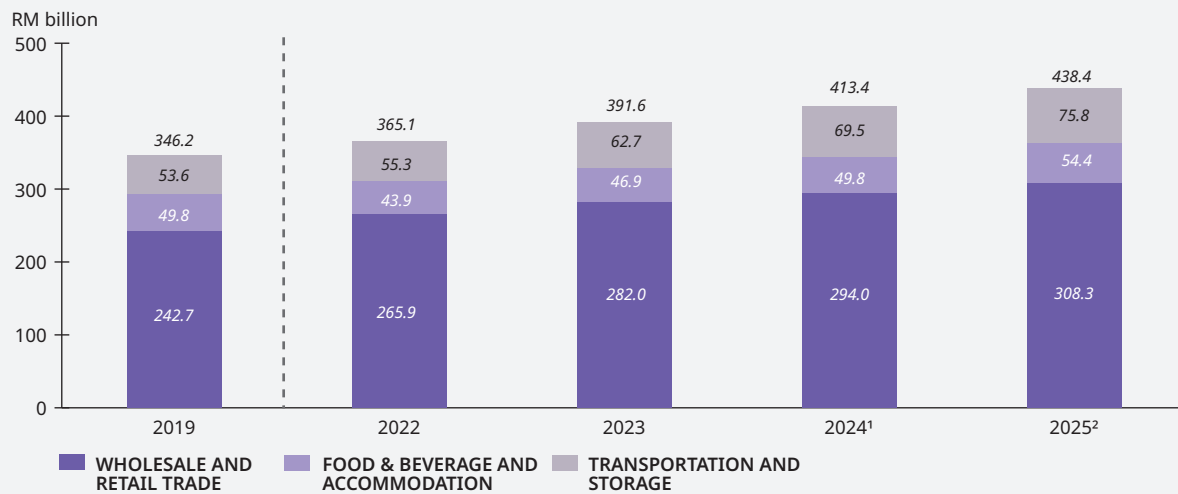
FIGURE 3.1.5. Employment in Tourism-Related Industry, 2019, 2022 – 2025



Source: Department of Statistics, Malaysia

The services sector continued to earn from diverse tourism and travel offerings, particularly in the wholesale and retail trade; food & beverages and accommodation; as well as transportation and storage subsectors as shown in Figure 3.1.6.

FIGURE 3.1.6. GDP by Kind of Economic Activity - Selected Subsectors, 2019, 2022 – 2025
(at constant 2015 prices)



¹ Estimate

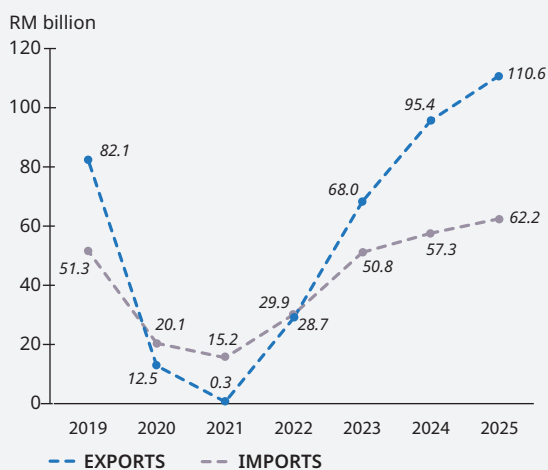
² Preliminary

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

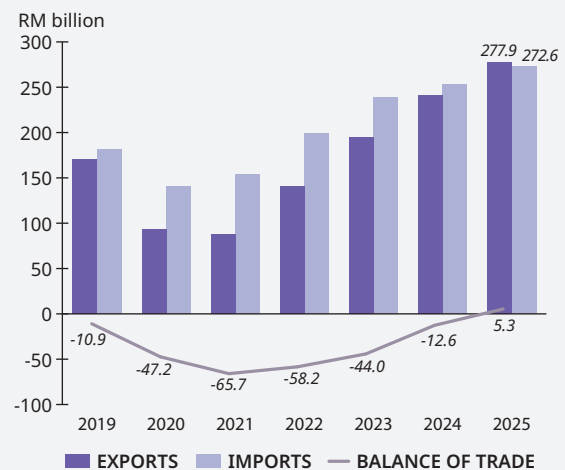
Malaysia recorded 42.2 million visitors, an increase of 11.2% in 2025 from the previous year. The strong performance was also evident in the substantial increase in receipts under the travel component of services exports, which was the largest contributor and accounted for 39.8% of total services exports. The travel component grew sharply from RM95.4 billion to RM110.6 billion in 2025. Consequently, exports of services recorded a double-digit growth of 15.6%, totalling RM277.9 billion in 2025, mainly supported by higher receipts from travel; telecommunications, computer and information services; and other business services. Meanwhile, imports of services grew moderately by 7.7%, amounting to RM272.6 billion. Driven by this performance, Malaysia achieved its first services trade surplus since 2011, rebounding to a RM5.3 billion surplus in 2025 from a RM12.6 billion deficit in 2024. The trend of exports and imports of travel component; and trade in services are as shown in Figure 3.1.7 and Figure 3.1.8.

FIGURE 3.1.7. Exports and Imports of Travel, 2019 – 2025



Source: Department of Statistics, Malaysia

FIGURE 3.1.8. Exports, Imports and Balance of Trade in Services, 2019 – 2025



Source: Department of Statistics, Malaysia

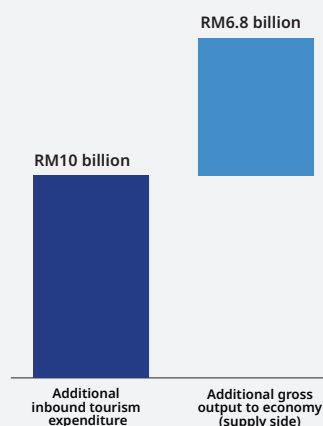
Multiplier Effects of Inbound Tourism

An assessment by the Ministry of Finance indicates that inbound tourism expenditure generates spillovers across a broad range of industries. Inbound visitors spending of RM10 billion will result in an additional RM6.8 billion gross output to the economy. The total gross output is estimated at RM16.8 billion, generated across 27 industries, representing an output multiplier of 1.68 times. Primary tourism-facing industries generate the highest output totalling RM11.4 billion, mainly in the transportation and storage, restaurants, accommodation as well as wholesale and retail trade as illustrated in Figure 3.1.9. Meanwhile, nearly a third of the economic impact is contributed by indirect and supporting industries including agriculture and manufacturing. The broad-based spillovers underscore the importance of maximising value capture from higher visitor arrivals, particularly by increasing spending and length of stay. The impact extends beyond tourism-facing industries through supply chain linkages, benefitting economic activity, employment, household incomes and services exports. Maximising this impact requires enhancing connectivity; improving tourism infrastructure, strengthening supply chain linkages and integrating local businesses directly into tourism activities.

FIGURE 3.1.9. Economic Impact of Inbound Tourism Expenditure

From inbound tourism expenditure to broader economic impact

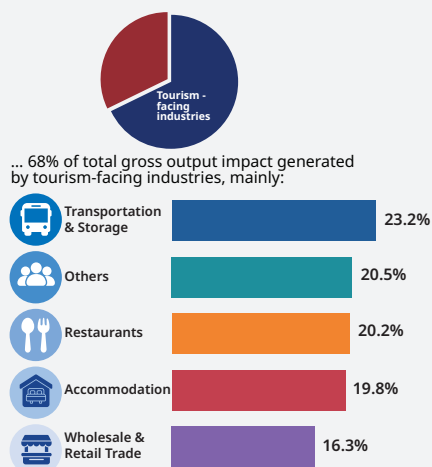
An additional RM10 billion in inbound tourism expenditure generates RM16.8 billion spillovers across the economy



Source: Ministry of Finance, Malaysia (estimates)

Distribution of impact

Inbound tourism expenditure benefits a wide range of industries, with RM11.4 billion of the total output impact generated in primary tourism-facing industries



Strategic takeaways



Broad-based spillover

Tourism spending generates significant economic output and strengthen supply-chain linkages across industries



Supports jobs and businesses

Higher visitor spending creates more economic opportunities for Malaysian households and enterprises



Boosts services exports

Inbound tourism reinforces Malaysia's position as a competitive services exporter

Navigating Headwinds

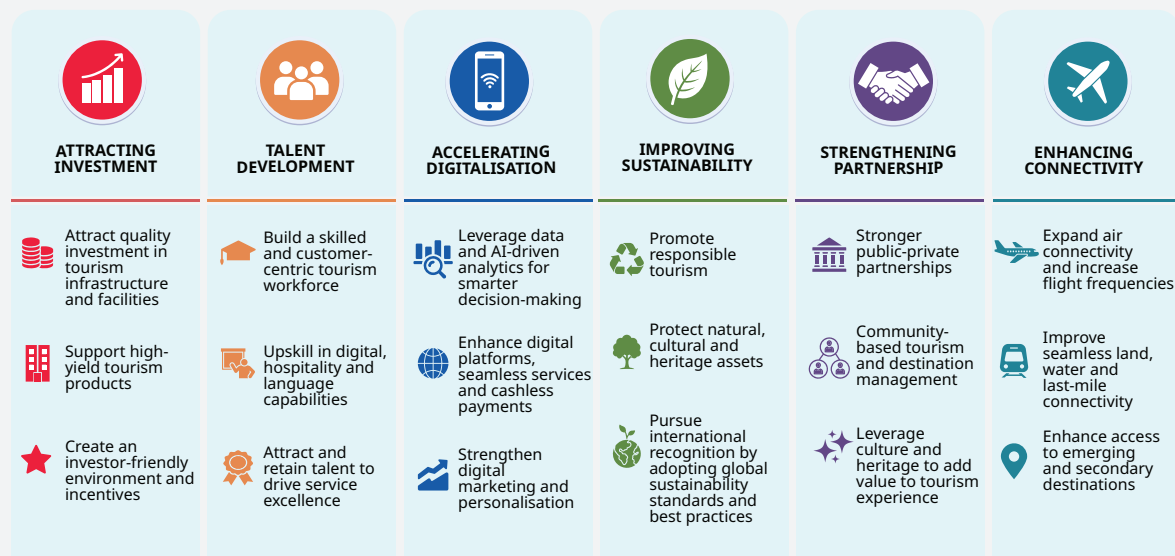
While increasing overall arrival numbers remains essential, relying solely on volume exposes Malaysia to strategic vulnerabilities, requiring a concerted effort to address key operational and market challenges. Geographically, heavy source-market concentration leaves the industry vulnerable to localised economic shocks, while intense competition from neighbouring destinations necessitates continuous product diversification. Accessibility remains constrained by limited direct flights, volatile jet fuel prices, high airfares and airspace rerouting due to geopolitical tensions. Furthermore, a notable rise in excursionists limits yield per visitor across accommodation and extended service subsectors. Environmental risks threaten the sustainability of destinations

including overtourism, habitat degradation and resource depletion across vulnerable ecosystems. Talent gaps also hinder service delivery across specialised segments such as luxury, healthcare, ecotourism and business events.

Conclusion

Malaysia has always captivated the world with its diversity, warmth and natural beauty. Yet, preserving that appeal in an unpredictable global landscape requires constant reinventing. As market dynamics shift, competitive advantage will belong to destinations that offer seamless connectivity, premium experiences and sustainable infrastructure. Stronger connectivity, digitalisation, upskilling, sustainability, coordination and quality investment will be essential to strengthen Malaysia's tourism competitiveness and resilience as shown in Figure 3.1.10.

FIGURE 3.1.10. *Key Priorities for Tourism Development*



Source: Ministry of Tourism, Arts and Culture, Malaysia and Malaysia Tourism Promotion Board

Translating potential into long-term economic yield will not only enable the nation to meet key economic targets but will establish a durable, world-class tourism model built for the decades ahead. In this pursuit, the VM2026 – 2027 will also serve as a strategic measure, leveraging on extended promotional timeframe to maximise international marketing impact. Malaysia can ensure its travel brand remains vibrant, resilient and uniquely “Truly Asia” and “Made by Malaysia” for generations to come.

Manufacturing Sector

Technology upcycles powering growth

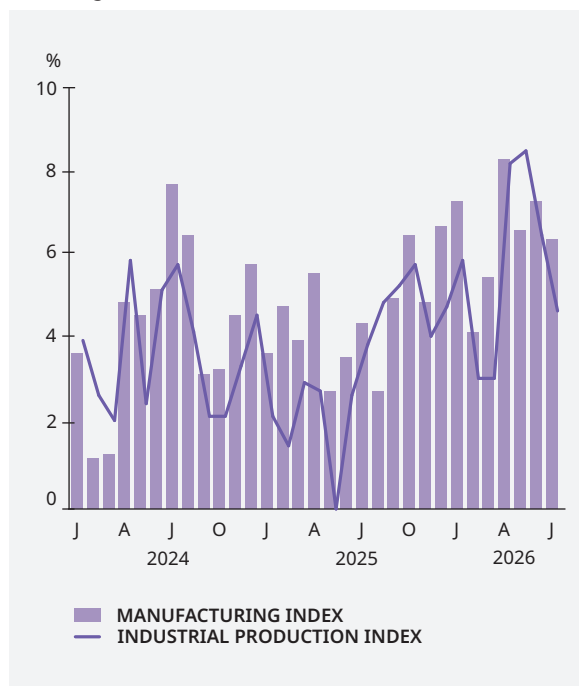
The **manufacturing** sector grew by 6.6% in the first half of 2026, supported by expansions in both export- and domestic-oriented industries. Export-oriented industries, which accounted for 76.4% of the sector, recorded a growth of 7.5% mainly driven by the E&E segment, reflecting sustained demand for semiconductors and electronic components. This is in line with the worldwide expansion of AI applications and digital infrastructure. The petroleum, chemical, rubber and plastic products subsector also contributed to the export-oriented industries growth. Meanwhile, domestic-oriented industries, expanded by 4.7%, supported by the recovery in transport equipment, other manufacturing and repair subsector, particularly the production of motor vehicles and related parts and accessories, alongside stable demand for construction-related materials.

In the second half of 2026, the sector is expected to increase by 5.7%, reflecting the normalisation of export front-loading activities and lower domestic crude oil and condensate production. In addition, rising oil prices amid the West Asia conflict also contributed to the moderate growth of the sector. Within the export-oriented industries, the E&E segment remains a key driver of growth, supported by sustained demand for semiconductors, electronic and AI-related components in line with the global technology upcycle. Meanwhile, domestic-oriented industries are expected to benefit from consumer- and construction-related demand. Increased tourism activities during VM2026 – 2027 and sustained household spending continue to support demand for food and beverages subsector. In addition, the development of

data centres, infrastructure and energy-related projects will generate demand for building materials.

The ongoing implementation of the New Industrial Master Plan 2030 (NIMP 2030) and the National Semiconductor Strategy (NSS) is expected to further enhance the sector's competitiveness by strengthening industrial clusters and manufacturing capabilities, alongside greater adoption of digital technologies and automation. In line with these policies, local firms have expanded their capabilities into designing homegrown advanced chip and developing higher value-added semiconductor within the global semiconductor value chain. Overall, the manufacturing sector is projected to record a growth of 6.2% in 2026.

FIGURE 3.2. Output of Manufacturing Sector (% change)



Source: Department of Statistics, Malaysia

TABLE 3.3. *Manufacturing Indices by Export- and Domestic-Oriented Industries, January – July 2025 and 2026*
(2015 = 100)

	INDEX		CHANGE (%)		SHARE (%)	
	2025	2026	2025	2026	2025	2026
Export-oriented industries	148.6	159.5	4.6	7.3	67.5	68.1
Manufacture of vegetable and animal oils and fats	106.4	108.2	12.1	1.7	3.9	3.7
Manufacture of textiles	114.3	112.5	-3.3	-1.5	0.7	0.6
Manufacture of wearing apparel	127.3	129.4	1.1	1.6	0.8	0.7
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	120.5	124.7	2.4	3.5	1.7	1.7
Manufacture of coke and refined petroleum products	120.2	121.8	-1.6	1.3	11.2	10.6
Manufacture of chemicals and chemical products	133.1	134.6	2.1	1.1	8.4	8.0
Manufacture of rubber products	193.4	193.3	2.2	0.0	4.3	4.0
Manufacture of plastics products	132.9	133.7	2.1	0.6	3.0	2.8
Manufacture of computer, electronics and optical products	184.2	213.3	8.0	15.8	25.4	27.6
Manufacture of electrical equipment	153.0	160.7	4.9	5.0	3.3	3.3
Manufacture of machinery and equipment n.e.c. ¹	164.3	177.5	7.4	8.0	3.5	3.5
Manufacture of furniture	142.5	151.1	5.4	6.1	1.5	1.5
Domestic-oriented industries	145.9	153.0	3.1	4.9	32.5	32.0
Manufacture of food processing products	186.5	199.8	9.2	7.1	6.8	6.8
Manufacture of beverages	150.9	163.5	7.5	8.4	1.0	1.0
Manufacture of tobacco products	141.9	147.2	0.1	3.7	0.7	0.7
Manufacture of leather and related products	177.8	185.6	7.5	4.4	0.3	0.3
Manufacture of paper and paper products	146.0	148.7	-1.2	1.8	1.7	1.6
Printing and reproduction of recorded media	146.3	157.2	8.0	7.4	1.3	1.4
Manufacture of basic pharmaceuticals, medicinal chemical and botanical products	187.9	195.4	6.7	4.0	0.7	0.7
Manufacture of other non-metallic mineral products	125.0	130.8	2.3	4.7	3.7	3.6
Manufacture of basic metals	134.5	143.6	4.7	6.8	3.1	3.1
Manufacture of fabricated metal products, except machinery and equipment	136.3	142.6	4.4	4.6	5.1	5.0
Manufacture of motor vehicles, trailers and semi-trailers	148.0	148.6	-7.1	0.4	4.7	4.4
Manufacture of other transport equipment	104.5	108.1	-1.2	3.4	1.2	1.2
Other manufacturing	128.2	131.3	3.0	2.5	0.9	0.9
Repair and installation of machinery and equipment	157.2	171.6	8.5	9.2	1.2	1.2
Manufacturing	147.7	157.3	4.1	6.5	100.0	100.0

¹ Not elsewhere classified

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

FEATURE ARTICLE 3.1

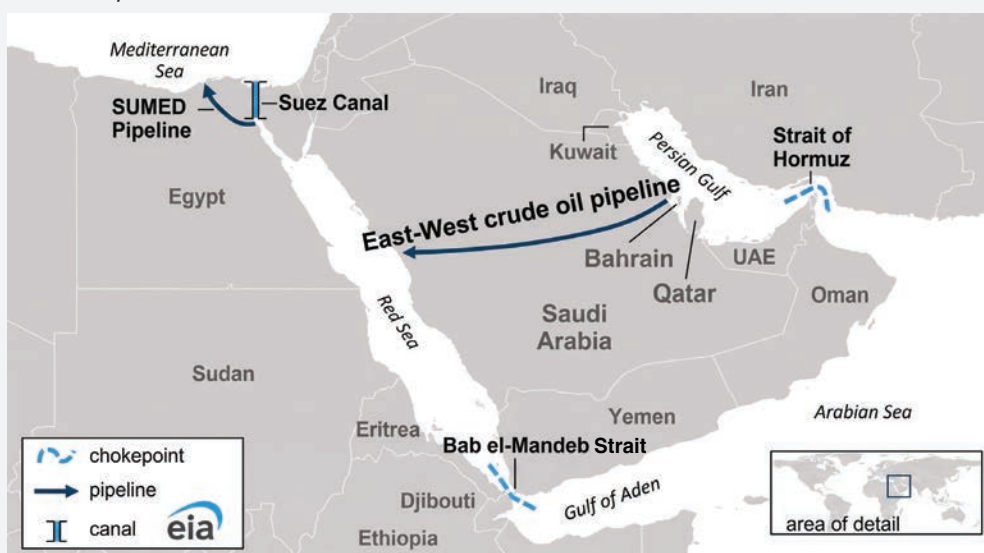
Strengthening Malaysia's Manufacturing Resilience Amid Geopolitical Uncertainties in West Asia

Introduction

The Strait of Hormuz is one of the world's most important energy chokepoints, while the Bab el-Mandeb Strait and the Suez Canal form part of a major trade corridor between Asia and Europe. The Strait of Hormuz links the Persian Gulf and the Gulf of Oman, serves as a key gateway connecting the Middle East with global markets and facilitating oil and gas exports. Meanwhile, Bab el-Mandeb Strait, connects the Gulf of Aden with the Red Sea, which leads to the Mediterranean Sea via Suez Canal.

Data from the U.S. Energy Information Administration (EIA) in Figure 3.1.1¹ indicate a marked shift in energy flows along these routes amid geopolitical tensions in West Asia. Oil flows through the Strait of Hormuz averaged approximately 21 million barrels per day (mmb/d) in the first half of 2025, equivalent to about 20% of global petroleum liquids consumption before declining sharply to an estimated 9.9 mmb/d in the first half of 2026. Over the same period, oil flows through the Suez Canal and SUMED Pipeline increased from 4.9 mmb/d to 5.8 mmb/d, while flows through the Bab el-Mandeb Strait rose from 4.2 mmb/d to 6.9 mmb/d. Liquefied natural gas (LNG) flows through the Straits of Hormuz also declined substantially, from approximately 11.4 billion cubic feet per day (bcf/d) to 4.1 bcf/d, as summarised in Table 3.1.1². Disruptions along these routes can force vessels to reroute, raise fuel and war-risk insurance costs, lengthen delivery times and increase congestion at transshipment hubs.

FIGURE 3.1.1. Map Of Daily Transit Volumes Of Petroleum and Other Liquids through World Maritime Oil Chokepoints



Source: U.S. Energy Information Administration (EIA)

¹ Analysis is based on Vortexa tanker tracking, World Bank and Panama Canal Authority data, using EIA conversion factors and calculations.

² First-half figures are calculated as the average of the first and second quarters. LNG averages for the Bab el-Mandeb Strait are not presented due to incomplete quarterly observations. Total may not add up due to rounding.

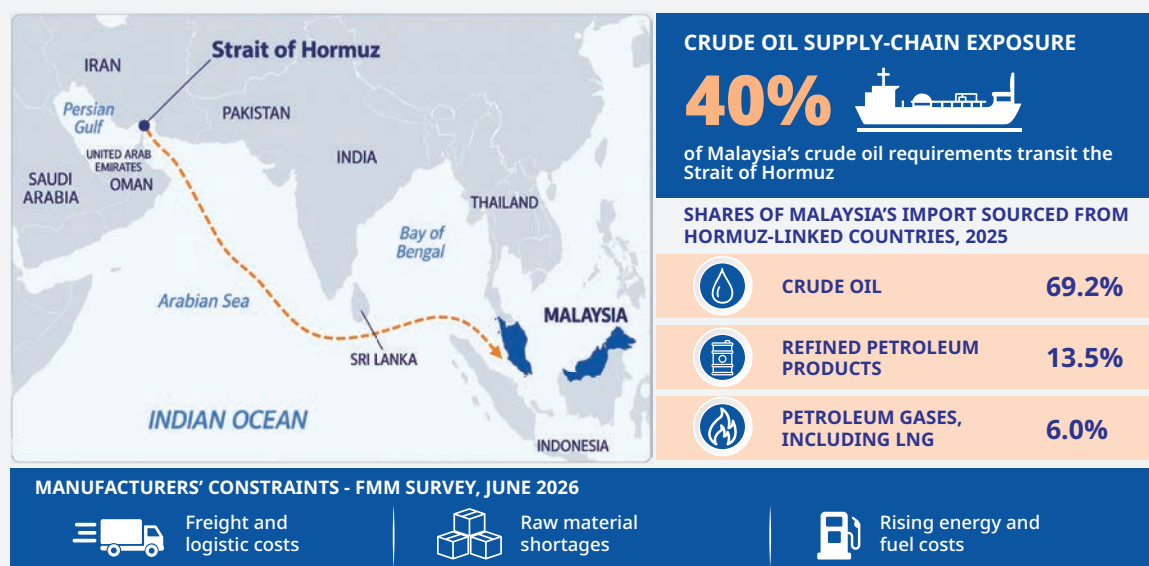
Table 3.1.1. Oil and LNG Flows through Selected Maritime Chokepoints

Maritime Chokepoints	Connection between	Oil Flows (mmb/d)		LNG (bcf/d)	
		H1 2025	H1 2026	H1 2025	H1 2026
Straits of Hormuz	The Persian Gulf and the Indian Ocean	20.9	9.9	11.4	4.1
Suez Canal and SUMED Pipeline	The Red Sea and the Mediterranean Sea	4.9	5.8	0.8	1.7
Bab el-Mandeb Strait	The Gulf of Aden and the Red Sea	4.2	6.9	n.a.	n.a.

Source: U.S. Energy Information Administration (EIA), Global Energy Security Data and Ministry of Finance, Malaysia (estimates)

Recent geopolitical tensions in West Asia, trade restrictions and disruptions to major shipping routes have increased uncertainties for global manufacturers. The immediate effects include greater volatility in energy and transport costs as well as interruptions to the availability and delivery of raw materials and intermediate inputs. Through global supply chains and domestic production linkages, these disruptions may have far reaching effects to manufacturers.

In the case of Malaysia, the most direct exposure to potential disruptions in the Strait of Hormuz lies in its crude oil supply chain, where nearly 40% of the nation's crude oil requirements transit through the chokepoint. Based on 2025 inbound trade volume data, Hormuz-linked countries accounted for 69.2% of crude oil imports, an estimated 13.5% of refined petroleum product imports and 6% of petroleum gas imports, including LNG as illustrated in Figure 3.1.2. Nevertheless, the effects extend beyond direct energy imports, with the Federation of Malaysian Manufacturers (FMM) June 2026 survey identifying freight and logistics costs as the key constraint affecting manufacturers, followed by raw material shortages as well as higher energy and fuel costs.

FIGURE 3.1.2. Malaysia's Crude Oil Supply Exposure to the Strait of Hormuz Route

Source: Ministry of Finance, Malaysia and Khazanah Research Institute (KRI)

This article examines how geopolitical shocks can affect Malaysia's manufacturing sector through energy markets, maritime logistics and global supply chains. It combines industry evidence with input-output (IO) analysis to identify sectoral exposure, estimate the potential impact on production costs and assess which industries could transmit shocks more widely across the economy.

Manufacturing Performance and External Exposure

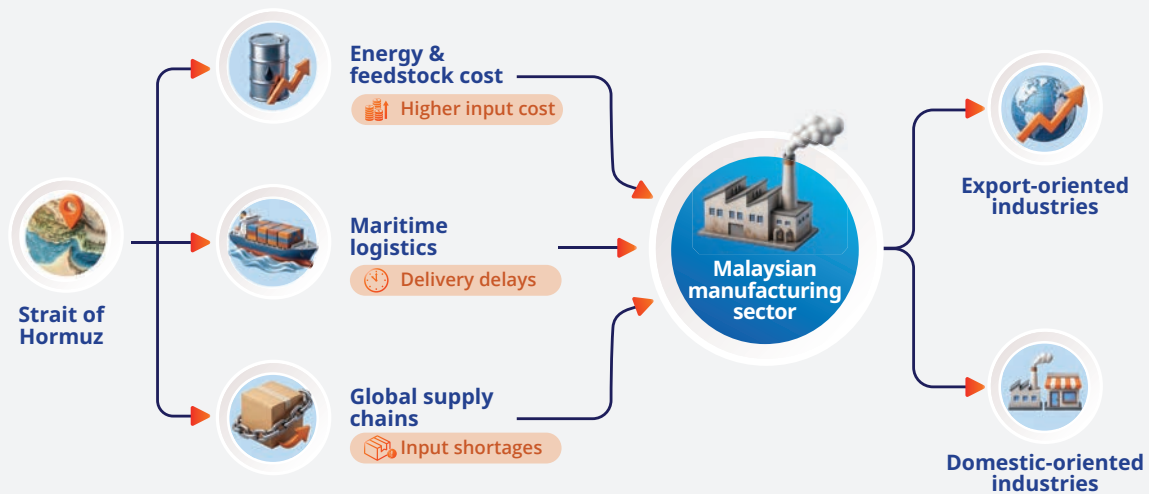
Despite the latest episode of geopolitical uncertainty, Malaysia's manufacturing sector remained robust supported by sustained production and strong external demand. Manufacturing value-added expanded by 6.6% in the first half of 2026, underpinned by stronger activity in E&E as well as petroleum, chemical, rubber and plastic products subsectors. This performance is aligned with total trade which increased by 22.4% to RM1,795.2 billion, supported by higher exports (27.5%) and imports (16.8%). These developments indicate sustained external demand for Malaysia's manufactured products.

However, the sources of growth and external exposure varied between export- and domestic-oriented industries. Export-oriented industries particularly E&E as well as petroleum and chemical products, continued to drive growth, supported by sustained external demand. The E&E industry benefited from continued investment in artificial intelligence (AI) and other technology-intensive activities which support demand for semiconductors and electronic components. Nevertheless, export-oriented industries could still be affected by demand and shipping disruptions. Meanwhile, domestic-oriented industries, including food processing, fabricated metal products and transport equipment were less affected by changes in external demand, but could still face input shortages and higher production costs.

The impact of these risks on production depends on a firm's sourcing flexibility, inventory coverage and the availability of substitutes for critical inputs. Production is particularly at risk when specialised inputs have limited alternatives since a temporary delay can halt operations and disrupt other firms dependent on the affected output. These interdependencies can amplify a localised external shock and lead to wider supply chain disruptions across Malaysia's manufacturing ecosystem.

Supply Chain Ripple Effects on Malaysian Manufacturers

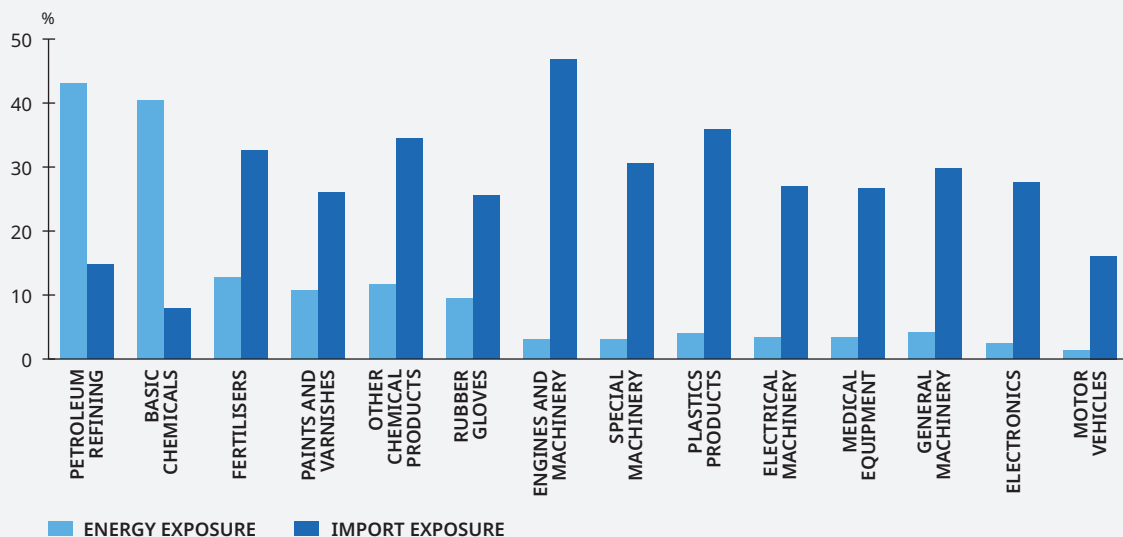
As illustrated in Figure 3.1.3, disruptions to energy supplies, shipping routes and critical inputs can spread rapidly across Malaysia's interconnected manufacturing industries. Shortages such as petrochemical feedstocks, specialty chemicals, metals and packaging materials will raise costs and constrain production in downstream industries including plastics, rubber, E&E and food processing. The FMM's survey illustrates the resulting financial strain among manufacturers, with 74% of respondents reported production costs increasing between 10% and 50% above pre-conflict levels, while 58% of respondents claimed to be operating at or below break-even on affected product lines. Firms might be able to absorb part of the initial increase due to limited pricing flexibility, but prolonged disruptions could force firms to pass the higher cost to consumers, leading to higher prices, weakening export competitiveness and delaying investments.

FIGURE 3.1.3. Supply Chain Ripple Effects to Malaysian Manufacturers

Source: Ministry of Finance, Malaysia

Input-Output Analysis

The IO analysis is used to examine the impact of external shocks to Malaysia's manufacturing sector through an industry's direct exposure to energy and imported-input; the estimated transmission of cost shocks; and its potential to spread disruptions through domestic production linkages. Using Malaysia's 2021 IO table and fixed production coefficients, the analysis traces how initial cost pressures are transmitted across industries.

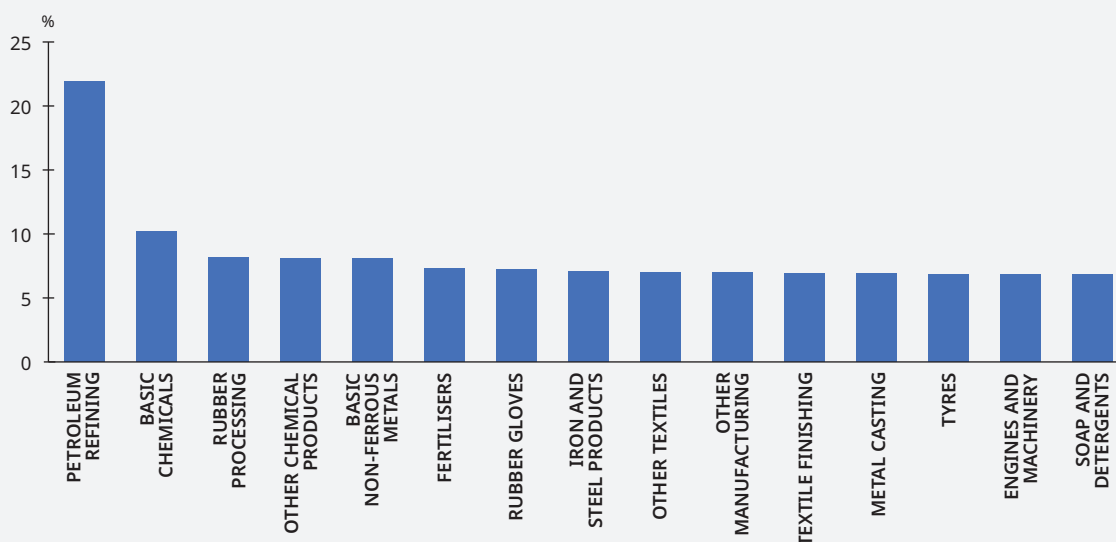
FIGURE 3.1.4. Energy and Imported-Input Exposure of Selected Manufacturing Industries

Source: Department of Statistics and Ministry of Finance, Malaysia

As shown in Figure 3.1.4, petroleum refining records the highest energy exposure, accounting for approximately 43% of gross output³. This is followed by basic chemicals at 40.4%, reflecting the sensitivity of both industries to changes in energy and feedstock costs. Import exposure is highest for engines and machinery at 46.8%, followed by plastics products (35.8%), fertilisers (32.6%), general machinery (29.8%) and electronics (27.6%) industries. Meanwhile, electronics industry has relatively low direct energy exposure of 2.5%, indicating that its vulnerability arises mainly from higher imported-input costs and disruptions to global supply chains.

Based on the combined shock scenario⁴ in Figure 3.1.5, petroleum refining records the largest estimated production cost effect among manufacturing industries at approximately 21.9%, reflecting its direct exposure to the assumed shocks and the transmission of cost pressures through domestic production linkages. This is followed by basic chemicals at 10.2%, driven mainly by cost pressures transmitted through the energy and logistics network, while the estimated effects on rubber processing (8.2%), other chemical products (8.1%), basic non-ferrous metals (8.1%), fertilisers (7.3%), and engines and machinery (6.8%) are driven mainly by imported-input costs. The findings show that external cost pressures are not confined to industries directly exposed to energy prices but also affect downstream manufacturers through their dependence on domestic suppliers and imported materials.

FIGURE 3.1.5. *Combined Shock Scenario of Selected Manufacturing Industries*



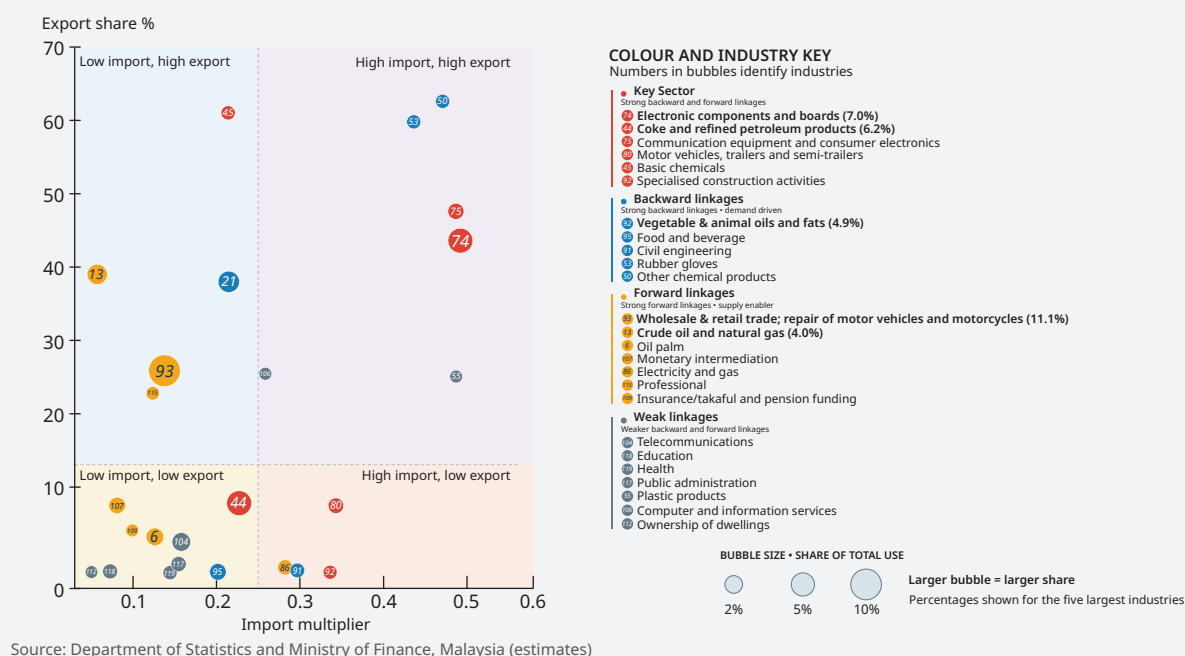
Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

³ Energy and import exposures refer to the respective input costs as shares of industry gross output.

⁴ The scenario is illustrative and does not represent a forecast. The estimated effects are based on assumed changes in energy, logistics and imported-input costs under fixed production coefficients.

Disruptions in major industries can have wider effects across the economy. The 25 industries⁵ shown in Figure 3.1.6 account for approximately 69% of total use in the economy with the bubble size representing each industry's share of total use. Wholesale and retail trade register the largest share at 11.1%, followed by electronic components and boards (7.0%); refined petroleum (6.2%); vegetable and animal oils and fats (4.9%); and crude oil and natural gas (4%). Among manufacturing industries, electronic components and boards, which is key industry combine a relatively high import multiplier of 0.48 with the largest manufacturing share of total use. Distortions in this industry could therefore affect a wider range of suppliers and downstream production.

FIGURE 3.1.6. Strategic Sector Positioning - Top 25 Industries



The assessments also show different patterns of external exposure. Communication equipment and consumer electronic is highly dependent on imported-inputs and export markets, while rubber gloves and other chemical products are highly export-oriented and strongly linked to their suppliers. Basic chemicals have relatively low import dependence but a high export share of 60.4%, supported mainly by strong backward and forward linkages. Plastics products have relatively high import dependence, but the weaker domestic production linkages suggest that the effects may be more concentrated within the industry. Overall, the wider economic impact of a disruption depends not only on an industry's external exposure but also on its size and linkages within the economy.

⁵ The 25 largest industries ranked by share of total use. Priority status is based on the Backward Linkages (BL) and Forward Linkages (FL) indices, while the quadrants reflect import dependence and export orientation.

Government Responses

In light of the heightened tensions, the Government reactivated the National Economic Action Council (MTEN) in March 2026, to coordinate a whole-of-government response to the economic repercussions and global supply chain disruptions. The Government's immediate response focused on sustaining business liquidity and securing essential supplies. Bank Negara Malaysia (BNM) introduced the RM5 billion SME Stabilisation Relief Facility to provide working capital financing to viable SMEs affected by the West Asia conflict. As of August 2026, approximately RM2.8 billion was approved to more than 4,900 SME accounts. More targeted assistance was provided through an additional RM5 billion guarantee facility under Syarikat Jaminan Pembiayaan Perniagaan (SJPP) with financing coverage to 80% and the guarantee tenure extended to 10 years for micro, small and medium enterprises affected by the West Asia conflict. The facility was further complemented by the broader RM10 billion BNM-CGC Guarantee Scheme, to support SMEs productivity, innovation and resilience.

In the energy sector, PETRONAS leveraged its integrated value chain to support domestic petrol and diesel supplies while coordinating with the Government and other industry players. Diplomatic engagement also facilitated the passage of Malaysia-linked vessels through the Strait of Hormuz, including a PETRONAS-chartered tanker carrying crude oil to Pengerang. These measures helped reduce the immediate supply risks and maintain the availability of essential fuels.

The Government is assessing the impact to formulate appropriate measures to ease cost pressures to the affected industries, particularly consultations with the plastics industry are being undertaken due to its important linkages with food packaging, E&E, automotive and medical devices industries. Concurrently, continuous engagements with other affected subsectors players were also conducted as part of the Government's effort to strengthen the long-term resilience of the manufacturing ecosystem.

Way Forward

While the Government's responses helped address immediate financing and supply pressures, a more systematic approach is required to identify critical inputs, monitor concentrated supply risks and coordinate early intervention. The immediate priority is to enhance visibility over critical inputs and concentrated sources of supply. A targeted supply chain mapping programme should identify common upstream suppliers, source country concentration, inventory coverage, lead times and the availability of technically acceptable substitutes. The programme should focus on industries with both extensive production linkages and high exposure, including refined petroleum, basic chemicals, electronic components and selected machinery industries. A shared risk dashboard could then support early warning signals and a more timely coordination and necessary action to be taken by government agencies as well as the industries.

Further policy measures should facilitate alternative sourcing as preparation for potential disruption arising from any crises. This includes pre-qualifying substitute suppliers and materials, accelerating technical approvals where safety and quality requirements are met, and utilising regional supplier-matching platforms. For critical inputs with limited substitutes and high disruption costs, firms should be encouraged to establish appropriate inventory buffers and strategic business viability. Simultaneously, public support should be targeted, finite and conditional to limit costs as well as minimise distortions.

Over the long term, Malaysia should strengthen its domestic and regional capacity in selected intermediate products where supply is highly concentrated and feasible alternatives remain limited, rather than pursue broad-based import substitution. Consistent with the New Industrial Master Plan 2030 (NIMP 2030), support for petroleum and chemicals products, as well as E&E, should prioritise higher-value-added activities, technological upgrading and supplier development in areas where Malaysia can build competitive capabilities. The country should also deepen its participation in complementary ASEAN production networks by working together with regional partners to harmonise product standards, streamline rules of origin and improve customs procedures to facilitate the movement of intermediate inputs across the region. Greater coordination of cross-border investment could further encourage complementary production capabilities among ASEAN member states and provide manufacturers with a broader and more diversified regional supplier base.

Conclusion

Malaysia's strong manufacturing sector and trade performance are exposed to vulnerabilities arising from its deep integration with global energy, logistics and production networks. The disruptions can spread beyond directly exposed industries due to the economic importance and extensive linkages with downstream producers. While immediate measures provide necessary short-term support, long-term policies should focus on increasing domestic value creation in critical production segments and deepening complementary manufacturing networks within ASEAN. Investment incentives should be aligned with productivity gains, technological upgrading and broader industrial spillovers. These measures will strengthen Malaysia's capacity to withstand external shocks without compromising the nation's trade openness and global integration that underpin manufacturing competitiveness.

Agriculture Sector

Anchoring food security amid subdued growth

The **agriculture** sector contracted by 0.7% in the first half of 2026, weighed down by lower output in most subsectors except livestock and other agriculture. The oil palm subsector declined by 2.8% attributed to lower fresh fruit bunches (FFB) yield from Peninsular Malaysia. The weaker yield performance was partly due to a decline in the mature area which outweighed gains in Sabah and Sarawak. In addition, the rubber subsector also contracted by 16.3% mainly due to shortages of rubber tappers and adverse weather conditions that distracted tapping activities despite favourable market conditions. Similarly, both the fishing as well as forestry and logging subsectors contracted. In contrast, the livestock and other agriculture subsectors grew by 5.6% and 1.3%, respectively, partially offsetting the sector's decline.

For the second half of 2026, the sector is forecast to decline by 3.3%. The oil palm subsector is expected to decline slightly due to weather-related disruptions. Although FFB yield production in 2025 was high, the biological yield cycle may limit production in 2026. In addition, field-level variation in harvesting conditions and inefficient crop recovery could contribute to overall lower yield. The rubber subsector is also expected to record a contraction as weather-related risks and higher production costs will constrain output. The growth of fishing as well as forestry and logging subsectors are also anticipated to remain subdued. On the other hand, livestock and other agriculture subsectors will continue to grow, underpinned by improved in farm productivity, higher poultry production and large-scale rollout of MARDI's new grain corn varieties known as MZ1 and MZ2. Meanwhile, fruits and vegetables segments will contribute to the growth of other agriculture subsector.

For the year, the agriculture sector is projected to contract by 2.1%, mainly reflecting weaker output in plantation commodities.

TABLE 3.4. *Performance of Agriculture Sector, 2025 – 2027*
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2026 ²	2025	2026 ²	2027 ³
Oil palm	35.8	4.7	-6.4	1.3
Other agriculture ¹	29.8	1.7	1.3	-0.8
Livestock	18.3	2.2	4.1	0.8
Fishing	11.0	-0.6	-4.0	0.5
Forestry and logging	3.7	-1.8	-4.0	0.1
Rubber	1.4	-12.6	-10.7	0.2
Agriculture	100.0	2.2	-2.1	0.5

¹ Including paddy, fruits, vegetables, coconut, tobacco, tea, flowers, pepper, cocoa and pineapple

² Estimate

³ Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

Mining and Quarrying Sector

Natural gas-led to drive growth

The **mining and quarrying** sector expanded by 3.2% in the first half of 2026 attributed to stronger natural gas production. The natural gas subsector registered 7.6% growth following higher production at the Bintulu integrated facilities post-turnaround. The other mining & quarrying and supporting services subsector also expanded by 5.7%. However, the crude oil and condensate subsector declined by 3.9% partly due to maintenance and inspection activities at the Kikeh Floating Production, Storage and Offloading (FPSO) in Sabah.

In the second half of 2026, the sector is expected to register a moderate growth of 1.9%, as the favourable base effects in natural gas production diminish. The natural gas subsector is projected to expand, supported by the stabilisation of

the Malaysia liquefied natural gas (LNG) Fast-track (FaS) projects, as well as stronger demand from domestic power generation and LNG export markets. Efforts by importing countries to secure alternative supplies following disruptions arising from the West Asia conflict are also expected to provide additional impetus for LNG demand. Continued optimisation of existing facilities and progress in upstream developments will also support production. In addition, the crude oil and condensate subsector is projected to record a slight increase in production, partially from the Adong Kechil West Field near Marudi, Sarawak and from the expected completion of the five First Hydrocarbon Projects nationwide. The other mining & quarrying and supporting services subsector is also anticipated to expand attributed to the increased supporting services activities. Overall, the sector is estimated to expand by 2.6% for the year with the average Brent crude oil price is expected to be elevated around USD85 per barrel.

Construction Sector

Continued expansion across subsectors

The **construction** sector expanded by 7.1% in the first half of 2026, on account of positive performance across all subsectors. Growth was mainly buoyed by continued expansion in the specialised construction activities and non-residential buildings subsectors. Growth in specialised construction activities was supported by the implementation of the Large-Scale Solar 5 (LSS5) in Kuala Muda, Kedah, land reclamation works for the initial phase of the Port Klang Third Terminal development on Carey Island and the Hydro Life Extension Programme (HLEP) along the Perak River corridor. Meanwhile, growth in the non-residential buildings subsector was driven by construction of data centres in Johor and the Klang Valley, alongside the development of major biorefinery infrastructure in Pengerang, Johor. The residential buildings subsector also

recorded steady growth, backed by continued development of housing projects in Kuala Lumpur, Selangor and Pahang. The civil engineering subsector continued to expand supported by infrastructure works associated with the PETRONAS Floating Liquefied Natural Gas (PFLNG3) facility in Sabah and the Sarawak-Sabah Link Road (SSLR).

The sector is projected to grow by 5.8% in the second half of 2026, attributed to the continued implementation of private and public sector projects. The specialised construction activities and non-residential buildings subsectors are expected to remain as main drivers, with new and ongoing construction of data centres and industrial facilities sustaining demand for building and installation works. The civil engineering subsector is also estimated to expand, propelled by transport, energy and water infrastructure projects, including the Penang LRT Mutiara Line, Hybrid Hydro Floating Solar (HHFS), Regasification Terminal 3 (RGT-3) developments and infrastructure works associated with PFLNG3. In addition, the residential buildings subsector is anticipated to record growth, underpinned by ongoing housing developments, including affordable housing projects undertaken by public and private developers. Overall, the construction sector is projected to grow at 6.4% in 2026.

Domestic Demand

Growth driven by resilient domestic demand

Domestic demand continues to drive overall economic growth, bolstered by commendable private sector spending. In the first half of 2026, domestic demand registered a 5.1% growth and is expected to maintain its momentum in the second half of the year. For the full year, domestic demand is estimated to increase by 5.4%. Propelled by both consumption and investment spending, private and public sector expenditures are estimated at 5.6% and 4.9%, respectively, in 2026.

TABLE 3.5. *Gross Domestic Product by Aggregate Demand, 2025 – 2027 (at constant 2015 prices)*

	SHARE (%)	CHANGE (%)		
	2026 ²	2025	2026 ²	2027 ³
Domestic demand	96.3	6.3	5.4	5.1
Private expenditure	78.0	6.2	5.6	5.3
Consumption	60.4	5.3	5.0	4.8
Investment	17.6	9.4	7.8	7.1
Public expenditure	18.3	6.6	4.9	4.2
Consumption	13.1	5.3	3.8	3.2
Investment	5.2	10.3	7.7	6.8
External sector ¹	3.8	-15.6	20.0	1.0
Exports	72.2	4.9	11.4	3.2
Imports	68.4	6.3	11.0	3.3
GDP	100.0	5.2	4.8 – 5.3	4.2 – 5.2

¹ Goods and non-factor services

² Estimate

³ Forecast

Note: Total may not add up due to rounding and excluding change in stocks component

Source: Department of Statistics and Ministry of Finance, Malaysia

Private consumption expanded by 4.7% in the first half of 2026 and is anticipated to grow by 5% over the full year. This reflects higher disposable income, underpinned by favourable domestic economic activities and steady labour market conditions. Income growth has been further supported by wage-related policy measures, notably phase two of the civil service salary adjustments under the SSPA. Household consumption continues to be supported by government measures to sustain purchasing power through SARA and STR as well as the expansion of the PJRM. Simultaneously, the continuation of BUDI95 alongside targeted BUDI Diesel subsidies is expected to cushion households against energy price shocks and inflationary pressures. Additionally, consumption and tourism-related activities are expected to further increase following major national and international events, including VM2026 – 2027, the 2026 FIFA World Cup and the Formula 1 Gulf Air Bahrain Grand Prix 2026 hosted at Sepang International Circuit as well as state elections.

Private investment which expanded by 6% in the first half of the year, is expected to grow by 7.8% in 2026, mainly driven by

higher capital outlays by firms on structures as well as machinery and equipment. This is also backed by the progressive realisation of multi-year projects arising from significant approved investments (2024: RM384.4 billion; 2025: RM431.1 billion), particularly in E&E, AI infrastructure and renewable energy. These investments are located across several states, particularly in Johor, Selangor, Pulau Pinang and Kedah. Ongoing strategic developments

within the Johor-Singapore Special Economic Zone (JS-SEZ) and established industrial zones are also expected to sustain investment momentum. In addition, the continued implementation of national masterplans, complemented by the phased implementation of the New Incentive Framework (NIF), are expected to provide further support to investment activities in emerging and less-developed areas.

FEATURE ARTICLE 3.2

Beyond the Headline: Transforming Investment into Economic Resilience

Background

Malaysia is shifting beyond headline investment figures towards a stronger focus on integrating technology as well as economic complexity. Supported by strategic policy frameworks such as the National Investment Aspirations (NIA), New Industrial Master Plan 2030 (NIMP 2030) and the National Semiconductor Strategy (NSS), this shift drove approved investments to a historic-high in 2025, reflecting Malaysia's growing position in technology-intensive and higher value-added economic activities.

High investment particularly in technology sectors is generally expected to enhance economic development in several stages. It starts with potential domestic and foreign capital inflows, which are converted into approved investment, guided by clear government policies and incentives. This is further translated into project implementation, technology adoption and stronger supply chain links. Once a project commences, it typically uplifts productivity through technological capacity, upskilling and innovation, thereby accelerating domestic firms to higher-value segments of global supply chains, while strengthening export competitiveness and economic resilience. The investment transmission mechanism is reflected in Figure 3.2.1.

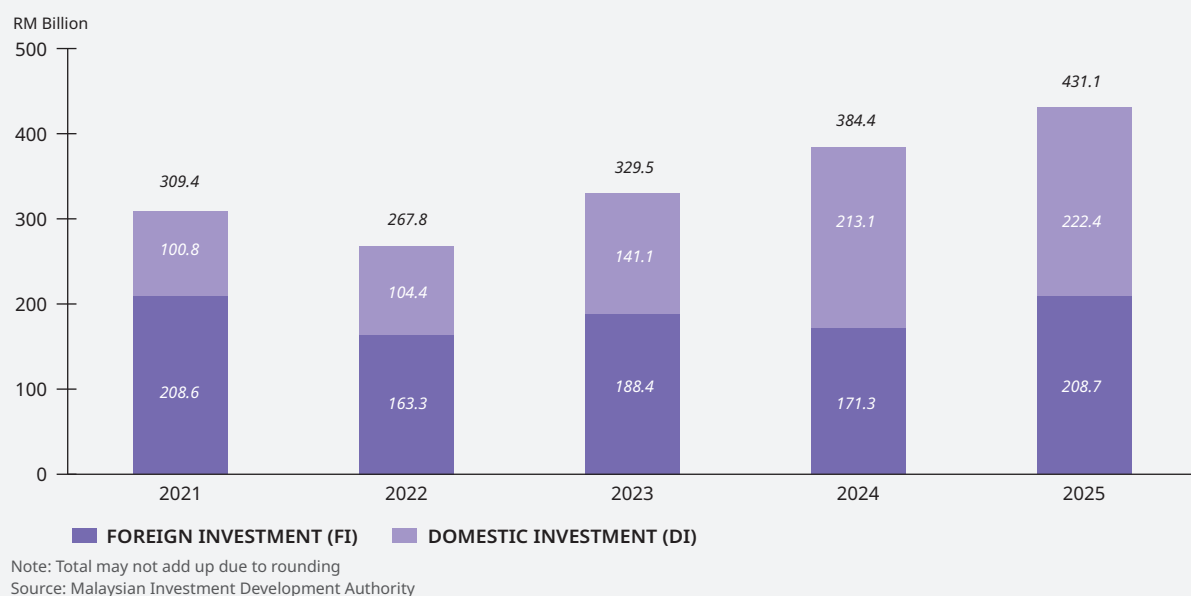
FIGURE 3.2.1. *Investment Transmission Mechanism*



Source: Ministry of Finance, Malaysia (various references)

Malaysia's investment profile is relatively balanced, with foreign and domestic capital contributing almost equally to approved investments. As shown in Figure 3.2.2, domestic investment (DI) made up RM222.4 billion or 51.6% of total approved investments in 2025, while foreign investment (FI) contributed the remaining share at RM208.7 billion. Robust FI continues to serve as an anchor for technology transfer and global market access, while the expanding share of domestic capital reflects heightened confidence among local investors in the nation's long-term economic growth trajectory. The balanced mix minimises exposure to external shocks, as DI provides a strong buffer against FI. Delving into the details, this article highlights two focus areas shaping Malaysia's current investment landscape.

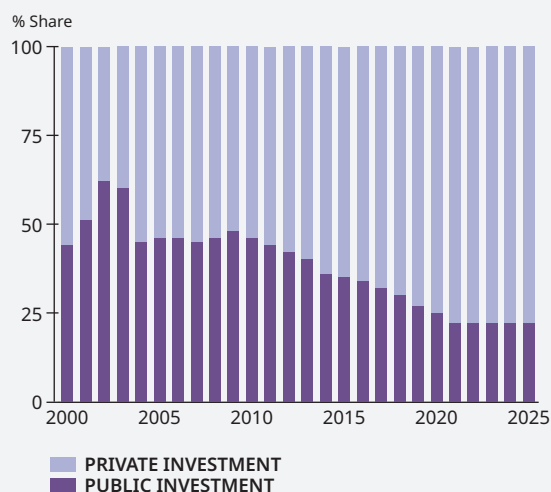
FIGURE 3.2.2. Trends in Foreign and Domestic Approved Investment, 2021 – 2025



Synergy between Private and Public Investment

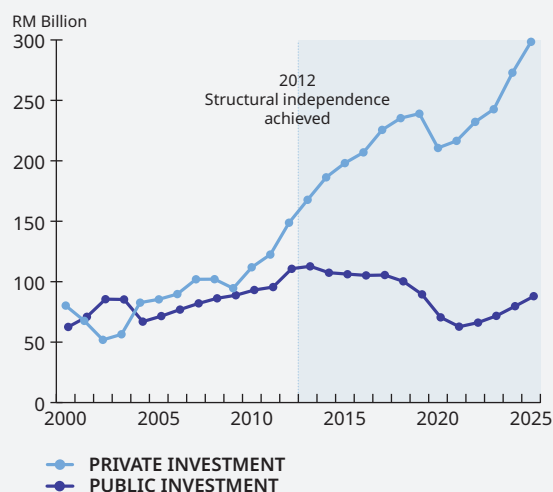
Figure 3.2.3 and Figure 3.2.4 illustrate the dominance of private investment over public investment indicating positive investor sentiment. The increasing trend of private investment share reflects its leading role in supporting the country's economic development. Meanwhile, public investment serves a crucial role as a catalyst in key industrial areas and de-risking new growth drivers, paving the way for greater private investment and supporting long-term growth. Notwithstanding this trend, there is a recurring debate concerning the relationship between private and public sector investment.

FIGURE 3.2.3. *Investment Share by the Private and Public Sector, 2000 – 2025*



Source: Department of Statistics, Malaysia

FIGURE 3.2.4. *Private Investment and Public Investment, 2000 – 2025*



Source: Department of Statistics, Malaysia

Analysis 1: The Dynamics of Private and Public Capital Formation

This section analyses the relationship between private and public investment, evaluating whether public investment acts as a driver or a deterrent to private capital investment. Empirical findings indicate that a 1% increase in public investment is associated with an immediate 0.57% contraction in private investment in the short run. The inverse relationship suggests the crowding out of private investment due to direct competition for raw materials, specialised equipment and skilled labour which could reduce profitability (Sundararajan & Thakur, 1980; Cavallo & Daude, 2008). In addition, the heavy financing requirements of large-scale public initiatives tighten credit conditions and elevate borrowing frictions, which prompt private companies to delay their investment (Islam & Nguyen, 2026).

Meanwhile, the analysis indicates a crowding-in effect, where a 1% increase in public investment is associated with a 0.48% rise in private capital formation in the long run. This shows that public investment projects, such as roads, ports, electricity and digital networks, act as a critical enabler to private sector activities and stimulate broader economic activity particularly investment in special economic zones or industrial parks. The positive correlation states that stronger economic growth encourages businesses to invest more, while direct government spending plays a supportive role (OECD, 2024).

Analysis 2: Private Investment Transmission to GDP

While a growing economy naturally attracts greater capital inflows, private investment is vital in stimulating the domestic economy through capital formation, job creation, technology adoption and supply-chain integration.¹ However, the magnitude and sustainability of these impacts on Malaysia's real GDP depend on the composition of capital outlays, the pace of project execution and cross-sector linkages.

¹ In terms of share to GDP, data shows that private investment has grown steadily from 15.3% in 2022 to 17.2% in 2025.

Based on MoF's estimates, a 10% increase in real private investment is associated with an immediate expansion of approximately 0.49% in real GDP. Malaysia's structural growth momentum reflects the evolution of investment and industrial policies from the New Economic Model (NEM) and Economic Transformation Programme (ETP) in 2010, Tenth Malaysia Plan (2011 – 2015) as well as the National Policy on Industry 4.0 (Industry4WRD) in 2018 towards a more targeted, outcome-oriented investment framework anchored by the NIA in 2022 and reinforced by the NIMP 2030. This shift places greater emphasis on economic complexity, technology adoption, high-skilled employment, domestic linkages and the development of high growth high value (HGHV) activities. This finding is in line with Malaysia's strategic focus on accelerating investment realisation and suggests that policies facilitating efficient capital deployment can help drive broader macroeconomic growth across sectors.

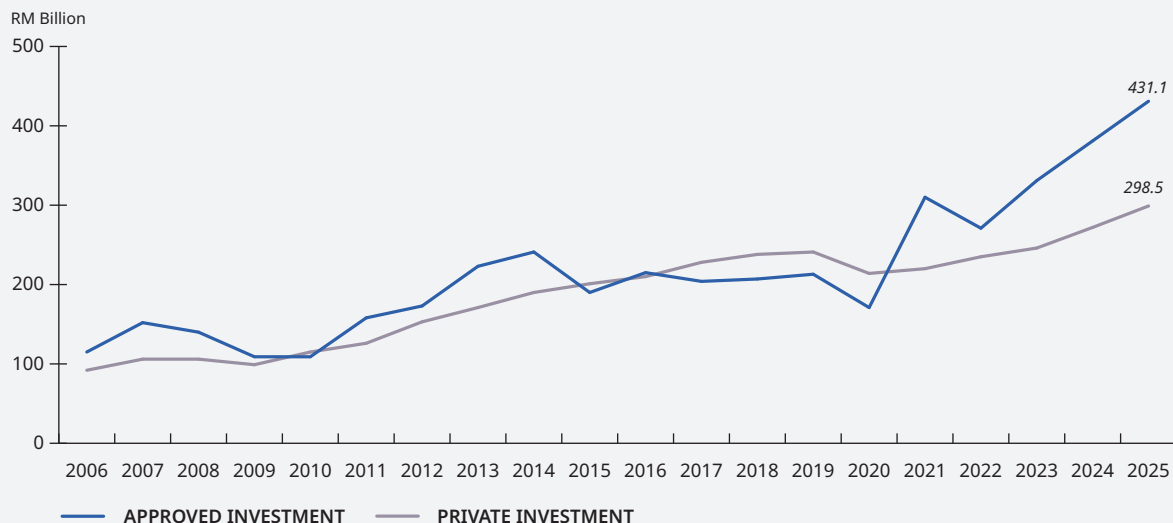
The economic impacts in the short run reflect the dynamism of the private investment ecosystem, demonstrating how capital spending flows through diverse economic activities during project execution. Initial capital outlays on civil works, site preparation and machinery procurement generate immediate demand across the domestic economy by contracting local SMEs, sourcing domestic raw materials and hiring technical services. Building on this momentum, technology-driven investment has emerged as a strategic anchor, positioning Malaysia among the top developing economies for announced digital economy projects in recent years (World Bank, 2025).

To translate these multiplier effects into sustained structural transformation, the NIMP 2030 set targets to raise manufacturing sector value added to RM587.5 billion, expand employment to 3.3 million workers and increase the median salary to RM4,510 by 2030. Recent data through the second quarter of 2026 indicates continued progress towards these targets, with manufacturing value added growing by 7.3% to RM104 billion. Meanwhile, the expansion in manufacturing activities was accompanied by a 0.2% increase in employment to 2.72 million workers. Crucially, the median salary increased by 6.9% from RM3,200 in 2023 to RM3,422 in 2025, highlighting improvement in wages alongside continued employment stability in the manufacturing sector (DOSM, 2026).

Realisation Rate Against Approved Investment

The realisation of high approved investments provides a solid foundation for continued expansion. Figure 3.2.5 illustrates the trends in approved and private investment between 2006 and 2025, underscoring the persistent divergence between approved commitments and their physical realisation.² Although high approved investment figures provide a strong foundation for future economic expansion, a structural risk persists in the form of implementation lags, whereby approved projects do not fully materialise into physical private investment. Currently, the time-lag dynamics and conversion rates between official approval and actual physical execution calls for greater coherence.

² Official data from MIDA is used for approved investment while aggregate private investment data from DOSM is used as a macro-level proxy for realised investment value.

FIGURE 3.2.5. *Approved Investment and Private Investment Trend, 2006 – 2025*

Source: Department of Statistics, Malaysia and Malaysian Investment Development Authority

Analysis 3: From Approved to Realised Investment

Based on the empirical analysis, a 10% increase in the total value of approved investment is estimated to increase private investment by 5.2%. This impact on private investment is expected to be realised within a 6- to 18-month period. This finding supports the lag effect between official approval and physical realisation due to the complexity of projects and implementation procedures. Nevertheless, the establishment of the Invest Malaysia Facilitation Centre (IMFC) in 2023 is expected to accelerate the conversion from approval to operation, underscoring the continued importance of sustained monitoring and targeted execution to further narrow the approved to realisation gap.

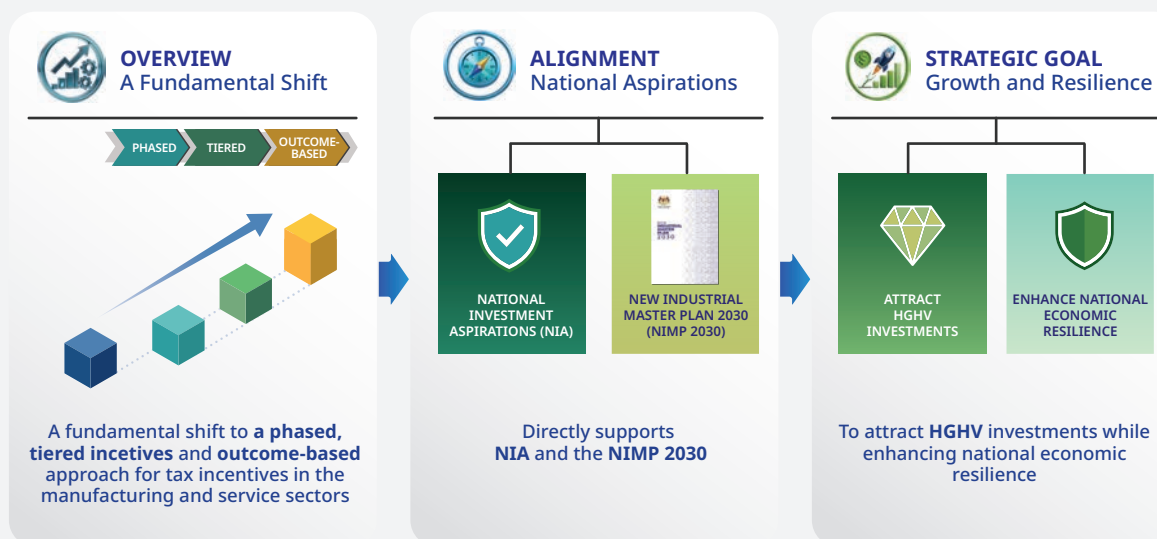
Way Forward

The success of investments should be measured not merely by the amount of capital it brings but through its contribution to build lasting domestic capabilities, strengthen technology transfer, innovation-sharing and the integration of domestic firms into global value chains. Achieving this requires a continued focus on quality investments through strategic policy and sustained investor confidence, alongside targeted public investment. In particular, public investment in core infrastructure, such as power grids, roads and utilities remain essential in emerging areas with strong potential for future economic activity. Public and private investment should play complementary roles in sustaining investment activities and generating broad-based economic benefits.

The implementation of the New Incentive Framework (NIF) in 2026 marks a strategic shift towards a selective, outcome-based regime designed to maximise long-term national economic returns as shown in Figure 3.2.6. Moving beyond conventional capital metrics, the Framework prioritises HGHV creation by measuring GDP contribution for every ringgit invested. This targeted approach ensures that capital allocations yield tangible structural benefits, directly driving domestic supply chain integration and accelerating technology transfer across key growth sectors.

Parallel to its economic objectives, the NIF embeds sustainability and human capital development directly into the incentive evaluation process. It places significant weight on ESG performance alongside clear decarbonisation targets to support overarching climate goals. Concurrently, incentives are structured to catalyse high-skilled job creation, ensuring that future investments cultivate a resilient, future-ready workforce while driving sustainable development.

FIGURE 3.2.6. *New Incentive Framework*



Source: Adapted from Malaysian Investment Development Authority

Sustaining Malaysia's private investment momentum will require a more aggressive approach by all investment promotion agencies. Close engagement with relevant authorities and utilities providers will expedite project execution and resolve regulatory bottlenecks. In addition, streamlined approval processes, clearer reporting lines and better data synergies across agencies would further support timely project implementation and ensure that committed investment translates into actual economic output.

Conclusion

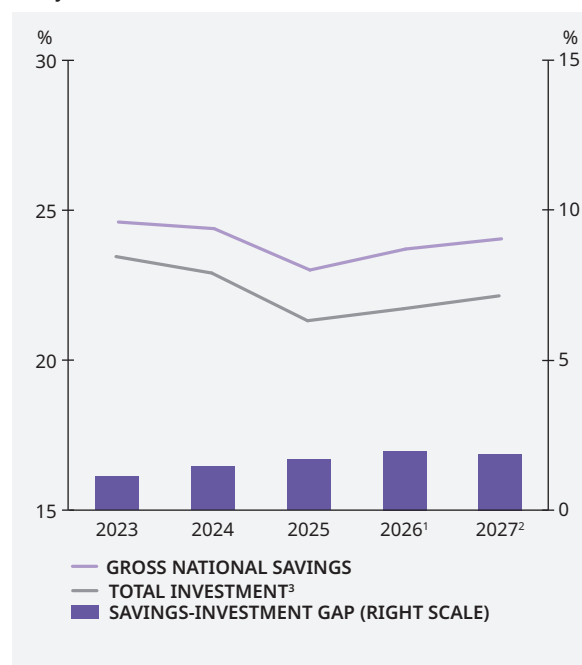
Malaysia's investment momentum provides a strong foundation and sustaining it requires a decisive shift towards quality, innovation and sustainability. By aligning investment policies with national priorities, Malaysia can translate capital utilisation into inclusive economic development. Moving forward, economic success will depend not only on the volume of investment secured, but also on how effectively the nation transforms investment into resilient growth and greater socio-economic development.

Public consumption expanded by 5.9% in the first half of 2026 and was primarily supported by higher expenditure on supplies and services, alongside an increase in emoluments following the second phase of the salary adjustment under the SSPA. The pace of expansion is expected to moderate in the second half of the year, consistent with measures to reprioritise non-critical operating expenditure and enhance spending efficiency. Allocations for essential services, including health, education and security, will continue to be safeguarded. State elections are also expected to support public consumption through election-related spending and associated activities. These developments reflect the Government's continuous commitment to maintaining efficient public service delivery while strengthening fiscal discipline and ensuring prudent utilisation of public resources. Therefore, growth for the year is estimated to register at 3.8%.

Public investment expanded by 5.8% in the first half of 2026 and is projected to strengthen to 7.7% for the year. This growth will be supported by continued capital spending by both the Federal Government and non-financial public corporations (NFPCs). Federal Government expenditure will be channelled into ongoing transport and connectivity works, including the Penang LRT Mutiara Line, SSLR and Pan Borneo Highway Sabah, alongside the implementation of Cakna MADANI projects encompassing the education, health, housing and transport sectors. The small- and medium-scale projects under Cakna MADANI are designed for immediate implementation and to deliver direct benefits to local communities. Meanwhile, NFPC investments will continue to be supported by energy and utility projects, including gas infrastructure, hydroelectric and solar initiatives such as the PFLNG3, Nenggiri Hydroelectric Project, Sungai Perak HLEP and LSS5. Collectively, these investments are expected to strengthen connectivity and essential infrastructures while supporting sustainable and inclusive economic growth.

The gross national income (GNI) at current prices is projected to grow by 7% in 2026, driven by stronger domestic activity. Gross national savings (GNS) is also expected to accelerate by 10.2%, representing 23.7% of GNI. With total investment projected at RM455 billion or 21.7% of GNI, the **savings-investment gap** for the year is set to yield a RM41.3 billion surplus or 2% of GNI, providing funds for long-term productive investments, primarily from domestic sources.

FIGURE 3.3. Savings – Investment Gap (% of GNI)



¹ Estimate

² Forecast

³ Including change in stocks

Source: Department of Statistics and Ministry of Finance, Malaysia

Income

Attaining balanced growth distribution remains a challenge

Malaysia's nominal GDP expanded steadily by 4.8% to RM2,025.4 billion in 2025.

Compensation of employees² (CE) grew by 5.8% to RM686.9 billion, surpassing nominal

² Includes remuneration, in cash or in-kind as well as employer's social contribution payable for employees.

GDP growth and elevating the CE share of GDP to 33.9%. This enhancement was driven by stable employment and better productivity gains, which facilitated the creation of a conducive environment for wage growth. Structural wage interventions through Progressive Wage Policy (PWP) and minimum wage adjustment further supported the growth of CE, albeit below the 40% target by 2030.

The CE is projected to strengthen further by 8% in 2026, propelled by wider adoption of

productivity-linked compensation framework and significant impact of phase two of the SSPA salary adjustments, which will provide a meaningful income uplift, particularly among middle-wage earners. Consequently, the share of CE to GDP is expected to reach 34%, driven primarily by wage gains in services (62.4%) and manufacturing (21.5%) sectors, mainly through wholesale & retail trade, food & beverage and accommodation; other services (including government services); and electrical, electronic and optical products industries.

TABLE 3.6. *Gross Domestic Product by Income Components, 2024 – 2027*

	SHARE (%)				CHANGE (%)			
	2024	2025	2026 ¹	2027 ²	2024	2025	2026 ¹	2027 ²
Compensation of employees	33.6	33.9	34.0	34.2	6.1	5.8	8.0	6.8
Gross operating surplus	63.6	62.0	62.6	62.1	4.9	2.1	9.1	5.2
Operating surplus	48.1	45.5	46.7	45.8	4.2	-0.8	10.6	4.1
Mixed-income	15.5	16.5	16.0	16.3	6.9	10.9	4.7	8.4
Taxes less subsidies	2.8	4.1	3.4	3.8	32.4	53.7	-10.5	16.5
GDP at purchasers' prices	100.0	100.0	100.0	100.0	5.9	4.8	7.9	6.1

¹ Estimate

² Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

TABLE 3.7. *Gross Domestic Product by Income Components in Selected Countries, 2023 – 2025*

	COMPENSATION OF EMPLOYEES			GROSS OPERATING SURPLUS			TAXES LESS SUBSIDIES		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
	SHARE OF GDP (%)								
Malaysia	33.5	33.6	33.9	64.2	63.6	62.0	2.2	2.8	4.1
Philippines	35.2	34.6	35.3	57.0	56.7	56.5	7.8	8.7	8.3
Singapore	38.9	37.1	37.8	54.6	55.8	54.7	6.5	7.1	7.5
Republic of Korea	48.6	48.2	47.6	43.0	43.5	44.2	8.4	8.4	8.2
Australia	45.9	47.4	48.5	44.8	43.0	41.8	9.4	9.6	9.7
Netherlands	45.9	46.3	47.4	44.5	43.9	42.6	9.7	9.9	10.0
Canada	50.3	50.9	50.2	39.3	38.9	40.1	10.4	10.2	9.7
United Kingdom	49.4	49.8	49.7	40.2	39.4	39.7	10.4	10.8	10.6
United States	51.7	51.9	51.6	41.8	41.7	41.5	6.5	6.5	6.9
Germany	53.3	54.7	55.4	38.5	36.3	35.5	8.2	9.0	9.1

Source: National Statistical Office of the selected countries

Gross operating surplus³ (GOS) growth moderated by 2.1% but remained the largest income component totalling RM1,255.1 billion, despite its share of GDP narrowing to 62% in 2025. The growth in business capital income was attributed to favourable commodity prices, structural momentum in the technology and infrastructure segments, sustained rebound in tourism industry and resilience of other consumer-related services industries. Likewise, mixed-income registered a robust growth of 10.9%, supported by increased participation among self-employed individuals and unincorporated enterprises. In 2026, corporate profitability prospects are expected to grow further by 9.1%, bolstered by vibrant tourism landscape, the ongoing global technology and semiconductor upcycle and rapid digital-related infrastructure. The country's position as a net energy exporter may also boost earnings prospects across energy-related and upstream service industries. Meanwhile, enforcement of the Gig Workers Act 2025 [Act 872], alongside targeted institutional support for self-employment and micro-entrepreneurship may further encourage more participation in the gig economy, small business ventures and freelancing activities. As a result, the share of mixed-income is expected to reach 16% of GOS. Overall, the share of GOS is expected to increase to 62.6% in 2026.

The **net taxes⁴** component improved by 53.7% and contributed 4.1% of GDP in 2025, driven by higher growth of taxes income on production and imports (12.9%), mainly from sales tax and service tax. Meanwhile, subsidy and incentive expenditures dropped substantially by 36.5% due to targeted cuts in petroleum and diesel subsidies. For 2026, taxes less subsidies is projected to decrease by 10.5%, particularly due to larger expenditure expected for fuel subsidies. Government expenditure for subsidies and

incentives is likely to increase substantially to assist households and industries to cope with increasing price pressures from supply-chain disruptions due to the ongoing West Asia conflict. Hence, the overall share of net taxes on production and imports is estimated to be lower at 3.4% of GDP in 2026.

External Sector

Exceptional performance in the external sector amid global headwinds

Trade Performance

Total trade is estimated to surge by 27.2% to RM3,895.5 billion in 2026. The growth is boosted by global technology upcycle and favourable energy sector amid global headwinds and anticipated slower global trade growth.

Gross exports are expected to expand by 31% to RM2,107.8 billion in 2026, on the back of technology upcycle and rapid advancement in AI applications globally. This growth is anchored by manufactured goods exports, which is projected to surge by 34.7%. Exports of E&E products are expected to register a significant increase of 44.3%, attributed to stronger global semiconductor sales. Being the key exports driver, semiconductor accounted for more than 65% of E&E products exports, followed by telecommunication equipment parts and automatic data processing equipment. Higher exports in E&E products are partially supported by a substantial increase in semiconductor exports to the US, which accounted for more than 20% of total semiconductor exports, following tariff exemption. Similarly, receipts from non-E&E products are projected to grow by 24.6%, driven by higher demand for other

³ Consists of operating surplus for capital owners and mixed-income.

⁴ Consists of taxes on products and other taxes on production less subsidies on products and other subsidies on production.

manufactures, petroleum products as well as optical and scientific equipment from major trading partners. Nonetheless, softer demand is expected for iron and steel products, processed food, wood products, paper and pulp products as well as beverages and tobacco.

Correspondingly, exports of mining goods are anticipated to expand by 22.8% on account of higher demand for LNG and metalliferous ores and metal scrap, which counterbalanced weaker exports of crude petroleum subsequent to the conflict in West Asia. Benefitting from Malaysia's status as a net exporter of energy, stronger exports of LNG are expected particularly to China, Republic of Korea, Taiwan (Province of China) and the Philippines. Growing demand for LNG is attributed to the shift from coal to natural gas in tandem with global initiatives to reduce carbon footprint. Furthermore, the initiatives to support

environmental sustainability are anticipated to surge receipts from metalliferous ores and metal scrap. This is reflected in the increasing demand from Germany, Hong Kong, China, Japan and the US. Nevertheless, exports of crude oil are expected to decrease particularly to Australia, Japan, India, Brunei Darussalam and Singapore.

In contrast, exports of agriculture goods are expected to contract by 8.6%, mainly owing to lesser exports of palm oil and palm oil based agriculture products, natural rubber and other agricultures. The decline was partly due to lower harvest yield following adverse weather conditions. Demand for palm oil and palm oil based agriculture products is anticipated to decrease, particularly from China, Japan, the Philippines, the Netherlands and Pakistan, among others, due to market diversification and products substitution by major trading partners.

TABLE 3.8. *External Trade, 2025 – 2027*

	RM MILLION			CHANGE (%)		
	2025	2026 ¹	2027 ²	2025	2026 ¹	2027 ²
Total trade	3,061,950	3,895,506	4,021,752	6.3	27.2	3.2
Gross exports	1,609,391	2,107,753	2,171,668	6.6	31.0	3.0
<i>of which:</i>						
Manufactured goods	1,390,552	1,873,112	1,922,161	7.9	34.7	2.6
Agriculture goods	111,747	102,139	107,088	5.6	-8.6	4.8
Mining goods	92,442	113,532	122,899	-11.0	22.8	8.3
Gross imports	1,452,558	1,787,753	1,850,084	6.0	23.1	3.5
<i>of which:</i>						
Intermediate goods	718,837	868,009	897,610	-4.1	20.8	3.4
Capital goods	214,500	234,787	244,005	29.1	9.5	3.9
Consumption goods	119,523	121,166	124,970	1.8	1.4	3.1
Trade balance	156,833	320,000	321,584	12.8	104.0	0.5

¹ Estimate

² Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia External Trade Development Corporation and Ministry of Finance, Malaysia

TABLE 3.9. *Gross Exports,
January – August 2025 and 2026*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2025	2026	2025	2026	2025	2026
Manufactured goods	893,729	1,203,915	5.4	34.7	86.5	88.8
Agriculture goods	71,794	65,440	7.2	-8.9	6.9	4.8
Mining goods	59,216	73,821	-16.6	24.7	5.7	5.4
Others ¹	8,628	13,040	30.9	51.1	0.8	1.0
Gross exports	1,033,368	1,356,216	4.1	31.2	100.0	100.0

¹ Including gold scrap and waste; worn clothing; and special transaction not classified

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

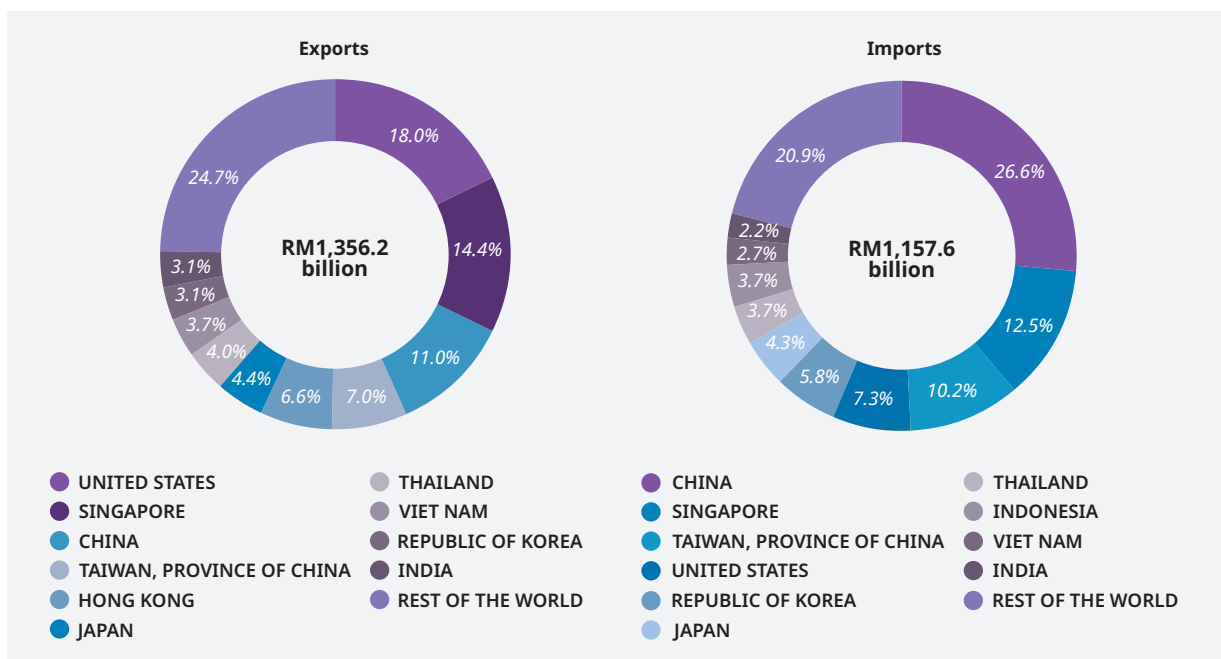
TABLE 3.10. *Exports of Manufactured Goods,
January – August 2025 and 2026*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2025	2026	2025	2026	2025	2026
E&E	447,355	656,141	16.5	46.7	50.1	54.5
Non-E&E	446,374	547,774	-3.8	22.7	49.9	45.5
Petroleum products	69,154	87,556	-24.0	26.6	7.7	7.3
Chemicals and chemical products	44,016	42,960	-10.3	-2.4	4.9	3.6
Manufactures of metal	41,462	50,421	-0.3	21.6	4.6	4.2
Machinery, equipment and parts	51,637	61,117	14.4	18.4	5.8	5.1
Optical and scientific equipment	41,014	56,434	3.8	37.6	4.6	4.7
Palm oil-based manufactured products	26,565	28,998	14.3	9.2	3.0	2.4
Rubber products	16,870	16,677	-1.5	-1.1	1.9	1.4
Processed food	25,767	22,263	13.4	-13.6	2.9	1.8
Iron and steel products	18,038	12,860	-23.1	-28.7	2.0	1.1
Transport equipment	12,645	13,303	1.3	5.2	1.4	1.1
Textiles, apparels and footwear	10,956	11,610	-7.0	6.0	1.2	1.0
Manufactures of plastics	11,486	12,311	-0.9	7.2	1.3	1.0
Wood products	9,814	8,567	-4.3	-12.7	1.1	0.7
Non-metallic mineral products	9,294	10,305	10.6	10.9	1.0	0.9
Jewellery	6,852	7,082	14.2	3.4	0.8	0.6
Paper and pulp products	8,609	8,391	-8.9	-2.5	1.0	0.7
Beverages and tobacco	1,887	1,865	-6.1	-1.1	0.2	0.2
Other manufactures	40,307	95,055	2.8	135.8	4.5	7.9
Exports of manufactured goods	893,729	1,203,915	5.4	34.7	100.0	100.0

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

FIGURE 3.4. Top 10 Trading Partners, January – August 2026 (% share)



Gross imports are estimated to accelerate by 23.1% to RM1,787.8 billion in 2026, contributed by higher imports of intermediate goods, capital goods and consumption goods. Imports of intermediate goods, which constitute the largest share of more than 45% of total imports, are expected to expand by 20.8%, attributed to stronger demand by the manufacturing sector, particularly for parts and accessories as well as industrial supplies. This growth is in line with the rising purchasing managers' index (PMI), an indicator of business activity and economic health, which consistently signal upcoming shifts in import volume.

Similarly, imports of capital goods are anticipated to increase by 9.5%, underpinned by ongoing infrastructure and utilities investment as well as business expansion and diversification. Furthermore, robust demand for cloud computing and online businesses partly contribute to the increasing imports related to data centre development. Likewise, consumption goods are projected to expand by 1.4%, mainly buoyed by higher imports of consumer goods following rising domestic purchasing power, shifting consumer preferences and favourable exchange rates.

TABLE 3.11. *Gross Imports by End Use, January – August 2025 and 2026*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2025	2026	2025	2026	2025	2026
Capital goods	141,425	152,474	33.1	7.8	14.9	13.2
Capital goods (except transport equipment)	131,415	144,358	30.2	9.8	13.9	12.5
Transport equipment (industrial)	10,010	8,115	89.2	-18.9	1.1	0.7
Intermediate goods	479,136	553,643	-4.9	15.6	50.6	47.8
Food and beverages, primary and processed, mainly for industries	25,303	19,682	15.6	-22.2	2.7	1.7
Fuel and lubricants, primary, processed and other	62,681	58,841	-22.2	-6.1	6.6	5.1
Industrial supplies, primary, processed and n.e.s. ¹	190,099	205,655	-9.4	8.2	20.1	17.8
Parts and accessories of capital goods and transport equipment	201,054	269,465	5.1	34.0	21.3	23.3
Consumption goods	77,925	80,804	-0.9	3.7	8.2	7.0
Food and beverages, primary and processed, mainly for household	35,055	33,141	-4.3	-5.5	3.7	2.9
Transport equipment (non-industrial)	1,285	1,254	14.0	-2.4	0.1	0.1
Other consumer goods	41,585	46,409	1.7	11.6	4.4	4.0
Durables	12,707	15,070	8.4	18.6	1.3	1.3
Semi-durables	13,010	13,311	1.3	2.3	1.4	1.1
Non-durables	15,868	18,028	-2.8	13.6	1.7	1.6
Others	22,369	23,960	-31.6	7.1	2.4	2.1
Re-exports	225,229	346,673	17.7	53.9	23.8	29.9
Gross imports	946,084	1,157,554	3.7	22.4	100.0	100.0

¹ Not elsewhere stated

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

Balance of Payments

In the first half of 2026, the current account of the **balance of payments** registered a surplus of RM25.9 billion or 2.6% of GNI. The surplus was attributed to a higher net inflow in the goods account as well as a turnaround to surplus in the services account, which more than offset the wider deficit in the income accounts. In the second half of 2026, the current account surplus is expected to record RM15.3 billion or 1.4% of GNI. This surplus is contributed by net inflow in the goods account and narrowing deficit in the primary income account, despite lower surplus in the services account and wider deficit in the secondary

income account. Overall, the current account surplus is anticipated at RM41.3 billion or 2% of GNI in 2026.

The goods account is expected to record a higher surplus of RM135.9 billion in 2026, boosted by stronger exports of manufactured goods and mining goods, despite lower exports of agriculture goods. Exports of E&E products, other manufactures as well as optical and scientific equipment, are envisaged to record significant increases, in tandem with stronger global semiconductor sales driven by technology upcycle and robust demand for AI. Furthermore, as a net energy exporter, Malaysia is poised to benefit from higher exports of LNG and

petroleum products. Nonetheless, a significant growth in imports is expected in 2026 following business expansion and diversification as well as surging investment in the services sector, particularly AI-related infrastructure.

Similarly, the services account is estimated to register a wider net inflow of RM7.9 billion, underpinned by higher surplus in the travel account, which counterbalances larger deficits in the transport and other services accounts. The travel account is expected to record RM54.9 billion, driven by various government initiatives to promote and strengthen the tourism sector. These initiatives are expected to attract more international tourists, encourage longer stays and higher tourist spending, thus boosting tourism receipts and improving the travel account balance. The air travel industry is expected to gain from the spillover of tourism sector through the increase in flight frequencies and new direct routes. Additionally, domestic transport companies are anticipated to register higher earnings following competitive air fares and freight charges as well as fees generated from airport

and port activities. Nevertheless, continued reliance on foreign transport providers is expected to result in increasing payments for transport services, thus leading to a slightly higher net outflow of RM29.3 billion in the transport account in 2026. Correspondingly, the other services account is estimated to register a larger net outflow of RM17.7 billion, as a result of increasing payment for other business services as well as insurance and pension services. Meanwhile, higher earnings are expected from telecommunications, computer and information services; manufacturing services on physical inputs owned by others; as well as maintenance and repair services.

The primary income account is projected to record a wider deficit of RM90.2 billion in 2026, owing to larger net outflows in the investment income account and compensation of employees. Increased net outflows are estimated in the investment account due to the repatriation of profits and dividends by foreign investors in Malaysia. Similarly, deficit in the compensation of employees is expected to widen as a result of growing number

TABLE 3.12. *Current Account of the Balance of Payments, 2025 – 2027 (RM million)*

	2025			2026 ¹			2027 ²		
	RECEIPTS	PAYMENTS	NET	RECEIPTS	PAYMENTS	NET	RECEIPTS	PAYMENTS	NET
Balance on goods and services	1,462,781	1,352,076	110,705	1,683,216	1,539,443	143,773	1,756,445	1,608,072	148,374
Goods	1,184,868	1,079,445	105,424	1,362,651	1,226,777	135,873	1,403,594	1,272,989	130,604
Services	277,912	272,631	5,281	320,565	312,666	7,899	352,851	335,083	17,768
Transport	37,693	66,867	-29,175	42,636	71,944	-29,308	48,341	77,739	-29,399
Travel	110,650	62,202	48,448	125,672	70,789	54,883	138,110	76,798	61,311
Other services	129,570	143,562	-13,992	152,258	169,933	-17,675	166,400	180,546	-14,145
Primary income	88,465	155,785	-67,320	89,198	179,442	-90,244	92,683	187,338	-94,655
Compensation of employees	7,268	17,262	-9,994	7,351	18,916	-11,565	8,159	20,333	-12,174
Investment income	81,197	138,523	-57,326	81,847	160,526	-78,678	84,525	167,006	-82,481
Secondary income	43,938	54,517	-10,579	45,055	57,323	-12,268	47,943	59,899	-11,955
Balance on current account	1,595,184	1,562,379	32,805	1,817,469	1,776,208	41,261	1,897,072	1,855,309	41,763
% of GNI			1.7			2.0			1.9

¹ Estimate

² Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

of foreign professionals in Malaysia due to ongoing infrastructure and utility projects.

The secondary income account is anticipated to record a larger net outflow of RM12.3 billion in 2026. The widening deficit is owing to higher outward remittances, which is expected to reach RM57.3 billion, particularly by foreign workers from Indonesia, Bangladesh, India, Nepal and the Philippines. Nevertheless, earnings in the secondary income account are projected to increase to RM45.1 billion, attributed to growing inward remittances by Malaysians working abroad.

In the first half of 2026, the financial account registered a marginal net inflow of RM0.4 billion, supported by positive balances in the other investment and direct investment accounts, alongside a reduced portfolio investment account deficit. This position was primarily contributed by a turnaround in the other investment account, which shifted from a net outflow of RM8.4 billion recorded during the first half of 2025 to a net

inflow of RM11.7 billion in the first half of 2026. This was further cushioned by a narrowing net outflow in the portfolio investment to RM26.1 billion during the first half of 2026 compared with RM29.5 billion registered during the corresponding period of 2025. Nonetheless, net inflow in the direct investment account narrowed to RM15.2 billion in the first half of 2026 from RM22.4 billion registered during the same period in 2025. In contrast, net outflow in the financial derivatives account slightly widened to RM0.44 billion compared with RM0.42 billion recorded during the first half of 2025.

Meanwhile, Malaysia recorded a higher FDI net inflow of RM30.2 billion, mainly channelled into the information and communication; professional, scientific and technical activities; as well as wholesale and retail trade sectors. Net outflows of direct investment abroad (DIA) by Malaysian companies widened to RM15 billion, primarily directed into the financial and insurance/takaful activities; mining & quarrying; as well as transportation and storage sectors.

INFORMATION BOX 3.2

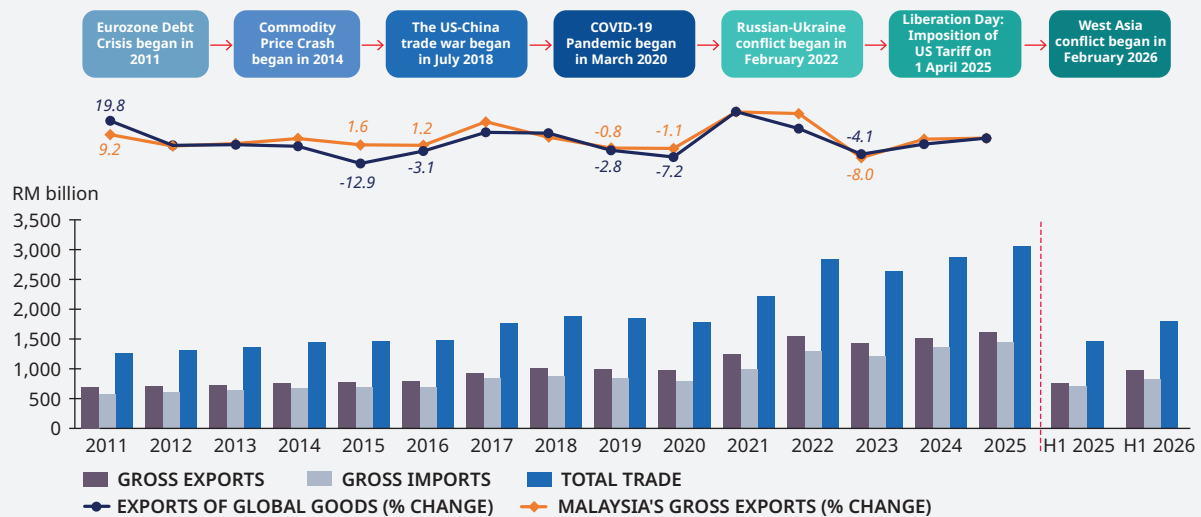
Malaysia's Trade Resiliency: Navigating Global Trade Uncertainties

Introduction

The global trade environment has become increasingly volatile since 2018, shaped by persistent geopolitical tensions, inflationary pressures, supply chain disruptions, protectionist trade measures and the intensifying strategic competition among major economies. These developments have altered global production networks and created significant challenges for export-oriented economies. As a small and open economy with a trade-to-GDP ratio consistently exceeding 100%, Malaysia's trade performance from 2022 to June 2026 demonstrates a remarkable resilience, underpinned by diversified export base and markets, strong manufacturing capabilities, extensive FTAs and proactive government policies.

Global Headwinds

The World Economic Outlook (WEO), published by the IMF, reported a slower global trade growth from 5.8% in 2022 to 1% in 2023, before rebounding to 3.7% in 2024 and further strengthening to 5% in 2025. In addition, according to the UN Trade & Development (UNCTAD), between 2011 and 2025, global goods exports recorded an average annual growth of 4.1%, while Malaysia's average gross exports growth was 6.7% during the same period. This is a reflection of Malaysia's exports, which have consistently outperformed global goods exports in most years, underscoring the country's trade resilience in the face of major global headwinds, as shown in Figure 3.2.1.

FIGURE 3.2.1. Exports of Global Goods and Malaysia's Trade Performance amid Major Global Shocks, 2011 – H1 2026

Source: Department of Statistics, Ministry of Finance, Malaysia and UN Trade & Development (UNCTAD)

Among major global shocks, the exports of global goods experienced the sharpest contraction of 12.9% in 2015 stemming from the steep commodity price collapse, which began in 2014. Global commodity prices declined by approximately 38% between June 2014 and February 2015, largely due to the significant collapse of 48% in Brent crude oil prices, from USD112 per barrel to around USD58 per barrel, alongside declines in metal and agricultural commodity prices. In contrast, Malaysia demonstrated resilience amid the commodity price crash, supported by its diversified export structure. Gross exports grew by 1.6% in 2015, attributed to stronger demand for manufactured goods (6.5%), which more than offset by lower exports of agriculture goods (-2.8%) and mining goods (-22.9%).

The COVID-19 pandemic, which began in March 2020, further underscored Malaysia's trade resilience, as the country weathered severe disruptions to most industries arising from movement restrictions. During that year, the contraction in global goods exports reached 7.2%, steeper than the 1.1% decline recorded in Malaysia's gross exports. The weaker export performance reflected a significant 28.3% decline in the exports of mining goods, despite the gains of 1.1% in manufactured goods and 8.7% in agriculture goods.

Nonetheless, due to a slowdown in global growth and goods trade, Malaysia's gross exports in 2023 contracted by 8%, in tandem with the 4.1% decline in global goods exports. This was reflected in the lower exports of manufactured goods (-6.8%), agriculture goods (-21.6%) and mining goods (-9.6%). Notwithstanding persistent global uncertainties, Malaysia's exports regained its strong momentum, recording a growth of 5.8% in 2024 to RM1,509.3 billion and attaining RM1,609.4 billion in 2025.

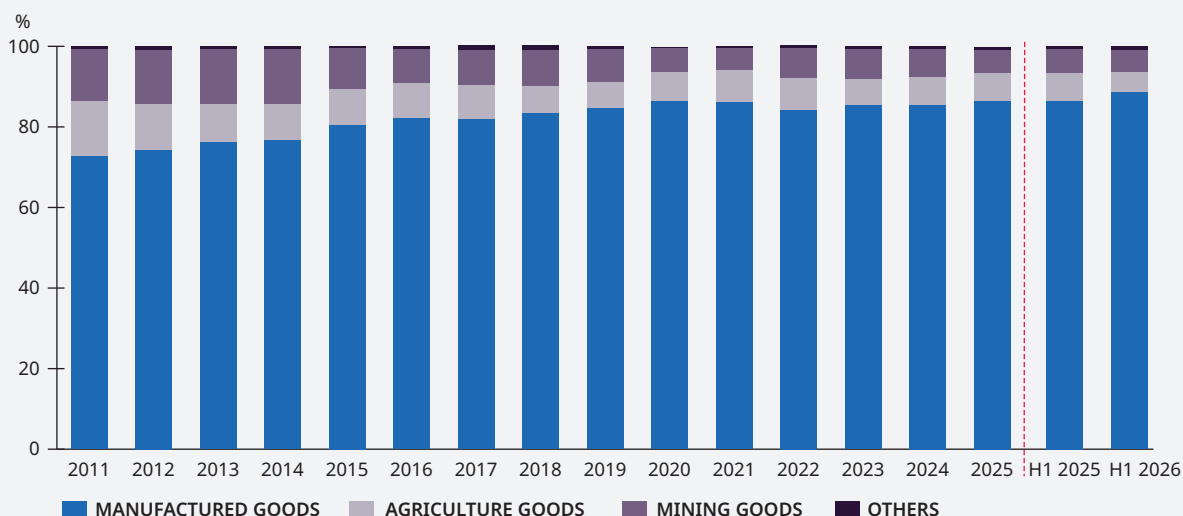
The world faced global supply chain disruptions following the escalation of conflicts in West Asia, which began in February 2026. Nonetheless, Malaysia is able to withstand the impact of the conflict, leveraging its status as a net energy exporter amid disruptions in global energy supply chains. Malaysia registered a higher trade balance during the first half of 2026, supported by exponential export performance of E&E products following global technology upcycle, alongside the country's solid economic fundamentals and facilitative policies.

Malaysia's Trade Landscape and Milestones

Malaysia is transforming into a high growth high value (HGHV) hub, driving innovation and sustainable economic development across key industries. The nation's economic development policies have attracted MNCs, thus integrating Malaysia into global production networks and value chains, particularly in the E&E industry. This structural transformation has significantly diversified Malaysia's export base, reduced dependency on commodity exports and enhanced trade resiliency to external shocks.

The share of commodities export declined from 26.6% in 2011 to 12.7% in 2025, despite receipts of commodities expanding from RM186 billion in 2011 to RM204.2 billion in 2025. The trend is in tandem with Malaysia's transition to manufacturing oriented sector and translated through a significant increase of exports in manufactured goods from RM507.4 billion or 72.7% of Malaysia's total exports in 2011 to RM1,390.6 billion or 86.4% of total exports in 2025, as shown in Figure 3.2.2. Major exports of manufactured goods include E&E products; petroleum products; machinery, equipment and parts; chemicals and chemical products as well as optical and scientific products. As a result, the manufacturing sector has become one of the key engines of economic growth, employment, exports and technological advancement.

FIGURE 3.2.2. *Malaysia's Exports by Sectors, 2011 – H1 2026*
(% Share)



Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

As one of the world's leading players in the E&E industry, Malaysia has established itself as a regional hub within the global semiconductor value chain. The E&E industry is the largest contributor to manufactured exports and remains a cornerstone of the country's economy. The country has developed strong capabilities across the semiconductor value chain, particularly in assembly, testing and packaging (ATP), while increasingly expanding into integrated circuit (IC) design, wafer fabrication, advanced packaging and semiconductor equipment manufacturing. Between 2011 and 2025, exports of E&E products recorded a threefold expansion from RM237.1 billion to RM712.3 billion. The World Semiconductor Trade Statistics (WSTS) projected the global semiconductor market to surge by 90% in 2026 to USD1.5 trillion, followed by a 27%

increase to USD1.9 trillion in 2027. This strong growth outlook is expected to further boost exports of E&E products and strengthen Malaysia's position as a key player in the global semiconductor industry.

The West Asia conflict has emerged as a major cause of geopolitical risk to global trade. Its repercussions extend far beyond the region, reflecting the region's pivotal role as a global hub for energy supplies and key maritime trade routes. Nonetheless, Malaysia is leveraging from the conflict as external trade remained resilient and maintained its stellar performance during the first six months of 2026 (H1 2026), with total trade expanding by 22.4% to RM1,795.2 billion. The growth was supported by higher trade with major trading partners, particularly China (30.6%), the US (25.7%), Taiwan (Province of China) (34.7%), Singapore (21.5%) and Hong Kong (45.8%).

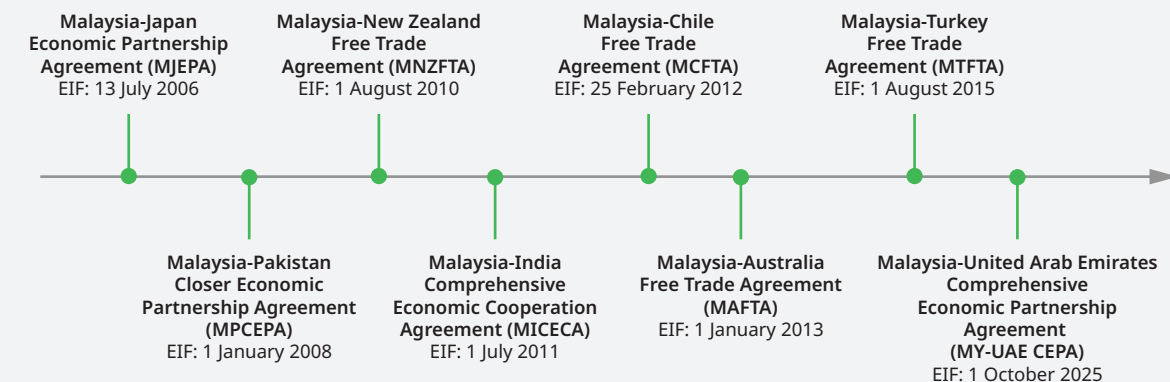
Gross exports increased by 27.5% to RM971.6 billion, attributed to stronger exports of manufactured goods (30.5%) and mining goods (24.5%), which cushioned lower exports of agriculture goods (-8.9%). The growth was boosted by robust exports of E&E products (42.5%), other manufactures (101.6%), metalliferous ores and metal scrap (209.3%), petroleum products (27.4%) as well as optical and scientific equipment (40.8%). Gross imports grew 16.8% to RM823.6 billion on account of higher imports of intermediate goods (5.8%), consumption goods (4.3%) and capital goods (0.8%). Malaysia recorded a trade surplus of RM148 billion during H1 2026, soared by 161.4% from RM56.6 billion registered in the corresponding period in 2025.

The escalating conflict, worsened by the closure of the Strait of Hormuz has emerged as a major shock to the global economy, disrupting energy supplies, causing Brent crude prices to surge above USD110 per barrel in April 2026. Furthermore, the situation exacerbated global supply chains and led to a widespread price increase of fuel, food and plastics. Notwithstanding the ongoing conflict, Malaysia registered a higher trade surplus of LNG, expanded by 16.5% to RM26.2 billion during H1 2026 (H1 2025: RM22.5 billion). This surplus was buoyed by stronger LNG demand, which increased by 12.4% to RM29.1 billion, and lower imports, which decreased by 15% to RM2.9 billion. Correspondingly, trade surplus of petroleum condensates and other petroleum oil widened by 16.1% to RM2.5 billion (H1 2025: RM2.1 billion), contributed by higher exports.

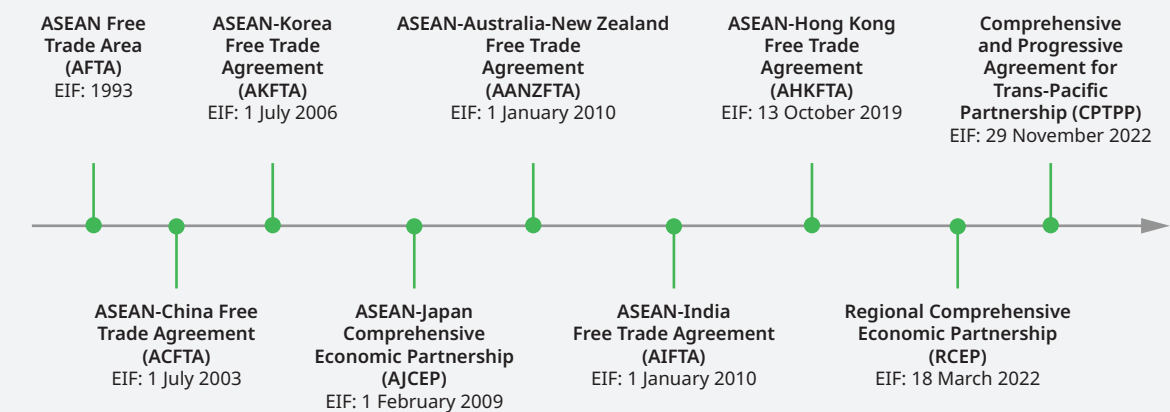
On the other hand, Malaysia is a net importer of crude petroleum and registered a narrower trade deficit of RM11 billion during H1 2026 (H1 2025: -RM16.3 billion) following softer imports. Imports of crude petroleum shrank by 24.6% to RM19.8 billion and exports decreased by 11.5% to RM8.8 billion. Similarly, Malaysia registered a trade shortfall of petroleum products amounting to RM0.2 billion compared with a surplus of RM4.3 billion recorded in H1 2025.

Strengthening Market Diversification through Free Trade Agreements

Malaysia is extensively integrated into global markets through trade and investment with major economies. To date, Malaysia has signed and implemented 17 FTAs, comprising eight bilateral FTAs and nine regional FTAs, as depicted in Figure 3.2.3 and Figure 3.2.4. A significant milestone was achieved in 2022 with Malaysia as a party in two mega FTAs, namely the Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

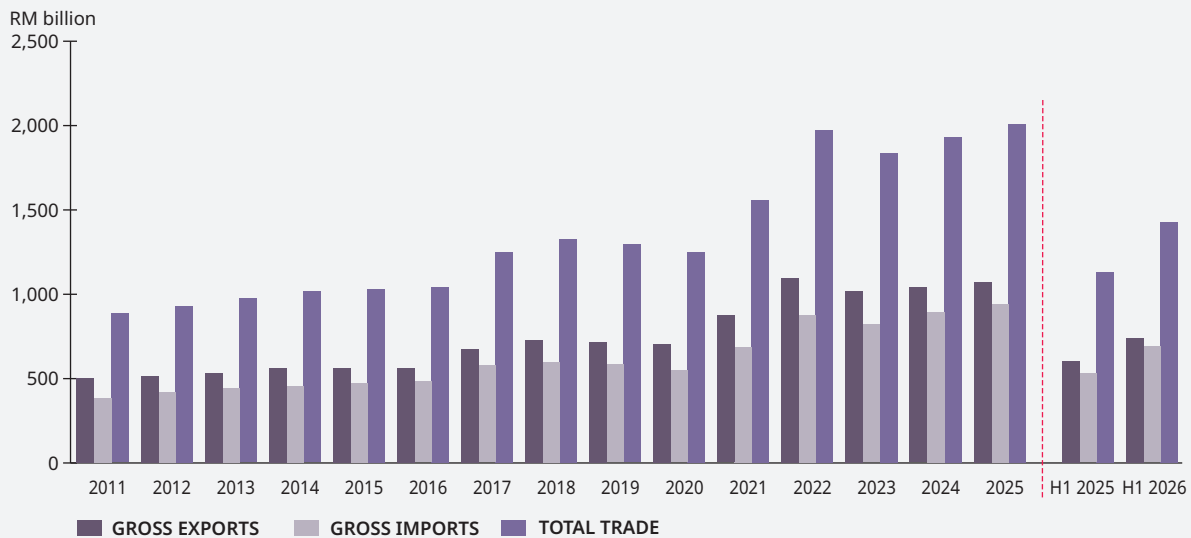
FIGURE 3.2.3. Bilateral Free Trade Agreements

Note: EIF – Date of Entry Into Force
 Source: Ministry of Investment, Trade and Industry, Malaysia

FIGURE 3.2.4. Regional Free Trade Agreements

Note: EIF – Date of Entry Into Force
 Source: Ministry of Investment, Trade and Industry, Malaysia

In the post-Global Financial Crisis era, Malaysia's active engagement in bilateral and regional trade agreements had become a key driver of trade expansion, reinforcing its position within regional production networks and global markets. In 2011, almost 70% of Malaysia's total trade, amounting to RM881.8 billion, was conducted with countries that had trade agreements with Malaysia, as shown in Figure 3.2.5. Exports to FTA partner countries stood at RM498.8 billion, accounting for 71.5% of total exports, while imports amounted to RM383 billion or 66.8% of total imports. Hence, Malaysia recorded a trade surplus of RM115.8 billion in 2011. China was Malaysia's largest FTA trading partner, accounting for 13.2% of total trade, followed by Singapore (12.7%), Japan (11.5%), Thailand (5.5%) and Indonesia (4.4%).

FIGURE 3.2.5. Trade Performance with FTA Partner Countries, 2011 – H1 2026

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

Total trade with FTA partner countries continued to expand, registering a compound annual growth rate (CAGR) of 6.1% between 2012 and 2025. Trade with FTA partner countries reached RM2,007.3 billion in 2025, accounting for 65.6% of Malaysia's total trade, supported by sustained growth in both exports and imports. Exports to FTA partner countries increased by 3.2% to RM1,069 billion, while imports grew by 5.1% to RM938.3 billion. Among Malaysia's key FTA trading partners, China accounted for the largest share of total trade at 17.7%, followed by Singapore (13.2%), Japan (4.7%), Thailand (3.9%) and Republic of Korea (3.8%).

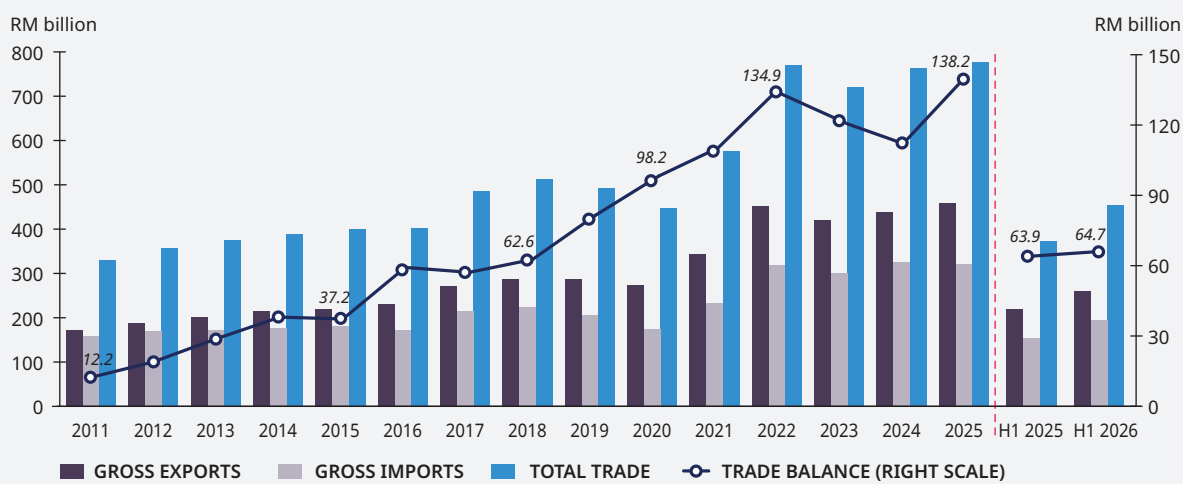
During the first six months of 2026, trade with FTA partner countries improved by 26.2% to RM1,424.8 billion, accounting for 79.4% of Malaysia's total trade (H1 2025: RM1,129.4 billion or 77%). The stronger performance was supported by robust growth in both exports and imports, with exports soaring by 22.4% to RM738 billion and imports surging by 30.4% to RM686.9 billion. The major FTA partner countries during the period were China (18.1%), Singapore (13.2%), Hong Kong (4.4%), Japan (4.4%) and Republic of Korea (4.2%).

Trade with FTA partner countries is proven strategically important to Malaysia, providing greater market access, reducing trade costs, integrating SMEs into the international platform as well as enhancing competitiveness of exports and technology transfer. Importantly, the integration provides greater resilience against global trade disruptions by offering diversified markets and more reliable supply chains, thus enhancing Malaysia's attractiveness as an investment and production hub.

Following the successful implementation of AFTA, ASEAN acts as a vital trade buffer, regulatory safety net and regional supply chain anchor for Malaysia that drives economic growth, secures regional stability and amplifies the country's global presence. As Malaysia's largest trading bloc, ASEAN accounted for more than 25% of the country's total trade, with trade expanding at a CAGR of 6.3% between 2012 and 2025. Total trade with ASEAN member countries amounted to RM331.1 billion or 26% of total trade in 2011 and doubled to RM778.1 billion or 25.4% in 2025. During the first six months of 2026, trade with ASEAN member countries expanded by 21.5% to RM454.5 billion, supported

by stronger exports and imports, which grew by 18.6% to RM259.6 billion and 25.7% to RM194.9 billion, respectively, as depicted in Figure 3.2.6. In H1 2026, Malaysia's exports to ASEAN were primarily driven by E&E products, which accounted for 43.6% of total exports, followed by petroleum products (14.4%), machinery, equipment and parts (6.9%) as well as chemicals and chemical products (5.1%). From an import perspective, E&E products also constituted the largest share at 38%, followed by petroleum products (14.7%), chemicals and chemical products (4.9%) as well as machinery, equipment and parts (4.7%).

FIGURE 3.2.6. Trade Performance with ASEAN, 2011 – H1 2026



Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

Malaysia's Trade Resiliency

The Global Trade Resilience Index 2026 (GTRI 2026) evaluates countries' trade resilience across two primary dimensions, namely absorptive capacity and recovery capacity. The absorptive capacity is to determine the ability of a country to withstand the immediate impact of external shocks while maintaining stability in trade operations. Absorptive capacity captures both the structural strength and the responsiveness of a country's trade system when confronted with sudden disruption. Meanwhile, the recovery capacity measures the ability to restore trade performance and adapt to new norms in the short to medium term following a disruption.

With a score of 66.03, Malaysia was placed 23rd globally in the GTRI 2026 behind China, Japan and Republic of Korea, which ranked 15th, 17th and 18th, respectively. Among ASEAN member states, Singapore ranked 7th with a score of 75.35, while Thailand, the Philippines, Indonesia and Viet Nam ranked 32nd, 35th, 36th and 41st, respectively. Among 56 countries assessed, Malaysia was positioned 28th with a score of 66.12 for absorptive capacity and ranked 16th with a score of 65.89 for recovery capacity, as summarised in Table 3.2.1.

Table 3.2.1. Malaysia's Performance in the Global Trade Resilience Index 2026

Indicator	Score (1 – 100)	Rank
Global Trade Resilience Index	66.03	23
Absorptive Capacity	66.12	28
<i>Exposure</i>	59.06	40
<i>Diversification</i>	64.05	33
<i>Robustness</i>	71.73	23
Recovery Capacity	65.89	16
<i>Institutional Resilience</i>	63.42	21
<i>Operational Resilience</i>	68.36	12

Source: The Global Trade Resilience Index 2026

Malaysia ranked 28th for absorptive capacity partly due to slightly lower score for exposure pillar, which scored 59.06 and ranked 40th, reflects the country's higher risks to external shocks and global uncertainties. Notwithstanding, being ranked 16th for recovery capacity, Malaysia demonstrates a relatively strong capacity to rebound from shocks, bolstered by a diversified export base and solid policy framework focused on economic resilience, inclusive and sustainable growth, structural reforms, investment and trade diversification as well as domestic capabilities. These measures are crucial in enabling Malaysia to navigate global uncertainties while enhancing its long-term economic competitiveness. Additionally, the Government continues to strengthen the capabilities of exporters and local industry players through targeted financial and non-financial assistance, including export promotion, market diversification, supply chain integration and industry upgrading. These efforts aim to enhance firms' competitiveness, deepen domestic competencies as well as fortify Malaysia's resilience and position within global value chains.

Clarion Call

While the current trade regime has driven Malaysia's economic growth for decades, rising geopolitical tensions and market fragmentation posed direct risks to production costs and supply chain stability. In response to the recent conflict, the Government mobilised the National Economic Action Council's Crisis Management Task Force as well as the Trade Resilience Taskforce. These ongoing mechanisms have executed swift daily interventions, safeguarding strategic fuel reserves and shielding rakyat from inflationary pressures.

Moving forward, strengthening national trade resilience requires holistic structural economic reforms to further enhance Malaysia's competitive advantage in a dynamic global landscape. It is crucial for Malaysia to strategically strengthen trade security and build national resilience against future global disruptions, including exploring new export markets and import sources. Diversifying import sources is essential to offset immediate supply deficits as well as to build a flexible and future-proof supply chain. Nonetheless, it is imperative for Malaysia to build a comprehensive and multi-layered trade resilient strategy to achieve domestic sustainability. The Government is intensifying efforts to accelerate integration and sophistication with higher value-added supply chains to cushion exposure to external shocks, including through technological advancement and domestic innovation.

Malaysia is charting the path toward attracting HGHV investments, increasing economic complexity and expanding skilled jobs as well as strengthening domestic supply chain. Anchored by the Ekonomi MADANI framework, complemented by the Thirteenth Malaysia Plan, 2026 – 2030, policies including the National Semiconductor Strategy (NSS), New Industrial Master Plan 2030 (NIMP 2030), New Incentive Framework (NIF), National AI Action Plan (2026 – 2030) and National Energy Transition Roadmap (NETR) were formulated to capture greater global value chain. These policies prioritise deepening local manufacturing capabilities, accelerating technological innovation and expanding domestic participation in higher value-added segments, particularly within the advanced electronics and semiconductor ecosystem.

Conclusion

Malaysia's trade resilience requires holistic and forward-looking policies that strengthen trade security, accelerates trade diversification and deepens domestic supply chain capabilities to mitigate external shocks. It is timely for Malaysia to further move up the global value chain, reduce vulnerabilities to external disruptions and reinforce the country's competitiveness, economic resilience and long-term sustainable growth.

Prices

Inflation remains moderate despite emerging cost pressures

Headline inflation, as measured by the **Consumer Price Index (CPI)**, averaged at 1.8% for the first eight months of 2026, compared with 1.4% in the corresponding period of 2025. Core inflation averaged at 2%, consistent with moderate underlying overall price pressures.

Transport inflation averaged at 1.7% during the same period (January – August 2025: 0.6%), mainly driven by higher unsubsidised fuel prices stemming from increases in global crude oil prices amid the West Asia conflict. However, the implementation of the BUDI Diesel mechanism in July 2026 helped contain transport-related price pressures during the latter part of the period, particularly through a slower increase in the cost of operating personal transport equipment. Inflation for insurance & financial services averaged at 4.1% (January – August 2025: 2.4%), partly reflecting the adjustments in medical insurance

premiums and financial service charges. Meanwhile, the food & beverages category, which constitutes 29.8% of the CPI weight, eased to 1.5% during the period (January – August 2025: 2.2%), reflecting slower price increases in the food away from home sub-category and effective domestic supply-management measures.

Headline inflation is expected to increase gradually towards the end of the year as higher energy, freight, food and other input costs pass through to retail prices. For the full year, headline inflation is estimated to range between 1.5% and 2.5% in 2026 and is expected to remain manageable. Targeted fuel subsidies, domestic price-stabilisation measures and a relatively stable ringgit will help mitigate the transmission of external cost pressures. Meanwhile, domestic demand is expected to remain firm without generating excessive demand-driven inflation.

On the producer side, upstream cost conditions were comparatively steeper. During the first eight months of 2026, the **Producer Price**

Index (PPI) averaged at 4.6%, compared with a decline of 2.3% in the corresponding period of 2025. Producer-price increases were driven mainly by higher prices for crude materials for further processing and intermediate materials, supplies & components, alongside price pressures in manufacturing sector, including refined petroleum as well as computer, electronic & optical products.

By stage of processing, prices of crude materials for further processing increased by an average of 15.4% during January – August

2026, compared with a decline of 4.1% in the same period of 2025. Prices of intermediate materials, supplies & components rose by an average of 2.8% (January – August 2025: -2.2%), while finished goods producer prices increased moderately by 0.9% (January – August 2025: -1.3%). The concentration of cost pressures at the earlier stages of production suggests that the transmission to consumer prices is likely to remain gradual. The comparatively reasonable increase in finished-goods producer prices also indicates that the pass-through of firmer upstream costs to retail prices remained limited.

TABLE 3.13. *Consumer Price Index, January – August 2025 and 2026 (2010 = 100)*

	WEIGHT ¹	CHANGE (%)		CONTRIBUTION TO CPI GROWTH (PERCENTAGE POINTS)	
		2025	2026	2025	2026
Consumer Price Index	100.0	1.4	1.8	1.40	1.80
Food & beverages	29.8	2.2	1.5	0.66	0.45
Alcoholic beverages & tobacco	1.9	0.7	2.7	0.01	0.05
Clothing & footwear	2.7	-0.2	0.0	-0.01	0.00
Housing, water, electricity, gas & other fuels	23.2	1.9	1.4	0.44	0.32
Furnishings, household equipment & routine household maintenance	4.3	0.2	0.3	0.01	0.01
Health	2.7	1.2	1.2	0.03	0.03
Transport	11.3	0.6	1.7	0.07	0.19
Information & communication	6.6	-5.4	1.9	-0.36	0.13
Recreation, sport & culture	3.0	1.2	1.1	0.04	0.03
Education	1.3	2.1	2.4	0.03	0.03
Restaurant & accommodation services	3.4	3.2	2.4	0.11	0.08
Insurance & financial services	4.0	2.4	4.1	0.10	0.16
Personal care, social protection & miscellaneous goods & services	5.8	3.8	4.9	0.22	0.28

¹ Based on Household Income and Expenditure Survey 2022
 Note: Total may not add up due to rounding
 Source: Department of Statistics and Ministry of Finance, Malaysia

TABLE 3.14. *Producer Price Index, January – August 2025 and 2026 (2010 = 100)*

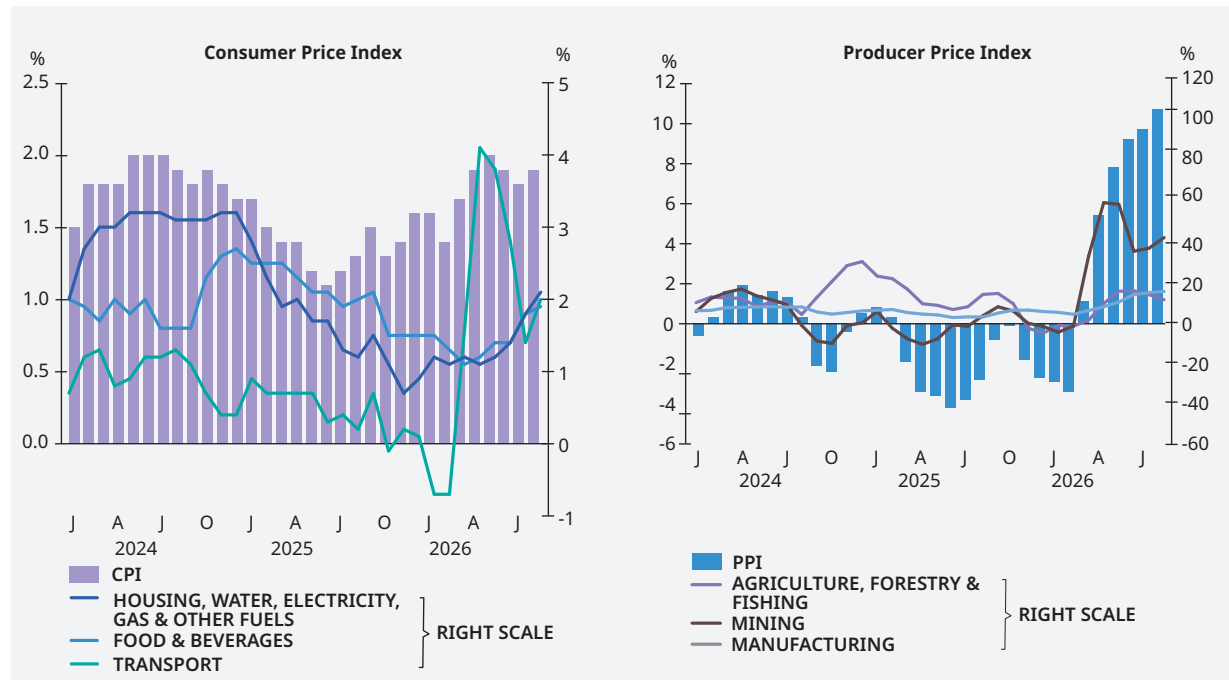
	WEIGHT ¹	CHANGE (%)		CONTRIBUTION TO PPI GROWTH (PERCENTAGE POINTS)	
		2025	2026	2025	2026
PPI by sector	100.000	-2.3	4.6	-2.30	4.60
Agriculture, forestry & fishing	6.730	6.7	0.9	0.43	0.06
Mining	7.927	-10.0	25.9	-0.75	1.97
Manufacturing	81.571	-2.6	2.9	-2.01	2.27
Electricity & gas supply	3.442	0.8	7.9	0.03	0.26
Water supply	0.330	1.8	10.7	0.01	0.03
PPI by stage of processing	100.000	-2.3	4.6	-2.30	4.60
Crude materials for further processing	16.410	-4.1	15.4	-0.68	2.68
Intermediate materials, supplies & components	56.119	-2.2	2.8	-1.25	1.66
Finished goods	27.471	-1.3	0.9	-0.36	0.26

¹ Based on Economic Census 2016

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

FIGURE 3.5. *Consumer Price Index and Producer Price Index Trends (% change)*



Source: Department of Statistics, Malaysia

Labour Market

Sustained labour market performance

The labour market remained stable in the first half of 2026, underpinned by stronger-than-expected economic growth attributed to robust domestic demand and external sector. The labour force participation rate rose to 70.9%, reflecting expanding workforce engagement amid healthy employment prospects. Total **employment** expanded by 1.1% to 16.8 million persons, while the **unemployment rate** remained low at 3%, equivalent to 509,700 unemployed persons. The services sector continued to account for the largest share of employment at 66.7%, followed by manufacturing and agriculture at 16.2% and 8.7%, respectively.

Demand for labour also remained encouraging in the first half of 2026, evidenced by sustained **job creation** and expanding

vacancies. Establishments generated 64,270 new jobs, marginally lower by 1.3% compared with 65,138 jobs in the corresponding period of 2025, while total vacancies edged up by 0.4% to 195,730 positions. Despite the continued availability of employment opportunities, job **placements** declined by 20.6% to 74,874 persons, indicating moderation in job matching and cautious onboarding by businesses navigating lingering supply chain risks and external headwinds.

The labour market is projected to maintain a favourable trajectory in the second half of 2026, supported by resilient household demand and steady expansion in services and manufacturing sectors. Vibrant tourism-related activities, global semiconductor upcycle and ongoing digital infrastructure development will help to sustain business appetite for hiring and headcount retention. Against this backdrop, the full year unemployment rate is estimated to remain low at 3% in 2026.

TABLE 3.15. *Labour Market Indicators*

	('000 PERSONS)			CHANGE (%)		
	H1 ¹	2026 ²	2027 ³	H1 ¹	2026 ²	2027 ³
Labour force	17,275.8	17,387.0	17,734.8	1.0	1.8	2.0
Employment	16,766.1	16,869.6	17,198.5	1.1	1.7	2.0
Unemployment	509.7	517.5	536.3	(3.0)	(3.0)	(3.0)

¹ January to June 2026

² Estimate

³ Forecast

Note: Figures in parentheses refer to the unemployment rate

Source: Department of Statistics and Ministry of Finance, Malaysia

TABLE 3.16. *Employed Persons by Sector*

	('000 PERSONS)			SHARE (%)		
	H1 ²	2026 ³	2027 ⁴	H1 ²	2026 ³	2027 ⁴
Agriculture, forestry and fishing	1,461.1	1,485.5	1,508.4	8.7	8.8	8.8
Mining and quarrying	101.0	101.7	107.9	0.6	0.6	0.6
Manufacturing	2,718.9	2,724.3	2,778.8	16.2	16.1	16.2
Construction	1,302.9	1,370.5	1,389.7	7.8	8.1	8.1
Services	11,182.1	11,187.6	11,413.9	66.7	66.3	66.4
Total¹	16,766.1	16,869.6	17,198.5	100.0	100.0	100.0

¹ Total includes 'Activities of extraterritorial organisations and bodies'² January to June 2026³ Estimate⁴ Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

As at end-August 2026, registered low-skilled **foreign workers** contracted by 2.9% to 2.08 million compared to 2.14 million in the corresponding period in 2025, driven by tighter quota controls aligned with the Government's policy commitment to reduce economic reliance on foreign labour. Meanwhile, sectoral manpower shortages will be addressed through measures focused on enhancing job conditions to attract local talents, alongside productivity improvements through accelerating automation and technology adoption. Foreign workers were predominantly sourced from Bangladesh (36.2%), Indonesia (26.4%) and Nepal (16.7%). The manufacturing sector accounted for the largest share of foreign worker employment at 28.8%, followed by construction (26%) and services (19.2%). Meanwhile, the number of **expatriates** increased by 1.5% to 123,088 persons as at end-August 2026, reflecting sustained demand for specialised expertise. Expatriates were mainly from China (32%), India (15.5%) and Indonesia (7.2%). In terms of sectoral distribution, expatriates were mainly

employed in information technology (36.5%), followed by services (16.6%) and construction (14.7%).

Labour productivity, measured by value-added per worker, increased by 4.6% to RM52,763 in the first half of 2026, anchored by strong output growth in manufacturing and construction, alongside a recovery in mining and quarrying sectors. Manufacturing productivity gains were supported by output expansion, particularly in E&E and metal industries, with value-added outpacing employment growth. For the whole year, overall productivity is projected to expand by 3.4% to approximately RM108,100, supported by ongoing strategic investments in high-impact sectors such as digital technology, data centres and E&E-related, alongside greater technology adoption and talent development. The construction sector is expected to record the highest productivity growth at 4.4%, followed by manufacturing at 4% and services at 3.6%.

Outlook 2027

Sectoral

Services Sector

Steady growth in all subsectors

The **services** sector is projected to register a strong growth of 5.2% in 2027, with all subsectors expected to perform positively. The growth will be anchored by high-value digital services and resilient private consumption alongside higher visitor arrivals following VM2026 – 2027. Furthermore, the sector's performance will be boosted by the initiatives on the national agenda to accelerate growth of digital economy.

The wholesale and retail trade subsector will remain a key contributor to the services sector, with a growth of 4.4% mainly driven by the wholesale trade segment. Vigorous seasonal sales and promotional campaigns across physical stores as well as e-commerce and social media platforms will continue to stimulate consumer spending in tandem with the VM2026 – 2027 marketing and promotional events. Meanwhile, the motor vehicles segment is expected to record a growth supported by resilient demand for new private vehicles, particularly for locally-assembled cars.

Meanwhile, the information and communication subsector is expected to maintain a strong growth of 7.9% in 2027, supported by the growing demand for cloud computing, ongoing digitalisation across businesses, continued operationalisation of data centres and expansion of digital connectivity as well as the development in telecommunication infrastructure including Jalinan Digital Negara Phase 2 (JENDELA Phase 2) and Sambungan Kabel Dasar Laut MADANI (SALAM). In addition, the substantial approved investment in information and communication subsector in the first half of 2026 is expected to spur further economic activity and contribute to the subsector's growth in 2027.

The transportation and storage subsector is forecast to grow by 7.4%, supported by continued trade and logistics activities, sustained demand for warehousing and distribution services as well as improved passenger traffic in conjunction with VM2026 – 2027. The land transport segment will be partly bolstered by the commencement of the East Coast Rail Link (ECRL) that is envisaged to boost transportation and enhance connectivity between the East Coast and major ports, along with the expansion of railway networks supporting cargo movement and logistics activities. Furthermore, the expected commencement of the Johor Bahru-Singapore Rapid Transit System Link (RTS Link) will enhance cross-border connectivity and support passenger traffic, tourism, retail and business activities. Likewise, continued travel, as well as tourism activities and airport capacity upgrades will further promote demand in both passenger and cargo in the air transport segment. The growth of the water transport segment is projected to remain stable in 2027 on account of high trade activities, supported by Malaysia's strategic position along major regional shipping routes.

The real estate and business services subsector is forecast to increase by 7% driven by continued investment and construction activities, including the development and operationalisation of data centres. Moreover, ongoing projects under the JS-SEZ, development of industrial parks and logistics facilities, and the completion of several data centre projects are expected to increase demand for property-related, engineering, professional and business services. Meanwhile, the commencement of the RTS Link will be able to support transit-oriented development envisaged to unlock multi-dimensional economic benefits.

The food & beverages and accommodation subsector is expected to grow steadily, expanding by 6% in 2027, in lieu of higher visitor arrivals in conjunction with the VM2026 – 2027, as well as robust

domestic tourism spending. The subsector's performance will also be bolstered by various international events scheduled including the Langkawi International Maritime and Aerospace Exhibition (LIMA) 2027, 34th South East Asian Games (SEA Games) 2027 as well as numerous MICE programmes. In addition, visit state campaigns by Sabah and Terengganu are also expected to stimulate tourism activities and provide further impetus to the subsector.

The finance and insurance subsector is anticipated to expand by 2.3%, supported by sustained economic activities. Within the finance segment, demand for financing is expected to remain supported by ongoing investment activities, particularly in high value-added industries, as well as conducive labour market conditions. Meanwhile, the insurance segment is expected to benefit from the nationwide rollout of MediAsas, although rising medical costs may temper premium growth.

The utilities subsector is projected to grow by 3.7%, driven by increasing electricity demand and water consumption from industrial and commercial users, partly as a result of the expansion of data centre operations. Meanwhile, ongoing development of industrial parks and digital infrastructure will require utility consumption, particularly in regions experiencing rapid investment activity. Notwithstanding, the effects of the Super El Niño are also expected to increase demand for electricity due to higher air conditioning usage to weather the hot and dry spell.

The other services subsector is projected to rise by 5.8%, driven by the private health and education services. The Malaysia Healthcare Travel Council (MHTC) will continue efforts to strengthen Malaysia's position as a preferred medical tourism destination by expanding its international market presence and promoting Malaysia's quality medical services

and healthcare offerings, particularly in key markets such as Indonesia, China and India. Meanwhile, the private education services is expected to strengthen further, driven by continued efforts to position Malaysia as an attractive international education destination. Promotional initiatives by Education Malaysia offices, Education Malaysia Global Services (EMGS) and local universities, particularly through mobility and edutourism programmes, are expected to further support growth in international student enrolment.

The government services subsector is forecast to record a growth of 4.5% in 2027. This is partly attributed to outlays for supplies and services as well as emoluments.

Manufacturing Sector

Harnessing the AI wave

The **manufacturing** sector is projected to grow by 4.1% in 2027, attributed by a moderate expansion in export-oriented industries. Growth in the E&E segment is expected to remain stable, supported by sustained demand for AI-related products, despite the easing of global semiconductor cycle in 2027. Continued implementation of the NSS will support domestic capabilities in higher value-added activities including integrated circuit design and advanced packaging. Meanwhile, domestic-oriented industries are expected to benefit from sustained household spending and tourism activity. The vibrant promotional events under VM2026 – 2027 together with the hosting of LIMA 2027 and 34th SEA Games 2027, are expected to support tourist arrivals and spending, generating additional demand for food, beverages and other consumer goods. Continued expansion in construction activity, particularly industrial and infrastructure projects, will also support demand for building and other intermediate materials.

Agriculture Sector

Recovery in production

The **agriculture** sector is projected to rebound and improve marginally by 0.5% in 2027. The oil palm subsector is projected to record marginal declines in FFB yields and crude palm oil (CPO) production in line with the biological yield cycle. However, better FFB quality is expected to support a marginal improvement in oil extraction rate. On the other hand, despite CPO production declining marginally, its prices are expected to remain high, averaging between RM4,450 and RM4,600 per tonne in 2027 (2026: RM4,300 – RM4,500). This is in tandem with tighter supply conditions following continued global demand especially from biodiesel programmes, thus sustaining plantation incomes.

A recovery in agro-food production, particularly in the livestock and fishing subsectors, is expected to further support the growth driven by sustained household spending and tourism-related demand. Efforts to expand paddy cultivation and improve irrigation, alongside greater adoption of agricultural technologies, are expected to support food production and productivity. The rubber subsector is anticipated to recover, attributed to the rehabilitation of untapped mature rubber areas and further enhancement of plantation initiatives by the Government. However, the extent of the production recovery across other subsectors will remain stable, subject to weather conditions and input costs.

Mining and Quarrying Sector

Sustaining growth through new field developments

The **mining and quarrying** sector is projected to expand by 1.2% in 2027, supported by both the natural gas and the crude oil and condensate subsectors. The anticipated operationalisation of PFLNG3 in Sipitang, Sabah and the progressive ramp-up of the Rosmari and Marjoram projects

in Sarawak will support natural gas production, with demand sustained by domestic power generation and LNG export markets.

Additional output from newly commissioned fields in Kasawari Phase 2 (Offshore Sarawak), including projects Berantai East and Irong Timur, are expected to partially mitigate the decline in crude oil and condensate production at the Gumusut-Kakap and Malikai fields. Continued redevelopment of existing assets and efforts to improve recovery rates will provide further support to production. In terms of pricing, Brent Crude oil is projected to average USD85 per barrel in anticipation of moderate oil demand growth due to the growing adoption of xEV, biofuels and energy efficiency.

Construction Sector

Projects in pipeline to sustain growth

The **construction** sector is forecast to register a growth of 5.7% in 2027, driven by continued activities across all subsectors. The non-residential buildings and specialised construction activities subsectors are expected to remain as the main contributors to the sector's growth. The development of new data centres in Selangor, Johor and Negeri Sembilan will continue to sustain the non-residential buildings subsector's expansion. Progress in these projects, together with other building and infrastructure projects, is projected to generate demand for mechanical, electrical and plumbing installation works, thus supporting the specialised construction activities subsector's growth.

Major infrastructure projects such as the Gombak-Port Klang section of the East Coast Rail Link (ECRL Phase 2), Elevated Autonomous Rapid Transit (E-ART) system, Kuala Lumpur Northern Dispersal Expressway (KL NODE), LRT3 Phase 2 and Juru-Sungai Dua Traffic Dispersal Project will steer the civil engineering subsector's performance. In addition, the residential buildings subsector is expected to benefit from the implementation of measures under the National Housing Policy 2026 – 2035,

aimed at improving housing affordability while addressing long-standing issues related to delayed and abandoned housing projects.

Domestic Demand

Domestic demand continues to anchor growth

In 2027, **domestic demand** is forecast to increase by 5.1%, underpinned by continued growth in private sector expenditure at 5.3%. Resilient consumption and investment activities are expected to sustain the private sector's contribution to GDP growth at 4.1 ppt. Meanwhile, public expenditure is anticipated to grow by 4.2%, contributing 0.8 ppt to overall growth.

Private consumption is projected to grow by 4.8% in 2027, supported by sustained domestic economic activities and favourable employment prospects. Meanwhile, tourism-related activities, including the VM2026 – 2027, together with major events such as the LIMA 2027 and 34th SEA Games are expected to provide additional impetus to consumer spending.

Private investment is projected to expand by 7.1% in 2027, supported by continued capital expenditure, particularly in the technology-intensive services and manufacturing sectors. Areas of investment include hyperscale data centres and AI infrastructures, advanced

semiconductors, as well as chemical and petrochemical activities. While investment activity remains on a firm footing, private investment growth is anticipated to normalise following the strong growth in the preceding years. The execution of ongoing multi-year projects will further sustain investment momentum. In addition, robust adoption of advanced technologies and digitalisation is expected to support productivity improvements and enhance production capacity. The policy environment will also remain supportive, with the ongoing implementation of national policies targeting high-impact sectors and the outcome-based NIF prioritising investment quality over the volume of approvals, contributing to continued private investment activity.

Public consumption is forecast to grow by 3.2% in 2027. Growth will be supported by emolument spending and expenditure on supplies and services. The Government Procurement Act 2026 [Act 882] which is expected to come into force in 2027, will reinforce these efforts by strengthening governance, enhancing transparency and embedding value-for-money principles in procurement, thereby reducing the risks of leakage, wastage and mismanagement of public funds. Together, these measures are expected to support efficient public service delivery while maintaining fiscal discipline and ensuring prudent public spending.

INFORMATION BOX 3.3

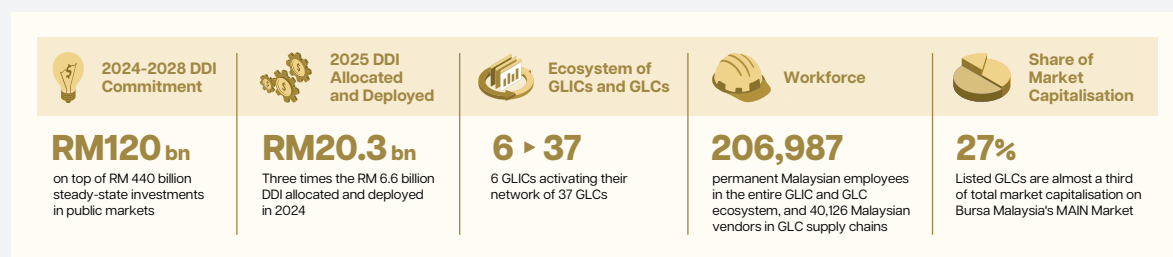
Anchoring Malaysia's Momentum Through GEAR-uP

In 2024, the Ministry of Finance (MoF) initiated the Government-Linked Enterprises Activation and Reform Programme (GEAR-uP) to strengthen strategic investments, innovation and social inclusion in supporting the nation's economic development agenda. The Programme mobilises six government-linked investment companies (GLICs), namely Employees Provident Fund (EPF), Permodalan Nasional Berhad (PNB), Retirement Fund (Incorporated) (KWAP), Khazanah Nasional Berhad (Khazanah), Lembaga Tabung Haji (Tabung Haji) and Lembaga Tabung Angkatan Tentera (LTAT), together with the government-linked companies (GLCs) under their ownership. The initiatives under these GLICs are aligned with the twin pillars of Ekonomi MADANI, namely Raising the Ceiling of national potential and Raising the Floor of living standards. The six GLICs collectively manage RM2.2 trillion in assets under management, exceeding Malaysia's GDP in 2025.

Under GEAR-uP, the GLICs have committed RM120 billion in domestic direct investments (DDI) from 2024 to 2028, in addition to RM440 billion in steady state public market investments already channelled in the economy. In 2025, GLICs allocated and deployed RM20.3 billion domestically. While below the projected RM25 billion target announced in Budget 2025, this represents a threefold increase from the RM6.6 billion allocated and deployed in 2024, with momentum carrying into the first quarter of 2026. This is patient capital intended to crowd in private investments and build a productive base that lasts.

In 2025, the programme widened its reach to the GLCs owned by the GLICs, extending coordination from capital allocation to the operating companies that put it to work. The combined scale provides a substantial base for implementation, with the 37 GLCs sustaining 40,126 vendors across their supply chains and, together with the GLICs, employing 206,987 Malaysian employees, setting a benchmark for the wider corporate sector. Figure 3.3.1 summarises GEAR-uP's 2025 contributions.

FIGURE 3.3.1. *GEAR-uP's 2025 Contributions at a Glance*



Source: Ministry of Finance, Malaysia

Raising the Ceiling: Beyond Capital to Capabilities

Raising the Ceiling entails growing Malaysia's capability to build and make, widening the productive capacity of the economy for the years ahead. GLICs and GLCs are pursuing this by investing across three themes, namely advancing economic complexity, strengthening firms of all sizes and maturity, and catalysing national priorities.

Advancing economic complexity

Malaysia holds approximately 13% of the global market share in semiconductor testing and packaging. The focus is on moving into higher margin segments of the value chain. Under this initiative, GLICs invested RM1.4 billion in the semiconductor ecosystem and RM1.8 billion in digital and logistics infrastructure in 2025.

There are several highlights in this ecosystem driven by GEAR-uP. Among others is SkyeChip, a Pulau Pinang-based integrated circuit (IC) design firm, which debuted on Bursa Malaysia's MAIN Market on 20 May 2026 following early stage backing from Khazanah's Dana Impak. The offering raised RM352 million in gross proceeds and was oversubscribed 95.03 times, with GLICs subscribing 15.5% as cornerstone investors and more than 60% of proceeds allocated to R&D in silicon intellectual property. Technology transfer is progressing on the same basis. Khazanah's 2024 investment in the edge artificial intelligence (AI) firm Syntiant anchored the expansion of its operations in Pulau Pinang, where a new 220,000 sq. ft. campus localises complex micro-electro-mechanical systems (MEMS) processing and AI engineering, creating 200 high-skilled roles out of 800 new jobs.

Strengthening firms of all sizes and maturity

GEAR-uP also contributes to building the capacity of businesses across the whole spectrum beginning with Government agencies, including Cradle Fund, Perbadanan Usahawan Nasional Berhad (PUNB) and VentureTech, supporting companies at the inception stage. Khazanah's Jelawang Capital and KWAP's Dana Perintis anchor the venture stage, channelling RM588 million to startups in the consumer, digital, agritech and edtech sectors in 2025. Khazanah's Dana Impak and KWAP's Dana Pemacu subsequently provide growth capital to firms ready to scale, before GLICs take cornerstone positions at the point of listing, with Ekuinas deepening Bumiputera ownership throughout.

Between 2022 and June 2026, more than 130 Malaysian startups were supported through 11 partner venture funds, with close to 30 being Bumiputera-owned, as illustrated in Figure 3.3.2. One of the companies backed include Aonic, a drone technology firm now serving 15 countries, whose farmer clients report income gains of up to 50%. In addition, international fund managers including AppWorks and Antler have localised operations in Malaysia to support the capital deployment.

FIGURE 3.3.2. Malaysia's Venture Capital and Crowd-In the Startup Ecosystem



Source: Ministry of Finance, Malaysia

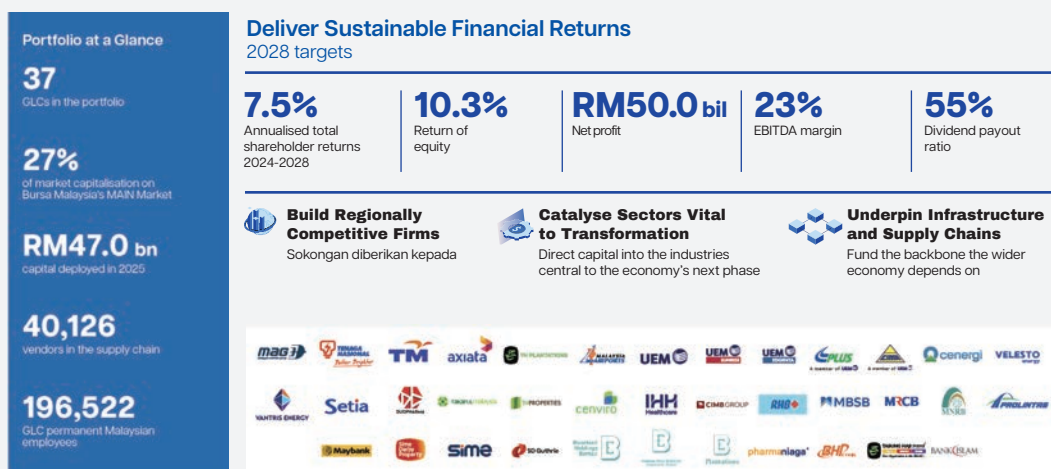
While mid-tier companies (MTC) contribute 36% of GDP and employ 16% of the workforce, yet many face constraints in capital, capabilities and market access at the point of scaling. GLICs address these constraints through a staged pathway to enable companies to progress from one stage of growth to the next with continuity of institutional backing. KWAP's Dana Pemacu allocated and deployed RM1.2 billion through 12 fund managers in 2025, each paired with an international partner under a co-investment model. Investments comprise RM254 million through Seraya Partners in Empyryon Digital, a hyperscale AI data centre in Johor, with first energisation targeted for November 2026; RM51 million through Mekar Capital and Navis Capital in a local nutraceutical company; and RM210 million through Foster Capital and Castleforge for the first phase of centralised labour quarters in the Klang Valley, providing 9,000 beds. Furthermore, capacity building is provided through the MTC Growth Innovation Programme (MGIP) and ELEVATE Programme 2.0 with Capital Markets Malaysia, targeting up to 100 mid-tier companies.

Catalysing national priorities

GLICs actively steward the portfolio of 37 GLCs, targeting 7.5% annualised total shareholder returns from 2024 to 2028, a trajectory that could unlock RM100 billion in value. Performance has outpaced expectations, with GLICs delivering total shareholder returns of 8% for full year 2025. As GLCs account for around 27% of market capitalisation on Bursa Malaysia's MAIN Market, the gains flow back to EPF, KWAP, PNB and Tabung Haji members, lifting ordinary Malaysians' savings.

This stewardship rests on clear targets benchmarked against best-in-class sector peers, comprising 10.3% return on equity, RM50 billion in net profit, 23% EBITDA margin and 55% dividend payout ratio by 2028, as summarised in Figure 3.3.3. Beyond the targets, GLICs set the standard for the wider corporate sector in disclosure and the discipline of long-term value creation. Under the Capital Market Masterplan 2026 – 2030, the Securities Commission Malaysia (SC) and Bursa Malaysia introduced MY Value Up in April 2026, encouraging the 88 largest listed companies, which account for around 80% of market value, to disclose value creation plans.

FIGURE 3.3.3. *GLIC Stewardship of the GLC Portfolio*



Source: Ministry of Finance, Malaysia

GLICs and GLCs deploy patient capital in foundational sectors where national priorities align with the mandates to deliver sustainable returns. Focus has been given to progress the identified sectors leveraging the GLCs' strength to advance the industries' needs.

In healthcare, the RM1.9 billion privatisation of APEX Healthcare, Malaysia's largest pharmaceuticals buy-out to date, establishes an integrated manufacturing and distribution platform. Pharmaniaga, strategically supported by LTAT, has established a locally-owned insulin and vaccine manufacturing segment with capacity for 25 million vaccine doses and 30 million insulin cartridges annually, alongside a three-year RM281.7 million supply contract with the Ministry of Health Malaysia.

In uplifting the agriculture sector, emphasis is placed on modernisation and improvement of median wage. For example, SD Guthrie's Mechanisation, Automation and Digitalisation (MAD) programme has deployed 950 machines since 2021 and created 514 local machine specialist positions with a median monthly salary of RM3,115, above the RM3,100 living wage benchmark (EPF, 2025). Meanwhile, in the energy sector, Tenaga Nasional Berhad (TNB) is undertaking a RM42.8 billion grid investment from 2025 to 2027, the largest in its history, having invested RM12 billion in 2025. These investments will support the target of 10 GW of renewable capacity by 2030.

In strengthening national connectivity, a consortium anchored by Khazanah and EPF has committed RM11 billion over five years to upgrade airports and logistics infrastructures. Building on an annual passenger volume that reached 104.5 million in 2025, this capital deployment will drive major capacity expansions across KLIA, Pulau Pinang and Kota Kinabalu alongside logistics hubs such as the Penang International Logistics Aeropark. On a separate note, within digital infrastructure, investments span corridors in Pulau Pinang, Port Klang and Iskandar Malaysia, including KWAP's RM319 million investment in a Google data centre at Puncak Alam and a RM550 million commitment by EPF and LTAT to Sime Darby's New Economy Venture Fund. As at March 2026, Malaysia had secured 59 data centres and hyperscale projects, of which 36 are operational.

While driving economic complexity, GEAR-uP programmes also encompass the preservation of Malaysia's heritage. Warisan KL, launched in April 2025, driven by Khazanah, PNB Merdeka Ventures, public institutions and government agencies to conserve the capital's-built heritage. Warisan KL is projected to generate RM7.9 billion in economic value and attract more than 9.1 million visitors by 2035. Khazanah's restoration of Bangunan Sultan Abdul Samad and the old General Post Office reopened in early 2026 and records an average daily footfall of 5,000. Seri Negara, where the 1948 Federation of Malaya and 1957 Independence agreements were signed, reopened in December 2025, while Carcosa is being restored as an eco-sanctuary hotel. PNB Merdeka Ventures acquired Stadium Merdeka, which was then restored to the original 20,000-seat capacity, a project recognised with a UNESCO Asia Pacific Award, while the Merdeka Textile Museum was launched in August 2026.

Raising the Floor: Ensuring a Quality and Just Life for All

Raising the Floor entails ensuring the benefits of growth are felt by all, measured not only by the wealth an economy creates but also by how widely that wealth is shared. With approximately 207,000 permanent Malaysian employees, more than 40,000 vendors and a presence in every state, GLICs and GLCs are positioned to lift the floor across three themes, namely future-proofing the workforce, strengthening community livelihoods and wellbeing as well as championing decent living wages.

Future-proofing the workforce

In Q2 2026, approximately 35% of tertiary educated Malaysians worked below their qualification levels (DOSM, 2026), while strategic sectors such as energy, digital and advanced manufacturing report shortages of credentialled talent. GLICs and GLCs funded an average of 7,526 scholars annually over 2020 to 2025, with 88% from lower-to-middle income households, exceeding the Budget 2025 aspiration that at least half of scholarships be allocated to these families.

In enhancing youth employability, Khazanah's K-Youth has trained 35,000 youths since 2023 and placed 9,934 in 2025 with employers including Infineon, Intel, Onsemi, SkyeChip and Vitrox. At the same time, TNB's PROTEGE-Ready to Work programme has trained 7,216 Malaysians since its inception in 2011, with 559 hired into TNB. In June 2026, these efforts were consolidated under BAKAT MADANI, a national talent platform uniting PETRONAS, the six GLICs and their GLCs, providing an integrated pathway from education and training to certification and placement, targeting 25,000 Malaysians by end-2027.

Strengthening community livelihoods and wellbeing

GLICs and GLCs directed RM641 million into community investment in 2025, an increase of 20% from RM534 million in 2024, across more than 775 programmes reaching at least 5.1 million beneficiary touchpoints. Cumulative contributions from 2021 to 2025 totalled RM2.6 billion. The MOF Social Impact Matching Grant doubles every foundation ringgit for community use, while the Sekolah Angkat and Santuni MADANI programmes have reached 399 communities. GLC Demi Rakyat dan Negara (GDRN), the collaborative philanthropy platform of GLICs and GLCs, pools member resources for disaster response, channelling RM22.4 million in humanitarian assistance and reaching 580,426 beneficiary touchpoints throughout the country over the 2025 and 2026 monsoon season.

Championing decent living wages

In May 2025, following the joint commitment by the six GLICs, 189,817 out of 206,987 (91.7%) permanent Malaysian employees across the GLIC and GLC ecosystem, earned at least a decent living wage of RM3,100 monthly as of December 2025. This figure is reviewed by GLICs and GLCs every three years, based on the cost of living published under EPF's Belanjawanku. As at July 2026, 25 entities out of the six GLICs and 37 GLCs had all permanent Malaysian employees receiving decent living wages. Figure 3.3.4 highlights the progress of decent living wages initiative.

FIGURE 3.3.4. Decent Living Wage Initiative Progress



1. GLICs and GLCs update the living wage benchmark every 3 years based on cost of living as published by EPF's Belanjawanku

Source: Ministry of Finance, Malaysia

Outlook

The majority of the RM120 billion commitment remains to be deployed over the next two years. On economic complexity, the semiconductor ecosystem continues to widen through SemiconStart Malaysia's cohorts and the cross-border funds anchored in 2025, while hyperscale and logistics capacity keeps building. Google's data centre in Selangor adds a further 320 MW and 26,500 jobs through 2026 and 2027, alongside Empyrion Digital's phased build-out in Johor.

On firms and capital markets, GLICs' funds including Dana Impak, Dana Perintis, Dana Pemacu and Ekuinas continue to carry companies from venture to growth stage, with Khazanah's planned Dana Ciptawan adding a further RM200 million for Bumiputera enterprises and other mid-tier Malaysian firms. GLCs remain on course for RM100 billion in additional market value by 2028, with MY Value Up now extending the same discipline to Malaysia's 88 largest-listed companies.

On national priorities, TNB grid investment continues under Regulatory Period 4, rising from RM12 billion in 2025 towards RM15 billion in 2027, as the country works towards 70% renewable energy in installed capacity by 2050. MAHB continues its five year, RM11 billion upgrade programme, with KLIA's capacity plan targeting over 100 million passengers annually and Penang International Airport's capacity set to double from 6.5 million passengers. Ultimately, by expanding talent platforms like BAKAT MADANI to 25,000 Malaysians and entrenching decent living wage commitments across the ecosystem, the programme ensures that gains in economic complexity directly translate into higher living standards for all.

Conclusion

Guided by the Ekonomi MADANI framework, the GEAR-uP initiative is successfully building an economy that simultaneously raises the nation's ceiling of growth and floor of social well-being. By converting strategic capital deployment into enduring national capability, the initiative fosters a deep, competitive ecosystem that turns local firms into market champions, strengthens domestic supply chains and accelerates high-value job creation. True economic success goes beyond attracting headline investment, measured by the lasting impact capital leaves behind, delivering higher living standards for the rakyat, towards a strong and resilient Malaysia.

Public investment is projected to expand by 6.8% in 2027, driven by targeted development spending and steady capital outlays. Federal Government development spending will continue to prioritise rakyat-centric projects, particularly upgrades in critical infrastructures for healthcare and education. Meanwhile, capital expenditure by NFPCs is expected to remain focused on strategic sectors, including energy, utility and transport, reinforced by targeted government-linked investment companies' (GLICs) commitments under Government-Linked Enterprises Activation and Reform Programme (GEAR-uP) initiative. Investment activity will also be supported by the continued implementation of ongoing high-impact projects, including the Penang LRT Mutiara Line, ECRL Phase 2, SSLR, Pan Borneo Highway Sabah and the upgrading of Klang Valley Double Track Phase 2 (KVDT2). These investments are expected to strengthen national connectivity, improve public service delivery, expand the economy's productive capacity as well as support sustainable and inclusive growth.

Driven by expanding domestic activity, GNI at current prices is forecast to grow by 6.2% in 2027. GNS and total investment are projected to reach 24% and 22.2% of GNI, respectively, yielding a **savings-investment gap** of RM41.8 billion or 1.9% of GNI to ensure investment can be funded largely through domestic sources.

Income

Higher wage progression required to uplift income share

The **CE** is projected to maintain a steady growth trajectory of 6.8% in 2027. Sustained wage progression will be driven by institutional and regulatory labour market reforms, enhanced productivity-linked wage-setting frameworks and more synchronised labour supply-demand initiatives. Additionally, the periodic review of the GEAR-uP living wage framework, aimed at mitigating cost of living pressures among workers in GLCs and GLICs, is

expected to generate positive wage spillovers and motivate other private sector players to pay higher wages to their employees. On the demand side, the VM2026 – 2027 is also expected to further boost tourism-related industries' growth momentum specifically related to retail trade, food and beverage, accommodation, storage and transportation as well as support services activities, thereby expanding employment opportunities and income prospects. These developments will support a higher labour income share of 34.2%, keeping Malaysia on track towards achieving its long-term target of 40% of GDP by 2030.

In the meantime, **GOS** is forecast to expand by 5.2%, consisting 62.1% share of GDP in 2027. Malaysia's strategic integration along the global value chain, coupled with resilient domestic demand, sustained digital infrastructure investment and robust E&E demand driven by AI are expected to stimulate business income growth. However, corporate profit margins in selected export-oriented sectors may face headwinds from elevated domestic input costs, uncertain global trade conditions and geopolitical tensions in West Asia. Meanwhile, mixed-income is forecast to improve by 8.4%, contributing 16.3% of GDP. The improvement will be supported by institutional reforms under Act 872, which establishes a fair compensation framework, transparent service agreements and mandatory social protection for platform and non-platform self-employed individuals. By accelerating the formalisation of gig work, this legislative framework is anticipated to enhance labour market resilience and strengthen self-employment as a viable and primary source of household income.

Income from **taxes less subsidies** on production and imports is projected to grow by 16.5%, attributed by ongoing efforts in improving tax compliance and tightening enforcement to comply with strict fiscal discipline goals. Meanwhile, expenditure on subsidies and incentives is expected to decline by 7.5% as the Government remains committed to implement subsidy targeting to reduce fiscal

leakages. Hence, income share from net taxes on production and imports is projected to contribute 3.8% of GDP in 2027.

External Sector

Resilient and Supportive Outlook

Gross exports in 2027 are forecast to increase by 3%, driven by buoyant demand for manufactured goods, mining goods and agriculture goods. Exports of manufactured goods are projected to expand by 2.6% following steady performance in the E&E industry, particularly semiconductors, backed by continuous demand for AI-related products. The World Semiconductor Trade Statistics anticipated global semiconductor sales to increase by 27% in 2027, contributed by higher technology-related activities as well as increasing demand for E&E products from major trading partners. The solid performance is aligned with stronger global trade and economic growth in major trading partners as forecast by the IMF in July 2026. Hence, Malaysia is expected to benefit from the positive outlook as reflected in stronger demand for E&E products and non-E&E products.

Likewise, receipts from mining goods are anticipated to grow by 8.3% attributed to sustained exports of LNG, crude petroleum as well as metalliferous ores and metal scrap. This growth will be supported by stronger demand from major trading partners subsequent to market diversification and expansion. Furthermore, exports of agriculture goods are projected to rise by 4.8%, mainly driven by higher shipments of palm oil and palm oil based agriculture products following an increase in export volume and favourable commodity prices.

Gross imports are estimated to expand by 3.5% on the back of higher imports of intermediate goods, capital goods and consumption goods. Imports of intermediate goods are expected to increase by 3.4% following optimistic prospect in the manufacturing sector. Correspondingly, imports of capital goods are forecast to grow by 3.9% on account of stronger investment in services-related activities, expansion

in manufacturing sector and upgrading in technology infrastructure. Imports of consumption goods are expected to increase by 3.1%, among others, supported by robust and competitive online shopping platforms.

The **current account of the balance of payments** is forecast to register a wider surplus of RM41.8 billion or 1.9% of GNI in 2027, contributed by positive balances in the goods and services accounts as well as narrowing deficit in the secondary income account, despite higher net outflow in the primary income account. Surplus in the goods account is projected to narrow to RM130.6 billion owing to growth in imports outpacing exports. Higher imports are expected particularly in the healthcare and education sectors as well as infrastructure projects towards the implementation of rakyat-centric projects.

Meanwhile, the services account is projected to record a wider net inflow of RM17.8 billion, attributed to higher surplus in the travel account and narrowing deficit in the other services account, despite a larger net outflow in the transport account. The travel account is forecast to register a higher surplus of RM61.3 billion, propelled by vigorous tourism activities. Earnings in the travel account is estimated to increase following VM2026 – 2027, LIMA 2027 and 34th SEA Games, which are anticipated to attract more international tourist arrivals and encourage higher per capita tourist spending. Nonetheless, stronger residents' spending abroad for business, education and pilgrimage is expected to increase payments in the travel account.

The other services account is anticipated to register a narrowing deficit of RM14.1 billion backed by higher income contributed by data centre- and cloud computing-related activities. The realisation of investment in data centre and robust adoption of digitalisation is expected to be reflected by higher receipts in the telecommunication, computer and information services. Similarly, net inflow in the manufacturing services on physical inputs owned by others is expected to increase following an encouraging outlook

in the E&E industry. Nonetheless, deficit in the transport account is anticipated to widen to RM29.4 billion stemming from continuous reliance on foreign transport providers in tandem with sustain trade activities.

The primary income account is projected to record a wider net outflow of RM94.7 billion due to higher deficits in the investment income and compensation of employees. The investment income account is anticipated to register a larger net outflow subsequent to increasing repatriation of profits and dividends by foreign investors in Malaysia. Similarly, deficit in the compensation of employees account is estimated to widen due to increasing participation of foreign professionals. On the other hand, a net outflow in the secondary income account is estimated to narrow to RM12 billion, attributed to higher inward remittances by Malaysians working abroad.

Prices

Inflation remains contained amid gradual cost pass-through

Headline inflation is projected to range between 1.8% and 2.8% in 2027. The forecast reflects carry-over effects and lagged transmission of higher energy, food and other input costs. Inflation is expected to be firmer in the early months of 2027 before easing as the impact of earlier cost increases diminishes and upstream costs gradually normalise. Domestic price pressures are anticipated to remain manageable, with economic activity unlikely to generate demand-pull inflationary pressures. Nevertheless, services-related categories, including food away from home, housing-related services and personal care, remain the main sources of underlying price pressure.

Risks to the outlook are tilted to the upside. A renewed escalation of geopolitical tensions, prolonged disruptions to energy and supply chains, higher freight and fertiliser costs as well as weather-related food supply shocks can lead to stronger and more persistent inflation. Further adjustments to administered prices, utilities or subsidy mechanisms could also affect the

inflation trajectory. On the downside, a faster normalisation of global crude oil and food prices, stronger ringgit and softer domestic demand could keep inflation below the baseline projection.

Labour Market

Labour market remains resilience

The labour market in 2027 is projected to remain resilient, anchored by robust domestic demand despite persistent geopolitical and trade-related headwinds. On the supply side, structural reforms under the Ekonomi MADANI framework such as strengthened wage structures, expanded social protection and improved workplace environments are expected to boost labour force participation. On the demand side, targeted implementation of national master plans, including the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan), NSS and National Energy Transition Roadmap (NETR) are anticipated to accelerate job creation. Accordingly, the **unemployment rate** is expected to remain low at 3% in 2027. Meanwhile, total **employment** is projected to expand by 2% to 17.2 million persons, with the services and manufacturing sectors continuing to account for more than 80% of employment opportunities.

Under the Thirteenth Plan, the threshold of **foreign workers** will not be allowed to exceed 10% of total employment by 2030. Therefore, the number of low-skilled foreign workers is expected to continue to decrease in 2027. In contrast, **expatriate** employment is anticipated to increase slightly, driven by demand for specialised talent across high growth high value (HGHV) sectors such as advanced engineering, digital technology and green-energy jobs. To reduce over reliance on migrant workers, greater emphasis will be placed on enhancing productivity through wider adoption of technology and shifting towards capital deepening, specifically automation and digitalisation in labour-intensive industries. These efforts will also be complemented by

higher levy structures and expanded talent development through TVET and upskilling programmes to build local technical capacity.

Labour productivity is projected to increase by 3.7% to RM112,098 in 2027, primarily driven by sustained productivity momentum in the services sector, particularly tourism-related industries following the VM2026 – 2027. Long-term productivity gains will be further reinforced by industrial upgrading, resource efficiency and workforce upskilling. Additionally, institutionalising productivity-linked wage structures through initiatives like PROSHARE⁵ will help align real wage growth with output, boosting economic value creation and supporting a higher CE share of GDP over the longer term.

Conclusion

Malaysia's solid economic fundamentals provide ample buffer against global shocks and enables the economy to sustain its growth momentum. Domestic demand remains the primary source of growth, anchored by a strong labour market and vigorous private consumption, while investment activity is anticipated to continue expanding, supported by the ongoing realisation of approved projects. Concurrently, trade performance remains well-positioned to leverage continuous technological advancements. The services sector will be boosted by increased international connectivity and vibrant tourism activities tied to VM2026 – 2027. Simultaneously, the E&E segment in the manufacturing sector is expected to benefit from strong global demand for semiconductors, AI and digital technologies. Looking ahead, the continued implementation of structural reforms and national development initiatives under the Ekonomi MADANI framework are expected to strengthen productive capacity, enhance overall competitiveness, ensure a meaningful economic growth and generate greater prosperity for the rakyat.

⁵ PROSHARE or Productivity for Shared Prosperity is a Malaysia Productivity Corporation initiative to help firms assess productivity, identify performance gaps and implement targeted improvements to translate productivity into sustainable growth, profit and fair wages.

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CHAPTER 4

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CHAPTER 4

Monetary and Financial Developments

Overview

Financial market remains resilient to withstand external headwinds

Amid a complex global environment, Malaysia's financial market remains resilient and orderly in supporting economic activity. The banking sector continues to meet the financing needs of businesses and households, while the capital market provides market-based funding to drive business expansion and productive investment. The current monetary policy stance remains consistent with the outlook for price stability and sustainable economic growth. The ongoing development of Islamic finance further broadens financing and investment opportunities, reinforcing depth and diversity of the domestic financial ecosystem.

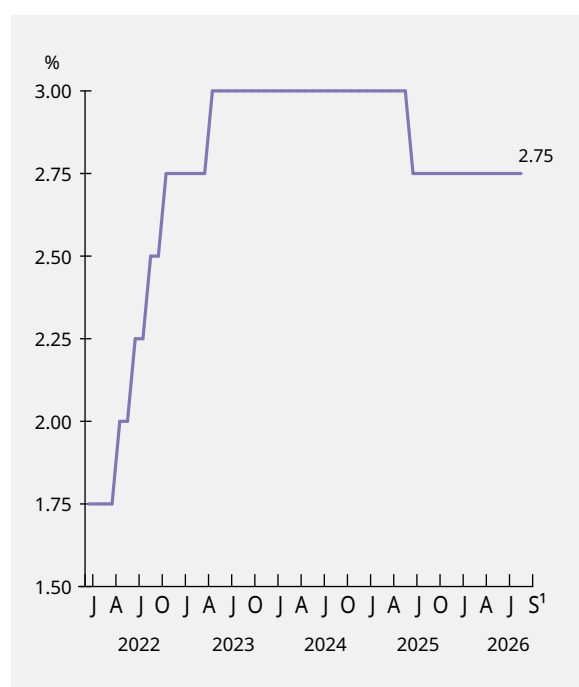
Monetary Developments

Steady monetary policy supports stable prices and sustainable growth

The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 2.75% in the first nine months of 2026, unchanged since the 25 bps reduction in July 2025. The monetary policy stance is consistent with the outlook of continued price stability and sustainable economic growth. Domestic economic activity is anchored by sound fundamentals, while inflationary pressures remained contained. The Statutory Reserve Requirement (SRR) ratio was maintained at

1.00%, ensuring sufficient liquidity and effective financial intermediation within the domestic banking system.

FIGURE 4.1. Overnight Policy Rate Level (%)

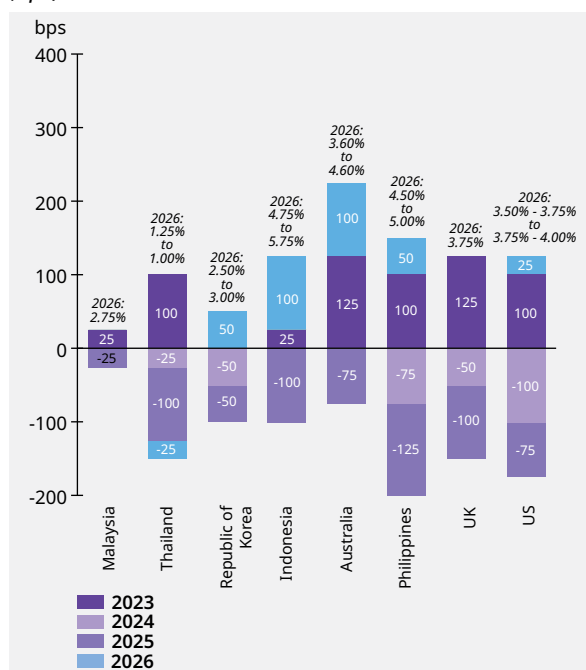


¹ End-September 2026
Source: Bank Negara Malaysia

Board fixed deposit rates moderated, while the interbank rate and lending rates were broadly stable as at end-July 2026. The 1-month and 12-month board fixed deposit rates declined by 2 and 10 bps to 2.06% and 2.20% respectively, reflecting banks' funding strategies to manage cost of funds. The interbank rate, as indicated by the 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR) remained at 3.45% in July after rising during the first half of 2026 amid seasonal funding pressures and

heightened demand for liquidity. Lending rates held stable, with the Base Lending Rate (BLR) unchanged at 6.43%, while the weighted Base Rate (BR) and Average Lending Rate (ALR) on outstanding loans stood at 3.39% and 4.69%, respectively. Meanwhile, the average savings deposit rate steady at 0.34%.

FIGURE 4.2. Monetary Policy Rate Adjustments for Selected Central Banks, January 2023 – September 2026 (bps)



Note: Policy rates remained unchanged in Malaysia and the UK during the first nine months of 2026

Source: Bank Negara Malaysia and Bloomberg

Monetary policy stances across major and regional economies remained divergent for January – September 2026. The US Federal Reserve (Fed) has increased the federal funds rate by 25 bps to 3.75% – 4.00% in September 2026. In the region, Bank Indonesia raised the BI-Rate from 4.75% to 5.75%, as policy geared towards supporting rupiah stability and containing inflationary pressures. On

the other hand, the Bank of Thailand has reduced the policy rate by 25 bps. Overall, this divergence reflects increasingly differentiated domestic economic conditions, with several central banks retaining a tightening bias, while others maintained or eased the policy stance in line with domestic growth and inflation considerations.

Performance of Ringgit

Ringgit remained resilient amid external headwinds

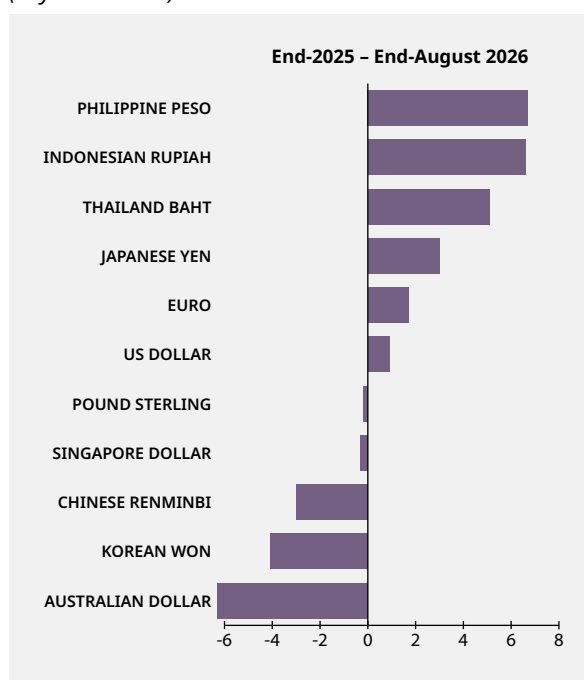
The ringgit strengthened in early 2026, appreciating by 4.3% against the US dollar over the first two months of the year (NEER¹: +3.2%). The positive momentum was subsequently reversed following escalation of the West Asia conflict at the end of February 2026, with the ringgit depreciating by 3.3% against the US dollar at end-August 2026 (NEER: -2.9%). Nevertheless, on a year-to-date basis, the ringgit appreciated by 0.9% against the US dollar as at end-August 2026, while strengthening against most major and regional currencies, including euro (1.7%), Japanese yen (3.0%), Philippine peso (6.7%), Indonesian rupiah (6.6%) and Thailand baht (5.1%).

Despite external headwinds, Malaysia's strong economic position and ongoing structural reforms have sustained market confidence, providing underlying support to the ringgit. BNM has also continued to strengthen the domestic foreign exchange market through engagements with government-linked investment companies (GLICs), government-linked companies (GLCs) and private corporates to encourage the timely repatriation

¹ Refers to the ringgit nominal effective exchange rate (NEER), which measures the ringgit's performance against a basket of currencies of Malaysia's major trading partners.

and conversion of foreign currency earnings. In addition, initiatives to promote the wider use of local currencies with key trading partners such as China, Indonesia and Thailand have gained broader market acceptance. This has helped to reduce reliance on third-currency conversions, lower transaction and hedging costs as well as diversify sources of onshore foreign exchange liquidity.

FIGURE 4.3. *Performance of Ringgit against Selected Currencies (% year-to-date)*



Source: Bloomberg

Banking Sector Performance

Banking sector remains well positioned to absorb shocks and support growth

The banking system remained resilient to withstand adverse shocks, sustaining the provision of credit to households and businesses, underpinned by strong capital buffers and sufficient liquidity. As at end-July 2026, the Common Equity Tier 1 Capital (CET1), Tier 1 Capital and Total Capital ratios were above the regulatory minimum level² at 14.6%, 15.1% and 18.2%, respectively. Liquidity was robust, with the aggregate Liquidity Coverage Ratio (LCR) at 148.7% and Net Stable Funding Ratio (NSFR) at 114.8%³. This reflects banks' strong capacity to manage short-term liquidity needs and maintain stable funding over the longer term. The loan-to-fund ratio held steady at 82.8%, driven by continued growth in deposits, which accounted for 73.2% of total funding.

From an asset quality perspective, the low gross impaired loans ratio of 1.4% as at end-July 2026 indicates that most borrowers continue to meet their repayment obligations. Additionally, the banking system's loan loss coverage ratio (including regulatory reserves) remained adequate at 125% of gross impaired loans, reflecting banks' continued prudent provisioning practices.

² The Basel III minimum regulatory levels of CET1 Capital (4.5%), Tier 1 Capital (6%) and Total Capital ratios (8%) respectively, of risk-weighted assets (RWA). Meanwhile, for LCR and NSFR, the minimum requirement is 100%.

³ NSFR data is reported on a quarterly basis and the latest position is as at June 2026.

FIGURE 4.4. Banking System: Impaired Loans and Gross Impaired Loans Ratio (End-period)¹ End-July 2026

Source: Bank Negara Malaysia

Total outstanding loans rose by 5.6% to RM2,435.1 billion as at end-July 2026, underpinned by continued expansion in financing to the business sector, which grew by 8%. Compared with the same period in the previous year, financing demand was robust with loan applications and approvals recording double-digit growths of 10% to RM975.7 billion and 14.7% to RM517.4 billion, respectively. The increase in credit demand was mainly for working capital purposes. In addition, banking system's repayment activities rebounded by 3.6% to RM1,287.7 billion, in line with higher loan disbursements of 4.3% to RM1,340.9 billion.

TABLE 4.1. Banking System: Loan Indicators, January – July 2025 and 2026

	RM BILLION		CHANGE (%)	
	2025	2026	2025	2026
Total¹				
Loans applications	887.2	975.7	5.2	10.0
Loans approvals	451.1	517.4	4.2	14.7
Loans disbursements	1,285.8	1,340.9	0.6	4.3
Loans repayments	1,243.4	1,287.7	-1.0	3.6
Loans outstanding ²	2,306.0	2,435.1	5.4	5.6
<i>of which:</i>				
Business Sector				
Loans applications	370.1	441.0	10.9	19.2
Loans approvals	211.9	275.1	5.7	29.8
Loans disbursements	856.1	899.3	2.4	5.1
Loans repayments	823.8	848.5	-0.7	3.0
Loans outstanding ²	775.3	837.4	4.6	8.0
<i>of which:</i>				
SMEs				
Loans applications	205.2	203.0	7.7	-1.1
Loans approvals	99.6	107.8	-2.7	8.2
Loans disbursements	318.3	315.4	6.2	-0.9
Loans repayments	300.8	296.0	3.4	-1.6
Loans outstanding ²	403.7	423.4	7.5	4.9
Household Sector				
Loans applications	491.6	507.6	0.6	3.3
Loans approvals	216.8	221.0	-0.7	1.9
Loans disbursements	293.9	303.6	-0.2	3.3
Loans repayments	287.8	298.4	0.8	3.7
Loans outstanding ²	1,381.5	1,451.3	5.8	5.1

¹ Refers to the sum of outstanding loans to businesses, households, government, financial institutions and other entities² As at end-period

Note: Loans for all segments include data from the banking system.

Total may not add up due to rounding

Source: Bank Negara Malaysia

The household segment continued to account for the largest share of total banking system loans, particularly for purchase of residential properties and passenger cars. As at end-July 2026, loan applications rose by 3.3% amounting to RM507.6 billion, while loan approvals and disbursements rebounded by 1.9% to RM221 billion and 3.3% to RM303.6 billion, respectively. Loan repayment performance increased by 3.7% or RM298.4 billion, consistent with steady income growth and household debt-servicing capacity. Moving forward, household financing is expected to be supported by stable labour market conditions, sustained household spending and income-related policy measures, including the implementation of phase two of the salary adjustment under the Public Service Remuneration System (SSPA).

Financing conditions remained favourable, supported by continued access to financing, resilient credit flows and ongoing policy support. As at end-July 2026, financing activity in the business segment was firm, supported by sustained demand for working capital and investment-related loans. Loan applications expanded by 19.2% to RM441 billion, while approvals rose by 29.8% to RM275.1 billion, reflecting stronger financing needs. Disbursements to the business sector increased by 5.1% to RM899.3 billion, with SMEs accounting for 35.1% during the period. Higher disbursement growth was observed particularly in the E&E and ICT sectors.

TABLE 4.2. *Banking System: Loans Outstanding by Sector, End-July 2025 and 2026*

	RM BILLION		SHARE (%)	
	2025	2026	2025	2026
Business Sector	775.3	837.4	33.6	34.4
Non-SMEs	369.8	410.7	16.0	16.9
SMEs	403.7	423.4	17.5	17.4
<i>Selected sectors</i>				
Primary agriculture	29.9	27.7	3.9	3.3
Mining and quarrying	8.8	8.3	1.1	1.0
Manufacturing	137.3	146.3	17.7	17.5
Construction	95.3	103.8	12.3	12.4
Electricity, gas and water supply	23.2	28.0	3.0	3.3
Wholesale and retail trade	165.1	174.6	21.3	20.8
Hotels and restaurants	22.2	22.9	2.9	2.7
Transport and storage	33.2	33.0	4.3	3.9
Information and communication	26.2	36.2	3.4	4.3
Finance, insurance, real estate and business activities	206.3	226.9	26.6	27.1
Household Sector	1,381.5	1,451.3	59.9	59.6
<i>of which:</i>				
Purchase of residential properties	865.4	912.4	62.6	62.9
Purchase of non-residential properties	86.1	90.6	6.2	6.2
Purchase of passenger cars	206.6	219.2	15.0	15.1
Credit cards	47.4	49.0	3.4	3.4
Personal use	119.4	120.9	8.6	8.3
Purchase of securities	56.3	58.5	4.1	4.0
Others	0.3	0.7	0.0	0.1
Other sectors	149.2	146.4	6.5	6.0
Total¹	2,306.0	2,435.1	100.0	100.0

¹ Refers to the sum of outstanding loans to businesses, households, government, financial institutions and other entities

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

As at June 2026, Malaysia's household debt stood at RM1,754.2 billion, equivalent to 83.2% of GDP, improved from 84.7% at end-2025, backed by stronger nominal GDP growth. Household debt growth also moderated and broadly aligned with historical trends, mainly driven by financing residential properties and passenger cars, which collectively accounted for 75.3% of total household debt. Despite the elevated debt level, household financial positions remained sound, supported by strong asset holdings and healthy net financial wealth.

Households demonstrated adequate debt-servicing capacity, supported by favourable labour market conditions and steady income growth. The median debt service ratio (DSR) stood at 32.1% with median DSRs across all income groups remaining below 60%, while the median debt-to-income ratio was stable at 1.3 times. The household impaired-loans ratio remained low at 1.1%. These indicators suggest that households generally maintain sufficient financial capacity to meet debt obligations, thereby mitigating risks to overall financial stability.

Moving forward, household credit risk is expected to remain stable and manageable. The Government and BNM continue to promote sustainable household borrowing through prudent underwriting and loan affordability assessments under BNM's responsible financing requirements and guidelines. Targeted repayment assistance

is also available to borrowers experiencing financial difficulties. BNM is strengthening pre-emptive credit risk management through enhanced requirements to promote responsible borrowing and more risk-sensitive underwriting. Starting 1 January 2027, financial consumers applying for new personal financing exceeding RM100,000 will be required to complete a financial education module conducted by the financial service provider or the Credit Counselling and Debt Management Agency (AKPK). Financial service providers will also be required to apply prudent DSR and minimum net disposable income thresholds that take into account borrowers' income levels and household circumstances. Complementing these measures, initiatives by the Financial Education Network (FEN) under the National Strategy for Financial Literacy 2026 – 2030, will further enhanced households' financial capability and long-term resilience.

At the same time, utilisation of alternative financing and payment arrangements, including Buy Now, Pay Later (BNPL) facility continues to grow. These arrangements provide flexibility in managing purchases and short-term cash flows. However, this may increase financial commitments, particularly when multiple credit facilities are used concurrently. This reinforces the need for consumers to assess their repayment capacity before taking on additional financial obligations, highlighting the importance of prudent financial management.

Capital Market Performance

Capital market fundraising gains momentum

Fundraising activities in the domestic capital market were vibrant during the first seven months of 2026, supported by sustained investor demand and conducive domestic market conditions. Gross private sector fundraising increased by 58.9% to RM120.7 billion, driven by higher activities in both the equity and corporate bond markets. Gross funds raised in the equity market expanded by 34.4% to RM5.8 billion, while corporate bond issuances surged by 60.4% to RM114.9 billion.

Corporations continued to tap the debt capital market to diversify funding sources and secure longer-term financing. Relatively favourable funding conditions also facilitated market-based financing by creditworthy issuers. Medium-term notes remained the predominant instrument, accounting for 96.9% of total corporate bond issuances. Activities were concentrated in finance, insurance, real estate and business services (65.6%); construction (13.5%); and electricity, gas and water (11.4%) sectors.

During the first seven months of 2026, 42 initial public offerings (IPOs) across diverse sectors raised RM5.8 billion, reflecting sustained interest in equity market financing as companies sought capital to scale up operations and pursue new investment opportunities. This momentum was further supported by ongoing efforts by Bursa Malaysia and the Securities Commission Malaysia (SC) to enhance market accessibility, streamline the listing process and facilitate equity fundraising.

TABLE 4.3. *Funds Raised in the Capital Market, January – July 2025 and 2026*

	RM MILLION	
	2025	2026
Public Sector		
Government securities		
Malaysian Government Securities	47,599.6	55,419.0
Malaysian Government Investment Issues	54,830.7	55,191.5
New issues of debt securities	102,430.3	110,610.5
Less: Redemptions	19,720.0	53,953.3
Net funds raised by the public sector	82,710.3	56,657.2
Private Sector		
Shares¹/Warrants		
Initial Public Offers	4,279.2	5,751.1
Rights Issues	-	-
Warrants	-	-
New issues of shares/warrants	4,279.2	5,751.1
Debt securities²		
Straight bonds	402.0	870.5
Convertible bonds	-	-
Islamic bonds	1,956.3	2,725.0
Medium-term notes	69,297.7	111,323.7
New issues of debt securities	71,655.9	114,919.2
Less: Redemptions	44,244.7	72,149.4
Net issues of debt securities	27,411.2	42,769.8
Net funds raised by the private sector	31,690.4	48,521.0
Total net funds raised	114,400.7	105,178.1

¹ Excludes funds raised by the exercise of Employee Share Option Scheme, Transferable Subscription Rights, Warrants and Irredeemable Convertible Unsecured Loan Stocks

² Excludes short-term papers on conventional and Islamic principles
Note: Total may not add up due to rounding
Source: Bank Negara Malaysia

Private sector fundraising was driven by continuous investment momentum, particularly in semiconductors, digital infrastructure, data centres and cloud computing, as well as advanced manufacturing and other high-value activities. Government initiatives under the New Industrial Master Plan 2030 (NIMP 2030) and National Energy Transition Roadmap (NETR), alongside developments associated with the Johor-Singapore Special Economic Zone (JS-SEZ) also provided further impetus. In addition, financing requirements associated with major infrastructure and development projects under Budget 2026 and the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan) are expected to support issuance activities as projects progress towards implementation.

Gross public sector fundraising through Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) rose by 8% to RM110.6 billion, up from RM102.4 billion in the corresponding period of 2025. MGS and MGII issuances amounted to RM55.4 billion and RM55.2 billion respectively, supporting the Federal Government's deficit financing and refinancing requirements. However, higher redemptions reduced the net raise of public sector funds to RM56.7 billion. Demand for government securities remained healthy, backed by Malaysia's deep domestic savings and a broad investor base. The Government's borrowing programme continues to be guided by prudent debt management and fiscal consolidation objectives.

Moving forward, the domestic capital market is expected to continue supporting public and private sector financing. Corporate fundraising is anticipated to remain favourable, underpinned by financing for business expansion and investment, particularly across infrastructure, construction, utilities and technology-related activities. The Capital Market Masterplan 2026 – 2030 (CMP), launched by the SC in March 2026 will further catalyse capital formation by enhancing market

vibrancy and elevating the value proposition of the domestic capital market. The ongoing execution of national development priorities and multi-year investment projects are set to generate further opportunities. In addition, the recently established regulatory cooperation framework between Malaysia and Hong Kong on dual IPO listings and the mutual recognition of selected investment funds is expected to enhance cross-border capital market connectivity, broaden investment opportunities and strengthen Malaysia's attractiveness as a fundraising and investment destination. Meanwhile, net Government bond issuances are projected to moderate in tandem with continued fiscal consolidation efforts, reinforcing the capital market capacity to mobilise long-term funds for productive investment and sustainable economic growth.

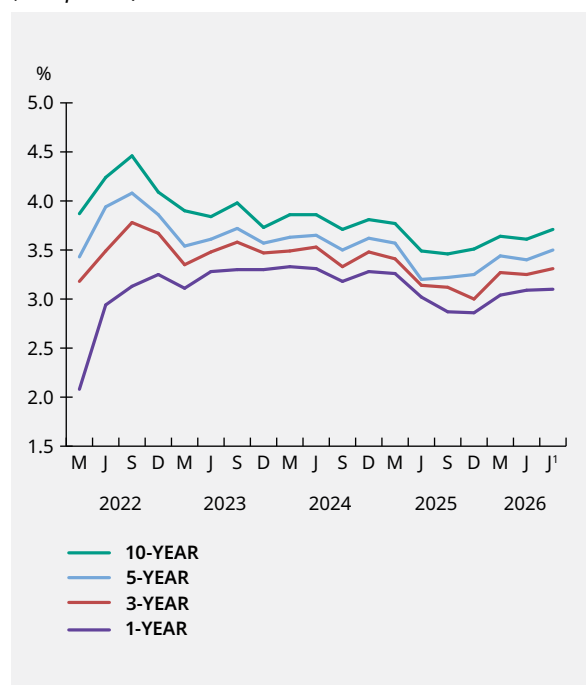
TABLE 4.4. *New Issuance of Corporate Bonds by Sector, January – July 2025 and 2026*

	RM MILLION		SHARE (%)	
	2025	2026	2025	2026
Agriculture, forestry and fishing	72.9	200.0	0.1	0.2
Manufacturing	738.7	1,100.6	1.0	1.0
Construction	7,566.0	15,503.1	10.6	13.5
Electricity, gas and water	4,480.0	13,134.0	6.3	11.4
Transport, storage and communication	1,036.0	3,440.0	1.4	3.0
Finance, insurance, real estate and business services	55,416.2	75,339.1	77.3	65.6
Government and other services	1,944.6	4,977.9	2.7	4.3
Wholesale and retail trade, restaurants and hotels	401.5	1,224.5	0.6	1.1
Mining and quarrying	0.0	0.0	0.0	0.0
Total	71,655.9	114,919.2	100.0	100.0

Note: Includes corporate bonds issued by Cagamas and non-resident corporations
Total may not add up due to rounding
Source: Bank Negara Malaysia

MGS yields trended higher during the first seven months of 2026 amid heightened volatility in global bond markets. Yields across the 1-, 3-, 5- and 10-year maturities increased broadly by around 20 – 30 bps from end-2025 levels to 3.1%, 3.3%, 3.5% and 3.7%, respectively, as at end-July 2026.

FIGURE 4.5. *Malaysian Government Securities Indicative Yields (End-period)*

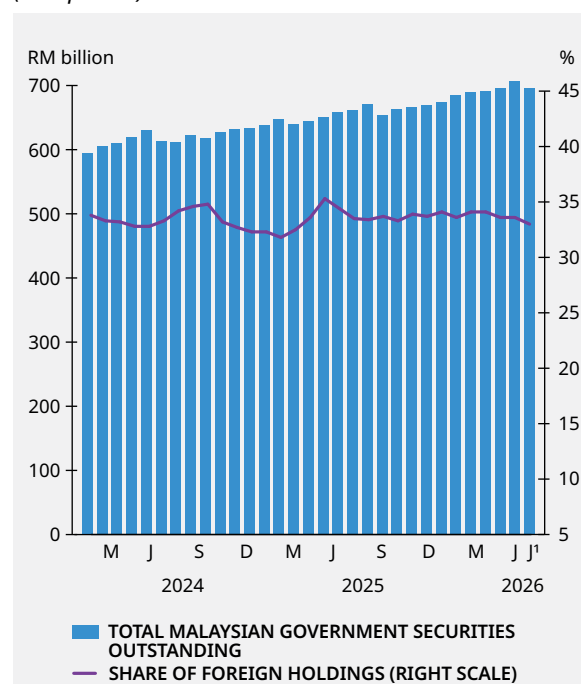


¹ End-July 2026
Source: Bank Negara Malaysia

The upward movement in MGS yields largely reflected external uncertainties and developments in global bond markets. Higher energy prices stemming from the prolonged conflict in West Asia increased inflation expectations, while resilient economic conditions in advanced economies reinforced the expectations that interest rates would remain higher for longer. Collectively, these developments placed upward pressure on

global bond yields, including MGS yields. Nevertheless, the rise in MGS yields was relatively contained compared with regional markets, supported by sustained demand from domestic and foreign investors. Foreign participation remained supportive, with net foreign inflows into the bond market reaching RM3.4 billion from January to July 2026, continuing the positive trend recorded in 2025 underpinned by Malaysia's stable interest rate environment and favourable domestic conditions. Looking ahead, foreign holdings of MGS are expected to remain broadly stable in 2027, supported by Malaysia's sound economic fundamentals, ongoing Government reforms and stable interest rate environment. However, changes in global financial conditions and broader external developments may continue to influence capital flows.

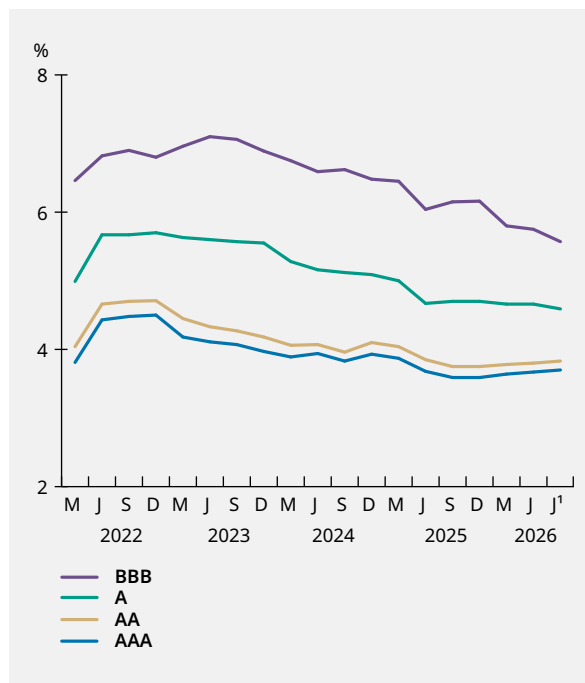
FIGURE 4.6. *Share of Foreign Holdings in Total Malaysian Government Securities Outstanding (End-period)*



¹ End-July 2026
Source: Bank Negara Malaysia

Corporate bond yields showed mixed movements across rating categories during the first seven months of 2026. The 5-year AAA- and AA-rated bond yields increased by approximately 11 and 7 bps, respectively. These increases remained relatively contained compared to the 5-year MGS yield, underscoring the resilience of the corporate bond market amid a rising interest rate environment. Meanwhile, the indicative 5-year A-rated bond yield fell by 11 bps, while the 5-year BBB-rated bond yield declined by 59 bps respectively, amid strong demand for higher-yielding credit instruments.

FIGURE 4.7. 5-Year Corporate Bond Yields (End-period)



¹ End-July 2026
Source: Bank Negara Malaysia

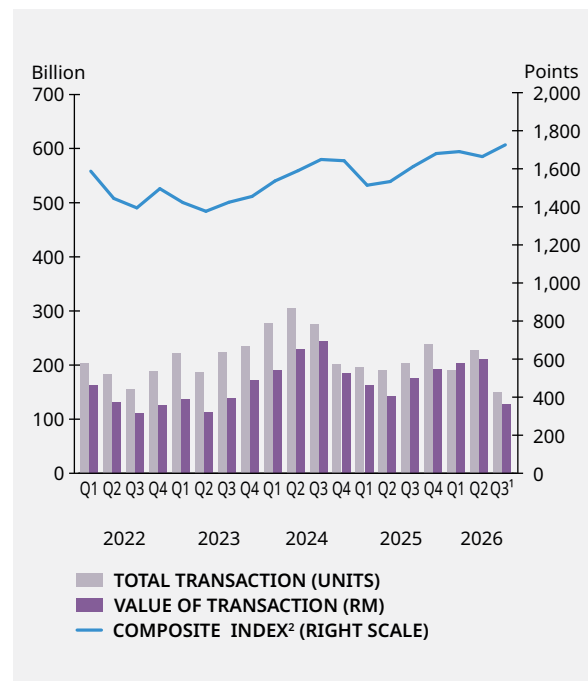
Overall, Malaysia's bond market remained resilient during the first seven months of 2026, anchored by strong domestic institutional investor base and economic conditions. Demand for Government securities remained healthy, while corporate issuers maintained access to market-based financing.

Performance of FBM KLCI

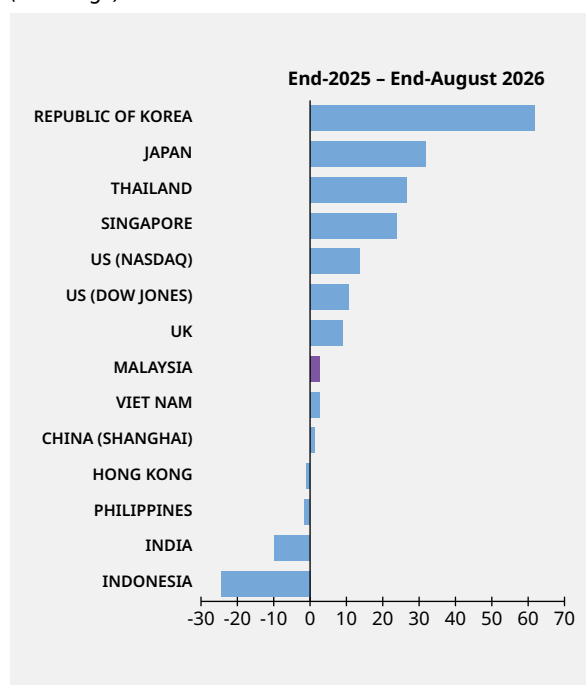
FBM KLCI remains resilient

The FBM KLCI recorded mixed performance during the first eight months of 2026. The index opened the year at 1,680.11 points and advanced to a seven-year high of 1,771.25 points on 27 January, before retreating due to escalating geopolitical tensions. Notwithstanding, the domestic equity market regained momentum in July, with the FBM KLCI rising by 3.7% month-on-month to 1,724.90 points at end-July from 1,664.06 points at end-June, supported by renewed investor interest and improved regional sentiment. The index closed at 1,725.88 points at end-August, with a growth of 2.7% year-to-date as the re-escalation of external volatilities tempered gains. Meanwhile, market capitalisation stood at RM2,191.73 billion with total trading volume and value during the first eight months reaching 567 billion units and RM540.9 billion, respectively. These developments signify the resilience of the domestic equity market.

FIGURE 4.8. Performance of Bursa Malaysia



¹ End-August 2026
² As at end-period
Source: Bursa Malaysia

FIGURE 4.9. Performance of Selected Stock Markets (% change)

Source: Bloomberg

Moving forward, ongoing capital market initiatives, including measures under the CMP such as the MY Value Up Programme as well as enhancements to the FBM KLCI and FBM70 indices are set to strengthen market vibrancy and competitiveness. The expansion of the FBM KLCI from 30 to 50 constituents to be implemented in phases from December 2026 to June 2027 will broaden coverage of Main Market capitalisation and improve sectoral representation. In addition, market segmentation review will strengthen public market clarity, enhance listing quality and provide a more structured pathway for companies to progress from the ACE Market to the Main Market. Collectively, these initiatives will widen investment opportunities, enhance market participation and facilitate more effective capital mobilisation for Malaysia's sustainable economic development.

TABLE 4.5. Bursa Malaysia: Selected Indicators, End-August 2025 and 2026

	2025	2026
Indices		
FBM KLCI	1,575.12	1,725.88
FBM EMAS	11,702.89	12,764.63
FBM 100	11,474.57	12,574.85
FBM SCAP	15,739.94	16,118.07
FBM ACE	4,722.02	5,249.38
Total trading¹		
Volume (million units)	530,875.72	567,043.63
Value (RM million)	429,542.89	540,893.66
Average daily trading¹		
Volume (million units)	3,277.01	3,544.02
Value (RM million)	2,651.50	3,380.59
Market capitalisation (RM billion)		
	1,950.31	2,191.73
Total number of listed companies		
Main Market	787	814
ACE Market	229	265
LEAP Market	47	51
Market liquidity		
Turnover value/market capitalisation (%)	22.0	24.7
Market concentration		
10 highest capitalised stocks/market capitalisation (%)	32.0	32.6

¹ Based on market transactions and direct business transactions between January and August
Source: Bursa Malaysia

INFORMATION BOX 4.1

Key Capital Market Measures

Several key measures were undertaken by the Securities Commission Malaysia (SC) and Bursa Malaysia in the first eight months of 2026 to enhance the liquidity and efficiency of Malaysia's capital market as follows:

1

Bursa Malaysia's First Financial Performance-based Indexes to Strengthen Quality-driven Investing

The Bursa Malaysia Quality 50 Index (BMQ) and Bursa Malaysia Quality 50 Shariah Index (BMQ-S) are Bursa Malaysia's first financial performance-based indexes, designed to elevate the visibility of resilient local enterprises. The new benchmarks identify 50 financially resilient Main and ACE Market companies outside the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) based on profitability, capital structure and earnings quality, providing investors with a standardised tool to identify fundamentally strong companies. The indexes broaden access to quality investment opportunities, strengthen investor confidence and support a more vibrant Malaysian equity market.

12 JAN



12 FEB



Malaysia's First Social Exchange to Strengthen Access to Social Impact Financing

2

Malaysia's first Social Exchange platform, Impakrintas, operational since 19 February 2026, provides a regulated and transparent avenue for non-profit organisations (NPOs) to raise donations for eligible social impact projects while giving donors greater visibility over their contributions. The Government allocated a RM2 million grant, administered by the SC, to partially defray eligible NPOs' onboarding and fundraising costs, while donations through the platform qualify for tax treatment under the Income Tax Act 1967. The platform strengthens public-private collaboration in social impact financing. It will progressively expand to include social enterprises, community-based initiatives and other market-based avenues that support social and climate-resilient outcomes.

3

Capital Market Masterplan 2026 – 2030 to Drive Malaysia's Capital Market Transformation

The Capital Market Masterplan 2026 – 2030 (CMP) sets out Malaysia's five-year strategy to expand the capital market to between RM5.8 trillion – RM6.3 trillion by 2030 while strengthening the country's global leadership in Islamic finance through Maqasid al-Shariah-driven innovations. The Masterplan introduces 56 strategic initiatives to enhance market vibrancy, broaden access to capital, increase investment opportunities, accelerate sustainable and Islamic finance as well as strengthen regional market connectivity. Aligned with the Ekonomi MADANI framework, the CMP is projected to elevate the capital market at a compound annual growth rate (CAGR) of 6% – 8%, optimising market valuations and mobilising climate transition financing while broadening public access to wealth creation.

9 MAR



16 MAR



MyCIF's Silver Economy Scheme and VC-led Profit-Sharing Incentive to Improve MSME Funding Access

4

The Malaysia Co-Investment Fund (MyCIF), administered by the SC, has launched two landmark funding initiatives allocating RM50 million to accelerate MSME growth. MyCIF introduced the Silver Economy Scheme to channel alternative financing focusing in care-tech, specialised healthcare and senior living solutions. Furthermore, under the VC/PE Profit-Sharing Incentive, MyCIF will share 50% of exit profits with venture capital (VC) and private equity (PE) firms that lead deals on regulated equity crowdfunding (ECF) platforms, bridging critical early-stage financing gaps while building a robust wealth-creation pipeline aligned with the Ekonomi MADANI framework.

5

ICM Innovation Lab to Advance Maqasid al-Shariah-Driven Islamic Capital Market Innovation

The SC established the Islamic Capital Market (ICM) Innovation Lab (FIKRALab) under the CMP as a structured co-creation and applied R&D platform to develop new ICM products and instruments. Anchored on Maqasid al-Shariah as well as guided by halal and *toyyib* principles, FIKRALab expands beyond fintech-centric ICM innovation by enabling deeper collaboration between the SC and industry in ideation, research, product design and pilot testing. Key features include Maqasid al-Shariah clinics to assess and enhance existing ICM products and to reinforce real economy linkages, beginning with a pilot project to develop an innovative instrument to unlock shariah-derived income within mixed activity groups. The first FIKRALab cohort is expected to commence in Q4 2026, focusing on new generation ICM products and services, Islamic social finance and social capital as well as sustainability and transition finance.

26 MAR



27 MAR



Launching of HKEX Bursa Malaysia Large Cap Index to Strengthen Regional Market Connectivity

6

Bursa Malaysia and Hong Kong Exchanges and Clearing Limited (HKEX) signed an MoU to deepen regional market connectivity, with the HKEX Bursa Malaysia Large Cap Index introduced as the first outcome of the partnership. The index tracks 60 leading listed companies across both markets, comprising 30 constituents from each market with index weightings of approximately 40% for Malaysia and 60% for Hong Kong. It provides investors with a new cross-market benchmark and supports future exchange traded fund (ETF) products. The partnership opens opportunities for collaboration in dual listings, shariah-compliant products and carbon markets thus enhancing Malaysia's international market profile.

7

Equities Trading Data Reclassification to Enhance Investor Segmentation Transparency

Bursa Malaysia officially implemented an equities trading data reclassification on 6 April 2026 to provide greater transparency and highly granular insights into retail and institutional fund flows. Under this new reporting framework, nominee accounts are now accurately categorised at the trade level based on end-beneficiary information rather than lumped into institutional data. On the other hand, foreign-owned institutions incorporated in Malaysia are refined by fund origin to better reflect true market activity. The structural update does not alter total daily trading values. This reclassification will provide investors and market participants with highly precise data to support informed investment decisions.

6 APR



8 MY Value Up Programme to Enhance Corporate Valuation and Market Attractiveness of Malaysian Public-listed Companies

Bursa Malaysia and the SC launched the MY Value Up Programme under the CMP to strengthen long-term corporate value creation among Malaysian public-listed companies (PLCs). The programme initially targets the top 88 PLCs, representing approximately 80% of Bursa Malaysia's total market capitalisation, encouraging companies to articulate their growth strategies, enhance forward-looking disclosures and strengthen engagement with investors. The programme supports stronger corporate valuations, enhances Malaysia's market attractiveness and positions Malaysian companies as globally competitive investment propositions.

20 APR



28 APR



9 Tokenised Sukuk Pilot to Advance Digital Innovation in the Islamic Capital Market

Khazanah Nasional Berhad in collaboration with the SC, successfully priced Malaysia's first tokenised sukuk valued at RM100 million under the Sukuk Danum Programme. The pilot uses Distributed Ledger Technology (DLT) to create a secure and immutable digital representation of the sukuk, enabling round-the-clock access to relevant information. This also provides a controlled and credible environment to test the benefits of tokenisation which include enhanced efficiency and transparency, broader market participation and support a more vibrant capital market. The tokenisation initiative establishes the regulatory and market foundations for future tokenised issuances therefore reinforcing Malaysia's leadership in ICM innovation.

10 Market Segmentation Review to Strengthen Public Market Framework

Under the CMP, the Equity Guidelines was revised to strengthen the public market framework by enhancing the distinct roles of the Main Market and ACE Market. The framework raises the Main Market's profit admission requirements, financial reporting standards, flexibility in assessing operating cash flow and broader eligibility for infrastructure-type listings. Meanwhile, the ACE Market is reinforced as a sponsor-driven platform for growth companies with enhanced listing requirements, including a minimum of two years post-listing track record prior to transfer to the Main Market. The reforms strengthen listing quality, improve investor protection and support companies at different stages of growth.

28 MAY



21 JUL



11 NIMP CoSIF Expands Digitalisation Support with New Smart Manufacturing Scheme

MITI and SC have launched a new Smart Manufacturing scheme under the New Industrial Master Plan 2030 (NIMP 2030) Strategic Co-Investment Fund (NIMP CoSIF) to accelerate automation and Industry 4.0 adoption among SMEs and mid-tier companies (MTCs)¹. Featuring an enhanced 2:1 government-to-private matching ratio until 2030, the Government will contribute RM2 for every RM1 raised via ECF and peer-to-peer (P2P) platforms for businesses investing in robotics, artificial intelligence and digital solutions. Additionally, the co-investment ratio for other sectors will be temporarily raised from 1:2 to 1:1 until end-2027, providing immediate financing support to strengthen industrial resilience and scale up local enterprises.

11

12 SC and Hong Kong SFC Sign Landmark MoU to Strengthen Collaboration and Capital Market Connectivity

The SC and the Hong Kong Securities and Futures Commission (SFC) signed an MoU to strengthen regulatory cooperation and capital market connectivity between Malaysia and Hong Kong, supporting the CMP's aspiration to position Malaysia as a gateway to regional investment opportunities. The MoU expands mutual recognition and cross-listing to include ETFs and real estate investment trusts (REITs), while facilitating a simplified dual-IPO listing framework with a single set of submission documents and enabling eligible Malaysian PLCs to apply for secondary listings in Hong Kong. The simplified dual IPO framework takes effect in September 2026. The collaboration broadens investment opportunities, expands access to capital and deepens cross-border participation.

23 JUL



20 AUG



13 Enhancements to FBM KLCI and FBM70 Indices to Reflect a Broader, More Diversified Equity Market

Bursa Malaysia and FTSE Russell introduced enhancements to the FBM KLCI and FTSE Bursa Malaysia Mid 70 Index (FBM70) to ensure Malaysia's flagship benchmark remains representative, investible and aligned with the needs of domestic and international investors. The FBM KLCI will expand from 30 to 50 constituents, increasing coverage of Main Market capitalisation from approximately 60% to 70% and broadening representation across sectors. Based on simulations by FTSE Russell, the expanded index would include Technology, Energy and REITs for the first time, while moderating concentration in Financial Services. The FBM70 will be reduced to 50 constituents and renamed the FTSE Bursa Malaysia Mid Cap Index. The enhancements will be implemented in phases, starting on 21 December 2026 and will be fully implemented by 21 June 2027.

13

¹ Mid-tier companies (MTC) is defined as companies with annual revenues between RM50 million to RM500 million in the manufacturing sector, and between RM20 million to RM500 million in the services and other sectors.

Islamic Banking and Capital Market Performance

Islamic finance demonstrates resilience and sustained growth

Islamic finance serves as a key pillar of Malaysia's financial sector development, contributing to inclusive and sustainable economic growth. The role extends beyond financial sector deepening, to include support for SMEs development, household resilience, halal sector competitiveness and sustainable finance to reaffirm Malaysia's position as a global Islamic finance hub. As at July 2026, Islamic financing expanded by 7.9% to RM1,076.4 billion, accounting for 44.4%⁴ of total banking sector loans and financing. The growth was primarily driven by the household sector, which constituted 63.1% of total Islamic financing and expanded by 7.1% to RM678.9 billion, while financing to the business sector was supported by strong growth in the real estate segment, which surged by 33.5% to RM54.5 billion. With a total capital ratio of 18.5% and a LCR of 145.1%, the Islamic banking sector remains resilient and is well positioned to sustain economic growth.

The Government through BNM champions value-based finance to deliver meaningful socioeconomic outcomes through greater innovation and wider industry adoption. Key domestic initiatives include the Risk Sharing Fund (i-CITA) to promote risk-sharing financing and the expansion of social finance initiative beyond iTEKAD Entrepreneurship, to encompass iTEKAD Protection and iTEKAD Employment. These expanded initiatives aim to enhance access to affordable social takaful

TABLE 4.6. *Islamic Banking: Key Indicators, End-July 2025 and 2026*

	RM BILLION		CHANGE (%)	
	2025	2026	2025	2026
Assets	1,270.0	1,364.1	9.4	7.4
Financing	997.7	1,076.4	8.0	7.9
Primary agriculture	18.4	11.9	-9.5	-35.5
Mining and quarrying	3.4	3.1	12.3	-10.6
Manufacturing	39.1	45.9	3.6	17.3
Electricity, gas and water supply	9.3	13.0	36.1	40.2
Wholesale and retail trade, restaurants and hotels	67.0	67.1	7.4	0.2
Construction	37.6	39.7	-21.7	5.8
Real estate	40.8	54.5	5.5	33.6
Transport, storage and communication	29.1	34.1	15.1	17.0
Finance, insurance and business activities	74.1	76.4	43.0	3.1
Education, health and others	8.2	8.3	-4.2	1.9
Households	633.7	678.9	8.6	7.1
Others	37.1	42.3	-2.5	14.1
Liabilities	1,175.0	1,265.0	9.4	7.7
Deposits	908.1	693.6	8.0	6.1
Investment	0.2	0.2	-8.6	-10.5
Savings	79.6	84.8	3.4	6.6
Demand	173.5	192.5	16.2	10.9
Others	654.8	686.1	6.6	4.8
Investment account	182.4	202.2	15.9	10.8

Note: Key indicators data for Islamic banking excluding DFIs.
Total may not add up due to rounding
Source: Bank Negara Malaysia

coverage and support vulnerable communities through capacity building, employability support, and financial management guidance. Internationally, Malaysia strengthened its leadership through industry stewardship,

⁴ Islamic Banking figures not including Development Financial Institutions (DFIs)

capacity building, shariah collaboration and targeted partnerships. This is further supported by the establishment of the Malaysia International Islamic Financial Centre (MIFC) Advisory Panel in June 2026. In the Islamic financial market, Malaysia is transitioning from the KLIBOR to the Malaysia Overnight Rate (MYOR) and Malaysia Islamic Overnight Rate (MYOR-i), with KLIBOR to be discontinued effective 1 January 2029. In addition, MYOR-i will become the benchmark for new Islamic financial products from the second half of 2027, enhancing the transparency and reliability while fostering a robust shariah-compliant financial ecosystem.

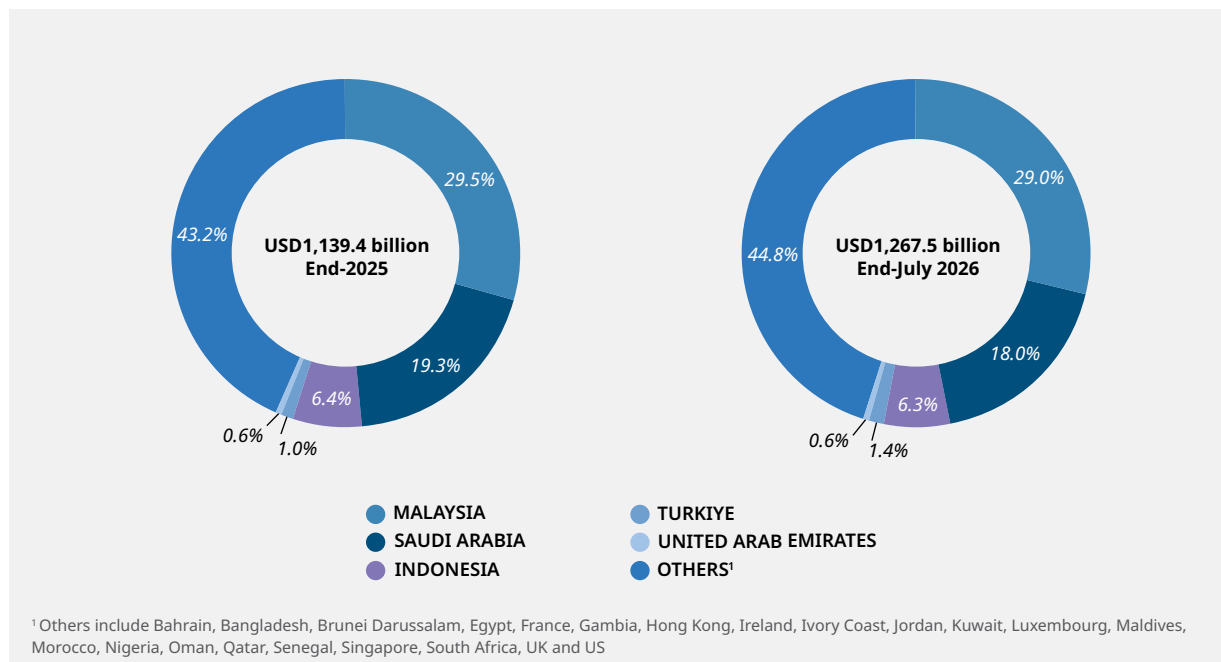
The Islamic capital market (ICM) is a major part of Malaysia's financial system, supported by a well-established shariah governance framework and a broad range of investment instruments. At end-2025, total ICM size reached RM2.75 trillion, accounting for 63.7% of Malaysia's capital market, with sukuk and shariah-compliant equities forming its main components. The ICM continued to evolve through product innovation, digitalisation and purpose-driven Islamic finance, thereby reinforcing its role in mobilising capital for sustainable economic development and positive social outcomes.

Malaysia maintained its leadership in the global sukuk market, accounting for approximately 29% of total global sukuk outstanding as at end-July 2026. Domestic sukuk outstanding stood at RM1,490.5 billion, representing 63.3% of Malaysia's total bonds and sukuk outstanding. Total sukuk issuance increased by 22.4% to RM175.5 billion compared with the corresponding period in 2025, reflecting sustained market-based fundraising activities. The local sukuk market continues to serve as a vital conduit for capital mobilisation anchored by broad investor participation and a well-developed Islamic finance ecosystem.

In July 2026, Malaysia successfully issued a USD1.5 billion Global Sukuk, attracting strong investor demand that resulted in a 4.7 times oversubscription. This exceptional market reception enabled the issuance to achieve record-breaking low spread for a Malaysian sovereign dollar offering, underscoring solid global investor confidence in Malaysia's macroeconomic fundamentals, prudent fiscal discipline and a well-developed ICM. This issuance further reinforces Malaysia's access to international capital markets, while establishing a pricing benchmark for Malaysian entities, including government-linked companies and corporate borrowers seeking access to offshore funding.

As at end-July 2026, 80.7% out of 1,111 companies listed on Bursa Malaysia were shariah-compliant public listed companies, with market capitalisation stood at RM1,411.9 billion, representing 65% of the total market capitalisation. Shariah-compliant equities were concentrated mainly in the industrial products and services (30%), consumer products and services (21%) as well as technology (11%) sectors, providing investors with broad exposure across key segments of the economy.

The ICM also made further progress in innovation and digitalisation, unlocking new opportunities for market development, including developing shariah-based solutions. The Maqasid Al-Shariah Guidance Note on sukuk encouraged issuers and investors to look beyond technical shariah compliance and the broader socioeconomic impact of financing. These include creating economic value, supporting social well-being and promoting responsible investment outcomes. Additionally, the launch of Malaysia's first tokenised sukuk marked a significant milestone in leveraging digital technology in the sukuk market, offering the potential to improve operational efficiency, market transparency and investor accessibility.

FIGURE 4.10. *Global Sukuk Outstanding by Country (% share)*

Note: Total may not add up due to rounding
 Source: Bank Negara Malaysia

Moving forward, Malaysia's ICM is expected to remain as an important source of financing and investment, driven by sustained demand for shariah-compliant and sustainable investment solutions. Ongoing efforts to broaden the investor base, strengthen regional financial linkages and expand access to international capital markets through upcoming new sustainable sukuk frameworks, will further catalyse market expansion. Coupled with strategic initiatives under the CMP, these developments are set to enhance Malaysia's global competitiveness and reinforce its leadership as an international ICM hub.

Conclusion

Malaysia's financial ecosystem is expected to remain resilient and supportive of economic activity, with the continuous role played by the banking system and capital market in meeting the financing needs. Financial intermediation will continue to support households and businesses with the upcoming Financial Sector Blueprint 2027 – 2030 and initiatives under the Capital Market Masterplan 2026 – 2030 providing the overarching policy direction. Collectively, continued reforms, broader investor participation and diverse funding sources will further strengthen the financial system.

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Acronyms and Abbreviations

NPISHs	Non-profit institutions serving households
US	United States
ASEAN	Association of Southeast Asian Nations
EMDEs	Emerging Market and Developing Economies
IMF	International Monetary Fund
GDP	Gross Domestic Product
FBM-KLCI	Financial Times Stock Exchange (FTSE) Bursa Malaysia Kuala Lumpur Composite Index
MSIC	Malaysia Standard Industrial Classification
SITC	Standard International Trade Classification
PT3	Pentaksiran Tingkatan 3
PMR	Penilaian Menengah Rendah
SRP	Sijil Rendah Pelajaran
LCE	Lower Certificate of Education
SPM	Sijil Pelajaran Malaysia
MCE	Malaysian Certificate of Education
STPM	Sijil Tinggi Pelajaran Malaysia
MHSC	Malaysian Higher School Certificate
n.a.	Not available
cont'd	Continued
n.e.c.	Not elsewhere classified
etc.	et cetera

1.1. SELECTED SOCIOECONOMIC STATISTICS

Malaysia

Indicator	2022	2023	2024	2025	2026 ¹⁰
Demographic Statistics					
Population ¹ ('000)					
Total	32,698	33,402	34,052	34,221	34,389
Male	17,040	17,472	17,879	17,950	18,025
Female	15,659	15,930	16,173	16,271	16,364
Sex ratio ²	109	110	111	110	110
Population density (per square kilometre)	99	101	103	103	104
Dependency ratio (%)					
Total ³	43.7	43.1	42.5	42.1	42.0
Young age ⁴	33.3	32.4	31.6	31.8	30.1
Old age ⁵	10.4	10.6	10.9	11.4	11.9
Life expectancy at birth ¹					
Total	73.8	74.0	74.9	75.2 ¹⁰	75.5 ¹¹
Male	71.5	71.7	72.6	73.0 ¹⁰	73.2 ¹¹
Female	76.4	76.6	77.5	77.8 ¹⁰	78.1 ¹¹
	2021	2022	2023	2024	2025
Education					
Primary school enrolment rate ⁶ (%)	98.3	98.7	99.1	99.4	99.1
Secondary school enrolment rate ⁷ (%)	92.5	93.5	93.6	94.9	95.2
Higher education institutions enrolment ⁸	1,207,593	1,202,202	1,136,127	1,167,981	1,323,265
Pupil-teacher ratio					
Primary schools	12.3	12.3	12.4	12.3	12.1
Secondary schools	11.5	11.3	11.5	11.6	11.4
Literacy rate ⁹ (%)	97.0	97.1	97.5	97.6	98.2

¹ Year 2020 to 2026: Current Estimates based on the 2020 Population and Housing Census² The number of males per 100 females³ The ratio of the number of persons aged 0–14 years and 65 years and above to the number of persons aged 15–64 years⁴ The ratio of the number of persons aged 0–14 years to the number of persons aged 15–64 years⁵ The ratio of the number of persons aged 65 years and above to the number of persons aged 15–64 years⁶ Percentage of school aged children between 6+ and 11+ years at primary level in Government and private schools⁷ Percentage of school aged children between 12+ and 16+ years at secondary level in Government and private schools⁸ Includes public university, private higher education institutions, polytechnic and community college⁹ Aged 15 years and above with formal education, excluding non-Malaysian citizens¹⁰ Preliminary¹¹ Estimate

1.1. SELECTED SOCIOECONOMIC STATISTICS (cont'd)
 Malaysia

Indicator	2021	2022	2023	2024	2025
Health					
Population per doctor	420	412	406	404	391 ¹⁰
Official beds strength in public sector ¹²	49,781	49,981	51,100	52,048	52,781
Information Technology					
Mobile-cellular penetration rate per 100 inhabitants (%)	144.0	145.3	148.7	145.4	145.0
Mobile-broadband penetration rate per 100 inhabitants (%)	126.4	131.0	134.5	131.1	130.7
Infrastructure					
Electricity index	118.6	124.0	126.4	135.0	134.2
	2014	2016	2019	2022	2024
Poverty Structure¹³					
Incidence of absolute poverty (% of households)					
Total	0.6	0.4	5.6	6.2	5.1
Urban	0.3	0.2	3.8	4.5	3.7
Rural	1.6	1.0	12.4	12.0	9.9
Incidence of relative poverty (% of households)					
Total	15.6	15.9	16.9	16.6	16.7
Urban	13.7	11.1	12.8	11.9	11.9
Rural	14.4	33.0	33.2	33.3	33.6

¹² Comprising Ministry of Health (MOH) hospitals (includes special medical institutions) and non-MOH hospitals (university hospitals and military hospitals)

¹³ Based on Household Income and Basic Amenities Survey year

Starting 2019, data is based on 2019 methodology Poverty Line Income (PLI)

Source: Department of Statistics; Malaysian Communications and Multimedia Commission; Ministry of Education; Ministry of Higher Education and Ministry of Health, Malaysia

2.1. KEY ECONOMIC DATA OF SELECTED COUNTRIES

	Real GDP (% Growth)	GDP Per Capita ¹ (USD)	Consumer Price Index (%)	Unemployment Rate ² (%)	Current Account Balance (USD billion)	Gross International Reserves (USD billion)	Exports ³ (USD billion)	Imports ⁴ (USD billion)
Advanced Economies								
2023	1.7	56,921.1	4.6	4.4	-16.2	–	19,139.4	18,813.9
2024	1.9	58,931.1	2.6	4.6	47.1	–	19,782.3	19,305.6
2025	1.9	62,337.1	2.5	4.7	49.8	–	21,312.5	20,865.5
2026 ⁵	1.7	66,175.2	2.8	4.8	-86.9	–	22,779.2	22,461.9
2027 ⁶	1.8	68,766.6	2.2	4.7	-50.3	–	23,533.3	23,184.6
United States								
2023	2.9	82,536.1	4.1	3.6	-928.0	245.2	2,018.1	3,168.2
2024	2.8	86,173.4	3.0	4.0	-1,185.3	239.1	2,061.7	3,358.2
2025	2.1	89,991.2	2.7	4.3	-1,116.0	254.4	2,185.2	3,506.6
2026 ⁵	2.3	94,429.8	3.2	4.4	-1,199.7	–	–	–
2027 ⁶	2.2	98,277.6	2.1	4.2	-1,227.8	–	–	–
United Kingdom								
2023	0.3	49,938.3	7.3	4.1	-122.2	214.1	525.0	791.5
2024	1.0	53,338.7	2.5	4.3	-110.1	219.1	524.3	820.2
2025	1.4	57,608.2	3.4	4.9	-125.2	268.8	555.8	948.6
2026 ⁵	1.0	61,056.1	3.2	5.6	-144.2	–	–	–
2027 ⁶	1.3	63,704.1	2.4	5.3	-140.4	–	–	–
Euro Area								
2023	0.4	–	5.4	6.5	264.7	1,269.0	4,568.6	4,142.7
2024	1.0	–	2.4	6.4	443.0	1,449.1	4,691.2	4,109.0
2025	1.4	–	2.1	6.3	288.2	2,085.5	5,022.4	4,459.0
2026 ⁵	0.9	–	2.6	6.2	254.7	–	–	–
2027 ⁶	1.2	–	2.2	6.1	292.1	–	–	–
Germany								
2023	-0.9	54,793.1	6.0	3.1	251.8	322.9	1,702.3	1,467.6
2024	-0.5	56,086.9	2.5	3.4	272.1	377.9	1,676.4	1,414.2
2025	0.2	60,438.8	2.3	3.8	222.9	566.1	1,764.2	1,542.8
2026 ⁵	0.7	65,302.9	2.7	3.9	211.7	–	–	–
2027 ⁶	1.0	67,613.1	2.3	3.5	216.7	–	–	–
France								
2023	1.6	44,749.7	5.7	7.3	-31.8	241.3	651.1	788.2
2024	1.4	46,053.6	2.3	7.4	2.9	283.0	640.5	751.8
2025	0.9	48,929.9	0.9	7.6	-14.8	424.0	683.1	786.4
2026 ⁵	0.6	52,083.3	1.8	7.9	-12.0	–	–	–
2027 ⁶	0.9	53,035.1	1.7	7.9	-7.5	–	–	–
Japan								
2023	0.7	35,224.7	3.3	2.6	156.2	1,294.6	717.3	787.2
2024	-0.2	33,820.3	2.7	2.5	189.2	1,230.7	707.0	743.5
2025	1.1	35,973.2	3.2	2.5	214.2	1,369.8	738.3	755.6
2026 ⁵	0.6	35,703.4	2.2	2.5	166.4	–	–	–
2027 ⁶	0.7	37,390.8	2.3	2.5	176.3	–	–	–

2.1. KEY ECONOMIC DATA OF SELECTED COUNTRIES (cont'd)

	Real GDP (% Growth)	GDP Per Capita ¹ (USD)	Consumer Price Index (%)	Unemployment Rate ² (%)	Current Account Balance (USD billion)	Gross International Reserves (USD billion)	Exports ³ (USD billion)	Imports ⁴ (USD billion)
Australia								
2023	2.1	64,851.3	5.6	3.7	-7.3	64.2	371.4	287.4
2024	1.0	65,700.9	3.2	4.0	-40.4	63.6	340.8	296.3
2025	2.0	66,351.9	2.9	4.2	-48.4	75.3	337.6	310.6
2026 ⁵	1.9	75,647.8	4.0	4.2	-49.1	-	-	-
2027 ⁶	1.7	77,822.9	3.2	4.3	-49.6	-	-	-
Republic of Korea								
2023	1.6	35,674.1	3.6	2.7	32.5	420.1	632.2	642.6
2024	2.2	36,238.6	2.3	2.8	100.0	415.6	683.6	631.8
2025	1.1	36,227.0	2.1	2.8	123.1	428.1	709.3	631.9
2026 ⁵	2.6	37,412.1	2.5	2.8	107.8	-	-	-
2027 ⁶	2.5	39,011.8	1.9	2.9	109.5	-	-	-
EMDEs								
2023	4.4	-	8.2	-	288.6	-	11,826.2	11,318.5
2024	4.5	-	8.0	-	421.0	-	12,514.8	11,892.9
2025	4.5	-	5.2	-	601.0	-	13,376.1	12,612.4
2026 ⁵	3.8	-	5.5	-	529.8	-	14,429.1	13,715.2
2027 ⁶	4.5	-	4.6	-	457.8	-	15,035.1	14,392.9
China								
2023	5.4	13,029.2	0.2	5.2	263.4	3,449.7	3,379.0	2,556.9
2024	5.0	13,452.7	0.2	5.1	423.9	3,455.6	3,576.8	2,583.2
2025	5.0	13,968.1	0.0	5.1	729.1	3,744.3	3,771.8	2,582.9
2026 ⁵	4.6	14,873.6	1.2	5.1	725.5	-	-	-
2027 ⁶	4.1	15,678.0	1.5	5.1	716.3	-	-	-
India								
2023	7.2	2,434.4	5.4	4.9	-26.0	622.5	431.6	673.9
2024	7.1	2,592.0	4.6	4.9	-22.9	635.7	442.9	718.3
2025	7.7	2,675.3	2.1	4.9	-36.2	687.7	445.3	753.5
2026 ⁵	6.4	2,812.6	4.7	4.9	-84.5	-	-	-
2027 ⁶	6.7	3,074.9	4.0	4.9	-75.3	-	-	-

¹ Expressed in current USD price² Composites for the country groups are averages of national unemployment rates weighted by labour force in the respective countries³ Expressed in Exports of Merchandise only except for Advanced Economies, Euro Area and EMDEs (Exports of Merchandise and Services)⁴ Expressed in Imports of Merchandise only except for Advanced Economies, Euro Area and EMDEs (Imports of Merchandise and Services)⁵ Estimate⁶ Forecast

Sources: International Monetary Fund (IMF), World Economic Outlook (April and July 2026); IMF Database; and World Trade Organization Trade Statistics

2.2. KEY ECONOMIC DATA OF ASEAN MEMBER COUNTRIES

	Real GDP (% Growth)	GDP Per Capita ¹ (USD)	Consumer Price Index (%)	Unemployment Rate ² (%)	Current Account Balance (USD billion)	Gross International Reserves (USD billion)	Exports ³ (USD billion)	Imports ⁴ (USD billion)
ASEAN-5⁷								
2023	4.1	6,456.1	3.5	–	82.2	–	1,284.2	1,235.6
2024	4.8	6,689.2	2.0	–	89.1	–	1,371.9	1,354.2
2025	4.5	7,030.1	1.4	–	108.3	–	1,082.3	1,574.3
2026 ⁵	4.1	7,402.8	2.6	–	82.0	–	–	–
2027⁶	4.4	7,797.9	2.3	–	97.1	–	–	–
Indonesia								
2023	5.0	4,919.9	3.7	5.3	-2.0	146.4	258.9	221.9
2024	5.0	4,958.4	2.3	4.9	-8.6	155.7	264.7	233.7
2025	5.1	5,082.4	1.9	4.9	-1.5	156.5	282.9	241.9
2026 ⁵	5.0	5,361.7	3.0	4.9	-16.3	–	–	–
2027⁶	5.1	5,724.8	2.6	4.8	-15.1	–	–	–
Malaysia								
2023	3.6	11,982.5	2.5	3.4	4.4	113.5	312.7	265.4
2024	5.2	12,405.3	1.8	3.2	6.0	116.2	330.6	300.1
2025	5.2	13,814.3	1.4	3.0	7.7	125.5	376.4	339.6
2026 ⁵	4.8 - 5.3	15,860.7 ⁸	1.5 - 2.5	3.0	10.3	131.7 ⁹	526.0	446.2
2027⁶	4.2 - 5.2	16,396.1⁸	1.8 - 2.8	3.0	10.4	–	542.0	461.7
Philippines								
2023	5.5	3,905.4	6.0	4.4	-12.4	103.8	73.5	133.8
2024	5.7	4,089.3	3.2	3.8	-18.6	106.3	73.0	134.9
2025	4.4	4,270.1	1.7	4.2	-16.3	110.8	83.7	141.2
2026 ⁵	4.1	4,442.6	4.3	4.7	-22.3	–	–	–
2027⁶	5.8	4,777.9	3.2	4.6	-19.3	–	–	–
Singapore								
2023	1.5	86,382.6	4.8	1.9	83.8	351.0	476.3	423.4
2024	5.3	94,896.5	2.4	2.0	98.5	371.4	505.7	458.7
2025	5.0	99,365.3	0.9	2.0	100.9	409.3	566.9	505.8
2026 ⁵	3.5	107,758.0	2.3	2.0	109.3	–	–	–
2027⁶	2.7	112,064.8	1.9	2.0	114.4	–	–	–
Thailand								
2023	2.2	7,210.5	1.2	1.0	8.5	224.5	285.1	288.5
2024	2.9	7,386.6	0.4	1.0	11.6	237.0	300.5	305.5
2025	2.4	8,056.6	-0.1	1.0	17.7	281.9	339.6	344.9
2026 ⁵	1.5	8,105.1	0.9	1.0	4.1	–	–	–
2027⁶	2.1	8,169.8	1.0	1.0	8.2	–	–	–

¹ Expressed in current USD price² Composites for the country groups are averages of national unemployment rates weighted by labour force in the respective countries³ Expressed in Exports of Merchandise only except for ASEAN-5 (Exports of Merchandise and Services)⁴ Expressed in Imports of Merchandise only except for ASEAN-5 (Imports of Merchandise and Services)⁵ Estimate⁶ Forecast⁷ Indonesia, Malaysia, the Philippines, Thailand and Viet Nam⁸ USD rate is the average for period of January to August 2026 at RM4.0068/USD. Data is sourced from BNM Monthly Statistically Bulletin (August 2026)⁹ As at 15 September 2026

Sources: International Monetary Fund (IMF), World Economic Outlook (April and July 2026); IMF Database; World Trade Organization Trade Statistics; Department of Statistics; Bank Negara Malaysia and Ministry of Finance, Malaysia

3.1. GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

at constant 2015 prices, Malaysia
RM million

Kind of Economic Activity	2023	2024	2025 ²	2026 ³	2027 ⁴
Agriculture	100,573 (0.4)	104,031 (3.4)	106,354 (2.2)	104,128 (-2.1)	104,656 (0.5)
Mining and quarrying	97,537 (0.5)	98,685 (1.2)	99,258 (0.6)	101,794 (2.6)	103,047 (1.2)
Manufacturing	366,817 (0.7)	382,060 (4.2)	399,363 (4.5)	423,951 (6.2)	441,208 (4.1)
Construction	56,616 (5.9)	66,594 (17.6)	74,709 (12.2)	79,525 (6.4)	84,049 (5.7)
Services	930,840 (5.2)	980,691 (5.4)	1,033,980 (5.4)	1,090,848 (5.5)	1,147,720 (5.2)
Utilities	41,525 (2.8)	43,390 (4.5)	43,460 (0.2)	45,896 (5.6)	47,585 (3.7)
Wholesale and retail trade	281,975 (6.0)	294,022 (4.3)	308,304 (4.9)	322,408 (4.6)	336,622 (4.4)
Food & beverages and accommodation	46,900 (6.8)	49,833 (6.3)	54,354 (9.1)	58,354 (7.4)	61,842 (6.0)
Transportation and storage	62,699 (13.5)	69,524 (10.9)	75,758 (9.0)	81,567 (7.7)	87,625 (7.4)
Information and communication	103,044 (3.6)	106,621 (3.5)	114,478 (7.4)	123,442 (7.8)	133,180 (7.9)
Finance and insurance	103,421 (-2.6)	108,334 (4.7)	109,032 (0.6)	111,443 (2.2)	114,032 (2.3)
Real estate and business services	71,869 (8.5)	78,584 (9.3)	85,012 (8.2)	90,780 (6.8)	97,171 (7.0)
Other services ¹	74,324 (6.5)	78,549 (5.7)	83,375 (6.1)	88,089 (5.7)	93,164 (5.8)
Government services	145,082 (5.3)	151,836 (4.7)	160,206 (5.5)	168,870 (5.4)	176,499 (4.5)
(+) Import duties	18,390 (9.6)	19,812 (7.7)	23,290 (17.6)	26,270 (12.8)	29,153 (11.0)
GDP at purchasers' prices	1,570,774 (3.6)	1,651,873 (5.2)	1,736,953 (5.2)	1,826,515 (4.8 - 5.3)	1,909,833 (4.2 - 5.2)

¹ Owner occupied dwelling, community, social and personal services, other private services, non-profit institution serving households and domestic services of households

² Preliminary

³ Estimate

⁴ Forecast

Note: Figures in parentheses are annual percentage changes

Source: Department of Statistics and Ministry of Finance, Malaysia

3.2. INDEX OF SERVICES

2015 = 100, Malaysia

	Weights (%)	2022	2023	2024	2025	2026 ¹
		Annual Change (%)				
Services	100.0	14.4	5.6	5.7	5.8	5.8
Wholesale & retail trade, food & beverages and accommodation	45.2	17.2	5.9	4.6	5.5	5.5
Wholesale and retail trade	37.9	14.3	5.6	4.3	4.8	4.9
Food and beverages	5.7	24.3	2.5	4.6	7.6	7.7
Accommodation	1.6	140.7	26.2	12.6	13.9	12.7
Business services and finance	26.8	9.3	2.9	6.8	3.8	4.3
Finance and insurance	16.0	1.0	-1.7	0.9	0.6	2.3
Professional, scientific & technical and administrative & support services	7.2	22.2	11.1	8.3	7.5	5.8
Real estate	3.6	31.1	6.5	11.8	9.0	8.9
Information & communication and transportation & storage	21.9	14.1	7.2	6.2	7.8	7.6
Information and communication	12.9	5.1	3.6	3.4	7.4	7.6
Transportation and storage	9.0	33.7	13.6	10.7	8.5	7.5
Other services	6.1	19.7	9.7	8.0	9.1	8.3
Arts, entertainment & recreation and personal services & other activities	2.6	52.9	10.9	7.3	9.9	7.2
Private education	1.9	7.3	7.5	8.1	8.4	8.6
Private health	1.6	9.5	10.8	8.7	8.9	9.0

¹ January to June 2026

Source: Department of Statistics, Malaysia

3.3. INDUSTRIAL PRODUCTION INDEX
2015 = 100, Malaysia

Subsector	Weights (%)	2022	2023	2024	2025	2026 ¹
		Annual Change (%)				
Total Industrial Production	100.00	6.9	0.7	3.9	3.4	5.7
Mining	25.14	2.9	0.2	0.9	0.4	2.0
Electricity	6.61	4.5	2.0	6.8	-0.6	6.1
Manufacturing	68.25	8.2	0.7	4.3	4.5	6.5
Export-oriented industries	45.82	7.0	-1.1	4.0	4.9	7.3
Manufacture of vegetable and animal oils and fats	3.71	-1.8	4.4	5.2	9.6	1.7
Manufacture of textiles	0.58	4.3	-4.7	2.7	-2.8	-1.5
Manufacture of wearing apparel	0.60	2.1	4.6	1.4	1.4	1.6
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1.44	6.7	-4.5	3.7	2.5	3.5
Manufacture of coke and refined petroleum products	9.36	6.3	-1.6	1.9	-1.5	1.3
Manufacture of chemicals and chemical products	6.37	4.1	4.2	2.2	1.1	1.1
Manufacture of rubber products	2.22	-16.9	-7.1	8.3	0.7	0.0
Manufacture of plastics products	2.26	2.8	-2.9	5.4	0.7	0.6
Manufacture of computer, electronics and optical products	13.89	16.0	-2.0	4.9	9.2	15.8
Manufacture of electrical equipment	2.20	9.7	-0.8	0.4	7.4	5.0
Manufacture of machinery and equipment n.e.c.	2.14	7.0	-0.4	3.9	8.1	8.0
Manufacture of furniture	1.04	9.5	-4.6	6.6	6.2	6.1
Domestic-oriented industries	22.44	10.9	4.9	5.1	3.8	4.9
Manufacture of food processing products	3.68	8.7	5.8	4.9	9.1	7.1
Manufacture of beverages	0.65	13.3	1.8	7.0	9.6	8.4
Manufacture of tobacco products	0.52	22.1	13.9	10.0	1.0	3.7
Manufacture of leather and related products	0.15	25.6	7.7	6.1	7.6	4.4
Manufacture of paper and paper products	1.15	7.5	4.1	3.0	-1.7	1.8
Printing and reproduction of recorded media	0.93	6.8	6.1	8.3	8.0	7.4
Manufacture of basic pharmaceuticals, medicinal chemical and botanical products	0.38	6.1	-0.7	5.7	7.9	4.0
Manufacture of other non-metallic mineral products	2.97	9.1	4.5	7.1	1.3	4.7
Manufacture of basic metals	2.35	6.8	3.0	4.6	5.5	6.8
Manufacture of fabricated metal products, except machinery and equipment	3.79	7.1	7.1	9.1	5.0	4.6
Manufacture of motor vehicles, trailers and semi-trailers	3.17	25.6	4.5	0.1	-4.6	0.4
Manufacture of other transport equipment	1.19	7.0	2.7	3.0	0.9	3.4
Other manufacturing	0.74	9.9	2.7	3.2	3.4	2.5
Repair and installation of machinery and equipment	0.76	10.2	4.9	5.6	7.3	9.2

¹ January to July 2026

Source: Department of Statistics, Malaysia

3.4. GROSS NATIONAL INCOME BY DEMAND AGGREGATES

Malaysia
RM million

Type of Expenditure	2023	2024	2025 ³	2026 ⁴	2027 ⁵
Current Prices					
A. Final consumption expenditure					
Public	220,260	232,934	249,138	261,845	273,023
Private	1,103,047	1,172,374	1,248,108	1,324,833	1,404,932
B. Gross fixed capital formation					
Public ¹	79,965	89,892	98,706	107,126	115,568
Private	270,689	307,270	333,044	364,584	397,315
C. Changes in inventories and valuables ²	64,461	30,842	-14,322	-16,688	-20,127
D. Exports of goods and services	1,252,717	1,381,455	1,462,781	1,683,216	1,756,445
E. Imports of goods and services	1,165,812	1,281,558	1,352,076	1,539,443	1,608,072
F. Gross Domestic Product at purchasers' prices (A+B+C+D-E)	1,825,325	1,933,209	2,025,379	2,185,474	2,319,084
G. Balance of primary income	-55,661	-64,756	-67,320	-90,244	-94,655
H. Gross National Income (F+G)	1,769,665	1,868,454	1,958,059	2,095,230	2,224,429
Constant 2015 Prices					
A. Final consumption expenditure					
Public	209,644	219,199	230,830	239,568	247,137
Private	951,830	997,503	1,050,776	1,102,849	1,155,303
B. Gross fixed capital formation					
Public ¹	71,751	79,700	87,872	94,676	101,120
Private	242,741	272,858	298,504	321,719	344,407
C. Changes in inventories and valuables ²	30,731	14,247	11,258	-1,558	-8,084
D. Exports of goods and services	1,038,085	1,127,229	1,182,937	1,317,939	1,360,102
E. Imports of goods and services	974,008	1,058,862	1,125,224	1,248,679	1,290,151
F. Gross Domestic Product at purchasers' prices (A+B+C+D-E)	1,570,774	1,651,873	1,736,953	1,826,515	1,909,833
G. Balance of primary income	-27,408	-34,417	-45,582	-59,547	-61,544
H. Gross National Income (F+G)	1,543,367	1,617,456	1,691,372	1,766,968	1,848,289

¹ Includes investment of public corporations

² Includes statistical discrepancy arising from balancing

³ Preliminary

⁴ Estimate

⁵ Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

3.5. PRIVATE CONSUMPTION INDICATORS

Malaysia

Indicator	2022	2023	2024	2025	2026
Imports of consumption goods ¹ (RM million)	104,017	104,118	117,414	119,523	80,804 ²
Bursa Malaysia (end-period)					
FBM KLCI	1,495.49	1,454.66	1,642.33	1,680.11	1,725.88 ³
Market capitalisation (RM billion)	1,736.21	1,796.40	2,080.51	2,064.41	2,191.73 ³
Sales number (units)					
Passenger cars	642,157	719,145	748,929	759,098	496,220 ²
Motorcycles	680,749	541,703	567,332	551,542	370,562 ²
Production of televisions ('000 units)	15,978	13,583	13,798	14,790	7,082 ⁴
Outstanding balance of credit card (RM million, end-period)	41,310	45,785	49,359	52,321	51,529 ⁵
Banking system's consumption credit (RM million, end-period)	332,123	360,688	385,425	404,380	411,592 ⁵

¹ Refers to imports by broad economic categories published by the Department of Statistics, Malaysia

² January to August 2026

³ End-August 2026

⁴ January to July 2026

⁵ End-July 2026

Source: Bank Negara Malaysia, Bursa Malaysia, Department of Statistics Malaysia, Malaysian Automotive Association and Motorcycle & Scooter Assemblers and Distributors Association of Malaysia

3.6. PRIVATE INVESTMENT INDICATORS

Malaysia

Indicator	2022	2023	2024	2025	2026
Imports (RM million)					
Capital goods ¹	120,231	128,743	166,098	214,500	152,474 ³
Intermediate goods ¹	706,551	620,607	749,247	718,837	553,643 ³
Loan disbursements by banking system (RM million)					
Manufacturing	490,590	439,727	409,386	415,858	249,181 ⁴
Construction	149,330	175,867	138,144	158,119	98,020 ⁴
Housing loans (RM million, end-period)					
Government ²	102,871	109,064	115,327	121,480	125,045 ⁵
Banking system	736,928	790,694	845,167	895,231	921,736 ⁵
Production of construction materials					
Cement roofing tiles ('000 units)	39,760	42,152	40,418	34,296	17,755 ⁴
Ready-mixed concrete ('000 cubic metres)	37,696	39,836	40,936	38,878	23,355 ⁴
Iron and steel bars and rods ('000 metric tonnes)	931	1,159	1,285	1,288	733 ⁴
Sales of commercial vehicles (units)	79,020	80,676	69,844	61,824	32,883 ³

¹ Refers to imports by broad economic categories published by the Department of Statistics, Malaysia² Based on principal amount³ January to August 2026⁴ January to July 2026⁵ End- July 2026

Source: Bank Negara Malaysia, Department of Statistics Malaysia, Malaysian Automotive Association and Public Sector Home Financing Board

3.7. MALAYSIA'S TRADE WITH MAJOR TRADING PARTNERS

RM million

		2022	2023	2024	2025		2026 ¹	
		RM million	RM million	RM million	RM million	share (%)	RM million	share (%)
Total	Total trade	2,843,821	2,637,243	2,879,528	3,061,950	100.0	2,513,771	100.0
	Exports	1,550,009	1,426,199	1,509,291	1,609,391	52.6	1,356,216	54.0
	Imports	1,293,811	1,211,044	1,370,237	1,452,558	47.4	1,157,554	46.0
	Net	256,198	215,155	139,053	156,833	-	198,662	-
China	Total trade	486,381	450,012	484,245	542,224	100.0	456,680	100.0
	Exports	210,554	191,885	187,764	189,422	34.9	148,565	32.5
	Imports	275,826	258,127	296,481	352,802	65.1	308,116	67.5
	Net	-65,272	-66,241	-108,716	-163,380	-	-159,551	-
Singapore	Total trade	367,524	363,021	396,263	402,799	100.0	339,395	100.0
	Exports	232,484	219,295	230,865	249,983	62.1	195,031	57.5
	Imports	135,040	143,726	165,398	152,815	37.9	144,363	42.5
	Net	97,444	75,569	65,467	97,168	-	50,668	-
United States	Total trade	267,629	250,123	325,158	365,840	100.0	328,844	100.0
	Exports	167,208	161,272	198,906	233,676	63.9	244,051	74.2
	Imports	100,421	88,850	126,252	132,164	36.1	84,793	25.8
	Net	66,788	72,422	72,654	101,512	-	159,257	-
Taiwan, Province of China	Total trade	157,748	127,173	176,148	233,159	100.0	213,503	100.0
	Exports	51,745	43,377	67,021	87,976	37.7	95,129	44.6
	Imports	106,003	83,795	109,127	145,182	62.3	118,374	55.4
	Net	-54,258	-40,418	-42,105	-57,206	-	-23,245	-
Republic of Korea	Total trade	114,093	111,684	109,677	117,307	100.0	109,276	100.0
	Exports	54,906	56,387	54,256	52,712	44.9	42,257	38.7
	Imports	59,187	55,298	55,421	64,595	55.1	67,020	61.3
	Net	-4,280	1,089	-1,165	-11,883	-	-24,763	-
Japan	Total trade	181,734	156,747	153,505	143,518	100.0	108,653	100.0
	Exports	98,658	85,830	83,357	76,736	53.5	59,216	54.5
	Imports	83,076	70,917	70,147	66,782	46.5	49,437	45.5
	Net	15,582	14,913	13,210	9,954	-	9,779	-

3.7. MALAYSIA'S TRADE WITH MAJOR TRADING PARTNERS (cont'd)

RM million

		2022	2023	2024	2025		2026 ¹	
		RM million	RM million	RM million	RM million	share (%)	RM million	share (%)
Hong Kong	Total trade	113,271	105,086	105,466	116,572	100.0	105,176	100.0
	Exports	95,671	89,836	88,796	96,216	82.5	89,762	85.3
	Imports	17,601	15,250	16,670	20,357	17.5	15,414	14.7
	Net	78,070	74,586	72,126	75,859	-	74,348	-
Thailand	Total trade	121,959	113,370	114,522	118,415	103.8	97,763	100.0
	Exports	65,774	58,913	58,998	63,920	54.0	54,676	55.9
	Imports	56,186	54,457	55,524	54,495	46.0	43,086	44.1
	Net	9,588	4,455	3,475	9,425	-	11,590	-
Viet Nam	Total trade	85,370	79,424	83,116	92,208	100.0	82,074	100.0
	Exports	53,623	52,012	53,863	55,294	60.0	50,281	61.3
	Imports	31,747	27,412	29,253	36,915	40.0	31,793	38.7
	Net	21,876	24,599	24,609	18,379	-	18,488	-
Indonesia	Total trade	129,704	111,211	115,556	114,124	100.0	81,251	100.0
	Exports	55,736	50,910	54,424	51,417	45.1	38,878	47.8
	Imports	73,968	60,301	61,132	62,707	54.9	42,373	52.2
	Net	-18,232	-9,391	-6,708	-11,290	-	-3,496	-

¹ January to August 2026

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

3.8. EXTERNAL TRADE INDICES

2010 = 100, Malaysia

Commodity Section	Weights ¹ (%)	2022	2023	2024	2025	2026 ²
		Annual Change (%)				
Export Unit Value Indices						
Total	100.0	17.2	-1.1	4.0	1.8	5.4
Food	3.5	4.3	6.2	10.5	11.6	10.5
Beverages and tobacco	0.6	4.4	4.2	6.7	13.1	9.2
Crude materials, inedible	2.7	2.9	0.6	5.9	3.7	0.5
Mineral fuels, lubricants, etc.	16.1	60.0	-8.8	7.8	-8.1	5.4
Animal and vegetable oils and fats	6.0	18.6	-29.6	-2.3	4.9	-3.1
Chemicals	7.8	7.7	0.6	2.0	0.4	0.3
Manufactured goods	9.7	4.5	-0.3	-0.9	-2.2	0.6
Machinery and transport equipment	42.3	10.3	7.5	1.8	0.2	3.4
Miscellaneous manufactured articles	10.9	1.0	1.0	3.4	4.2	4.4
Miscellaneous transactions and commodities	0.4	78.4	60.0	67.9	115.4	67.6
Import Unit Value Indices						
Total	100.0	10.0	-0.9	0.0	-2.8	1.8
Food	6.8	2.8	3.0	1.2	1.4	2.3
Beverages and tobacco	0.6	1.1	1.3	1.1	-1.0	-1.5
Crude materials, inedible	3.3	1.3	-2.3	-1.3	-2.8	-4.0
Mineral fuels, lubricants, etc.	12.9	56.3	-7.0	-0.2	-13.8	15.4
Animal and vegetable oils and fats	1.1	44.6	-5.4	7.9	5.9	-4.7
Chemicals	10.5	0.5	-2.6	-2.5	-4.4	-3.4
Manufactured goods	13.4	1.9	-1.1	-1.1	-2.0	-2.2
Machinery and transport equipment	41.8	4.8	1.0	-0.1	-2.9	-2.6
Miscellaneous manufactured articles	7.6	2.4	1.8	1.3	0.1	-0.8
Miscellaneous transactions and commodities	2.0	4.8	3.6	17.4	28.8	35.8

¹ Weights based on values of Malaysia imports and exports of merchandise during 2015² Annual changes was calculated based on monthly unit value indices of January to August 2026

Source: Department of Statistics, Malaysia

3.9. PRODUCTION, EXPORTS VOLUME AND VALUE OF MAJOR PRIMARY COMMODITIES

Malaysia

Major Commodities	2022	2023	2024	2025	2026 ¹
Palm oil					
Production ('000 tonnes)	18,453	18,552	19,338	20,283	12,631
Volume ('000 tonnes)	14,905	14,260	15,188	14,494	8,304
Value (RM million)	82,480	59,450	65,818	67,301	37,661
Natural rubber					
Production ('000 tonnes)	377	348	387	337	163 ²
Volume ('000 tonnes)	621	579	577	485	289
Value (RM million)	4,592	3,714	4,503	4,084	2,398
Crude petroleum					
Volume ('000 tonnes)	8,921	9,309	8,518	8,043	3,495
Value (RM million)	31,847	28,733	26,114	19,418	10,200
Liquefied natural gas (LNG)					
Volume ('000 tonnes)	27,316	26,863	27,650	26,707	19,818
Value (RM million)	68,002	60,231	61,903	51,804	40,257

¹ January to August 2026² January to July 2026

Source: Department of Statistics, Malaysia, Malaysian Palm Oil Board and Malaysia External Trade Development Corporation

3.10. DIRECTION OF MAJOR EXPORTS

Malaysia

Exports	2022			2023		
	'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)
Electrical and electronic (E&E)						
Total		592,956	100.0		575,455	100.0
United States		96,023	16.2		101,286	17.6
Singapore		115,275	19.4		106,523	18.5
Hong Kong		79,087	13.3		74,010	12.9
Taiwan, Province of China		30,541	5.2		27,398	4.8
China		81,097	13.7		76,675	13.3
Non-E&E						
Total		711,713	100.0		640,828	100.0
United States		68,453	9.6		57,803	9.0
Singapore		105,751	14.9		100,374	15.7
China		89,647	12.6		81,267	12.7
European Union		59,850	8.4		50,425	7.9
Indonesia		49,975	7.0		43,759	6.8
Palm oil						
Total	14,905	82,480	100.0	14,260	59,450	100.0
India	2,913	15,382	18.6	2,767	10,767	18.1
Kenya	762	4,042	4.9	860	3,384	5.7
Turkiye	767	4,309	5.2	838	3,459	5.8
Netherlands	732	4,034	4.9	499	2,101	3.5
Philippines	632	3,622	4.4	431	1,753	2.9
Natural rubber						
Total	621	4,592	100.0	579	3,714	100.0
China	286	2,076	45.2	279	1,749	47.1
Germany	26	191	4.2	55	358	9.6
United Arab Emirates	52	372	8.1	57	366	9.9
United States	34	251	5.5	16	102	2.7
Portugal	3	21	0.5	10	68	1.8
Crude petroleum						
Total	8,921	31,847	100.0	9,309	28,733	100.0
Thailand	2,089	7,307	22.9	2,615	8,089	28.2
Australia	2,343	8,431	26.5	2,022	6,242	21.7
Japan	1,341	4,622	14.5	2,012	6,177	21.5
Indonesia	–	–	0.0	86	299	1.0
Viet Nam	119	437	1.4	77	215	0.7
Liquefied natural gas (LNG)						
Total	27,316	68,002	100.0	26,863	60,231	100.0
Japan	11,777	30,566	44.9	10,433	25,830	42.9
China	7,489	18,053	26.5	7,437	15,126	25.1
Republic of Korea	5,361	12,480	18.4	6,322	13,838	23.0
Thailand	1,893	4,461	6.6	1,785	3,585	6.0
Taiwan, Province of China	374	1,214	1.8	616	1,266	2.1

¹ January to August 2026

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

2024			2025			2026 ¹		
'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)
	601,577	100.0		712,289	100.0		656,141	100.0
	120,111	20.0		146,217	20.5		158,315	24.1
	112,776	18.7		131,492	18.5		110,552	16.8
	73,299	12.2		82,838	11.6		77,270	11.8
	43,933	7.3		59,469	8.3		64,283	9.8
	68,047	11.3		73,209	10.3		58,620	8.9
	687,612	100.0		678,262	100.0		547,774	100.0
	74,952	10.9		82,972	12.2		81,596	14.9
	104,836	15.2		103,441	15.3		76,084	13.9
	87,123	12.7		82,619	12.2		59,638	10.9
	52,479	7.6		53,514	7.9		41,081	7.5
	47,505	6.9		44,073	6.5		32,418	5.9
15,188	65,818	100.0	14,494	67,301	100.0	8,304	37,661	100.0
2,931	11,947	18.2	2,544	11,193	16.6	1,936	8,486	22.5
1,157	4,874	7.4	1,160	5,231	7.8	666	2,954	7.8
727	3,134	4.8	753	3,460	5.1	492	2,304	6.1
629	2,916	4.4	510	2,506	3.7	314	1,514	4.0
664	2,821	4.3	698	3,218	4.8	335	1,463	3.9
577	4,503	100.0	485	4,084	100.0	289	2,398	100.0
231	1,731	38.4	219	1,779	43.6	136	1,073	44.7
61	499	11.1	62	541	13.2	43	385	16.0
58	436	9.7	46	370	9.1	19	150	6.3
34	267	5.9	30	252	6.2	17	142	5.9
15	122	2.7	12	102	2.5	9	83	3.5
8,518	26,114	100.0	8,043	19,418	100.0	3,495	10,200	100.0
2,709	8,368	32.0	2,263	5,539	28.5	1,230	3,917	38.4
1,833	5,723	21.9	2,458	6,103	31.4	1,053	3,121	30.6
1,565	4,732	18.1	1,580	3,756	19.3	625	1,587	15.6
134	422	1.6	–	–	–	198	563	5.5
39	136	0.5	–	–	–	116	389	3.8
27,650	61,903	100.0	26,707	51,804	100.0	19,818	40,257	100.0
10,646	26,231	42.4	9,501	19,973	38.6	6,657	14,307	35.5
7,775	15,393	24.9	7,394	12,908	24.9	5,626	11,551	28.7
6,346	14,190	22.9	7,229	13,990	27.0	5,049	9,398	23.3
1,826	3,806	6.1	1,507	2,773	5.4	1,252	2,002	5.0
942	2,039	3.3	269	613	1.2	423	1,189	3.0

3.11. EXPORTS OF MANUFACTURED GOODS

Malaysia

RM million

	2022	2023	2024	2025	2026 ²	
					share (%)	
Electrical and electronic (E&E) products	592,956	575,455	601,577	712,289	656,141	54.5
Petroleum products	161,205	143,494	127,331	104,011	87,556	7.3
Chemicals and chemical products	80,579	71,454	73,614	65,843	42,960	3.6
Manufactures of metal	63,551	56,323	61,502	63,158	50,421	4.2
Machinery, equipment and parts	60,409	57,250	69,011	78,293	61,117	5.1
Optical and scientific equipment	56,632	54,575	59,171	65,681	56,434	4.7
Palm oil-based manufactured products	41,385	31,212	34,984	40,641	28,998	2.4
Iron and steel products	33,827	30,478	32,429	26,380	12,860	1.1
Rubber products	28,790	21,337	26,319	24,731	16,677	1.4
Processed food	28,414	30,304	35,368	38,480	22,263	1.8
Transport equipment	18,988	17,500	18,608	18,397	13,303	1.1
Wood products	18,096	14,866	15,580	14,637	8,567	0.7
Textiles, apparels and footwear	17,341	16,019	17,234	17,041	11,610	1.0
Manufactures of plastics	17,262	16,041	17,270	17,315	12,311	1.0
Non-metallic mineral products	11,945	12,469	12,465	14,235	10,305	0.9
Paper and pulp products	9,948	11,594	13,911	12,995	8,391	0.7
Jewellery	7,395	7,708	9,255	10,119	7,082	0.6
Beverages and tobacco	2,757	3,105	3,016	2,848	1,865	0.2
Other manufactures ¹	53,190	45,101	60,544	63,458	95,055	7.9
Total	1,304,668	1,216,283	1,289,189	1,390,552	1,203,915	100.0

¹ Includes animal feed, printed matter, miscellaneous manufactured articles, etc² January to August 2026

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

3.12. SOURCE OF MAJOR IMPORTS

Malaysia

RM million

Imports	2022		2023		2024		2025		2026 ¹	
		share (%)		share (%)		share (%)		share (%)		share (%)
Electrical and electronic (E&E) products										
Total	393,474	100.0	355,945	100.0	455,803	100.0	567,412	100.0	506,517	100.0
China	110,095	28.0	100,589	28.3	119,503	26.2	156,497	27.6	156,093	30.8
Taiwan, Province of China	76,704	19.5	62,710	17.6	87,258	19.1	125,951	22.2	101,701	20.1
Singapore	38,372	9.8	47,336	13.3	62,372	13.7	59,924	10.6	68,053	13.4
Chemicals and chemical products										
Total	115,514	100.0	104,426	100.0	104,147	100.0	94,855	100.0	68,263	100.0
China	28,611	24.8	24,940	23.9	24,152	23.2	23,771	25.1	21,736	31.8
European Union	12,982	11.2	12,513	12.0	12,811	12.3	12,160	12.8	8,509	12.5
Singapore	9,704	8.4	10,972	10.5	13,103	12.6	10,455	11.0	6,905	10.1
Petroleum products										
Total	145,639	100.0	137,935	100.0	128,518	100.0	96,749	100.0	90,297	100.0
Singapore	51,051	35.1	44,257	32.1	43,316	33.7	37,991	39.3	31,387	34.8
India	7,588	5.2	6,625	4.8	9,649	7.5	5,423	5.6	10,749	11.9
Republic of Korea	16,693	11.5	15,646	11.3	14,421	11.2	10,835	11.2	8,666	9.6
Machinery, equipment and parts										
Total	89,381	100.0	89,210	100.0	113,640	100.0	120,556	100.0	92,507	100.0
China	30,546	34.2	27,855	31.2	36,991	32.6	41,768	34.6	32,299	34.9
United States	9,427	10.5	9,706	10.9	19,575	17.2	23,321	19.3	18,181	19.7
European Union	10,949	12.2	12,346	13.8	13,427	11.8	13,048	10.8	9,588	10.4
Manufactures of metal										
Total	63,853	100.0	64,817	100.0	71,060	100.0	65,242	100.0	50,845	100.0
China	16,151	25.3	15,632	24.1	18,562	26.1	21,901	33.6	19,203	37.8
United States	7,678	12.0	8,714	13.4	9,368	13.2	5,739	8.8	4,177	8.2
Japan	7,604	11.9	5,358	8.3	4,774	6.7	4,668	7.2	4,029	7.9

¹ January to August 2026

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

3.13. BALANCE OF PAYMENTS

Malaysia

RM million

Components	2022			2023		
	Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net
Balance on goods and services	1,378,618	1,249,547	129,071	1,252,717	1,165,812	86,904
Goods	1,237,226	1,049,951	187,275	1,057,736	926,839	130,897
Services	141,392	199,596	-58,204	194,980	238,973	-43,993
Transport	26,569	60,763	-34,194	30,187	62,192	-32,005
Travel	28,696	29,884	-1,188	68,037	50,758	17,279
Other services	86,127	108,949	-22,822	96,756	126,023	-29,267
Primary income	93,156	150,099	-56,943	86,590	142,251	-55,661
Compensation of employees	7,116	14,455	-7,339	7,767	15,907	-8,140
Investment income	86,040	135,644	-49,603	78,824	126,344	-47,521
Secondary income	22,958	37,863	-14,905	33,919	45,114	-11,195
Balance on current account			57,223			20,048
% of Gross National Income			3.3			1.1
Capital account			-454			-259
Financial account			8,533			-7,150
Direct investment			12,593			8,473
Assets			-53,603			-35,570
Liabilities			66,196			44,042
Portfolio investment			-50,114			-36,528
Financial derivatives			-2,212			-3,879
Other investment			48,267			24,784
Balance on capital and financial accounts			8,079			-7,408
Net errors and omissions			-11,943			-33,140
Overall balance			53,359			-20,500

¹ January to June 2026

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

2024			2025			2026 ¹		
Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net
1,381,455	1,281,558	99,897	1,462,781	1,352,076	110,705	813,682	733,572	80,110
1,140,957	1,028,449	112,508	1,184,868	1,079,445	105,424	654,645	580,329	74,316
240,498	253,109	-12,611	277,912	272,631	5,281	159,037	153,244	5,794
34,766	64,634	-29,868	37,693	66,867	-29,175	20,946	35,761	-14,815
95,380	57,261	38,119	110,650	62,202	48,448	62,197	34,869	27,328
110,352	131,214	-20,862	129,570	143,562	-13,992	75,895	82,614	-6,719
93,926	158,682	-64,756	88,465	155,785	-67,320	42,414	90,442	-48,028
7,322	17,297	-9,974	7,268	17,262	-9,994	3,665	9,281	-5,616
86,604	141,385	-54,781	81,197	138,523	-57,326	38,749	81,161	-42,412
41,110	48,897	-7,787	43,938	54,517	-10,579	21,843	28,002	-6,159
		27,354			32,805			25,923
		1.5			1.7			2.6
		71			-87			39
		-12,114			-16,003			395
		11,204			53,505			15,186
		-69,438			-39,195			-69,177
		80,642			92,701			84,363
		-82,457			-59,435			-26,089
		2,814			229			-438
		56,324			-10,303			11,736
		-12,044			-16,090			433
		431			-8,314			6,997
		15,742			8,400			33,353

3.14. CONSUMER PRICE INDEX BY REGION

2010 = 100, Malaysia

Groups	2022	2023	2024	2025	2026 ¹
	Annual Change (%)				
Malaysia					
Total	3.3	2.5	1.8	1.4	1.8
Food and beverages	5.8	4.8	2.0	2.1	1.5
Alcoholic beverages and tobacco	0.5	0.6	0.7	0.9	2.7
Clothing and footwear	0.1	0.3	-0.3	-0.2	0.0
Housing, water, electricity, gas and other fuels	1.8	1.7	3.0	1.6	1.4
Furnishings, household equipment and routine household maintenance	3.5	2.3	0.7	0.2	0.3
Health	0.7	2.2	1.8	1.2	1.2
Transport	4.7	1.1	1.0	0.4	1.7
Information and communication	0.0	-3.0	-1.5	-4.3	1.9
Recreation, sport and culture	2.3	1.5	1.8	1.1	1.1
Education	1.1	1.9	1.5	2.3	2.4
Restaurant and accommodation services	5.0	5.6	3.1	3.2	2.4
Insurance and financial services	0.2	0.1	0.3	3.4	4.1
Personal care, social protection and miscellaneous goods and services	2.0	2.4	3.0	4.4	4.9
Peninsular Malaysia					
Total	3.5	2.5	1.7	1.5	1.8
Food and beverages	5.8	4.8	2.0	2.1	1.6
Alcoholic beverages and tobacco	0.6	0.6	0.7	1.0	2.8
Clothing and footwear	0.2	0.2	-0.2	-0.1	0.1
Housing, water, electricity, gas and other fuels	1.9	1.5	3.0	1.7	1.4
Furnishings, household equipment and routine household maintenance	3.8	2.3	0.8	0.2	0.3
Health	0.8	2.2	1.9	1.2	1.4
Transport	4.7	1.2	0.9	0.5	1.7
Information and communication	0.0	-3.2	-1.6	-4.4	1.9
Recreation, sport and culture	2.2	1.6	1.8	1.2	1.0
Education	1.1	1.8	1.6	2.3	2.4
Restaurant and accommodation services	4.9	5.6	3.2	3.2	2.6
Insurance and financial services	0.2	0.1	0.3	3.5	4.1
Personal care, social protection and miscellaneous goods and services	2.1	2.5	3.1	4.5	5.2

¹ January to August 2026

Source: Department of Statistics, Malaysia

3.14. CONSUMER PRICE INDEX BY REGION (cont'd)

2010 = 100, Malaysia

Groups	2022	2023	2024	2025	2026 ¹
	Annual Change (%)				
Sarawak					
Total	3.2	3.1	2.4	0.9	0.7
Food and beverages	5.5	6.1	1.9	1.1	0.6
Alcoholic beverages and tobacco	0.2	0.9	0.9	0.5	2.2
Clothing and footwear	0.0	0.2	0.0	-0.2	-0.3
Housing, water, electricity, gas and other fuels	0.9	1.8	5.6	1.9	-0.6
Furnishings, household equipment and routine household maintenance	2.3	2.3	0.9	0.3	0.4
Health	-0.8	1.6	1.5	0.8	0.6
Transport	3.9	0.7	0.9	0.4	1.0
Information and communication	0.0	-1.6	-1.2	-3.6	1.7
Recreation, sport and culture	4.9	0.6	2.0	1.1	0.3
Education	1.5	2.4	1.1	1.0	1.7
Restaurant and accommodation services	5.2	5.3	3.2	2.9	2.6
Insurance and financial services	0.0	0.0	0.0	0.8	1.2
Personal care, social protection and miscellaneous goods and services	1.2	2.6	2.3	3.4	3.1
Sabah					
Total	3.0	2.4	1.2	1.1	1.9
Food and beverages	5.1	4.1	1.5	2.0	0.6
Alcoholic beverages and tobacco	0.2	0.2	0.7	-0.2	3.1
Clothing and footwear	0.1	-0.1	-0.3	-1.2	-1.8
Housing, water, electricity, gas and other fuels	1.9	2.6	1.5	1.2	3.0
Furnishings, household equipment and routine household maintenance	2.3	1.6	0.5	-0.2	-0.3
Health	1.5	1.4	1.1	1.0	0.3
Transport	3.5	0.0	0.3	0.1	3.1
Information and communication	-0.1	-1.1	-0.5	-2.2	0.9
Recreation, sport and culture	0.2	1.0	0.0	1.0	2.1
Education	1.4	2.3	2.1	2.3	1.9
Restaurant and accommodation services	7.3	5.4	3.1	4.6	0.5
Insurance and financial services	0.0	-0.1	0.6	4.4	7.3
Personal care, social protection and miscellaneous goods and services	1.6	2.3	2.9	3.1	3.3

¹ January to August 2026

Source: Department of Statistics, Malaysia

3.14. CONSUMER PRICE INDEX BY REGION (cont'd)

2010 = 100, Malaysia

Groups	2022	2023	2024	2025	2026 ¹
	Annual Change (%)				
Federal Territory of Labuan					
Total	2.4	1.6	0.7	0.8	2.2
Food and beverages	3.5	3.6	1.4	2.4	1.0
Alcoholic beverages and tobacco	0.0	0.2	0.3	1.2	4.2
Clothing and footwear	-0.3	0.0	-2.1	-2.1	-3.1
Housing, water, electricity, gas and other fuels	1.1	1.5	0.8	0.7	3.3
Furnishings, household equipment and routine household maintenance	0.7	1.4	-3.3	-2.4	-1.3
Health	0.9	3.9	1.8	-0.9	3.8
Transport	7.6	-2.3	-1.1	-1.0	0.6
Information and communication	-0.6	-2.5	-1.5	-4.2	3.7
Recreation, sport and culture	0.2	0.2	2.0	0.0	-0.1
Education	0.0	1.7	0.6	5.3	6.9
Restaurant and accommodation services	2.2	5.9	6.7	3.2	4.6
Insurance and financial services	0.0	0.0	0.0	3.5	8.9
Personal care, social protection and miscellaneous goods and services	0.3	1.9	2.7	5.6	6.0

¹ January to August 2026

Source: Department of Statistics, Malaysia

3.15. CONSUMER PRICE INDEX BY STRATUM

2010 = 100, Malaysia

Groups	2022	2023	2024	2025	2026 ¹
	Annual Change (%)				
Rural					
Total	2.6	2.1	1.7	1.0	1.6
Food and beverages	4.3	3.6	1.7	1.3	1.3
Alcoholic beverages and tobacco	0.2	0.2	0.5	0.3	2.9
Clothing and footwear	0.5	0.4	0.1	-0.4	0.2
Housing, water, electricity, gas and other fuels	1.7	1.5	3.2	1.4	1.8
Furnishings, household equipment and routine household maintenance	2.0	1.8	0.7	0.3	0.4
Health	0.6	1.6	1.0	1.1	1.6
Transport	2.9	1.1	0.9	0.3	1.2
Information and communication	0.0	-1.4	-0.8	-2.7	1.6
Recreation, sport and culture	1.6	1.0	1.1	0.2	0.4
Education	0.3	1.6	0.6	1.2	1.0
Restaurant and accommodation services	2.9	2.9	2.9	2.5	2.0
Insurance and financial services	0.0	0.0	0.2	2.6	3.8
Personal care, social protection and miscellaneous goods and services	1.5	2.2	3.1	4.3	4.7
Urban					
Total	3.6	2.6	1.8	1.5	1.8
Food and beverages	6.1	5.1	2.1	2.2	1.5
Alcoholic beverages and tobacco	0.7	0.8	0.7	1.1	2.7
Clothing and footwear	0.1	0.1	-0.2	-0.2	-0.1
Housing, water, electricity, gas and other fuels	1.8	1.7	2.9	1.7	1.3
Furnishings, household equipment and routine household maintenance	3.7	2.4	0.7	0.2	0.3
Health	0.8	2.2	2.0	1.2	1.2
Transport	5.0	1.1	0.9	0.5	1.9
Information and communication	0.0	-3.2	-1.7	-4.4	1.9
Recreation, sport and culture	2.3	1.6	1.9	1.3	1.1
Education	1.1	1.9	1.7	2.4	2.6
Restaurant and accommodation services	5.3	5.9	3.2	3.3	2.5
Insurance and financial services	0.2	0.1	0.3	3.5	4.1
Personal care, social protection and miscellaneous goods and services	2.1	2.5	3.0	4.4	5.0

¹ January to August 2026

Source: Department of Statistics, Malaysia

3.16. CONSUMER PRICE INDEX BY STATE

2010 = 100, Malaysia

States	2022	2023	2024	2025	2026 ¹
	Annual Change (%)				
Total					
Malaysia	3.3	2.5	1.8	1.4	1.8
Johor	3.4	2.5	1.7	2.0	2.2
Kedah	2.6	1.7	1.3	0.8	1.9
Kelantan	2.8	1.7	1.0	0.3	0.7
Melaka	2.7	2.4	1.3	1.5	1.8
Negeri Sembilan	2.8	2.0	1.2	1.7	2.3
Pahang	3.0	2.6	2.4	1.2	2.4
Pulau Pinang	3.2	2.2	3.0	1.2	1.7
Perak	3.3	2.8	1.0	0.9	1.2
Perlis	3.2	2.2	1.7	1.0	1.3
Selangor	4.2	2.9	2.1	1.7	1.7
Terengganu	3.1	1.8	1.5	1.3	1.7
Sabah	3.0	2.4	1.2	1.1	1.9
Sarawak	3.2	3.1	2.4	0.9	0.7
Federal Territory of Kuala Lumpur	3.0	2.1	1.4	1.3	2.1
Federal Territory of Labuan	2.4	1.6	0.7	0.8	2.2
Federal Territory of Putrajaya	7.3	3.4	1.4	0.7	1.8

¹ January to August 2026

Source: Department of Statistics, Malaysia

3.16. CONSUMER PRICE INDEX BY STATE (cont'd)

2010 = 100, Malaysia

States	2022	2023	2024	2025	2026 ¹
	Annual Change (%)				
Food and Beverages					
Malaysia	5.8	4.8	2.0	2.1	1.5
Johor	6.1	4.3	1.7	2.4	2.6
Kedah	3.7	2.9	0.7	0.9	1.6
Kelantan	4.5	3.2	0.8	0.1	-0.6
Melaka	4.7	4.6	1.1	2.4	2.0
Negeri Sembilan	4.8	4.5	1.2	3.2	2.7
Pahang	4.9	4.9	2.0	2.0	2.4
Pulau Pinang	6.0	5.0	2.7	1.6	1.6
Perak	5.4	4.8	0.6	1.0	1.1
Perlis	4.9	3.5	1.8	1.3	0.8
Selangor	7.4	6.1	3.3	2.8	1.2
Terengganu	4.9	3.6	1.8	2.4	0.6
Sabah	5.1	4.1	1.5	2.0	0.6
Sarawak	5.5	6.1	1.9	1.1	0.6
Federal Territory of Kuala Lumpur	5.1	4.1	1.4	2.1	2.0
Federal Territory of Labuan	3.5	3.6	1.4	2.4	1.0
Federal Territory of Putrajaya	7.7	5.9	2.4	2.7	1.2

¹ January to August 2026

Source: Department of Statistics, Malaysia

3.17. CORE INDEX

2010 = 100, Malaysia

Groups	2022	2023	2024	2025	2026 ¹
	Annual Change (%)				
Total	3.0	3.0	1.8	2.0	2.0
Food and beverages	5.8	5.8	3.0	3.4	1.9
Alcoholic beverages and tobacco	–	–	–	–	–
Clothing and footwear	0.1	0.3	-0.3	-0.2	0.0
Housing, water, electricity, gas and other fuels	1.4	1.9	1.6	2.2	1.6
Furnishings, household equipment and routine household maintenance	3.5	2.3	0.7	0.2	0.3
Health	0.7	2.2	2.0	1.3	1.3
Transport	5.6	4.4	2.1	2.2	1.4
Information and communication	0.0	-3.0	-1.5	-4.3	1.9
Recreation, sport and culture	2.3	1.5	1.9	1.1	1.0
Education	1.1	1.9	1.5	2.3	2.4
Restaurant and accommodation services	5.0	5.6	3.1	3.2	2.5
Insurance and financial services	0.2	0.1	0.3	3.4	4.1
Personal care, social protection and miscellaneous goods and services	2.0	2.4	3.0	4.4	4.9

¹ January to August 2026

Source: Department of Statistics, Malaysia

3.18. PRODUCER PRICE INDEX - LOCAL PRODUCTION

2010 = 100, Malaysia

Sectors and Stage of Processing	2022	2023	2024	2025	2026 ¹
	Annual Change (%)				
Sector (MSIC 2008)					
Total	7.8	-1.9	0.3	-2.0	4.6
Agriculture, forestry and fishing	1.3	-13.8	7.9	3.2	0.9
Mining	12.6	-5.9	-2.0	-8.2	25.9
Manufacturing	8.4	-0.2	-0.3	-2.1	2.9
Electricity and gas supply	0.7	0.4	0.6	1.9	7.9
Water supply	2.6	2.4	6.5	4.7	10.7
Producer Price Index by Stage of Processing					
Total	7.8	-1.9	0.3	-2.0	4.6
Crude materials for further processing	6.2	-9.6	0.7	-3.7	15.4
Intermediate materials, supplies and components	10.9	-1.2	-0.5	-1.8	2.8
Finished goods	1.8	3.1	1.9	-1.2	0.9

¹ January to August 2026

Source: Department of Statistics, Malaysia

3.19. LABOUR FORCE

Malaysia

	2022	2023	2024	2025	2026 ⁵
Labour force ('000)	15,769.7	16,366.8	16,903.5	17,088.0	17,275.8
Employment ('000)	15,155.2	15,813.4	16,369.4	16,580.9	16,766.1
Unemployment ('000)	614.5	553.4	534.1	507.2	509.7
Unemployment rate (%)	3.9	3.4	3.2	3.0	3.0
Labour force participation rate¹ (%)					
Total	69.3	70.0	70.6	70.8	70.9
Male	81.5	82.3	83.0	83.3	83.3
Female	55.6	56.2	56.5	56.6	57.0
Number of collective agreements signed in the current year²	334	274	240	245	155
Labour productivity³	5.8	0.8	3.7	4.0	4.6
Agriculture	2.0	-0.3	3.0	2.3	-0.8
Mining and quarrying	2.2	0.1	1.0	-0.1	3.0
Manufacturing	4.1	-2.1	3.2	4.0	6.5
Construction	5.4	4.8	16.9	11.4	6.5
Services	6.9	1.7	3.5	3.8	4.1
Foreign workers ('000)⁴	1,459.2	2,003.7	2,368.4	2,125.6	2,075.9

¹ The ratio of the labour force to the working age population (15-64 years), expressed as percentage

² Based on the information in the Collective Agreement and the feedback from the employer for which has been given cognisance by the Industrial Court for the year

³ Annual change (%)

⁴ As at end-August 2026

⁵ For the first half of 2026

Source: Department of Statistics, Ministry of Home Affairs and Ministry of Human Resources, Malaysia

3.20. EMPLOYMENT BY INDUSTRY

'000 persons, Malaysia

Industry ¹	2022	2023	2024	2025		2026 ⁴	
					share (%)		share (%)
Total employment²	15,155.2	15,813.4	16,369.4	16,580.9	100.0	16,766.1	100.0
Agriculture, forestry and fishing	1,408.1	1,437.4	1,478.5	1,480.3	8.9	1,461.1	8.7
Mining and quarrying	84.1	88.8	88.7	95.9	0.6	101.0	0.6
Manufacturing	2,507.3	2,597.8	2,664.6	2,695.7	16.3	2,718.9	16.2
Construction	1,245.4	1,284.5	1,393.4	1,356.9	8.2	1,302.9	7.8
Services	9,910.3	10,404.7	10,744.1	10,952.0	66.1	11,182.1	66.7
Electricity, gas, steam and air conditioning supply	78.8	81.5	76.8	82.8	0.8	117.1	1.0
Water supply; sewerage, waste management and remediation activities	85.0	85.5	93.0	95.1	0.9	98.4	0.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,840.6	2,991.5	3,063.3	3,107.4	28.4	3,132.8	28.0
Transportation and storage	707.2	735.3	751.4	762.0	7.0	785.6	7.0
Accommodation and food and beverage service activities	1,482.7	1,592.8	1,617.1	1,681.9	15.4	1,695.5	15.2
Information and communication	252.7	268.1	286.3	287.5	2.6	334.6	3.0
Financial and insurance/takaful activities	410.4	434.2	444.6	451.9	4.1	491.0	4.4
Real estate activities	90.5	92.8	101.5	101.5	0.9	102.9	0.9
Professional, scientific and technical activities	380.0	390.3	396.6	410.4	3.7	479.1	4.3
Administrative and support service activities	834.3	886.3	888.0	892.2	8.1	853.6	7.6
Public administration and defence; compulsory social security	783.6	797.1	854.4	869.3	7.9	896.0	8.0
Education	944.5	989.5	1,042.5	1,051.3	9.6	1,080.3	9.7
Human health and social work activities	596.1	626.4	683.5	699.9	6.4	704.9	6.3
Arts, entertainment and recreation	70.9	72.5	73.5	73.1	0.7	77.3	0.7
Others service activities	258.2	261.6	264.5	268.5	2.5	240.0	2.1
Activities of households as employers ³	94.5	96.5	103.6	113.9	1.0	92.8	0.8

¹ Industry is classified according to the 'Malaysia Standard Industrial Classification (MSIC) 2008 Ver. 1.0'² Total includes 'Activities of extraterritorial organisations and bodies'³ Labour Force Survey does not classify the subsistence goods-and services-producing activities of households as persons who are economically active. Therefore, the classification of industry by MSIC 2008 for 'Activities of households as employers; undifferentiated goods-and services-producing activities of household for own use' only accounted for 'Activities of household as employers'⁴ For the first half of 2026

Source: Department of Statistics, Malaysia

3.21. ACTIVE REGISTRANTS

Malaysia

	2022	2023	2024	2025		2026 ²	
					share (%)		share (%)
Total Active Registrants	546,325	526,441	410,954	298,188	100.0	213,031	100.0
Age							
19 and below	17,016	20,456	16,606	13,287	4.5	23,030	10.8
20 – 24	170,139	179,276	140,090	106,890	35.8	80,863	38.0
25 – 29	161,879	146,182	95,745	68,166	22.9	36,603	17.2
30 and above	197,212	180,506	158,513	109,844	36.8	72,533	34.0
Gender							
Male	264,974	250,630	204,902	151,417	50.8	102,758	48.2
Female	281,351	275,811	206,052	146,771	49.2	110,272	51.8
Educational Level							
Less than PT3/PMR/SRP/LCE	4,882	5,368	9,861	4,994	1.7	3,620	1.7
PT3/PMR/SRP/LCE	9,538	9,348	10,217	7,203	2.4	5,108	2.4
SPM/MCE	108,173	117,723	95,707	90,729	30.4	74,475	35.0
MHSC/STPM, Matriculation, Diploma and Degree	210,964	202,123	150,838	130,571	43.8	100,947	47.4
Employment Status							
Unemployed ¹	188,099	198,746	144,756	142,840		99,438	

¹ Unemployed is defined as the registered job seekers under MYFutureJobs who are identified as having no PERKESO contributions, indicating they have not yet entered the workforce

² January to June 2026

Note: The figures for certain variables for Active Registrants may not add up to total actual active registrants. Active registrants are defined as jobseekers who have registered and active profile throughout the year. As of now, some variables are not mandatory to be filled-up by Job Seekers hence may not add up to the overall total

Source: Social Security Organisation, Malaysia

3.22. VACANCIES, JOBS CREATED AND PLACEMENTS

'000 persons, Malaysia

	2022	2023	2024	2025		2026 ¹	
					share (%)		share (%)
Number of vacancies by skill category	192.4	190.2	193.6	198.1	100.0	195.7	100.0
Skilled	48.6	48.1	47.6	48.7	24.6	50.2	25.7
Semi-skilled	105.9	105.6	108.5	111.3	56.2	107.3	54.8
Low-skilled	37.8	36.5	37.5	38.2	19.3	38.2	19.5
Number of vacancies by economic activity	192.4	190.2	193.6	198.1	100.0	195.7	100.0
Agriculture, forestry and fishing	31.7	31.1	31.9	32.0	16.2	30.4	15.5
Mining and quarrying	0.4	0.5	0.5	0.6	0.3	0.5	0.2
Manufacturing	107.5	108.0	110.5	115.8	58.4	114.0	58.3
Food processing, beverages & tobacco products	13.5	13.8	14.6	15.1	13.0	15.1	13.2
Textiles, wearing apparel & leather products	3.2	3.1	3.1	3.1	2.7	3.0	2.7
Wood products, furniture, paper products & printing	13.5	13.8	13.8	14.9	12.8	15.5	13.6
Petroleum, chemical, rubber & plastic products	20.6	20.0	19.7	20.5	17.7	19.1	16.7
Non-metallic mineral products, basic metal & fabricated metal products	13.8	14.5	15.1	16.4	14.1	16.0	14.0
Electrical, electronic & optical products	33.1	33.1	34.3	35.7	30.9	35.1	30.8
Transport equipment, other manufacturing & repair	9.8	9.8	10.0	10.1	8.7	10.2	9.0
Construction	23.3	25.5	25.7	24.8	12.5	26.5	13.5
Services	29.4	25.0	25.0	25.0	12.6	24.3	12.4
Wholesale & retail trade	11.0	9.7	9.7	9.8	39.2	8.8	36.0
Food & beverages and accommodation	3.1	1.6	1.6	1.6	6.5	1.5	6.1
Transportation & storage	1.6	1.4	1.5	1.4	5.4	1.5	6.0

3.22. VACANCIES, JOBS CREATED AND PLACEMENTS (cont'd)

'000 persons, Malaysia

	2022	2023	2024	2025		2026 ¹	
					share (%)		share (%)
Information & communication	1.0	0.8	0.9	0.9	3.8	0.9	3.7
Finance, insurance, real estate & business services	10.3	9.4	9.1	9.0	36.0	9.8	40.1
Other services	2.5	2.1	2.2	2.3	9.1	2.0	8.0
Jobs created by skill category	116.7	126.5	127.2	129.6	100.0	64.3	100.0
Skilled	34.5	35.6	34.2	33.1	25.6	16.5	25.7
Semi-skilled	71.0	78.6	79.8	82.9	64.0	41.8	65.1
Low-skilled	11.2	12.2	13.3	13.5	10.4	5.9	9.2
Jobs created by economic activity	116.7	126.5	127.2	129.6	100.0	64.3	100.0
Agriculture, forestry and fishing	6.0	6.2	5.2	5.3	4.1	3.1	4.8
Mining and quarrying	0.4	0.7	0.9	0.8	0.7	0.5	0.8
Manufacturing	37.5	41.5	43.4	48.4	37.3	24.0	37.3
Food processing, beverages & tobacco products	2.2	2.8	2.7	4.1	8.5	2.4	10.1
Textiles, wearing apparel & leather products	1.7	1.7	1.7	1.9	3.9	0.9	3.8
Wood products, furniture, paper products & printing	3.2	3.4	3.4	3.7	7.6	1.9	7.8
Petroleum, chemical, rubber & plastic products	9.7	10.6	11.3	12.5	25.8	6.3	26.3
Non-metallic mineral products, basic metal & fabricated metal products	4.5	5.1	5.5	6.1	12.6	3.1	12.8
Electrical, electronic & optical products	13.2	14.2	15.5	16.2	33.4	7.5	31.2
Transport equipment, other manufacturing & repair	2.9	3.7	3.4	4.0	8.2	1.9	8.0
Construction	13.4	14.7	14.5	13.3	10.2	6.3	9.9
Services	59.4	63.4	63.2	61.9	47.7	30.3	47.2
Wholesale & retail trade	26.6	34.9	35.8	35.8	57.9	17.9	58.9
Food & beverages and accommodation	3.1	4.3	3.4	3.1	5.1	1.7	5.5

3.22. VACANCIES, JOBS CREATED AND PLACEMENTS (cont'd)

'000 persons, Malaysia

	2022	2023	2024	2025		2026 ¹	
					share (%)		share (%)
Transportation & storage	7.0	5.4	5.8	5.4	8.8	2.3	7.6
Information & communication	4.6	2.3	2.3	2.3	3.6	0.9	3.0
Finance, insurance, real estate & business services	11.3	11.0	10.3	9.2	14.9	4.8	16.0
Other services	6.9	5.5	5.5	6.0	9.7	2.8	9.1
Number of placements by sector	294.0	214.9	204.8	208.6	100.0	74.9	100.0
Agriculture, forestry and fishing	2.7	2.0	2.1	3.0	1.4	0.6	0.8
Mining and quarrying	0.8	0.7	1.1	1.1	0.5	0.4	0.6
Manufacturing	64.0	42.9	43.0	62.0	29.7	21.5	28.8
Construction	8.5	11.2	10.5	10.7	5.1	3.6	4.8
Services	184.6	149.7	135.4	125.3	60.0	40.0	53.4
Undefined sector	33.5	8.3	12.6	6.5	3.1	8.7	11.6

¹ Vacancies as at end-June 2026, whereas jobs created and placements are from January - June 2026

Source: Department of Statistics and Social Security Organisation, Malaysia

4.1. INTEREST RATES

Malaysia

	Average rates during the period (%)				Average rates during the period in 2026 (%)						
	2022	2023	2024	2025	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Overnight interbank	2.14	2.91	3.00	2.88	2.75	2.75	2.75	2.75	2.75	2.75	2.75
1-week interbank	2.17	2.95	3.10	2.97	2.83	2.85	2.86	2.83	2.85	2.87	2.87
3-month interbank	2.56	3.57	3.54	3.38	3.22	3.20	3.28	3.34	3.34	3.38	3.43
Commercial banks											
Fixed deposits											
3-month	1.95	2.65	2.65	2.42	2.20	2.22	2.19	2.14	2.19	2.15	2.18
12-month	2.11	2.81	2.80	2.53	2.27	2.27	2.27	2.22	2.22	2.22	2.20
Savings deposit	0.68	0.91	0.90	0.82	0.71	0.71	0.69	0.69	0.68	0.65	0.64
Weighted Base Rate ¹ (BR)	2.84	3.59	3.66	3.53	3.40	3.40	3.40	3.40	3.39	3.39	3.39
Base lending rate (BLR)	5.88	6.60	6.68	6.55	6.43	6.43	6.43	6.43	6.43	6.43	6.43

¹ Effective from 1 August 2022, the Standardised Base Rate (SBR) replaced the BR as the main reference rate for new retail floating rate loans and financing facilities

Source: Bank Negara Malaysia

4.2. KEY EXCHANGE RATES

Malaysia

	RM to one unit of foreign currency ¹					Change (%)				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026 ²
	End-December				End-August	End-December				End-August
Special Drawing Rights (SDR)	5.8730	6.1603	5.8295	5.5610	5.5214	-0.5	-4.7	5.7	4.8	0.7
US dollar	4.4130	4.5915	4.4700	4.0570	4.0275	-5.4	-3.9	2.7	10.2	0.7
Singapore dollar	3.2819	3.4822	3.2860	3.1595	3.1700	-5.9	-5.8	6.0	4.0	-0.3
100 Japanese yen	3.3264	3.2452	2.8572	2.5924	2.5259	9.1	2.5	13.6	10.2	2.6
Pound sterling	5.3159	5.8484	5.6105	5.4621	5.4734	6.0	-9.1	4.2	2.7	-0.2
Euro	4.7038	5.0810	4.6528	4.7639	4.6906	0.5	-7.4	9.2	-2.3	1.6
100 Thailand baht	12.7811	13.4353	13.0511	12.8835	12.2046	-2.2	-4.9	2.9	1.3	5.6
100 Indonesian rupiah	0.0283	0.0297	0.0277	0.0243	0.0227	3.5	-4.7	7.2	14.0	7.0
100 Korean won	0.3494	0.3559	0.3032	0.2814	0.2925	0.4	-1.8	17.4	7.7	-3.8
100 Philippine peso	7.9214	8.2782	7.7296	6.8914	6.4732	3.4	-4.3	7.1	12.2	6.5
Chinese renminbi	0.6342	0.6469	0.6125	0.5805	0.5992	3.3	-2.0	5.6	5.5	-3.1

¹ US dollar (USD) rates are the average of buying and selling rates at noon in the Kuala Lumpur Interbank Foreign Exchange Market. Rates for foreign currencies other than USD are cross rates derived from rates of these currencies against the USD and the RM/USD rate

² End-December 2025 – End-August 2026

Source: Bank Negara Malaysia

4.3. COMMERCIAL BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR
Malaysia

	2024		2025		2026 ⁴	
	December		December		July	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Purpose						
Purchase of securities	24,878	1.9	25,301	1.9	25,668	1.9
Purchase of fixed assets other than land and building	107,483	8.3	108,506	8.1	109,450	8.0
of which:						
Purchase of transport vehicles	98,316	7.6	100,153	7.5	100,816	7.3
Purchase of residential property	503,786	38.7	523,423	39.2	535,017	39.0
Purchase of non-residential property	187,821	14.4	197,917	14.8	204,291	14.9
Personal uses	38,722	3.0	37,431	2.8	37,305	2.7
Credit card	42,981	3.3	44,943	3.4	43,980	3.2
Construction	39,126	3.0	39,292	2.9	41,008	3.0
Working capital	305,570	23.5	307,254	23.0	322,322	23.5
Other purpose	50,285	3.9	51,170	3.8	53,899	3.9
Total Loans¹	1,300,650	100.0	1,335,235	100.0	1,372,939	100.0
Sector²						
Agriculture, forestry and fishing	16,259	1.3	15,942	1.2	15,569	1.1
of which:						
Crops and animal production, hunting and related service activities	15,034	1.2	14,974	1.1	14,461	1.1
Mining and quarrying	6,365	0.5	5,897	0.4	5,818	0.4
of which:						
Mining of metal ores	66	0.0	85	0.0	242	0.0
Manufacturing	97,956	7.5	98,814	7.4	104,130	7.6
of which:						
Food products	18,782	1.4	19,328	1.4	19,531	1.4
Basic metals	9,846	0.8	9,105	0.7	11,265	0.8

4.3. COMMERCIAL BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR (cont'd)

Malaysia

	2024		2025		2026 ⁴	
	December		December		July	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Electricity, gas, steam and air conditioning supply	12,016	0.9	11,372	0.9	12,289	0.9
Water supply, sewerage, waste management and remediation activities	1,989	0.2	2,072	0.2	2,116	0.2
Construction	60,903	4.7	64,020	4.8	65,952	4.8
of which:						
Construction of buildings	34,997	2.7	38,240	2.9	37,255	2.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	110,211	8.5	110,593	8.3	116,065	8.5
Accommodation and food service activities	16,167	1.2	16,616	1.2	16,465	1.2
Transportation and storage	18,593	1.4	17,602	1.3	15,991	1.2
Information and communication	14,002	1.1	15,494	1.2	20,250	1.5
Finance, insurance, real estate and business activities	184,421	14.2	192,390	14.4	201,990	14.7
Education, health and others	24,044	1.8	20,773	1.6	21,713	1.6
Household sector	730,059	56.1	753,643	56.4	766,624	55.8
Other sector ³	7,666	0.6	10,008	0.7	7,968	0.6

¹ Includes loans sold to Cagamas² Definitions of economic sectors/industries are based on Malaysia Standard Industrial Classification 2000³ Includes loans to individual businesses⁴ Data for loans/financing from July 2024 onwards are the new set of loan/financing data, reflecting the latest requirements established in 1997, with several enhancements over the years to reflect developments in the financial sector

Note: Data based on BNM Monthly Statistical Bulletin (July 2026). Total may not add up due to rounding

Source: Bank Negara Malaysia

4.4. GOVERNMENT AND CORPORATE BOND YIELDS

Malaysia

	2024	2025	2026						
			Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Malaysian Government Securities market indicative yield (%)									
1-year	3.28	2.86	2.87	2.88	3.04	3.04	3.07	3.09	3.10
3-year	3.48	3.00	3.03	3.06	3.27	3.20	3.23	3.25	3.31
5-year	3.62	3.25	3.28	3.31	3.44	3.34	3.41	3.40	3.50
10-year	3.81	3.51	3.50	3.50	3.64	3.56	3.59	3.61	3.71
5-year corporate bond yields (%)									
AAA	3.93	3.59	3.62	3.61	3.64	3.63	3.65	3.67	3.70
AA	4.10	3.75	3.77	3.76	3.78	3.77	3.79	3.80	3.83
A	5.09	4.70	4.65	4.64	4.66	4.69	4.62	4.66	4.59
BBB	6.48	6.16	5.85	5.85	5.80	5.88	5.69	5.75	5.57

Source: Bank Negara Malaysia

4.5. BURSA MALAYSIA: SELECTED INDICATORS

	2022	2023	2024	2025	2026 ³
Indices¹					
Composite	1,495.49	1,454.66	1,642.33	1,680.11	1,725.88
FBM EMAS	10,701.55	10,823.70	12,585.51	12,303.67	12,764.63
FBM ACE	5,308.33	5,322.03	5,380.44	4,872.95	5,249.38
Trading volume² (million units)	729,295.8	867,401.9	1,059,468.3	827,981.7	567,043.6
Main Market	480,595.2	579,819.3	628,784.6	425,824.9	323,631.7
ACE Market	165,900.2	190,587.0	194,129.4	114,712.8	85,621.4
LEAP Market	170.7	311.0	138.7	187.3	78.2
Average Daily	3,001.2	3,554.9	4,289.4	3,393.4	3,544.0
Trading value² (RM million)	530,856.0	559,400.2	848,697.5	672,813.6	540,893.7
Main Market	466,244.9	483,535.6	760,432.3	596,537.5	490,907.3
ACE Market	50,524.0	61,630.5	57,337.0	38,280.5	29,425.6
LEAP Market	35.6	86.7	43.0	43.1	15.2
Average Daily	2,184.6	2,292.6	3,436.0	2,757.4	3,380.6
Number of listed companies	991	1,014	1,059	1,102	1,130
Market capitalisation¹ (RM billion)	1,736.2	1,796.4	2,080.5	2,064.4	2,191.7
Market capitalisation/GDP (%)	114.5	114.4	125.9	118.9	–

¹ End-period² Based on market transactions and direct business transactions³ End-August 2026

Source: Bursa Malaysia

4.6. ISLAMIC BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR Malaysia

	2024		2025		2026 ⁴	
	December		December		July	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Purpose						
Purchase of securities	43,771	4.7	46,025	4.5	49,197	4.7
Purchase of fixed assets other than land and building	135,905	14.5	150,907	14.9	156,899	14.9
of which:						
Purchase of transport vehicles	130,414	13.9	144,431	14.3	150,289	14.3
Purchase of residential property	341,299	36.3	371,724	36.7	386,633	36.7
Purchase of non-residential property	83,978	8.9	91,137	9.0	98,869	9.4
Personal uses	79,472	8.5	81,982	8.1	83,563	7.9
Credit card	6,378	0.7	7,378	0.7	7,549	0.7
Construction	21,486	2.3	25,352	2.5	27,635	2.6
Working capital	194,413	20.7	202,768	20.0	205,954	19.6
Other purpose	32,460	3.5	36,105	3.6	37,145	3.5
Total Loans¹	939,162	100.0	1,013,377	100.0	1,053,444	100.0
Sector²						
Agriculture, forestry and fishing	16,659	1.8	15,024	1.5	14,521	1.4
of which:						
Crops and animal production, hunting and related service activities	16,220	1.7	14,610	1.4	14,125	1.3
Mining and quarrying	2,735	0.3	2,829	0.3	2,935	0.3
of which:						
Mining of metal ores	19	0.0	16	0.0	13	0.0
Manufacturing	40,241	4.3	40,592	4.0	42,481	4.0
of which:						
Food products	13,627	1.5	13,596	1.3	13,551	1.3
Basic metals	2,955	0.3	2,512	0.2	3,121	0.3

4.6. ISLAMIC BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR (cont'd)

Malaysia

	2024		2025		2026 ⁴	
	December		December		July	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Electricity, gas, steam and air conditioning supply	6,308	0.7	13,233	1.3	11,081	1.1
Water supply, sewerage, waste management and remediation activities	2,228	0.2	2,308	0.2	2,487	0.2
Construction	33,969	3.6	37,233	3.7	38,923	3.7
of which:						
Construction of buildings	15,103	1.6	17,268	1.7	18,365	1.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	56,240	6.0	57,075	5.6	58,407	5.5
Accommodation and food service activities	5,629	0.6	6,117	0.6	6,298	0.6
Transportation and storage	13,035	1.4	14,916	1.5	17,039	1.6
Information and communication	10,969	1.2	13,766	1.4	17,234	1.6
Finance, insurance, real estate and business activities	117,951	12.6	128,136	12.6	131,374	12.5
Education, health and others	20,086	2.1	19,226	1.9	23,572	2.2
Household sector	606,300	64.6	654,669	64.6	679,445	64.5
Other sector ³	6,811	0.7	8,254	0.8	7,648	0.7

¹ Includes loans sold to Cagamas² Definitions of economic sectors/industries are based on Malaysia Standard Industrial Classification 2000³ Includes loans to individual businesses⁴ Data for loans/financing from July 2022 onwards are the new set of loan/financing data, reflecting the latest requirements established in 1997, with several enhancements over the years to reflect developments in the financial sector

Note: Data based on BNM Monthly Statistical Bulletin (July 2026). Total may not add up due to rounding

Source: Bank Negara Malaysia

5.1. PROGRESS OF SUSTAINABLE DEVELOPMENT GOALS BY INDICATOR

Malaysia

No.	Description of Indicators	Unit	Year	Achievement
SDG 1: No Poverty				
1.	Households below the international poverty line	%	2022	0.00
			2024	0.00
2.	Households below the national poverty line	%	2022	6.2
			2024	5.1
3.	Multidimensional Poverty Index (MPI)	Index	2019	0.0110
			2022	0.0079
4.	Recipients of assistance	Number ('000)	2023	602.8
			2024	662.9
5.	Population using safely managed drinking water services	%	2023	95.2
			2024	95.3
	Households using safely managed sanitation services	%	2022	99.9
			2024	99.9
	Households by selected household equipment owned	%	2022	98.8
			2024	99.5
	Rural population who live within 2 km of an all-season road, Peninsular Malaysia	%	2010	93.1
			2020	92.1
	Population that has convenient access to public transport	%	2020	74.1
	Solid waste recycled out of total solid waste collected	%	2022	20.0
			2023	19.5
	Coverage of essential health service	Index	2019	78
			2021	76
	Children in grades 2/3 achieving at least a minimum proficiency level in reading	%	2023	94.6
			2024	94.9
	Children in grades 2/3 achieving at least a minimum proficiency level in mathematics	%	2023	94.3
			2024	94.7
	Children at the end of primary achieving at least a minimum proficiency level in reading	%	2023	97.8
			2024	98.1
	Children at the end of primary achieving at least a minimum proficiency level in mathematics	%	2023	96.3
			2024	96.5
	Young people at the end of lower secondary achieving at least a minimum proficiency level in reading	%	2023	97.0
			2024	97.8
	Young people at the end of lower secondary achieving at least a minimum proficiency level in mathematics	%	2023	93.5
			2024	94.4

No.	Description of Indicators	Unit	Year	Achievement
6.	Proportion of population living in households with access to basic services: At least a 2G mobile network	%	2023	98.6
			2024	98.6
	Proportion of population living in households with access to basic services: At least a 3G mobile network	%	2023	<i>n.a</i>
			2024	<i>n.a</i>
	Proportion of population living in households with access to basic services: At least a 4G mobile network	%	2023	97.1
			2024	98.7
	Proportion of population living in households with access to basic services: At least a 5G mobile network	%	2023	80.2
			2024	82.4
	a. Number of deaths attributed to disasters per 100,000 population	Number	2023	9
			2024	18
	b. Number of missing person attributed to disasters per 100,000 population	Number	2023	...
			2024	...
7.	c. Number of affected people with damaged homes attributed to disasters per 100,000 population	Number	2023	192,593
			2024	259,841
	Direct agriculture loss attributed to disasters	Current Ringgit Malaysia	2023	120,600,000
			2024	185,200,000
	Direct economic loss attributed to disasters relative to GDP	%	2023	<i>n.a</i>
			2024	<i>n.a</i>
	Direct economic loss attributed to disasters	Current Ringgit Malaysia	2023	755,400,000 ^c
			2024	933,400,000
	Direct economic loss resulting from damaged or destroyed critical infrastructure attributed to disasters	Current Ringgit Malaysia	2023	380,700,000
			2024	303,400,000
	Direct economic loss to other damaged or destroyed productive assets attributed to disasters	Current Ringgit Malaysia	2023	<i>n.a</i>
			2024	<i>n.a</i>
8.	Total government spending on education	%	2022	20.2
			2023	17.1
	Total government spending on health	%	2022	8.0
			2023	8.2
SDG 2: Zero Hunger				
1.	Prevalence of undernourishment	%	2022	<2.5
			2023	<2.5
2.	Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)	%	2022	16.7
			2023	16.7

STATISTICAL TABLES

No.	Description of Indicators	Unit	Year	Achievement
	Prevalence of severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)	%	2022	5.8
			2023	5.8
3.	Prevalence of stunting of children under 5 years of age	%	2019	21.8
			2022	21.2
4.	a. Prevalence of wasting of children under 5 years of age	%	2019	9.7
			2022	11.0
	b. Prevalence of overweight among children under 5 years of age	%	2019	5.2
			2022	5.6
5.	Prevalence of anaemia (women aged 15-49 years)	%	2015	34.8
			2019	29.9
6.	Annual labour productivity for agriculture sector, (Value added per employment)	RM	2023	53,584
			2024	54,762
7.	a. Type of plant genetic :Oryza, edible aroids, rare fruits, fruits, vegetables, industrial crops, coconut and herbs	Number of accessions	2023	20,634
			2024	20,679
	b. Semen (animal genetic resources)	Number	2023	26,973
			2024	28,815
	c. Number of local live purebred cattle (animal genetic resources)	Number	2023	811
			2024	867
8.	Proportion of local breeds classified as being at risk of extinction	%	2023	99.9 ^e
			2024	99.9 ^e
9.	a. Agriculture orientation index for government expenditures	Index	2022	0.1
			2023	0.2
	b. Agriculture share of Government Expenditure	%	2022	1.3
			2023	1.4
	c. Agriculture value added share of GDP	%	2022	8.9
			2023	7.8
10.	Total official flows (official development assistance plus other official flows) to the agriculture sector	Number	2022	0.6
			2023	1.1
SDG 3: Good Health and Well-Being				
1.	Maternal mortality ratio	per 100,000 live births	2023	25.7
			2024	24.3

No.	Description of Indicators	Unit	Year	Achievement
2.	Births attended by skilled health personnel	%	2023	99.7
			2024	99.4
3.	Under-five mortality rate	Per 1,000 live births	2023	8.3
			2024	8.7
4.	Neonatal mortality rate	Per 1,000 live births	2023	4.3
			2024	4.5
5.	Number of new HIV infections	Per 1,000 uninfected population	2023	0.1
			2024	0.1
6.	Tuberculosis incidence	Per 100,000 population	2023	78.3
			2024	76.9
7.	Malaria incidence	Per 1,000 population	2023	0.1
			2024	0.1
8.	Hepatitis B notification rate among children 5 years old and below	Per 100,000 population	2023	0.3
			2024	0.2
9.	People requiring interventions against lymphatic filariasis in endemic state	Number	2023	24,523
			2024	22,750
10.	a. Mortality rate attributed to cardiovascular,malignant neoplasms, diabetes mellitus or respiratory disease	Per 100,000 population aged 30-69	2022	21.1
			2023	19.9
	b. Mortality rate attributed to cardiovascular disease	Per 100,000 population aged 30-69	2022	13.3
			2023	12.0
	c. Mortality rate attributed to malignant neoplasms disease	Per 100,000 population aged 30-69	2022	6.3
			2023	6.2
	d. Mortality rate attributed to diabetes mellitus disease	Per 100,000 population aged 30-69	2022	1.5
			2023	1.5
	e. Mortality rate attributed to respiratory disease	Per 100,000 population aged 30-69	2022	1.3
			2023	1.4
11.	Suicide mortality rate	Per 100,000 population	2023	3.2
			2024	3.3
12.	a. Coverage of treatment interventions for Opioids	%	2023	76.1
			2024	57.8
	b. Coverage of treatment interventions for Amphetamine Type Stimulant (ATS)	%	2023	56.1
			2024	45.9
13.	Prevalence of Heavy Episodic Drinking (HED) among 18 years old and above	%	2019	1.0 ^r
			2023	1.1
14.	Death rate of road traffic injuries	Per 100,000 population	2023	18.0
			2024	19.0

No.	Description of Indicators	Unit	Year	Achievement
15.	Women of reproductive age who have their need for family planning satisfied with modern methods	%	2022	68.0
16.	a. Adolescent birth rate (aged 10-14 years)	Per 1,000 women	2023	0.1
			2024	0.1
	b. Adolescent birth rate (aged 15-19 years)	Per 1,000 women	2023	7.1
			2024	6.3
17.	Coverage of essential health service	Index	2019	78 ^e
			2021	76 ^e
18.	a. Household expenditures on health (10%)	%	2019	1.5
			2022	2.4
	b. Household expenditures on health (25%)	%	2019	0.1
			2022	0.1
19.	Mortality rate attributed to unsafe water, unsafe sanitation and lack of hygiene	Per 100,000 population	2022	6.2
			2023	6.7
20.	Mortality rate attributed to unintentional poisoning	Per 100,000 population	2022	0.2
			2023	0.3
21.	Age-standardised prevalence of current tobacco use among persons aged 15 years and older	%	2019	22.7
			2023	18.6
22.	Age-standardised prevalence of current tobacco use among persons aged 13-17 years old	%	2022	18.5
23.	a. Proportion of the target population covered by DTP (3 rd dose)	%	2023	107.7
			2024	92.5
	b. Proportion of the target population covered by MMR (2 nd dose)	%	2023	100.6
			2024	93.1
	c. HPV female aged 13 years (2 nd dose)	%	2023	91.9
			2024	92.6
	d. PCV given at the age of 6 month (2 nd dose)	%	2023	103.7
			2024	91.3
24.	Total net official development assistance to medical research and basic health sectors:	USD Million	2022	5.6
	a. Gross disbursements		2023	1.8
	Total net official development assistance to medical research and basic health sectors:	USD Million	2022	5.6
	b. Net disbursements		2023	1.6
25.	Health facilities that have a core set of relevant essential medicines available and affordable on a sustainable basis	%	2022	26.6
			2023	45.8
26.	a. Density and distribution of doctors	Per 1,000 population	2023	21.4
			2024	24.7

No.	Description of Indicators	Unit	Year	Achievement
	b. Density and distribution of dental practitioner	Per 1,000 population	2023	4.3
			2024	4.3
	c. Density and distribution of pharmacist	Per 1,000 population	2023	6.2
			2024	6.3
	d. Density and distribution of registered nurse	Per 1,000 population	2023	36.2
			2024	35.7
	e. Density and distribution of midwifery personnel	Per 1,000 population	2023	10.2
			2024	10.1
27.	Capacity and health emergency preparedness	%	2023	89.0
			2024	87.0
28.	Prevalence of bloodstream infections due to selected antimicrobial-resistant organisms (Healthcare-Associated Methicillin-Resistant Staphylococcus Aureus (HA-MRSA) Bloodstream Infection)	Per 100,000 patient days in tertiary MOH hospital	2023	22.2
			2024	15.0
	Prevalence of bloodstream infections due to ESBL E.Coli	Per 100,000 patient days in tertiary MOH hospital	2023	27.5
			2024	25.6

SDG 4: Quality Education

1.	a. Children in grades 2/3 achieving at least a minimum proficiency level in reading	%	2023	94.6
			2024	94.9
	b. Children in grades 2/3 achieving at least a minimum proficiency level in mathematics	%	2023	94.3
			2024	94.7
	c. Children at the end of primary achieving at least a minimum proficiency level in reading	%	2023	97.8
			2024	98.1
	d. Children at the end of primary achieving at least a minimum proficiency level in mathematics	%	2023	96.3
			2024	96.5
	e. Young people at the end of lower secondary achieving at least a minimum proficiency level in reading	%	2023	97.0
			2024	97.8
	f. Young people at the end of lower secondary achieving at least a minimum proficiency level in mathematics	%	2023	93.5
			2024	94.4
2.	a. Completion rate for primary education	%	2023	98.8
			2024	98.6
	b. Completion rate for lower secondary education	%	2023	98.5
			2024	98.0
	c. Completion rate for upper secondary education	%	2023	98.8
			2024	97.4
3.	Children aged 24-59 months who are developmentally on track in health	%	2016	97.2
			2022	91.4

No.	Description of Indicators	Unit	Year	Achievement
4.	Participation rate in preschool		2023	88.3
			2024	89.6
5.	Participation rate of youth and adults in formal education and training in the previous 12 months		2023	10.4
			2024	9.5
6.	a. Adults with information and communication technology (ICT) skills in copying or moving a file or folder	%	2023	97.5
			2024	97.9
	b. Adults with information and communication technology (ICT) skills in copy and paste tools to duplicate or move information within a document	%	2023	96.7
			2024	97.0
	c. Adults with information and communication technology (ICT) skills in sending an e-mail with attached file	%	2023	89.9
			2024	90.4
	d. Adults with information and communication technology (ICT) skills in basic arithmetic formulas in a spreadsheet	%	2023	67.7
			2024	68.1
	e. Adults with information and communication technology (ICT) skills in connecting and installing new devices	%	2023	79.4
			2024	79.9
	f. Adults with information and communication technology (ICT) skills in searching, downloading, installing and configuring software	%	2023	73.0
			2024	73.4
	g. Adults with information and communication technology (ICT) skills in creating electronic presentations using computer software	%	2023	63.3
			2024	63.7
	h. Adults with information and communication technology (ICT) skills in transferring files between a computer and other devices	%	2023	83.5
			2024	83.9
	i. Adults with information and communication technology (ICT) skills in writing a computer program using a specialised programming language	%	2023	23.9
			2024	24.3
	j. Youth with information and communication technology (ICT) skills in copying or moving a file or folder	%	2023	98.6
			2024	99.0
	k. Youth with information and communication technology (ICT) skills in copy and paste tools to duplicate or move information within a document	%	2023	97.6
			2024	97.9
	l. Youth with information and communication technology (ICT) skills in sending an e-mail with attached file	%	2023	94.1
			2024	94.6
	m. Youth with information and communication technology (ICT) skills in basic arithmetic formulas in a spreadsheet	%	2023	79.7
			2024	80.2
	n. Youth with information and communication technology (ICT) skills in connecting and installing new devices	%	2023	89.3
			2024	89.8
	o. Youth with information and communication technology (ICT) skills in searching, downloading, installing and configuring software	%	2023	88.1
			2024	88.5
	p. Youth with information and communication technology (ICT) skills in creating electronic presentations using computer software	%	2023	84.8
			2024	85.3

No.	Description of Indicators	Unit	Year	Achievement
7.	q. Youth with information and communication technology (ICT) skills in transferring files between a computer and other devices	%	2023	91.6
			2024	92.5
	r. Youth with information and communication technology (ICT) skills in writing a computer program using a specialised programming language	%	2023	51.1
			2024	51.0
	Gender parity index for indicator 4.1.2 (a) completion rate for primary education	Index	2023	1.02
			2024	1.03
	Gender parity index for indicator 4.1.2 (b) completion rate for lower secondary education	Index	2023	1.01
			2024	1.01
	Gender parity index for indicator 4.1.2 (c) completion rate for upper secondary education	Index	2023	1.01
			2024	1.01
8.	Gender parity index for indicator 4.2.2 Participation rate in preschool	Index	2023	1.02
			2024	1.02
	Gender parity index for indicator 4.3.1 Participation rate of youth and adults in formal education and training in the previous 12 months	Index	2023	1.27
			2024	1.26
	Gender parity index for indicator 4.4.1 Proportion of individuals using computers	Index	2023	0.98
			2024	0.99
	Gender parity index for indicator 4.6.1 Proficiency in literacy skill (15 years old and over)	Index	2023	0.99
			2024	0.99
	Gender parity index for indicator 4.6.1 Proficiency in literacy skill (aged 15-24 years old)	Index	2023	1.00 ^r
			2024	1.01 ^r
9.	a. Population (15 years old and over) achieving proficiency in literacy skill	%	2023	96.3
			2024	96.5
	b. Population (15 -24 years old)achieving proficiency in literacy skill	%	2023	97.7
			2024	97.5
10.	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (a) national education policy	Index	2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (b) curricula		2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (c) teacher education	Index	2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (d) student assessment		2020	0.8
10.	Proportion of schools offering basic services, by type of service	%	2023	100.0
	a. Schools with electricity facilities		2024	100.0

No.	Description of Indicators	Unit	Year	Achievement
	Proportion of schools offering basic services, by type of service b. Schools with Internet facilities	%	2023	99.5
			2024	100.0
	Proportion of schools offering basic services, by type of service c. Schools with computer facilities	%	2023	88.1
			2024	91.5
	Proportion of schools offering basic services, by type of service d. Schools with adapted infrastructure and materials facilities	%	2023	46.9
			2024	56.2
	Proportion of schools offering basic services, by type of service e. Schools with basic drinking water facilities	%	2023	99.7
			2024	99.6
	Proportion of schools offering basic services, by type of service f. Schools with single-sex washing facilities	%	2023	99.7
			2024	99.1
	Proportion of schools offering basic services, by type of service g. Schools with basic handwashing facilities	%	2023	100.0
			2024	99.9
11.	Number of foreign scholarships recipients	Number	2023	36
			2024	35
12.	Proportion of teachers with the minimum required qualifications, by education level a. Teachers with minimum organised teacher training of pre-primary	%	2023	67.4
			2024	68.3
	Proportion of teachers with the minimum required qualifications, by education level b. Teachers with minimum organised teacher training of primary	%	2023	97.8
			2024	93.4
	Proportion of teachers with the minimum required qualifications, by education level c. Teachers with minimum organised teacher training of secondary	%	2023	99.0
			2024	99.3
SDG 5: Gender Equality				
1.	Legal frameworks that promote, enforce and monitor gender equality a. Area 1: Overarching legal frameworks and public life	%	2022	33.3
			2024	33.3
	Legal frameworks that promote, enforce and monitor gender equality b. Area 2: Violence against women	%	2022	66.7
			2024	66.7
	Legal frameworks that promote, enforce and monitor gender equality c. Area 3: Employment and economic benefits	%	2022	40.0
			2024	70.0
	Legal frameworks that promote, enforce and monitor gender equality d. Area 4: Marriage and family	%	2022	63.6
			2024	63.6
2.	Ever-partnered women and girls aged 15 years and older subjected to physical, sexual or psychological violence by a current or former intimate partner in the previous 12 months	%	2022	4.4

No.	Description of Indicators	Unit	Year	Achievement
	Number of domestic violence cases	Number	2023	5,507
			2024	7,116
3.	Proportion of women and girls aged 15 years and older subjected to sexual violence by persons other than an intimate partner in the previous 12 months, by age and place of occurrence	Number	2023	4,976
			2024	5,843
4.	Proportion of women aged 20 years who were married before age 18	%	2023	0.5
			2024	0.4
	Proportion of women aged 21 years who were married before age 18	%	2023	0.6
			2024	0.4
	Proportion of women aged 22 years who were married before age 18	%	2023	0.6
			2024	0.6
	Proportion of women aged 23 years who were married before age 18	%	2023	0.6
			2024	0.6
	Proportion of women aged 24 years who were married before age 18	%	2023	0.4
			2024	0.6
5.	a. Seats held by women in Senate	%	2023	16.1
			2024	18.6
	b. Seats held by women in House of Representatives	%	2023	13.5
			2024	13.5
	c. Seats held by women in Local Authority Councilors	%	2023	19.7
			2024	18.6
6.	Women in managerial positions	%	2023	25.4
			2024	27.1
7.	Proportion of women aged 15-49 years who make their own informed decisions regarding sexual relations, contraceptive use and reproductive health care	%	2014	n.a
	a. Sexual relation			
	Proportion of women aged 15-49 years who make their own informed decisions regarding sexual relations, contraceptive use and reproductive health care	%	2014	89.3
	b. Contraceptive use			
	Proportion of women aged 15-49 years who make their own informed decisions regarding sexual relations, contraceptive use and reproductive health care	%	2014	n.a
	c. Reproductive health care			
8.	Individuals who own a mobile telephone	%	2023	98.4
			2024	98.3
SDG 6: Clean water and sanitation				
1	Population using safely managed drinking water services	%	2023	95.2
			2024	95.3

No.	Description of Indicators	Unit	Year	Achievement
2.	Population using safely managed sanitation services	%	2022	99.9
			2024	99.9
3.	Domestic wastewater flows safely treated	Percentage for 1000 m3 (%)	2023	82.6 ^r
			2024	83.9
	Industrial wastewater flows safely treated	Percentage for 1000 m3 (%)	2023	17.4
			2023	16.1
4.	Proportion of bodies of water with good ambient water quality	%	2023	96.5
			2024	97.2
5.	Level of water stress: freshwater withdrawal as a proportion of available freshwater resources (a) Non Revenue Water (NRW)	(Treated water lost in %)	2023	34.6
			2024	34.3
	Level of water stress: freshwater withdrawal as a proportion of available freshwater resources (b) Domestic Water Consumption	Litre/ capita/ day (lcd)	2023	228
			2024	225
6.	Degree of integrated water resources management	%	2023	63.0
			2024	73.0
7.	Proportion of transboundary basin area with an operational arrangement for water cooperation	%	2022	0.0
			2023	0.0
8.	Amount of water- and sanitation-related official development assistance that is part of a government-coordinated spending plan		2022	0.6
			2023	1.8

SDG 7: Affordable and Clean Energy

1.	Households with access to electricity	%	2022	99.7
			2024	99.9
2.	Households by selected household equipment owned	%	2022	98.8
			2024	99.5
3.	Renewable energy share in the total final energy consumption	%	2022	2.0
			2023	1.9 ^p
4.	Energy intensity	(toe/ GDP at constant price 2015 (RM Million))	2022	65.8 ^r
			2023	68.1 ^p
5.	Installed renewable energy-generating capacity in developing countries	(Watts per capita)	2022	278.5 ^r
			2023	301.7 ^p

SDG 8: Decent Work and Economic Growth

1.	Annual growth rate of real GDP per capita	%	2023	1.4 ^e
			2024	3.1 ^p

No.	Description of Indicators	Unit	Year	Achievement
2.	Annual growth rate of real GDP per employed person	%	2023	0.7 ^e
			2024	2.4 ^p
3.	Share of informal employment to total employment in non-agricultural	%	2021	19.0 ^r
			2023	19.8
4.	Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP (a) Fossil fuel	Kilotonnes of oil equivalent (ktoe)	2021	43,112
			2022	43,277 ^p
	Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP (b) Fossil fuel	Toe per capita	2021	1.3
			2022	1.3 ^p
	Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP (c) Fossil fuel	Per GDP	2021	31.0
			2022	28.6 ^p
5.	Mean monthly salaries & wages of employees	RM	2023	3,441
			2024	3,652
6.	Unemployment rate	%	2023	3.4
			2024	3.2
7.	Youth not in education, employment or training	%	2023	10.5
			2024	8.7
8.	Fatal and non-fatal occupational injuries per 100,000 workers, by sex and migrant status a. Occupational injury rate	Per 100,000 workers	2023	246
			2024	250
	Fatal and non-fatal occupational injuries per 100,000 workers, by sex and migrant status b. Fatal injury rate	Per 100,000 workers	2023	2.05
			2024	2.55
	Fatal and non-fatal occupational injuries per 100,000 workers, by sex and migrant status c. Non-fatal injury rate	Per 100,000 workers	2023	244
			2024	247
9.	Level of national compliance of labour rights (freedom of association and collective bargaining) based on International Labour Organisation (ILO) textual sources and national legislation, by sex and migrant status	Score	2022	5.8
			2023	6.1
10.	Tourism Direct Gross Domestic Product (TDGDP) as a proportion of total GDP and in growth rate	%	2023	5.3 ^e
			2024	6.2 ^p
	Tourism GVA as % of total GVA	%	2023	5.0 ^e
			2024	6.0 ^p
11.	Number of employed persons in the tourism industries	Thousand Persons	2023	3,382.2
			2024	3,537.8
12.	a. Number of commercial bank branches	Per 100,000 adults	2023	7.9 ^r
			2024	7.7

No.	Description of Indicators	Unit	Year	Achievement
	b. Number of automated teller machines (ATMs)	Per 100,000 adults	2023	50.6 ^r
			2024	52.2
13.	Adults with an account at a financial institution or mobile-money-service provider	%	2023	97.2
			2024	97.4
14.	Aid for Trade commitments and disbursements		2022	5.2 ^r
			2023	7.1

SDG 9: Industry Innovation and Infrastructure

1.	Rural population who live within 2 km of an all-season road, Peninsular Malaysia	%	2010	93.1
			2020	92.1
2.	Number of passengers by type of services (KTM Intercity)	Passenger KM ('000,000)	2023	267
			2024	262
	Number of passengers by type of services (KTM Commuter)	Passenger KM ('000,000)	2023	664
			2024	744
	Number of passengers by type of services (Electric Train Services (ETS))	Passenger KM ('000,000)	2023	1,204
			2024	1,237
	Number of passengers for rail transport services	Million	2023	272.1
			2024	336.7
	Number of passengers at airport	Tonnes	2023	84.9
			2024	97.1
	Freight volumes handled by KTMB	('000 tonnes)	2023	5,207
			2024	6,001
	Containers handled by KTMB	TEUs	2023	517,426
			2024	540,446
	Cargo handled by airport	Tonnes	2023	928,933
			2024	1,073,082
	Cargo throughput by port	000' FWT	2023	528,057
			2024	526,994
	Container throughput by port	TEUs	2023	27,448,770
			2024	29,897,182
3.	Manufacturing value added per capita	MVA Per capita (RM)	2023	10,981 ^e
			2024	11,217 ^p
	Manufacturing value added per capita	MVA Per Capita (USD)	2023	2,812 ^e
			2024	2,872 ^p
4.	Manufacturing employment as a proportion of total employment	%	2023	16.4 ^e
			2024	16.3 ^p

No.	Description of Indicators	Unit	Year	Achievement
5.	Share of MSMEs’ value added of the manufacturing sector to value added of the manufacturing sector	%	2023	33.8 ^e
			2024	34.1 ^p
6.	Source of Financing in Micro, Small and Medium Enterprise (MSMEs)	%	2015	53.8
			2022	59.3
7.	CO ² emission per unit of value added	Metric tons (million)	2018	320.9
			2019	330.4
8.	Research and development expenditure as a proportion of GDP	%	2023	1.01
			2024	1.01
9.	Researchers per million inhabitants	Number	2023	1,285
			2024	1,285
10.	Official international support (official development assistance plus other official flows) to infrastructure	Number	2022	46.7 ^r
			2023	8.6
11.	Medium and high-tech industry value added ratio in total manufacturing value added (at constant prices)	%	2023	49.5 ^e
			2024	49.0 ^p
12.	Official international support (official development assistance plus other official flows) to infrastructure - At least a 2G mobile network	%	2023	98.6
			2024	98.6
	Official international support (official development assistance plus other official flows) to infrastructure - At least a 3G mobile network	%	2023	<i>n.a</i>
			2024	<i>n.a</i>
	Official international support (official development assistance plus other official flows) to infrastructure BM=5G	%	2023	97.1
			2024	98.7
	Official international support (official development assistance plus other official flows) to infrastructure BM=3G	%	2023	80.2
			2024	82.4
SDG 10: Reduced Inequalities				
1.	Compounded annual growth rate among Bottom 40 per cent of the population and the total population	%	2022	2.5
			2024	5.7
2.	Households below 50 per cent of median income	%	2022	16.6
			2024	16.7
3.	Compensation of employees by kind of economic activity at current prices	%	2023	33.5 ^e
			2024	33.6 ^p
4.	Redistributive impact of fiscal policy a. Gross Income per Capita	%	2022	0.429
			2024	0.421
	Redistributive impact of fiscal policy b. Disposable Income per Capita	%	2022	0.417
			2024	0.406
5.	Financial Soundness Indicators a. Tier 1 capital to assets	%	2023	7.7 ^r
			2024	7.2

STATISTICAL TABLES

No.	Description of Indicators	Unit	Year	Achievement
	Financial Soundness Indicators b. Tier 1 capital to risk-weighted assets	%	2023	15.9 ^r
			2024	14.8
	Financial Soundness Indicators c. Nonperforming loans net of provisions to capital	%	2023	6.1 ^r
			2024	5.8
	Financial Soundness Indicators d. Nonperforming loans to total gross loans	%	2023	1.7
			2024	1.4
	Financial Soundness Indicators e. Return on assets	%	2023	1.4
			2024	1.4
	Financial Soundness Indicators f. Liquidity coverage ratio	%	2023	161.0
			2024	160.7
	Financial Soundness Indicators g. Net open position in foreign exchange to capital	%	2023	4.1
			2024	4.1
6.	Members in International Organisations (United Nations General Assembly)	%	2022	0.5
			2023	0.5
	Members in International Organisations (International Monetary Fund)	%	2022	0.5
			2023	0.5
	Members in International Organisations (International Bank for Reconstruction and Development)	%	2022	0.5
			2023	0.5
	Members in International Organisations (International Finance Corporation)	%	2022	0.5
			2023	0.5
	Members in International Organisations (Asian Development Bank)	%	2022	1.5
			2023	....
	Members in International Organisations (World Trade Organisation)	%	2022	0.6
			2023	0.6
	Voting Rights In International Organisations (United Nations General Assembly)	%	2022	0.5
			2023	0.5
	Voting Rights In International (International Monetary Fund)	%	2022	0.8
			2023	0.8
	Voting Rights In International Organisations (International Bank for Reconstruction and Development)	%	2022	0.4
			2023	0.4
	Voting Rights In International Organisations (International Finance Corporation)	%	2022	0.6
			2023	0.6
	Voting Rights In International Organisations (Asian Development Bank)	%	2022	2.5
			2023	....
	Voting Rights In International Organisations (World Trade Organisation)	%	2022	0.6
			2023	0.6

No.	Description of Indicators	Unit	Year	Achievement
7.	Proportion of tariff lines applied to imports from least developed countries and developing countries with zero-tariff	%	2023 2024	57.4 57.4
8.	Remittance costs as a proportion of the amount remitted	%	2023 2024	2.9 3.4
SDG 11: Sustainable Cities and Communities				
1.	Urban population living in slums, informal settlements or inadequate housing	%	2020	0.2
2.	Population that has convenient access to public transport	%	2020	74.1
3.	Ratio of land consumption rate to population growth rate	%	2022/ 2023 2023/ 2024	0.8 0.8
4.	Cities with a direct participation structure of civil society in urban planning and management that operate regularly and democratically	%	2023 2024	89.7 91.0
5.	Total per capita expenditure on the preservation, protection and conservation of all cultural and natural heritage, by source of public funding and type of heritage	RM per capita	2023 2024	3.4 4.8
6.	a. Number of deaths attributed to disasters	Number	2023 2024	9 18
	b. Missing person attributed to disasters	Number	2023 2024	.... ....
	c. Affected people attributed to disasters	Number	2023 2024	192,593 259,841
7.	Direct agriculture loss attributed to disasters	Current Ringgit Malaysia	2023 2024	120,600,000 185,200,000
	Direct economic loss attributed to disasters relative to GDP	%	2023 2024	n.a n.a
	Direct economic loss attributed to disasters	Current Ringgit Malaysia	2023 2024	755,400,000 933,400,000
	Direct economic loss in the housing sector attributed to disasters	Current Ringgit Malaysia	2023 2024	168,300,000 372,200,000
	Direct economic loss resulting from damaged or destroyed critical infrastructure attributed to disasters	Current Ringgit Malaysia	2023 2024	380,700,000 303,400,000
	Direct economic loss resulting from damaged or destroyed critical infrastructure attributed to disasters	Current Ringgit Malaysia	2023 2024	n.a n.a
	Direct economic loss to other damaged or destroyed productive assets attributed to disasters	Current Ringgit Malaysia	2023 2024	n.a n.a

No.	Description of Indicators	Unit	Year	Achievement
8.	a. Damaged critical infrastructure attributed to disasters	Number	2023	n.a
			2024	n.a
	b. Destroyed or damaged educational facilities attributed to disaster	Number	2023	n.a
			2024	106
	c. Destroyed or damaged health facilities attributed to disasters	Number	2023	n.a
			2024	13
	d. Disruptions to basic services attributed to disasters	Number	2023	n.a
			2024	n.a
	e. Disruptions to educational services attributed to disasters	Number	2023	n.a
			2024	n.a
	f. Disruptions to health services attributed to disasters	Number	2023	n.a
			2024	n.a
	g. Disruptions to other basic services attributed to disasters	Number	2023	n.a
			2024	n.a
	h. Other destroyed or damaged critical infrastructure units and facilities attributed to disasters	Number	2023	n.a
			2024	n.a
9.	Proportion of municipal solid waste collected and managed in controlled facilities out of total municipal waste generated, by cities - Solid wastes recycled	%	2022	20.0
			2023	19.5
10.	Annual average concentration based on the type of air pollutants (PM ₁₀)	(µg/ m ³)	2023	23.6
			2024	22.1
	Annual average concentration based on the type of air pollutants (PM _{2.5})	(µg/ m ³)	2023	15.2
			2024	14.1
11.	Average share of the built-up area of cities that is open space for public use for all	%	2023	35.6
			2024	33.6
12.	Proportion of persons victim of physical or sexual harassment, by sex, age, disability status and place of occurrence, in the previous 12 months: - Sexual harassment victims	Number	2023	529
			2024	794

SDG 12: Responsible Consumption and Production

1.	Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP - Fossil fuel	Kilotonnes of oil equivalent (ktoe)	2021	43,112
			2022	43,277 ^p
	Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP - Fossil fuel	Toe per capita	2021	1.3
			2022	1.3 ^p

No.	Description of Indicators	Unit	Year	Achievement
	Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP - Fossil fuel	Per GDP	2021	31.0
			2022	28.6 ^p
2.	International multilateral environmental agreements	Number	2022	17
			2023	17
3.	a. Scheduled wastes managed	Tonnes '000	2023	5,841.6
			2024	5,379.0
	b. Quantity of clinical wastes handled	Tonnes '000	2023	41.8
			2024	46.7
4.	National recycling rate	%	2023	35.4
			2024	37.9
	Total of material recycled	Tons	2023	4,933,542.1
			2024	5,404,476.3
5.	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (a) National education policies	Index	2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (b) Curricula	Index	2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (c) Teacher education	bm=%	2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (d) Student assessment	Index	2020	0.8
6.	Installed renewable energy-generating capacity in developing countries (in watts per capita)	Watts per capita	2022	278.5
			2023	301.7 ^p
7.	Implementation of standard accounting tools to monitor the economic and environmental aspects of tourism sustainability		2022	7
			2023	7
SDG 13: Climate Action				
1.	a. Number of deaths attributed to disasters per 100,000 population	Number	2023	9
			2024	18
	b. Number of missing person attributed to disasters per 100,000 population	Number	2023	....
			2024	....
	c. Number of affected people with damaged homes attributed to disasters per 100,000 population	Number	2023	192,593
			2024	259,841
2.	Number of reports submitted to the UNFCCC	Number	2023	....
			2024	2

No.	Description of Indicators	Unit	Year	Achievement
3.	CO ² eq emissions	(tonnes (million))	2020	332.7
			2021	329.0
4.	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (a) Policy	Index	2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (b) curricula	Index	2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (c) teacher education	Index	2020	0.9
	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (d) student assessment	Index	2020	0.8
	Amounts provided and mobilised in United States dollars per year in relation to the continued existing collective mobilisation goal of the \$100 billion commitment through to 2025	USD Dollar	2020	310,957,213
			2021	28,651

SDG 14: Life Below Water

1.	Ecosystem-based approaches to managing marine areas		2023	1
			2024	1
2.	a. Malaysia Marine Water Quality Index at coastal area with excellent index value	Number of station	2023	188
			2024	188
	b. Malaysia Marine Water Quality Index at estuary area with excellent index value	Number of station	2023	85
			2024	85
	c. Malaysia Marine Water Quality Index at island area with excellent index value	Number of station	2023	95
			2024	95
3.	Fish stocks within biologically sustainable levels (not overexploited)	%	2018	47.4
			2021	57.9
4.	Coverage of protected areas in relation to marine areas	%	2023	5.39
			2024	5.39
5.	Progress by countries in the degree of implementation of international instruments aiming to combat illegal, unreported and unregulated fishing (level of implementation: 1)	Bands	2022	3
			2024	4
6.	Share of the fisheries sector to GDP	%	2023	0.7'
			2024	0.7
7.	Total research budget allocated to research in the field of marine technology	%	2023	10.3
			2024	10.0

No.	Description of Indicators	Unit	Year	Achievement
	Degree of application of a legal/ regulatory/ policy/ institutional framework which recognizes and protects access rights for small-scale fisheries	Score	2023	3
			2024	3
8.	The ratification of and accession to UNCLOS and its two implementing agreements	%	2023	67.0
			2024	67.0
	The implementation of UNCLOS and its two implementing agreements	%	2023	60.0
			2024	60.0
SDG 15: Life on Land				
1.	Forest area as a proportion of total land area	%	2021	54.4
			2022	54.3
2.	Important sites for terrestrial and freshwater biodiversity that are covered	%	2022	14.8
			2023	14.8
3.	Progress towards sustainable forest management - Annual forest area change rate	%	2021	-0.37
			2022	-0.06
	Progress towards sustainable forest management - Above-ground biomass in forest	Tonnes per hectare	2021	209.35
			2022	209.27
	Progress towards sustainable forest management - Proportion of forest area within legally established protected areas	%	2021	27.03
			2022	27.55
	Progress towards sustainable forest management - Proportion of forest area under a long-term management plan	%	2021	56.17
			2022	56.47
	Progress towards sustainable forest management - Forest area under an independently verified forest management certification scheme	hectares ('000)	2021	5,384.4
			2022	5,669.3
4.	Proportion of land that is degraded over total land area	%	2015	8.1
			2019	15.2
5.	Red List Index	Index	2023	0.70
			2024	0.69
6.	Proportion of traded wildlife that was poached or illicitly trafficked:	Number	2023	2,937
	Wildlife crime cases for keeping/ using category		2024	2,918
	Proportion of traded wildlife that was poached or illicitly trafficked:	Number	2023	10
	Wildlife crime cases for enroachment category		2024	11
	Proportion of traded wildlife that was poached or illicitly trafficked:	Number	2023	12
	Wildlife crime cases for smuggling category		2024	13

No.	Description of Indicators	Unit	Year	Achievement
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for poaching category	Number	2023	5
			2024	6
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for business category	Number	2023	58
			2024	30
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for zoo/ exhibition category	Number	2023	2
			2024	...
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for others category	Number	2023	...
			2024	1
7.	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for keeping/ using category	Number	2023	2,937
			2024	2,918
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for enroachment category	Number	2023	10
			2024	11
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for smuggling category	Number	2023	12
			2024	13
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for poaching category	Number	2023	5
			2024	6
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for business category	Number	2023	58
			2024	30
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for zoo/ exhibition category	Number	2023	2
			2024	....
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for others category	Number	2023	....
			2024	1

SDG 16: Peace, Justice and Strong Institutions

1.	Number and rate of victims of intentional homicide	Number	2023	266
			2024	249
2.	Proportion of population subjected to a. Violent crime cases	Number	2023	8,539
			2024	8,993
	Proportion of population subjected to b. Sexual crime cases	Number	2023	3,122
			2024	3,495
	Proportion of population subjected to c. Number of sexual crime victims	Number	2023	3,173
			2024	3,540
3.	Proportion of population that feel safe walking alone around the area they live after dark	%	2021	90.5

No.	Description of Indicators	Unit	Year	Achievement
	Children aged 1-5 years who experienced any physical punishment and/or psychological aggression by caregivers in the past month	%	2016	70.8
			2022	66.6
4.	a. Detected victims of human trafficking	Number	2023	109
			2024	83
	b. Detected victims of human trafficking for forced labour, servitude and slavery	Number	2023	93
			2024	83
	c. Detected victims of human trafficking for sexual exploitation	Number	2023	16
			2024	22
5.	Numbers of sexual crime victims (aged 0 - 17 years)	Number	2023	4,884
			2024	5,657
6.	Proportion of victims of violence in the previous 12 months who reported their victimisation to competent authorities or other officially recognised conflict resolution mechanisms	Number	2023	8,539
	a. Violence crime cases		2024	8,993
	Proportion of victims of violence in the previous 12 months who reported their victimisation to competent authorities or other officially recognised conflict resolution mechanisms	Number	2023	3,122
	b. Sexual crime cases		2024	3,495
	Proportion of victims of violence in the previous 12 months who reported their victimisation to competent authorities or other officially recognised conflict resolution mechanisms	Number	2023	3,173
	c. Number of sexual crime victims		2024	3,540
7.	Unsented detainees as a proportion of overall prison population	%	2023	33.0
			2024	35.2
8.	Unlawful possession or use of firearm	Number	2023	242
			2024	390
10.	Number of persons arrested who had at least one contact with a public official and who paid a bribe to a public official, or were asked for a bribe by those public officials	Number	2023	25
			2024	47
11.	Federal Government expenditures as a proportion of original approved budget	%	2023	105.2
			2024	103.2
12.	Complaints on public services received by Public Complaints Bureau	Number	2023	7,268
			2024	9,601
13.	a. Seats held in Senate	%	2023	Male: 83.9 Female: 16.1
			2024	Male: 80.4 Female: 18.6
	b. Seats held in House of Representatives	%	2023	Male: 86.5 Female: 13.5
			2024	Male: 86.5 Female: 13.5

No.	Description of Indicators	Unit	Year	Achievement
	c. Civil servant in public service	%	2023	Male: 40.7 Female: 59.4
			2024	Male: 40.3 Female: 59.7
	d. Civil servant with disabilities in public service	%	2023	0.3
			2024	0.3
	e. Judges in the High Court	%	2023	Male: 58.3 Female: 41.7
			2024	Male: 61.1 Female: 38.9
	f. Judges in the Federal Court and Court of Appeal	%	2023	Male: 58.3 Female: 46.2
			2024	Male: 53.8 Female: 46.2
14.	Population who believe decision-making is inclusive and responsive	%	2021	64.4
15.	Members In International Organisations (United Nations General Assembly)	%	2022	0.5
			2023	0.5
	Members In International (International Monetary Fund)	%	2022	0.5
			2023	0.5
	Members In International Organisations (International Bank for Reconstruction and Development)	%	2022	0.5
			2023	0.5
	Members In International Organisations (International Finance Corporation)	%	2022	0.5
			2023	0.5
	Members In International Organisations (Asian Development Bank)	%	2022	1.5
			2023	....
	Members In International Organisations (World Trade Organisation)	%	2022	0.6
			2023	0.6
	Voting Rights In International Organisations (United Nations General Assembly)	%	2022	0.5
			2023	....
	Voting Rights In International (International Monetary Fund)	%	2022	0.8
			2023	0.8
	Voting Rights In International Organisations (International Bank for Reconstruction and Development)	%	2022	0.4
			2023	0.4
	Voting Rights In International Organisations (International Finance Corporation)	%	2022	0.6
			2023	0.6
	Voting Rights In International Organisations (Asian Development Bank)	%	2022	2.5
			2023	....

No.	Description of Indicators	Unit	Year	Achievement
	Voting Rights In International Organisations (World Trade Organisation)	%	2022	0.6
			2023	0.6
16.	Children under 5 years of age whose births have been registered with a civil authority, by age	%	2023	95.3
			2024	92.6
17.	Number of verified cases of killing, kidnapping, enforced disappearance, arbitrary detention and torture of journalists, associated media personnel, trade unionists and human rights	%	2022	....
			2023	....

SDG 17: Partnerships for the Goals

1.	Share government revenue as a proportion of GDP	%	2023	17.3
			2024	16.8
2.	Federal Government tax revenue and expenditure	%	2023	56.3
			2024	59.2
3.	Budget allocation for development assistance through Malaysian Technical Cooperation Programme	RM '000	2023	8,500
			2024	14,000
4.	Fixed-broadband penetration rate (256 kbit/s ≤ 2 Mbit/s)	Per 100 inhabitants	2023	0.0
			2024	0.0
	Fixed-broadband penetration rate (2Mbit/s ≤ 10 Mbit/s)	Per 100 inhabitants	2023	0.0
			2024	0.0
	Langganan jalur lebar tetap bagi setiap 100 penduduk, mengikut kelajuan (≥ 10 Mbit/s)	Per 100 inhabitants	2023	13.5
			2024	14.0
5.	Individuals using the Internet	%	2023	97.7
			2024	98.0
6.	Value of financial and technical assistance committed to developing countries	RM '000	2023	8,458
			2024	13,836
7.	Worldwide weighted World Trade tariff-average	%	2023	3.3
			2024	3.5
8.	Share of global exports	%	2023	1.3
			2024	1.4
9.	Average tariffs faced by developing countries	%	2023	21.1
			2024	20.8
10.	Amount in United States dollars committed to public-private partnerships for infrastructure	RM Billion	2023	48.0
			2024	21.1
	Amount in United States dollars committed to public-private partnerships for infrastructure	USD Billion	2023	10.5
			2024	4.7
11.	Statistical capacity indicator for Sustainable Development Goal monitoring: Coverage Score	%	2023	....
			2024	78.8

No.	Description of Indicators	Unit	Year	Achievement
	Statistical capacity indicator for Sustainable Development Goal monitoring: Openness Score	%	2023	....
			2024	99.0
12.	Statistical capacity indicator for Sustainable Development Goal monitoring: Overall Score	%	2023	....
			2024	89.8
13.	Achievement 100 per cent birth registration	%	2023	100.0
			2024	100.0
14.	Achieved 80 per cent death registration	%	2023	97.9
			2024	97.9

Note: indicates Nil/blank/no cases

^e Estimates

^p Preliminary

^r Revised

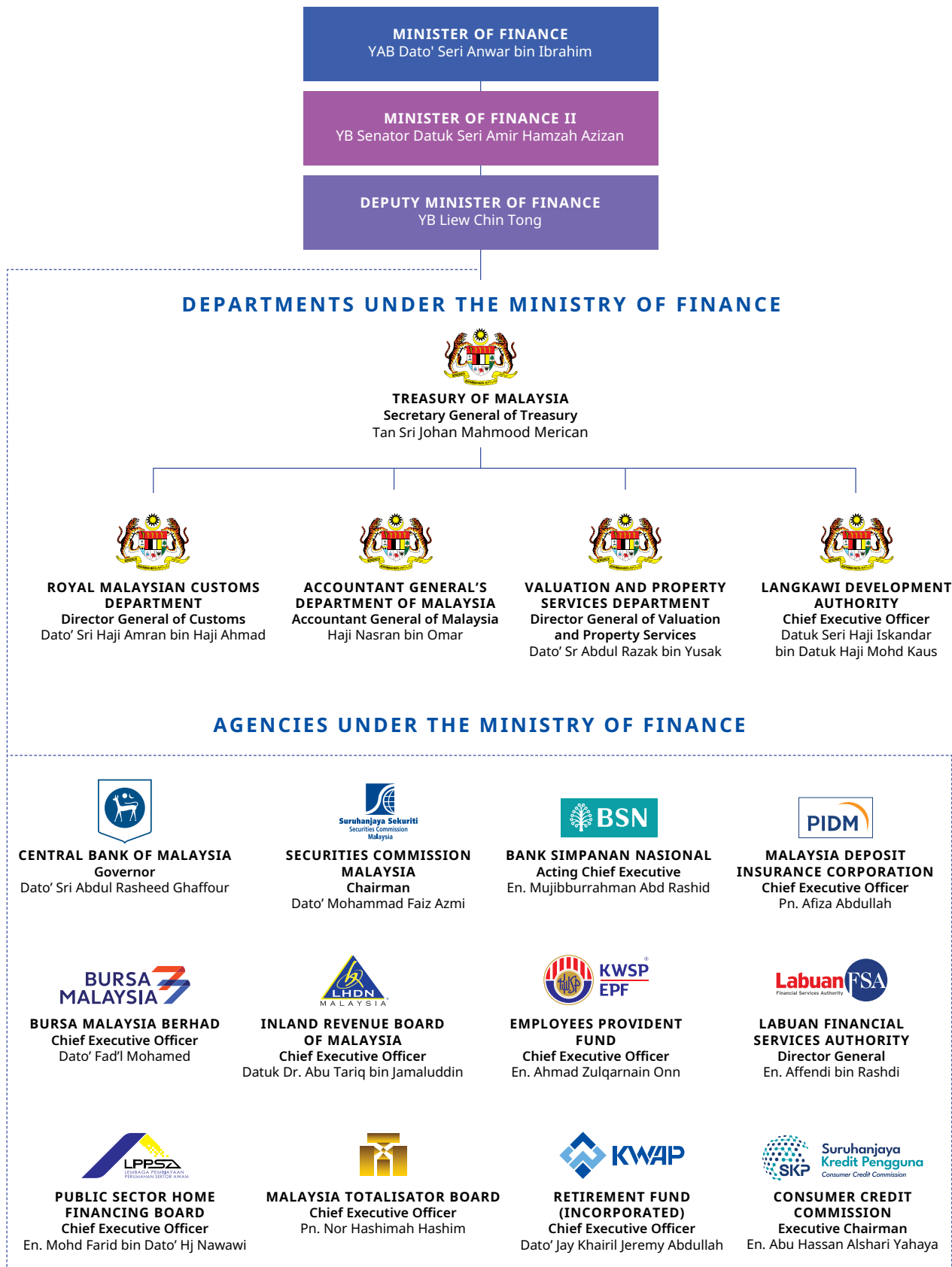
^a Refers to the international poverty level \$2.15

^b Refers to the international poverty level \$3.00

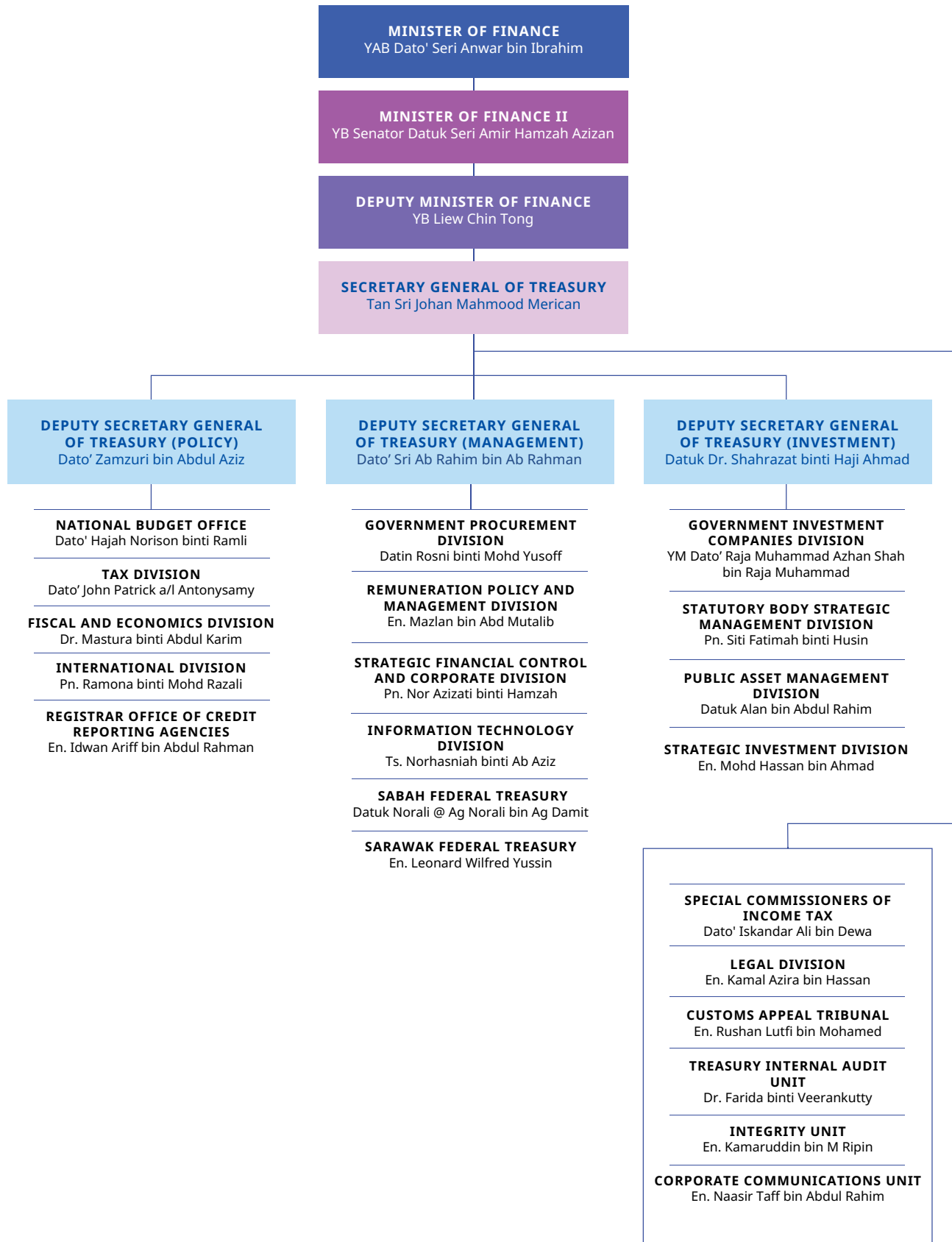
^c Refers to Special Report on Impact of Floods, Malaysia, by the Department of Statistics Malaysia

Source: Sustainable Development Goals (SDG) Indicators Executive Summary 2024, Department of Statistics, Malaysia

ORGANISATION OF THE MINISTRY OF FINANCE MALAYSIA



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