

ECONOMIC OUTLOOK



M E R E A L I S A S I E K O N O M I M A D A N I

Economic Outlook 2026

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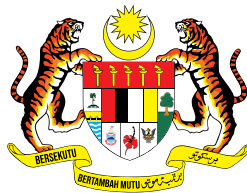
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PREFACE

We live in post-normal times, where upheavals strike not in sequence but all at once. A simultaneity of disruptions that tests nations and societies alike. Geopolitical tensions intensify, trade frictions multiply, climate breakdown accelerates and financial markets oscillate. Although recent clarity on the United States tariff policies offers some reprieve, yet the risks of sector-specific and reciprocal measures still loom and may disrupt the global trading system further and weigh on growth.

Yet, even in these unsettled times, Malaysia must not choose the path of least resistance. For too long, our people have called for genuine reform, for a Government that balances external risks while addressing deep structural impediments at home. This administration embraces that moral duty. Guided by the Ekonomi MADANI framework, our task is not only to steer the economy on a steady course, but also restore dignity, uplift the quality of life and ensure progress is shared fairly among all Malaysians.

While these remain the early days of our reform agenda, yet the results are already apparent. The economy expanded by 4.4% in the first half of 2025, outpacing many peers equally burdened by tariff shocks. Growth has been broad-based: households continue to spend with confidence, investment is rising in both the public and private sectors, tourism activities are booming and construction sites hum with activity. At the same time, the rakyat's livelihoods are better protected. Unemployment has recorded the lowest level in a decade, inflation remains low and the ringgit stands among the region's most resilient currencies. Even in the face of a weakened global trading environment, our exporters are adapting and sustaining jobs at home. On this basis, Malaysia's economy is expected to grow between 4% and 4.8% in 2025 and 4% – 4.5% in 2026.

Budget 2026 is the fourth of the MADANI Budget series and the first under the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan). It marks a passage from reform to transformation, charting a course where immediate recovery gives way to long-term renewal. The strategic investments envisioned under the Thirteenth Plan are fully aligned with the twin pillars of Ekonomi MADANI: 'Raising the Ceiling' of national potential, while 'Raising the Floor' of living standards. They are designed to catalyse growth, elevate Malaysia's role in global supply chains and enhance our human capital. In turn, they will deliver better wages, genuine opportunities for social mobility and a higher quality of life for the rakyat. With the Thirteenth Plan, Malaysia will expand its expertise in high growth high value sectors — from artificial intelligence to renewable energy — positioning our nation at the technological frontier while securing sustainability for generations to come.

A reformed Malaysia is growing more confident in sharing its voice on the global stage. True to our history as a trading nation, we embrace engagement and cooperation as the path forward. As we prepare to welcome Visit Malaysia 2026 and conclude our Chairmanship of ASEAN, we do so with renewed purpose: to position Malaysia as a bridge-builder in the region, a trusted partner in the Global South as well as an advocate for fairer and more sustainable growth. The Economic Outlook 2026 is not only a review of our progress hitherto but a declaration of this strategic direction. That even in turbulence, Malaysia can lead with resilience, adaptability and conviction.

In these post-normal times, every crisis carries with it the seed of opportunity. I am reminded of the verse in the Qur'an (62:10), where after worship, humankind is called to seek sustenance and opportunity on earth. So it is for Malaysia today. The trials we have endured serve as a mirror to reflect upon the lessons of the past. They also summon us to rise together, to seize new frontiers and to pursue greater heights. With the Ekonomi MADANI framework in place to chart this reform agenda, what remains is for us to stay the course with unity, stability and determination. *Insyaa-Allah*, our future will be defined not by turbulence, but by the courage to build anew. In the name of Allah the Most Gracious, the Most Merciful.

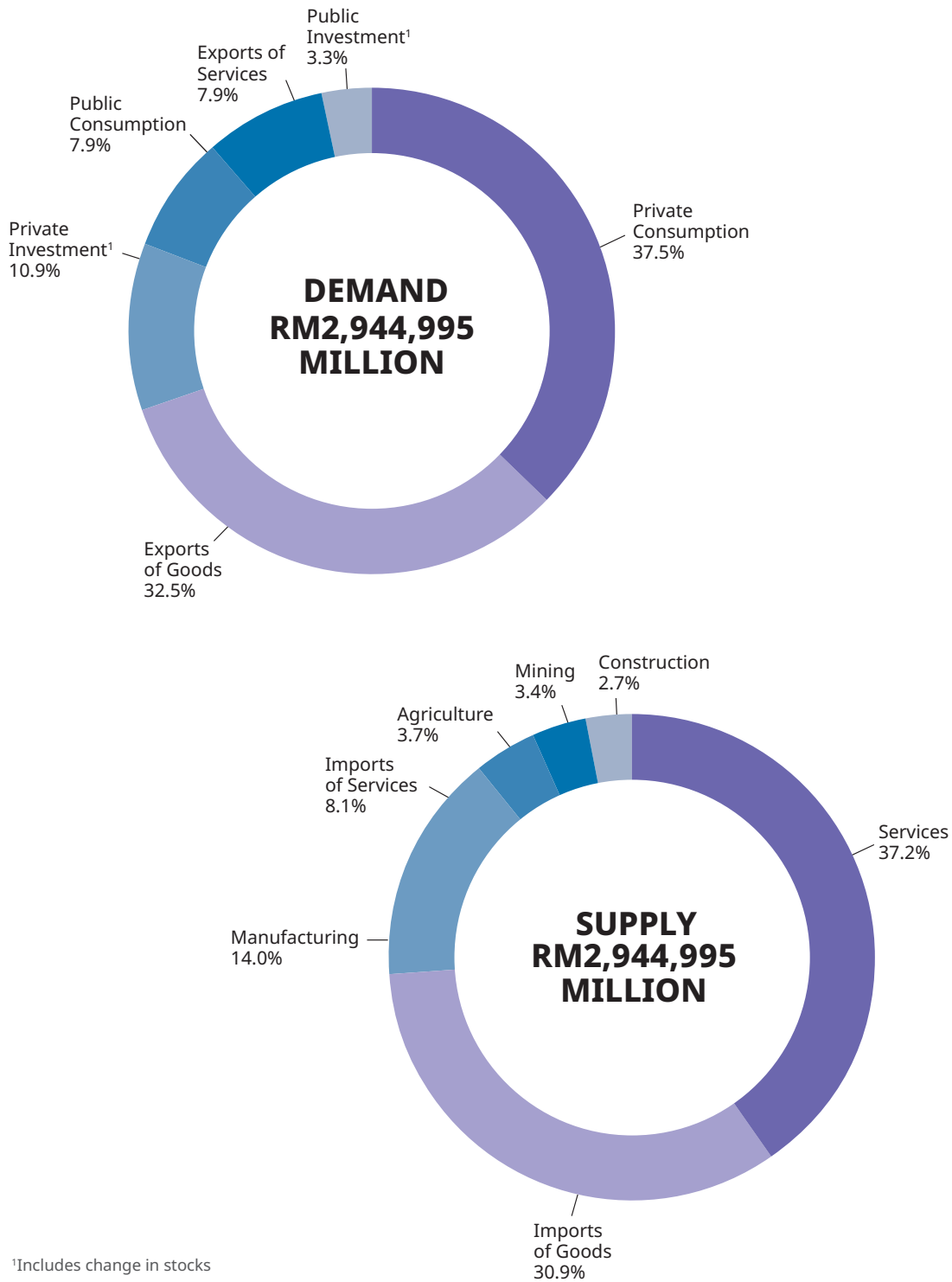


MINISTER OF FINANCE MALAYSIA
10 October 2025



THE ECONOMY 2026

in constant 2015 prices
(share to total in %)



MALAYSIA: KEY DATA AND FORECAST

AREA 2020 (square kilometres)						
Malaysia	Peninsular Malaysia		Sarawak	Sabah	Federal Territories ¹	
330,241	131,786		124,450	73,621	384	
	2024 ⁹		2025 ¹⁰		2026 ¹¹	
POPULATION ² (million)	34.1		34.5		34.9	
DOMESTIC PRODUCTION	RM million	change (%)	RM million	change (%)	RM million	change (%)
Gross Domestic Product (constant 2015 prices)	1,650,305	5.1	1,724,712	4.0 – 4.8	1,795,752	4.0 – 4.5
Agriculture	103,458	3.1	104,725	1.2	107,004	2.2
Mining and quarrying	98,432	0.9	99,503	1.1	98,462	-1.0
Manufacturing	382,034	4.2	396,388	3.8	408,280	3.0
Construction	66,580	17.5	73,272	10.1	77,705	6.1
Services	980,110	5.3	1,030,007	5.1	1,083,056	5.2
Import duties	19,692	7.1	20,818	5.7	21,245	2.1
Gross Domestic Product (current prices)	1,932,291	5.9	2,015,738	3.8 – 4.6	2,125,757	5.4 – 5.8
Final consumption expenditure: Public	231,196	5.9	242,447	4.9	252,002	3.9
Private	1,174,092	6.5	1,244,055	6.0	1,324,971	6.5
Gross fixed capital formation: Public ³	89,938	12.5	101,529	12.9	109,730	8.1
Private	307,007	13.4	337,045	9.8	363,674	7.9
Changes in inventories and valuables	27,268	-	-14,223	-	-22,942	-
Exports of goods and services	1,378,518	10.0	1,414,973	2.6	1,477,692	4.4
Imports of goods and services	1,275,728	9.4	1,310,088	2.7	1,379,371	5.3
NATIONAL INCOME AND EXPENDITURE						
Gross National Income (constant 2015 prices)	1,614,675	4.7	1,694,629	5.0	1,762,924	4.0
Gross National Income (current prices)	1,866,181	5.5	1,960,023	5.0	2,064,176	5.3
Gross National Savings (current prices)	451,929	3.7	458,603	1.5	473,679	3.3
Per Capita Income (current prices, RM)	54,793	3.5	56,851	3.8	59,162	4.1
FEDERAL GOVERNMENT FINANCE	2024		2025 ¹²		2026 ¹³	
Revenue	324,618	3.1	334,115	2.9	343,124	2.7
Operating expenditure	321,509	3.3	332,150	3.3	338,202	1.8
Current balance	3,109		1,965		4,922	
Development expenditure (net)	82,275	-13.5	78,679	-4.4	79,500	1.0
Overall balance	-79,166		-76,714		-74,578	
% of GDP	-4.1		-3.8		-3.5	
Domestic borrowings (net)	77,073		82,023		-	
Offshore borrowings (net)	-227		-4,800		-	
Change in assets ⁴	2,320		-509		-	

MALAYSIA: KEY DATA AND FORECAST (cont'd)

	2024		2025 ¹²		2026 ¹³	
	RM million	% GDP	RM million	% GDP	RM million	% GDP
Federal Government Debt⁵	1,247,614	64.6	1,304,176	64.7	–	–
Domestic debt	1,219,638	63.1	1,281,418	63.6	–	–
Malaysia Treasury Bills	5,000	0.3	2,000	0.1	–	–
Malaysia Islamic Treasury Bills	10,000	0.5	5,500	0.3	–	–
Malaysian Government Investment Issues	570,800	29.5	614,800	30.5	–	–
Malaysian Government Securities	633,838	32.8	659,118	32.7	–	–
Offshore borrowings	27,976	1.5	22,758	1.1	–	–
Market loans	24,977	1.3	19,804	1.0	–	–
Project loans	2,999	0.2	2,954	0.1	–	–
	2024		2025¹⁰		2026¹¹	
BALANCE OF PAYMENTS (NET)	RM million		RM million		RM million	
Balance on current account	27,716		34,254		23,218	
Goods	114,462		112,527		98,255	
Services	-11,672		-7,642		65	
Primary income	-66,111		-55,715		-61,581	
Secondary income	-8,963		-14,918		-13,523	
Balance on capital and financial accounts	-4,936		–		–	
Net errors and omissions	-7,038		–		–	
Overall balance	15,742		–		–	
EXTERNAL TRADE	RM million	change (%)	RM million	change (%)	RM million	change (%)
Gross exports	1,509,291	5.8	1,558,664	3.3	1,602,556	2.8
<i>of which:</i>						
Manufactured goods	1,289,189	6.0	1,341,511	4.1	1,381,521	3.0
Agriculture goods	105,786	11.6	111,026	5.0	114,703	3.3
Mining goods	103,892	-2.1	93,593	-9.9	93,238	-0.4
Gross imports	1,370,237	13.1	1,432,836	4.6	1,488,276	3.9
<i>of which:</i>						
Intermediate goods	749,247	20.7	737,976	-1.5	768,613	4.2
Capital goods	166,098	29.0	206,851	24.5	215,654	4.3
Consumption goods	117,414	12.8	118,440	0.9	123,079	3.9
Total trade	2,879,528	9.2	2,991,500	3.9	3,090,832	3.3
Trade balance	139,053	-35.4	125,828	-9.5	114,280	-9.2
PRICES	Index	change (%)	Index	change (%)	Index	change (%)
Consumer Price Index (2010 = 100)	132.8	1.8	–	1.0 – 2.0	–	1.3 – 2.0
LABOUR	Thousands	change (%)	Thousands	change (%)	Thousands	change (%)
Labour force 2026	16,903.5	3.3	17,309.2	2.4	17,707.3	2.3
Unemployment ⁶	534.1	(3.2)	514.2	(3.0)	526.0	(3.0)

MALAYSIA: KEY DATA AND FORECAST (cont'd)

	2024 End-July		2025 End-July	
FINANCIAL AND CAPITAL MARKETS	RM million	change (%)	RM million	change (%)
Money supply				
M1	636,762	7.2	680,177	6.8
M2	2,412,973	5.3	2,508,144	3.9
M3	2,423,037	5.3	2,516,210	3.8
Banking system (including Islamic banks)				
Fund ⁷	2,434,499	5.3	2,535,797	4.2
Loans	2,016,464	6.4	2,100,521	4.2
Loan-to-fund ratio (%)	82.8		82.8	
Interest rates (average rates, %)	July		July	
3-month interbank	3.54		3.26	
Commercial banks				
Fixed deposits: 3-month	2.63		2.32	
12-month	2.79		2.42	
Savings deposit	0.87		0.83	
Weighted base rate (BR)	3.66		3.40	
Base lending rate (BLR)	6.68		6.43	
Treasury bills (3-month)	–		–	
Malaysian Government Securities ⁸				
1-year	3.22		2.89	
5-year	3.53		3.15	
	End-August		End-August	
Movement of ringgit	RM per unit of	change¹⁴ (%)	RM per unit of	change¹⁴ (%)
Special Drawing Rights (SDR)	5.8166	5.7	5.7768	0.7
US dollar	4.3155	7.5	4.2180	2.3
Euro	4.7788	5.5	4.9195	-2.9
100 Japanese yen	2.9804	6.5	2.8695	3.9
Pound sterling	5.6811	3.1	5.6937	-0.2
Bursa Malaysia				
FBM KLCI	1,678.80		1,575.12	
Market capitalisation (RM billion)	2,035.63		1,950.30	

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 2025, data is as at end-June 2025

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 2026 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

4IR	National Fourth Industrial Revolution	APSC	ASEAN Political-Security Community
5G	fifth-generation	ASCC	ASEAN Socio-Cultural Community
ABMI	Asian Bond Markets Initiative	ASEAN	Association of Southeast Asian Nations
ACFIT	audit papers, compel attendance for testimony, freeze assets, and obtain internet service provider and telephone records	ASEAN TFF	ASEAN Power Grid Transition Finance Facility
ACMF	ASEAN Capital Markets Forum	ASEAN-BAC	ASEAN Business Advisory Council
ACSR	Advisory Committee on Sustainability Reporting	ATR	Additional transition reliefs
ACV	ASEAN Community Vision	B10	bottom 10% of household income group
ADB	Asian Development Bank	B40	bottom 40% of household income group
ADI	Academy In Industry	BDA	big data analytics
AEC	ASEAN Economic Community	BIG	Bengkel Inovasi GLC
AFMGM	ASEAN Finance Ministers' and Central Bank Governors' Meeting	BNM	Bank Negara Malaysia
AFMGM+3	ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting	BNPL	Buy Now Pay Later
AFTN	ASEAN+3 Finance Think-Tank Network	bps	basis points
AI	artificial intelligence	BPT	Beras Putih Tempatan
AIF	ASEAN Infrastructure Fund	BRICS	Brazil, Russia, India, China and South Africa
AIGE	National Guidelines on AI Governance & Ethics	BUDI Agri-Komoditi	Diesel Subsidy Assistance for Small Agricultural and Commodity Holders
AI-Rmap	National Artificial Intelligence Roadmap, 2021–2025	BUDI95	BUDI MADANI RON95
AKPK	Credit Counselling and Debt Management Agency	Bursa RISE+	Bursa Research Incentive Scheme Plus
AMRO	ASEAN+3 Macroeconomic Research Office	BWF	Badminton World Federation
AOB	Audit Oversight Board	CAAM	Civil Aviation Authority of Malaysia
		CAGR	compound annual growth rate
		CCM	Companies Commission of Malaysia

CCUS	carbon capture, utilisation and storage	ECB	European Central Bank
CDS	Central Depository System	ECF	equity crowdfunding
CE	compensation of employees	ECRL	East Coast Rail Link
CET1	Common Equity Tier 1 Capital	EECA	Energy Efficiency and Conservation Act
CFIL	Climate Finance Innovation Lab	EFT	Ecological Fiscal Transfer
CMDF	Capital Market Development Fund	EKVE	Eastern Klang Valley Expressway
CMIM	Chiang Mai Initiative Multilateralisation	EMDEs	emerging markets and developing economies
CMP4	Capital Market Masterplan 4	EMMoU	Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information
CO ₂ eq	carbon dioxide equivalent		
CoSIF	Co-Investment Fund		
COVID-19	Coronavirus Disease of 2019	EPCC	engineering, procurement, construction and commissioning
CPI	Corruption Perception Index	EPF	Employees Provident Fund
CPI	Consumer Price Index	ESG	environmental, social and governance
CPO	crude palm oil		
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership	ESHN	Elaun Sara Hidup Nelayan
		EU-ABC	EU-ASEAN Business Council
CRMSA	Climate Risk Management and Scenario Analysis	EVs	electric vehicles
		F&B	food & beverage
CSI Solution	Centralised Sustainability Intelligence Solution	FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
DDI	domestic direct investment	FDI	foreign direct investment
DFIs	Development Financial Institutions	Fed	United States Federal Reserve
DRFI	Disaster Risk Financing Initiative	FFB	fresh fruit bunches
		FIFA	Federation Internationale de Football Association
DRT	Demand-Responsive Transit		
DSR	debt-service ratios	FMOS	Financial Markets Ombudsman Service
E&E	electrical and electronic	FRF	Financial Reporting Foundation

ACRONYMS AND ABBREVIATIONS

FTAs	free trade agreements	IMD	International Institute for Management Development
GDP	growth domestic product	IMF	International Monetary Fund
GEAR-uP	Government-linked Enterprises Activation and Reform Programme	IOSCO	International Organization of Securities Commissions
GFCF	gross fixed capital formation	IPOs	Initial Public Offerings
GgCO ₂ eq	gigagrams of carbon dioxide equivalent	IPR	Inisiatif Pendapatan Rakyat
GHG	greenhouse gas	IRB	Inland Revenue Board
GLCs	government-linked companies	ISSB	International Sustainability Standards Board
GLICs	government-linked investment companies	i-TEKAD	Tekad Financing Initiative
GNI	gross national income	JC3	Joint Committee on Climate Change
GNS	gross national savings	JMCPHC	Joint Ministerial Committee on Private Healthcare Costs
GovTech	Government Technology	JS-SEZ	Johor-Singapore Special Economic Zone
GPs	general partners	KHTP	Kulim Hi-Tech Park
GTFS	Green Technology Financing Scheme	KL20	KL20 Action Plan
HDI	Human Development Index	KPIs	key performance indicators
HES	Household Expenditure Survey	KRI	Khazanah Research Institute
HGHV	high growth high value	KWAP	Kumpulan Wang Persaraan (Diperbadankan)
HHFS	Hybrid Hydro Floating Solar	LCR	Liquidity Coverage Ratio
HIES	Household Income and Expenditure Survey	LDR	loan-to-deposit ratio
HIS	Household Income Survey	LIMA	Langkawi International Maritime and Aerospace Exhibition
ICM	Islamic Capital Market	LNG	liquefied natural gas
IFDI	Islamic Finance Development Index	LPG	Liquefied Petroleum Gas
IFRS	International Financial Reporting Standards	LRT	Light Rail Transit
IFRS SDS	IFRS Sustainability Disclosure Standards	LRT3	Light Rail Transit 3
IKMAS-UKM	Institute of Malaysian and International Studies, Universiti Kebangsaan Malaysia	LSS	Large-Scale Solar
		MACC	Malaysian Anti-Corruption Commission

MAHA	Malaysia Agriculture, Horticulture & Agrotourism Exhibition	NAIO	National AI Office
MARA	Majlis Amanah Rakyat	NDI	Net Disposable Income
MaTF	Maqasid al-Shariah Task Force for the ICM	NETR	National Energy Transition Roadmap
MATRADE	Malaysia External Trade Development Corporation	NFOF	National Fund-of-Funds
MAVCOM	Malaysian Aviation Commission	NFPC	Non-financial public corporation
MGI	Mckinsey Global Institute	NGCC	The National Geoeconomic Command Centre
MGII	Malaysian Government Investment Issues	NGOs	Non-Governmental Organizations
MGS	Malaysian Government Securities	NIC	National Insurance Contributions
MICE	meetings, incentives, conference and exhibitions	NIMP 2030	New Industrial Master Plan 2030
MIFC	Malaysia International Islamic Financial Centre	NSRF	National Sustainability Reporting Framework
MoF	Ministry of Finance	NSS	National Semiconductor Strategy
MPC	Malaysian Productivity Corporation	NTBp	National Trade Blueprint
MPC	Monetary Policy Committee	NWCC	National Wages Consultative Council
MSMEs	micro, small and medium enterprises	OER	oil extraction rate
MTC	mid-tier companies	OFs	Ombudsman for Financial Services
MWO	Minimum Wages Order	OPR	Overnight Policy Rate
MyBayar PDRM	MyBayar PDRM Application	OTT	over-the-top
MyDIGITAL	Malaysia Digital Economy Blueprint	P2P	peer-to-peer
MyGOV	Malaysian Government Official Portal	PACE	Policy, Assumptions, Calculators and Education
MYMT 2026	Malaysia Year of Medical Tourism 2026	PEDs	Priority Economic Deliverables
n.e.c.	not elsewhere classified	PEKA B40	Peduli Kesehatan Scheme
NACS	National Anti-Corruption Strategy	PIKAS 2030	Public-Private Partnership Master Plan 2030
		PLCs	public listed companies
		PLWS	Productivity-Linked Wage System

ACRONYMS AND ABBREVIATIONS

PPHSSL	Program Penyeragaman Harga Sabah, Sarawak dan Labuan	SIDREC	Securities Industry Dispute Resolution Centre
PPI	Producer Price Index	SKDS	Subsidised Diesel Control System
PPPs	public-private partnerships	SMEs	small and medium enterprises
ppt	percentage points	SoC	System On Chip
PRIBUMI	Persatuan Remisier Bumiputera Malaysia	SPIRIT	Structural Policy Improvement and Review Instrument
PRR	Program Residensi Rakyat	SRI	Sustainable and Responsible Investment
PuTERA35	Bumiputera Economic Transformation Plan 2035	SRR	Statutory Reserve Requirement
PWD	persons with disabilities	SSF	Single Stock Futures
R&D	research and development	SSHP	Paddy Price Subsidy Scheme
R&D&C&I	research, development, commercialisation and innovation	SSL	self-sufficiency level
RBA	Reserve Bank of Australia	SSLR	Sarawak Sabah Link Road
RCEP	Regional Comprehensive Economic Partnership	SSPA	Public Service Remuneration System
RCF	Regional Connectivity Project Readiness Facility	SST	sales tax and service tax
RE	renewable energy	STAR	Special Task Force on Agency Reform
RFF	Rapid Financing Facility	STIZ	Special Tourism Investment Zones
RM	Ringgit Malaysia	STR	Sumbangan Tunai Rahmah
RMR	Rumah Mesra Rakyat	TCFD	Task Force on Climate-related Financial Disclosures
RTS Link	Rapid Transit System Link	TEUs	twenty-foot equivalent units
SARA	Sumbangan Asas Rahmah	TFP	Total Factor Productivity
SBR	Standardised Base Rate	Thirteenth Plan	Thirteenth Malaysia Plan, 2026 – 2030
SC	Securities Commission Malaysia	TIV	total industry volume
SEDG	Simplified ESG Disclosure Guide	TNB	Tenaga Nasional Berhad
Sejahtera MADANI	Inisiatif Kesejahteraan Rakyat Malaysia MADANI	TVET	technical and vocational education and training
SejaTi MADANI	Program Sejahtera Komuniti MADANI	Twelfth Plan	Twelfth Malaysia Plan, 2021 – 2025
SEPP25	Social Exchange Pilot Programme		

UK	United Kingdom	WCE	West Coast Expressway
UNESCO	United Nations Educational, Scientific and Cultural Organization	WISE	West Ipoh Span Expressway
		WRO	Wages Regulation Order
US	United States of America	WSTS	World Semiconductor Trade Statistics
US-ABC	US-ASEAN Business Council	YAHB	Yayasan Amanah Hartanah Bumiputera
USD	United States Dollar	YEN	Yayasan Ekuiti Nasional
VM2026	Visit Malaysia 2026	YPB	Yayasan Pelaburan Bumiputra
WBG	World Bank Group		

CHAPTER 1

Economic Management and Prospects

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CHAPTER 1

Economic Management and Prospects

Driving Ekonomi MADANI: Empowering the Rakyat

Assessing the impact of global uncertainties and higher tariffs imposed by the US have been a daunting task for developing countries, including Malaysia. Policy actions undertaken by the US administration have affected the rules-based trading environment and the global economy outlook. As a small and open economy, Malaysia's vulnerability to external shocks has become increasingly evident amid shifting trade dynamics and rising protectionism, which pose challenges to the country's long-term economic planning.

The Government remains committed to implementing strategic measures under Budget 2025, aimed at channelling resources toward inclusive and sustainable growth. The Budget focuses on three key thrusts, namely driving reforms, reinvigorating the economy and prospering the rakyat. It emphasises fiscal responsibility, investment in digital and green infrastructure, provisions for subsidy rationalisation, labour-related policies and expanded tax reliefs as well as support programmes for targeted groups and micro, small, and medium enterprises (MSMEs). By leveraging the Ekonomi MADANI framework in driving the economy forward, the Budget promotes industrial upgrading, digitalisation and innovation to enhance competitiveness as well as strengthen the domestic market.

Key Performance Indicators of Ekonomi MADANI Framework

In sustaining Malaysia's growth momentum, the Government remains committed to achieve the seven key performance indicators (KPIs) under the Framework, guiding Malaysia's transformation into a more competitive, inclusive and sustainable economy. These benchmarks serve as a barometer to measure reforms, outcomes, progress in global rankings, social inclusion and fiscal sustainability. Malaysia is making steady gains across several of the KPIs as shown in Figure 1.1. This approach will be strategically supported by the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan), which outlines initiatives over the next five years to drive high-value, inclusive and sustainable economic growth across all sectors.

On the path to becoming one of the top 30 largest economies, Malaysia is currently ranked 36th globally with a GDP of USD422 billion. Policy and institutional reforms as well as investments in human capital, infrastructure and digital technologies, in advanced industries such as semiconductors and artificial intelligence (AI), are driving this momentum. Similarly, Malaysia's competitiveness increased significantly since 2024, catapulting 11 places to 23rd in the 2025 International Institute for Management Development (IMD)

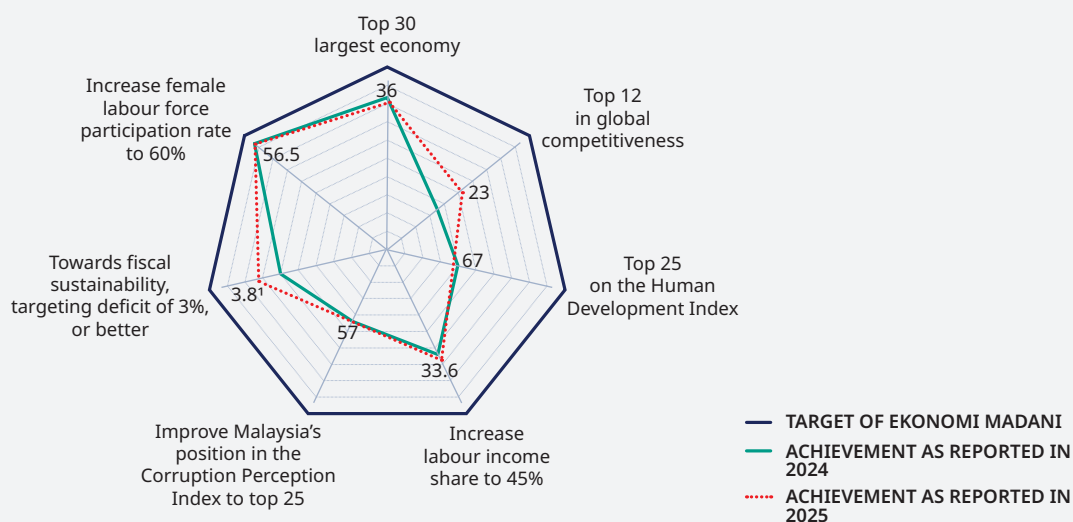
World Competitiveness Ranking. In the effort to reach among the top 12 in global competitiveness by 2033, trade diversification; stronger research, development, commercialisation and innovation (R&D&C&I); as well as streamlined regulations, enhanced governance and digital readiness are being prioritised.

In human development, Malaysia's Human Development Index (HDI) score rose to 0.819 in 2025, placing Malaysia at 67th globally. Continued investments in healthcare and education as well as reduced inequality remain critical in positioning the country within the top 25 HDI group. In 2024, the share of compensation of employees (CE) stood at 33.6%, below the 45% target. In narrowing this gap, initiatives such as the Progressive Wage Policy and skills upgrading are geared towards productivity-driven growth. Meanwhile, women's participation in the labour market rose from 56.2% in 2023 to 56.5% in 2024. Expanding affordable childcare, flexible

work arrangements as well as upskilling and reskilling programmes will be key to reaching the female labour force participation rate of 60%.

Governance remains central to the Ekonomi MADANI framework reforms as it supports economic growth, social justice and shared prosperity, which are essential in creating a resilient and competitive nation. Malaysia's Corruption Perception Index (CPI) ranking remains unchanged at 57th in 2024 with a score of 50. However, in order to achieve the top 25 CPI position by 2033, the country has to score between 68 and 70 as stated in the National Anti-Corruption Strategy, 2024 – 2028 (NACS). On fiscal sustainability, Malaysia has made notable progress, where the fiscal deficit gradually narrowed from 5% of GDP in 2023 to 4.1% in 2024 and is anticipated to further reduce to 3.8% in 2025. The continuation of fiscal reforms is expected to meet the 3% deficit target as stipulated under the Public Finance and Fiscal Responsibility Act 2023 [Act 850].

FIGURE 1.1. Achievement of Seven Key Performance Indicators



Thirteenth Malaysia Plan, 2026 – 2030: Melakar Semula Pembangunan

The Thirteenth Plan with the theme of “Melakar Semula Pembangunan”, marks a critical shift in Malaysia’s socioeconomic development narrative, as illustrated in Figure 1.2. In response to global uncertainties and domestic socioeconomic challenges, the Thirteenth Plan reflects Malaysia’s commitment to restructure socioeconomic development based on the Ekonomi MADANI framework. The Framework involves three thrusts, which are ‘Raising the Ceiling’ by propelling the economic growth of the nation, ‘Raising the Floor’ by uplifting the standard of living of the rakyat, and strengthening governance. This restructuring has to be implemented taking cognisance of the needs to accelerate the transition to a value creation-based economy

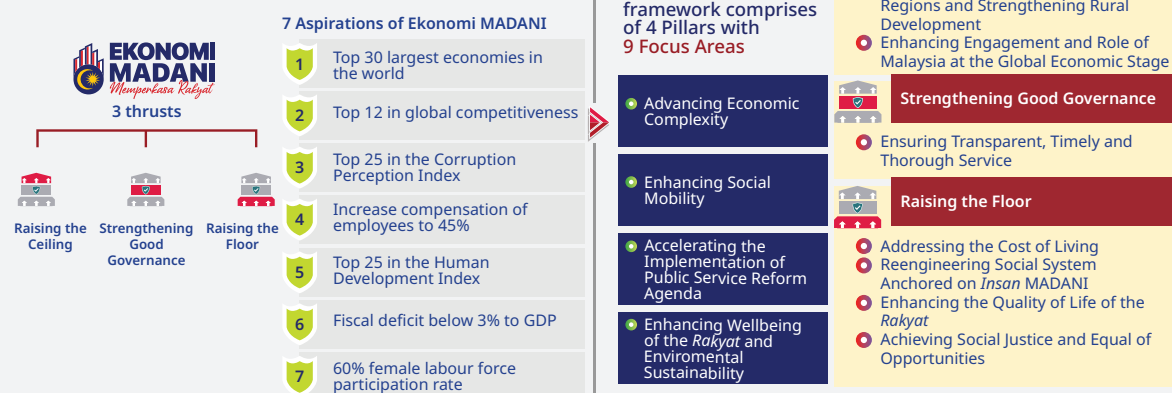
in a sustainable environment as well as to strengthen the spiritual and insaniah in building a strong social system anchored on the MADANI policy framework. This signals Malaysia’s determination to build resilience amid global fragmentation, while improving Malaysia’s readiness in the face of various challenges at the global and domestic levels.

In achieving this, the Thirteenth Plan focuses on four pillars, namely advancing economic complexity, enhancing social mobility, accelerating the implementation of the public service reform agenda as well as enhancing the rakyat’s well-being and environmental sustainability. The Thirteenth Plan is expected to involve significant investment, of which RM430 billion will be allocated for development expenditure while RM120 billion will be invested by the government-linked investment companies (GLICs) in domestic direct investment (DDI). Additionally, the implementation for development projects will be complemented via public-private partnerships (PPPs) over the next five years.

FIGURE 1.2 Key Essence of 13MP

Aspirations of the Thirteenth Plan *Melakar Semula Pembangunan*

The strategies and initiatives under the Thirteenth Plan have been aligned with the **three thrusts of the Ekonomi MADANI** framework, which are raising the ceiling, raising the floor and strengthening good governance to realise the **seven aspirations of the Ekonomi MADANI**.



Source: Ministry of Economy, Malaysia

In advancing economic complexity, the Government will shift from resource dependence towards a value-creation economy driven by AI, R&D&C&I, digitalisation, high growth high value (HGHV) industries and high-impact strategic sectors. Malaysia will also strengthen its position as a competitive economy by leveraging various multilateral, regional and bilateral agreements with strategic trading partners, towards diversifying Malaysia's economy. These efforts focus on smart agriculture, digital technology, semiconductors and sustainable energy.

In safeguarding the well-being of the rakyat, it is integral to create a pathway for an upward socioeconomic movement towards a better quality of life, resulting in a more resilient individual and inclusive society. This will be achieved by addressing inequalities in income as well as access to education and essential services, through various efforts including comprehensive wage reforms and enhanced social protection for every layer of society. These initiatives lay a foundation for a more inclusive and prosperous nation that enhances social mobility and creates opportunities for economic growth.

In accelerating the implementation of the public service reform, Malaysia is geared to build an agile, rakyat-focused government that provides efficient and transparent services through technology. A whole-of-government approach will be strengthened through public service reforms such as the introduction of the Malaysian Government Service Efficiency Commitment Act 2025 [Act 867] (ILTIZAM)¹ to improve service delivery, embed accountability and restore public trust.

Outlook

Global Economy

The global economy is projected to expand moderately by 3% in 2025 before improving slightly to 3.1% in 2026, supported by resilient labour markets, gradual easing of inflationary pressures and accommodative monetary stance in major advanced economies (IMF, 2025). Growth in advanced economies is expected to stabilise, while emerging markets and developing economies (EMDEs), particularly in Asia, will continue to drive global output, underpinned by robust domestic demand and investment. Nevertheless, downside risks persist, due to heightened geopolitical tensions, volatility in commodity and energy prices, as well as the potential escalation of trade restrictions, which could weigh on global trade and supply chains. As Malaysia's growth prospects are influenced by this complex global environment, navigating these headwinds are crucial while deepening regional integration and enhancing competitiveness.

Domestic Economy

In 2025, the economy is expected to grow between 4% and 4.8%, underpinned by firm domestic demand. From the demand perspective, private consumption is anticipated to remain resilient, supported by higher disposable income, favourable labour market conditions, targeted assistance programmes and vibrant tourism activities. Investment momentum will be sustained by the realisation of multi-year projects and strong inflows into high-growth segments such as semiconductors

¹ Refers to service efficiency, structural reform and accountability in governance and regulatory effectiveness.

and data centres. From a supply perspective, the services and manufacturing sectors will continue to lead growth. The services sector will be driven by robust tourism activities, dynamic retail trade and increased demand for business-related services. Meanwhile, the manufacturing sector will benefit from growing semiconductor demand due to the expansion of the digital economy and the increasing use of AI edge applications as well as strong performance in domestic-oriented industries.

In 2026, Malaysia's economy is projected to expand between 4% and 4.5%, supported by resilient domestic demand and a steady external sector. Growth will be anchored by private consumption, boosted by the implementation of the salary adjustment under Phase 2 of the Public Service Remuneration System (SSPA), continuation of targeted assistance programmes and robust tourism activities in conjunction with Visit Malaysia 2026 (VM2026). In addition, strong investment performance will be supported by higher capital expenditures, particularly in high-impact strategic sectors. The services and manufacturing will remain key drivers of growth, complemented by sustained construction and agriculture sectors.

Monetary and Financial Developments

Monetary policy in 2025 remains focused on supporting economic growth amid global uncertainties, while maintaining domestic price stability. In July 2025, the Overnight Policy Rate (OPR) was lowered from 3.00% to 2.75% as a pre-emptive measure to sustain steady growth, given moderate inflation prospects. The ringgit has demonstrated resilience against the US dollar, underpinned by sound macroeconomic fundamentals, ongoing measures to encourage capital flows and improved investor confidence. Building on a mature and robust ecosystem, Islamic finance continues to expand, both domestically

and globally, through innovative instruments by providing diversified funding channels for strategic programmes under national plans. Looking ahead, continued strong collaboration between the Government, financial regulators and industry players will be pivotal in advancing digitalisation, financial inclusion and sustainable financing to support long-term development.

Updates on Budget 2025

Budget 2025 focuses on driving reforms, reinvigorating the economy and prospering the rakyat. The Government allocated RM421 billion, comprising RM335 billion in operating expenditure and RM86 billion in development expenditure.

Focus 1: Driving Reforms

Budget 2025 prioritised rakyat-centric development covering logistics and transport infrastructure, public utilities, flood mitigation, renewable energy as well as tourism. As of end-August 2025, of the RM3.4 billion allocated, RM2.8 billion or 82.9% was spent for 34 transport and logistics projects. Similarly, of the RM2.1 billion allocated for the Rapid Transit System Link (RTS Link) and Penang LRT Mutiara Line, 99.9% was spent in the same period. In addition, several key national projects in Sabah and Sarawak have been rolled out, namely the Pan Borneo Highway Sabah, Pan Borneo Highway Sarawak and Sarawak Sabah Link Road (SSLR) Phase 2 projects, involving disbursement of RM1.2 billion, RM281.1 million and RM217.5 million respectively. Furthermore, more than RM620 million was spent on 12 projects in various states nationwide to mitigate flooding in high-risk areas.

Several rakyat-focused projects worth RM14.4 billion are also being developed under PPPs. These include the construction

of Hospital Sultanah Aminah 2 in Johor; West Ipoh Span Expressway (WISE) between Gopeng and Kuala Kangsar in Perak; and West Coast Expressway (WCE) from Banting, Selangor to Gelang Patah, Johor.

In ensuring a more balanced development across all states, collaborative efforts between the Federal and state governments were undertaken in major development projects involving transport connectivity, green economy and advanced manufacturing with an allocation of RM37.5 billion. These projects are the Johor-Singapore RTS; expansion of Port Klang and widening of roads at the Pulau Indah Ring Road and North Port Klang in Selangor; Kulim Hi-Tech Park expansion in Kedah; and Machang Water Treatment Plant in Kelantan; and renewable energy ventures including the Kenyir Hybrid Hydro Floating Solar Farm (HHFS) and a green hydrogen hub in Terengganu. Meanwhile, tourism-related projects recorded an expenditure of RM103.8 million in the same period.

In ensuring the projects are implemented efficiently, the Government emphasises strengthening governance and institutional framework, which are key focus areas of Budget 2025. In addition, the recently passed Government Procurement Bill and Freedom of Information Bill in 2025 will strengthen government accountability and transparency. At the same time, the amended Audit Act 1957 [Act 62] expands the audit coverage of the Auditor General to also include entities which receive public funds, loans or financial guarantees. In further enhancing transparency and effectiveness, the National Audit Department incorporates more current and dynamic auditing methodology to meet the needs of the digital era. Meanwhile, to reduce duplication of functions between government entities and improve operational effectiveness, institutional reforms were also executed,

such as the merger of Malaysian Aviation Commission (MAVCOM) with the Civil Aviation Authority of Malaysia (CAAM).

Reforms were also initiated as part of the Government's efforts to rationalise subsidies. The diesel subsidy rationalisation programme in Peninsular Malaysia has been complemented with the introduction of the BUDI MADANI programme to assist targeted diesel users through direct cash transfers or diesel quota. By end-August 2025, more than 280,000 individual recipients, including farmers and smallholders, as well as more than 148,000 companies, benefitted from this programme.

In addition, electricity tariff reform was implemented in July 2025. The new base electricity tariff incorporates efficiency incentives and tiered mechanisms, which reflects real time global fuel prices, with the majority of domestic consumers expected to benefit from reductions of up to 19% in their electricity bills. This new tariff mechanism will improve energy monitoring accuracy, enhance transparency and demonstrate fairer cost distribution for consumers.

The Government is leveraging technological platforms and fostering AI adoption to enhance public service delivery through collaborations with academia and industries. In this regard, the National AI Office (NAIO) was established to accelerate AI adoption, foster innovation and ensure ethical development of AI. For this purpose, RM10 million was allocated to NAIO, of which 42% was disbursed as of end-August 2025. NAIO is in the process of developing the National AI Action Plan 2030, AI Adoption Regulatory Framework and AI Code of Ethics, among others. At the regional level, Malaysia has spearheaded the establishment of the ASEAN AI Safety Network, strengthening cooperation and mobilising expertise to advance safe and secure AI development among neighbouring countries.

Focus 2: Reinvigorating the Economy

One of the central strategies driving Malaysia's economic growth is the implementation of the New Industrial Master Plan 2030 (NIMP 2030), which aims to elevate the manufacturing sector and its related services by increasing value-added output by 6.5% annually, targeting RM587.5 billion by 2030. In catalysing the implementation of this transformation, Budget 2025 allocated RM131.5 million as seed funding to facilitate investment in industrial development initiatives under the Strategic Co-Investment Fund (CoSIF). As of end-August 2025, CoSIF has attracted investments totalling approximately RM25 million in high-value industries, particularly semiconductors, data centres and cloud computing.

The success of startups in a country demonstrates innovation and competitiveness. Malaysia's progress in startups has shown improvement in various aspects. Under Startup Genome's Global Startup Ecosystem Report 2025, the country's ranking in the Emerging Ecosystems category rose three spots to 18th position compared to 2024. In view of this, the Government will continue to fully support the expansion of startups by creating a more conducive ecosystem.

The KL20 programme is a major initiative to position Kuala Lumpur to be among the top 20 global startup hubs by 2030, by leveraging Malaysia's high growth markets, robust digital infrastructure, skilled talent pool and vibrant startup community. Among the ongoing projects under KL20, the Malaysia Semiconductor IC Design Park, aims to hire 300 engineers by the end of 2025, with 134 currently employed as of end-August 2025. Concurrently, notable progress has been made, with about 90% of the targeted 5,000 startups have been registered through the MYStartup platform.

In fully supporting the expansion of local startups, key initiatives including KWAP's Dana Perintis and Khazanah's Jelawang Capital have been rolled out. Under Dana Perintis, KWAP has allocated RM250 million to spearhead the local startups ecosystem while Khazanah's Jelawang Capital established the National Fund-of-Funds (NFOF) with a RM300 million capital for venture capital fund managers to expand startup investments.

Malaysia's digital transformation strategy has successfully attracted leading firms such as Amazon Web Services, Google, Microsoft and Oracle, with investment commitments amounting to USD16.9 billion. Export expansion is also being supported through reimbursement grants under the Market Development Grant to assist businesses in promoting export products and services as well as accessing international markets, particularly in Africa, Latin America and the Middle East. As of end-August 2025, 77.5% has been spent from the total allocation of RM40 million.

Malaysia's energy landscape is being transformed through the development of flagship renewable energy projects. The HHFS in Terengganu will be Malaysia's largest hybrid solar-hydro facility, with the launch of a 100kW capacity pilot project. Complementing this is the Kenyir green hydrogen hub, a collaborative venture between PETRONAS and TNB, which will produce green hydrogen using renewable energy from the HHFS. Both the Kenyir HHFS and green hydrogen hub will be part of the Kenyir-Kerteh Corridor and linked to the ASEAN Power Grid, thereby enhancing regional energy trade.

The Government has undertaken various measures under Budget 2025 to enhance food security and strengthen commodities sector. In improving food security, RM300 million was allocated for initiatives such as onion farming in Perak, red tilapia farming in Pahang and paddy yield increment efforts in Negeri Sembilan, with more than RM280 million disbursed as of end-August 2025. Meanwhile, in supporting oil palm and rubber

smallholders, the Government has spent RM1.4 billion as of end-August, among others, for replanting programmes as well as plantation pest and disease management.

Majlis Amanah Rakyat (MARA) is mobilising community financing under the Wakaf MARA MADANI programme to strengthen social well-being and expand economic opportunities for the rakyat. This programme involves contributions from corporate sectors and individuals who have previously benefitted from MARA, with a focus of channelling funds for education, entrepreneurship, healthcare, transportation, social welfare and waqf assets. As of end-August 2025, RM54.7 million has been received.

In ensuring Malaysia continues to uphold its heritage, arts and culture, Khazanah is undertaking projects to revitalise Kuala Lumpur's historical and cultural landscape, particularly the restoration of the Sultan Abdul Samad building and Carcosa Seri Negara. From the pledge of RM230 million for 2025, around 33% has been deployed as of end-August. Meanwhile, in preparation for the VM2026, the Government has allocated RM550 million for promotional activities, arts and cultural programmes as well as increasing flight connectivity to Malaysia. As of end-August 2025, more than 90% was spent on these programmes. In complementing tourism activities, RM110 million was allocated for upgrading attractions, strengthening ecotourism partnerships and pursuing UNESCO nominations such as the Tapak Warisan Perlombongan Bijih Timah Sungai Lembing in Pahang as well as Chingay parade and lion dance. As of end-August 2025, 61.3% has been spent.

Focus 3: Prospering the Rakyat

Towards elevating the living standards and enhancing the well-being of the rakyat, the Government continues strengthening social protection, ensuring job security and supporting entrepreneurship. The Government

has allocated RM13 billion under Budget 2025 for the implementation of Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) cash aid programmes. The STR programme continues to benefit 9 million recipients, including 5.4 million who also enjoy additional benefits under the SARA programme. Furthermore, an additional RM2 billion was allocated in July 2025 for the Penghargaan SARA RM100 One-off initiative, benefitting 22 million Malaysians aged 18 and above. In ensuring comprehensive outreach of these programmes, disbursement was upgraded to a seamless delivery system using MyKad-linked payments.

In complementing social protection, there is a need for a multidimensional approach to address the rakyat's well-being, primarily in education, healthcare and housing. A sum of RM2 billion was allocated under Budget 2025 to upgrade schools nationwide including the refurbishment of dilapidated classrooms as well as upgrading of deteriorated infrastructure and facilities including basic amenities. Private organisations and GLCs have also committed to upgrading other school facilities. Furthermore, 44 new schools are in the early stages of development as of end-August 2025. Moreover, the Government allocated RM100 million for the expansion of internet access to schools in villages and remote areas, to support the national agenda to bridge the digital divide nationwide, through the Fixed-Line Broadband Infrastructure Connectivity to Rural Schools Programme.

About RM1.4 billion was allocated for the maintenance and upgrading of public healthcare facilities, with RM300 million for the rebuilding and upgrading of dilapidated clinics in 2025. In addition, RM100 million was allocated under the Skim Perubatan MADANI to provide free outpatient treatment at participating private clinics for the B40 income group, benefitting more than 320,000 recipients as of end-August 2025. Meanwhile, RM80 million was allocated for the PeKa B40 programme, providing healthcare screening for the B40 income group. As of end-August

2025, approximately 220,000 individuals have benefitted from this programme towards extending healthcare access for vulnerable communities.

The Government also invested in rural infrastructure and affordable housing to close regional development gaps. Budget 2025 focuses on providing conducive and comfortable home for the rural and underserved communities. This initiative involves RM2.9 billion for the upgrading of basic infrastructure, RM100 million for the operations of mobile health clinics and RM376 million for the socioeconomic development of Orang Asli communities. A sum of RM900 million was also allocated for Program Residensi Rakyat and Rumah Mesra Rakyat, benefitting more than 50% of the 17,500 targeted recipients in the first half of 2025. Furthermore, the Government also emphasises the well-being of civil servants by providing government quarters nationwide.

As part of the Government's effort in improving social mobility of the rakyat and ensuring job security, the national minimum wage was raised to RM1,700 per month starting 1 February 2025. In parallel, targeted support for informal and gig workers was expanded to include the i-Saraan voluntary contribution scheme under Employees Provident Fund (EPF). In the first half of 2025, more than 480,000 workers participated in this scheme.

In supporting entrepreneurship, RM11.4 billion was disbursed through microfinance schemes under various entities including Bank Simpanan Nasional, Bank Rakyat, MARA and TEKUN Nasional. These schemes have benefitted more than 73,000 MSMEs for working capital and business expansion, thereby increasing productivity. In addition, RM64.6 million was disbursed to empower women's participation in MSMEs. Furthermore, a sum of RM7.5 million was spent to encourage and increase utilisation of green and energy efficient technology among local industry players.

Economic Management

Malaysia's economic growth momentum is anticipated to be sustained, underpinned by resilient domestic demand, continued investment activities and stable external trade. In navigating an increasingly complex global environment, the Government remains steadfast in ensuring sound and balanced economic management. Fiscal policy will continue to be formulated in a responsible and responsive manner, focusing on broadening revenue base, enhancing expenditure efficiency and ensuring fiscal sustainability. These efforts are complemented by ongoing initiatives to accelerate structural reforms, widen economic opportunities as well as safeguard social protection towards achieving economic resilience.

At the same time, emphasis will be placed on productivity and competitiveness through innovation, digitalisation and green transition, in line with Malaysia's development aspirations. The Government will ensure economic progress translates into improved well-being for the rakyat by addressing rising cost of living, strengthening labour market and promoting inclusive growth across all segments of society. Collectively, these measures will reinforce Malaysia's economic fundamentals, sustain investor confidence as well as position the nation on a path towards becoming an inclusive high-income nation.

Opportunities and Challenges

Economy

Global Economic Uncertainties

The global economy continues to face uncertainties, particularly those emanating from the US trade policies, geopolitical tensions and climate-related adversities, potentially disrupting global supply chains. Although these challenges continue to pose

downside risks, they also provide opportunities to reposition Malaysia on the international stage. With robust infrastructure, skilled workforce and regulatory framework, Malaysia is well-positioned to attract investments and support diversified production networks. This provides the country with opportunities to cushion the global economic impact, deepen regional integration and further enhance economic resilience.

Investment and Competitiveness

Malaysia's strong economic fundamentals position the country to attract quality investment and improve competitiveness in driving economic growth. This will also provide opportunities for the country in potential areas such as digital, halal and semiconductor industries, underpinned by strategic location, developed infrastructure and highly capable workforce. Furthermore, the Johor-Singapore Special Economic Zone (JS-SEZ) will catalyse the nation towards becoming a centre for regional economic growth in these areas. At the same time, healthy competition from regional peers motivates Malaysia to refine the value proposition, enhance ease of doing business and attract quality investments. These developments not only spur economic progress but also create more skilled jobs and raise incomes for the rakyat.

A stable political environment also provides a solid foundation for implementing structural reforms to enhance policy continuity. Building on existing strengths, the country is poised to drive high-value, innovation-led growth that supports long-term resilience, sustainability and shared prosperity. In complementing these advantages, initiatives under the NIMP 2030, NETR, National Semiconductor Strategy (NSS) and an array of other impactful measures under the Thirteenth Plan are introduced to raise productivity further and move the nation into the world's top 12 competitive economies. This will boost investor confidence, support stronger trade relations, increase capital inflows and strengthen regional cooperation.

Fiscal Sustainability

A sustainable fiscal policy is crucial in supporting long-term inclusive growth. The Government has succeeded in reducing the fiscal deficit from 5.5% in 2022 to 4.1% of GDP in 2024 and to be further reduced to 3% in the medium-term, anchored by various fiscal reforms. In this regard, Act 850 focuses on responsibility, accountability and transparency to improve fiscal conduct, thus ensuring the country's sound public finances. In addition, efforts will be intensified to enhance revenue, reduce wastage and ensure prudent debt management. A stronger fiscal position enables the country to achieve the national development agenda and withstand economic challenges. A prudent fiscal policy complemented by strategic economic initiatives demonstrate the Government's commitment towards achieving the Ekonomi MADANI aspirations.

Business

New Growth Areas

Emerging industries are shaping Malaysia's next economic frontier. The digital economy is growing rapidly with AI, cloud computing, 5G technology and e-commerce, while the green economy is advancing through renewable energy, electric vehicles (EVs) ecosystems and battery technology. Businesses benefit from efficiency gains and market expansion, through policies such as the National Fourth Industrial Revolution (4IR) Policy, NSS and the forthcoming National AI Action Plan 2030. Recognising these opportunities as well as the challenges of MSMEs to adopt digital technology, the Government will continue to invest in digital infrastructure, particularly in rural areas, provide support and advisory services to MSMEs as well as enhance AI governance and cybersecurity frameworks. In addition, specific industries such as medical tourism, biotechnology and agrotechnology will be emphasised, which in turn boosting these related-sectors' growth and creating skilled jobs.

INFORMATION BOX 1.1**National Sustainability Reporting Framework***In collaboration with Securities Commission Malaysia & Bursa Malaysia***Introduction**

There has been tremendous development and growth across the sustainability ecosystem worldwide in recent years. Globally, 36 jurisdictions have already moved towards adopting or aligning with the IFRS¹ Sustainability Disclosure Standards (IFRS SDS), representing over 60% of global GDP, more than 40% of global stock-market capitalisation, and close to half of global greenhouse gas emissions. This is largely driven by the growing demand for stronger sustainability or ESG practices as well as more comprehensive disclosures by businesses. These demands come from various stakeholders, including regulators, institutional investors, lenders, customers, and NGOs. In line with this intensified global focus on sustainable finance and ESG transparency, Malaysia recognises the importance of developing a comprehensive and globally aligned sustainability reporting framework. Hence, Malaysia has undertaken significant steps to strengthen sustainability reporting requirements among businesses.

Malaysia Sustainability Reporting Ecosystem

Malaysia's journey towards formal sustainability reporting began in October 2015, when Bursa Malaysia first incorporated ESG disclosure requirements into its Listing Requirements². This marked a significant milestone in formalising corporate accountability on sustainability issues. In September 2022, Bursa Malaysia mandated all Main Market listed issuers to provide climate-related disclosures, aligning with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)³ beginning financial year ending on or after 31 December 2025. In response to the growing demand for the sustainability reporting requirements, Bank Negara Malaysia (BNM) also adapted the Climate Risk Management and Scenario Analysis (CRMSA)⁴ for financial institutions to produce TCFD-aligned climate disclosures beginning 1 January 2024. This initiative strengthens the alignment between financial sector risk assessments and global climate-related reporting standards.

For non-listed companies, however, sustainability reporting remains voluntary. Nevertheless, the Companies Act 2016 [Act 777] offers a basis for broader disclosure, stating that the directors' report may include a business review where necessary to provide a clear understanding of company's development, performance, or position. Importantly, this business review may also contain information on principal risks and uncertainties, as well as environmental, social, and community issues, thereby offering non-listed companies the opportunity to disclose sustainability information in a structured manner even in the absence of a formal mandate.

These developments provide a solid foundation for a nationally coordinated approach leading to the formulation of the National Sustainability Reporting Framework (NSRF), in accordance with the IFRS SDS, which fully incorporates the TCFD recommendations. The harmonisation of local regulatory requirements with international standards enhances the comparability and reliability of sustainability-related financial information. The NSRF was developed and officially launched in September 2024 by

¹ IFRS - International Financial Reporting Standard

² ESG disclosure requirements introduced in October 2015 were incorporated into the Listing Requirements for both the Main Market and the ACE Market.

³ TCFD is a global framework that guides companies in reporting climate-related financial risks and opportunities. It helps improve transparency for investors by focusing on governance, strategy, risk management, and climate-related metrics.

⁴ CRMSA guides financial institutions to manage climate-related risks and assess their impact through scenario analysis.

the Advisory Committee on Sustainability Reporting (ACSR), with the endorsement of the Ministry of Finance (MoF). The ACSR, chaired by the Securities Commission Malaysia (SC), comprises representatives from BNM, Bursa Malaysia, the Companies Commission of Malaysia (CCM), the Audit Oversight Board (AOB), and the Financial Reporting Foundation (FRF). Figure 1.1.1. illustrates a simplified timeline of the sustainability reporting ecosystem in Malaysia since inception. In supporting these initiatives, MoF also provides tax deduction of up to RM50,000 annually for expenses related to ESG reporting and sustainability compliance from 2024 to 2027 assessment year.

FIGURE 1.1.1. Malaysia's Sustainability Reporting Ecosystem



Source: Ministry of Finance, Malaysia

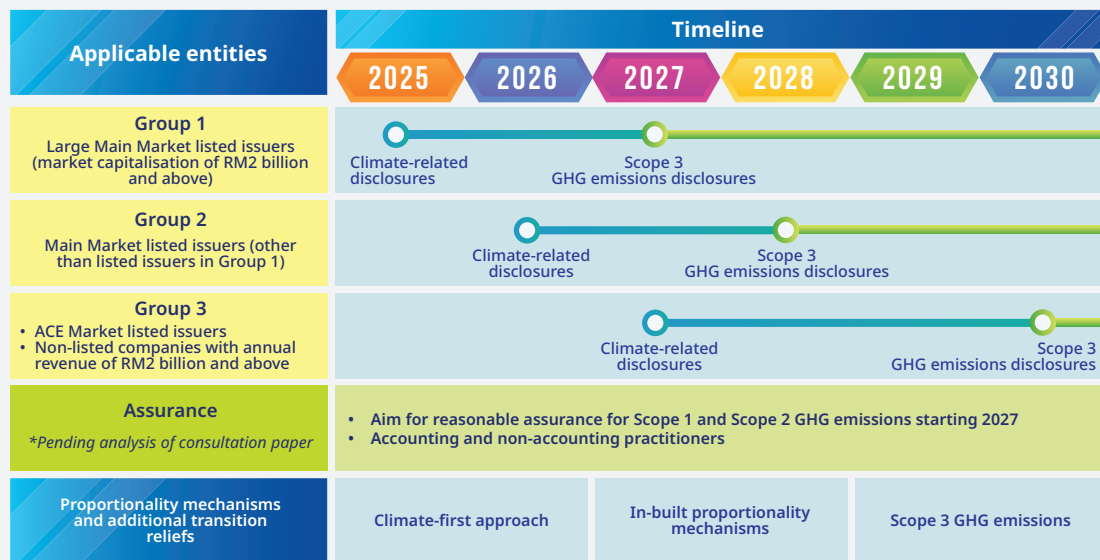
In ensuring that companies in Malaysia remain relevant in the face of the growing global demand for robust sustainability reporting, Malaysia has mandated the adoption of the IFRS SDS through the NSRF, particularly:

- IFRS S1 - *General Requirements for Disclosure of Sustainability-related Financial Information*
- IFRS S2 - *Climate-related Disclosures*.

Sustainability Reporting Requirements

Playing a key role in ensuring the competitiveness of the Malaysian capital market, Bursa Malaysia continuously enhances sustainability reporting requirements for both the Main Market and ACE⁵ Market. These enhancements aim to strengthen business resilience, and improve the ease of reference and comparability for investors. In this regard, the NSRF provides the groundwork for improving transparency and accountability in how listed issuers manage sustainability-related risks and opportunities, using a globally recognised standard. Figure 1.1.2. illustrates the implementation of the NSRF through a phased and developmental approach, reflecting the varying levels of adoptability among companies to implement the sustainability standard.

⁵ ACE Market - Access, Certainty, Efficiency Market - a sponsor-driven market designed for companies with growth prospects. It was formerly known as the MESDAQ Market.

FIGURE 1.1.2. NSRF Implementation Timeline

Source: Securities Commission Malaysia

In alignment with the NSRF, Bursa Malaysia Securities Berhad issued enhanced sustainability reporting requirements under the Main and ACE Market Listing Requirements in December 2024. Under these enhanced requirements, a listed issuer must prepare a Sustainability Statement in annual report in accordance with the IFRS SDS, which must include the following information:

- metrics and targets that demonstrate the listed issuer's performance and progress of its sustainability related risks and opportunities for the last three financial years on a rolling basis, together with a summary in a prescribed format; and
- a statement whether the listed issuer has subjected the Sustainability Statement to internal review by an internal auditor or independent assurance performed in accordance with recognised assurance standards.

Bursa Malaysia has also designated its Centralised Sustainability Intelligence Solution (CSI Solution) to serve as the Exchange's sustainability reporting channel for all listed issuers. This web-based platform supports listed issuers in meeting sustainability and climate-related disclosure requirements under IFRS S1 and S2 as part of the NSRF, and offers dedicated reporting modules alongside Scope 1 and Scope 2 carbon calculators.

Complementing Bursa Malaysia's initiative, BNM revised the CRMSA policy document in March 2025 to align with the requirements of the NSRF and to include all other financial institutions which are yet to be scoped into the NSRF, effective from the 2027 financial year.

Impacts and Benefits to Businesses

The NSRF plays a pivotal role in ensuring corporate Malaysia provides reliable, consistent and comparable sustainability information. The framework supports the country's commitment to strengthen investor confidence and attract long-term responsible capital. Reliable and standardised sustainability information

enhances transparency in financial markets, facilitates better investment decisions and positions Malaysia as a competitive and credible investment destination in the global sustainable finance ecosystem. In June 2025, the IFRS Foundation acknowledged Malaysia as being the sole ASEAN nation adopting the International Sustainability Standards Board (ISSB) standards,⁶ highlighting international recognition of Malaysia's commitment to sustainability efforts.

For listed issuers, the enhanced reporting requirements not only serve as a compliance exercise, but also as a strategic opportunity to embed sustainability practices into core business operations. The requirement to disclose key metrics, targets and progress on significant sustainability initiatives promotes a culture of accountability and strategic foresight. Over time, this will help businesses to better manage sustainability-related risks and seize new opportunities in the low-carbon economy, ultimately enhancing corporate resilience and performance.

While the primary focus of adopting the IFRS SDS is on listed issuers, it is also critical for non-listed companies, particularly those of economic significance, to identify and effectively manage their material sustainability risks and opportunities in order to maintain business resilience and competitive advantage. Hence, large non-listed companies with an annual revenue of RM2 billion and above were included in the NSRF, due to their wide geographical footprint and exposure to transition risk. As of June 2025, the scoped-in non-listed companies represent 22% of large non-listed companies⁷.

Furthermore, by adopting a unified framework that promotes comparability across industries and markets, the NSRF reduces reporting fragmentation and complexity. This consistency facilitates data interpretation for investors, rating agencies, and other stakeholders, while also encouraging continuous improvement and benchmarking among companies. The combined effect of these enhancements contribute to a more transparent, resilient, and future-ready corporate sector, better aligned with market expectations and national sustainable development priorities.

Implementation Support and Future Plans

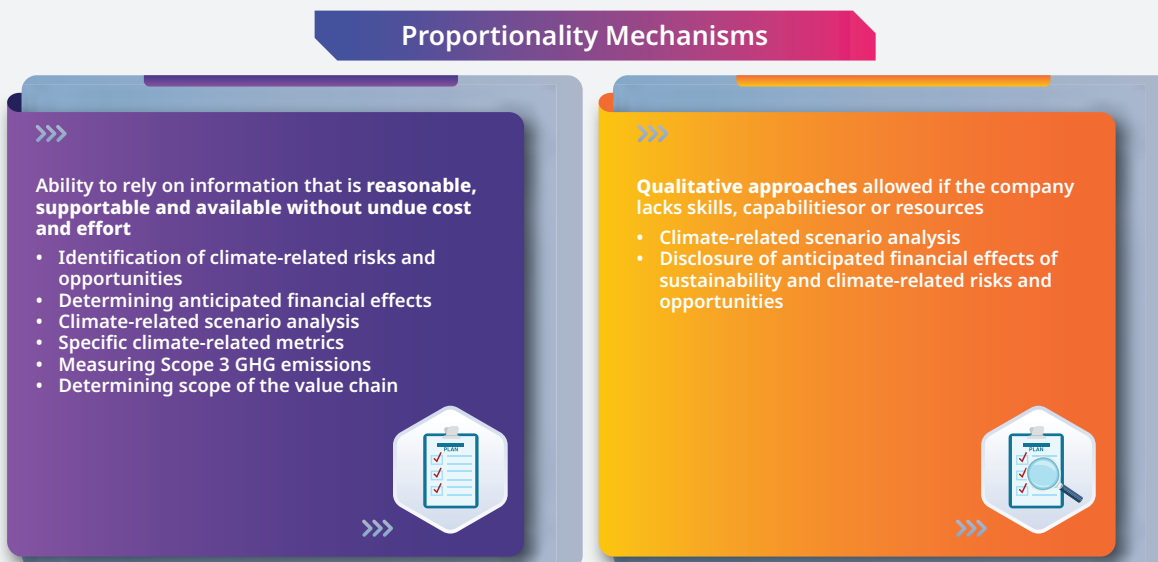
Given the varying maturity levels in companies' sustainability reporting journeys, the ACSR has incorporated proportionality mechanisms available within the IFRS SDS into the NSRF, to guide applicable disclosures, as outlined below:

- a. allow applicable entities to use reasonable and supportable information available without undue cost and effort. In such cases, entities may apply qualitative approaches in certain instances under the IFRS S1 and S2; and
- b. allow applicable entities to consider their skills, capabilities and resources when preparing disclosures in areas characterised by a high degree of measurement or outcome uncertainty.

These provisions apply to the information required for such disclosures and are intended to support the applicable entities in meeting the requirements of the Standards, as per Figure 1.1.3.

⁶ The acknowledgement comes via the IFRS Jurisdictional Profile 12 June 2025




⁷ Refers to non-listed companies that exceed the threshold of Mid-Tier Companies with annual revenue of RM500 million and above as defined by the Malaysia External Trade Development Corporation (MATRADE).

FIGURE 1.1.3. Proportionality mechanisms to facilitate adoption

Source: Securities Commission Malaysia

The ACSR also allows applicable entities to avail themselves of the following additional transition reliefs as shown in Figure 1.1.4. The NSRF provides these reliefs to facilitate a smoother transition towards a full adoption of the IFRS SDS for the respective reporting periods.

FIGURE 1.1.4. Additional transition reliefs

Additional transition reliefs (ATR) commencing from the first annual reporting period of the respective applicable entities		Duration of reliefs	
		Group 1 & 2	Group 3
	ATR 1 Applicable entities are permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements of IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities.	2 years	3 years
	ATR 2 Applicable entities are permitted to focus on providing climate-related disclosures for principal business segments.		
	ATR 3 Applicable entities are permitted to not disclose Scope 3 GHG emissions (IFRS S2 Paragraph C4(b)), except for categories already required by applicable entities' respective regulators.		

Source: Securities Commission Malaysia

In providing capacity building programmes and support to the listed issuers in adopting the NSRF, the SC released an implementation support in the form of a simplified guide entitled 'Navigating the Transition: A Guide for Boards (Board Guide)'. The Board Guide provides board of directors with simplified and actionable steps on key areas such as governance, data boundaries, financial impact assessments and integration with enterprise risk management systems.

In addition, the ACSR will focus on capacity building programmes and tools to support companies in using the IFRS SDS. These measures will be implemented through an initiative referred to as PACE (Policy, Assumptions, Calculators and Education), a hub for implementation support on the NSRF. PACE will, among others:

- a. run capacity building programmes incorporating the NSRF Preparers' Programme;
- b. make available NSRF-related educational materials, guidance, toolkits and emissions calculator;
- c. provide granular help; and
- d. derive consensus on key assumptions and disclosures.

Moving forward, PACE will be issuing Illustrative Sustainability Reports for specific sectors to serve as a guide and basis for reporting. This will address hypothetical risks that may be relevant to both the entity and the industry in which it operates. As of July 2025, PACE has posted on the platform the draft Illustrative Sustainability Reports for the plantation and construction sectors.

Conclusion

The development and phased implementation of the NSRF marks a significant milestone in Malaysia's sustainability journey. Through collaboration across regulatory agencies and capital market institutions, Malaysia is creating a robust ecosystem for sustainability reporting that meets global demands while addressing local needs. By enhancing transparency and aligning disclosures with international standards, Malaysia is not only improving corporate accountability but also positioning itself as an attractive destination for sustainable and responsible investment. As highlighted in the Thirteenth Malaysia Plan, 2026-2030, the Government will continue to play a strategic role in supporting the sustainability agenda under the Ekonomi MADANI framework through institutional alignment, stakeholder engagement, and capacity building initiatives.

Rakyat

Wage Structure

Malaysia has transitioned to an upper middle-income economy for the past three decades. Over the years, the Government has consistently pursued policies to transform the market structures with the aim of ensuring that workers are fairly compensated commensurate with economic growth. However, the compensation of employees (CE) is still below the targeted 45%. Therefore, employers and employees' awareness and compliance with wage regulations in ensuring wage reforms are translated into real income gains for workers, remain critical factors.

Cost of Living

The Government continues to strengthen efforts in managing cost of living, particularly for the vulnerable groups. Over the past five years, targeted assistance such as STR, SARA and Payung RAHMAH as well as price control measures, among others, have minimised the impact of rising cost of living on the rakyat. In addition, the Government is shifting from blanket subsidy towards a more targeted mechanism to reduce leakages and wastage, increase market efficiency and optimise resources for the benefit of the rakyat.

Ageing Population

Malaysia is projected to shift from an ageing to aged nation by 2048, with 14% of the population aged 65 and above. Such status requires improvements in healthcare and living standards, resulting in larger allocations on healthcare and social protection systems. While addressing the crucial needs of an ageing population, the Government continues

to explore opportunities in leveraging the potential capacity of older Malaysians in contributing to the economy beyond retirement. With proper policies, ageing does not need to translate into economic dependency, but is seen as another component of human capital agenda, emphasising lifelong learning and reskilling as tools to sustain productivity and encourage active ageing.

Government

Good Governance

Over the past three years, the Government has adopted reforms in procurement, subsidy and financial reporting. However, the CPI score remains unchanged indicating more efforts required to improve governance, efficiency and policy consistency. The use of digitalisation, including procurement systems, data-driven monitoring platforms and open data initiatives as well as the recently passed Government Procurement Bill 2025 will further enhance accountability and transparency. The Government will continue to proactively engage stakeholders by leveraging the expertise and insights from civil society, academia and industry in shaping policies and monitoring outcomes.

Quality Infrastructure

Despite Malaysia's notable improvements in providing public infrastructure and amenities, development gaps between regions, specifically rural and underserved areas, are still prevalent. In some remote areas, providing better infrastructure, road networks and utilities are crucial to enhance efficiency, connectivity and accessibility. In addition, strengthening healthcare and education facilities will further improve the quality of life of the rakyat.

Strategic Initiatives – Budget 2026

As the first budget under the Thirteenth Plan, Budget 2026 will serve as a strategic policy instrument to sustain economic momentum, strengthen fiscal resilience and bridge structural gaps. The Budget will focus on three thrusts guided by the Ekonomi MADANI framework, namely, 'Administration and Governance', 'Raising the Ceiling' and 'Raising the Floor'. In essence, Budget 2026 will bridge short-term needs with long-term priorities, and chart a more inclusive, sustainable growth path for Malaysia.

Administration and Governance

Budget 2026 will continue advancing the Government's reform efforts, with emphasis on enhancing governance, strengthening service delivery and safeguarding fiscal sustainability. To this end, the Government will prioritise the modernisation of public services, introduce regulations to improve service delivery as well as reinforce the principles of integrity and ethical governance. These reforms will be underpinned by a commitment to optimise resources, minimise leakages and ensure assistance is effectively targeted to eligible recipients.

The Government is accelerating digitalisation across the public sector to enhance efficiency, transparency and accessibility. Nationwide GovTech initiatives, including MyVisa 2.0, MyJPJ and digital one-stop centres, are streamlining service delivery, reducing bureaucratic burdens and providing more seamless transactions. Budget 2026 will continue to invest in digital infrastructure, data integration and capacity building, which ensure faster, more inclusive and people-centric services. A central component of this effort is the rollout of MyDigital ID, which provides the rakyat with a verified digital identity for secured access to government and private sector services.

Furthermore, the acceleration of digitalisation in the public sector will also strengthen fiscal governance and optimise revenue collection. Advanced tools such as AI, big data analytics and automation are increasingly adopted to improve compliance monitoring and enforcement. Moving forward, the Government will continue to expand digitalisation of public services to offer convenient and transparent services.

A comprehensive governance agenda will be pursued through institutional reform to ensure the Government remains transparent, agile and efficient in serving the rakyat. Central to this effort is STAR, which streamlines structures, mandates and processes to strengthen organisational efficiency and accountability across ministries and agencies. Additionally, the reform is being institutionalised through *ILTIZAM* [Act 867], embedding performance-based evaluations, enhancing accountability and reinforcing public service delivery. Under Act 867, civil service performance will be assessed not only on compliance but also on outcomes, ensuring that policy objectives are delivered on time, with integrity and measurable impact. Budget 2026 will further support reform initiatives, by expanding collaborations with all level of governments, particularly through capacity-building and digital fluency. These measures aim to provide guidance for public officials in delivering services efficiently to the rakyat.

The Government is advancing a comprehensive agenda of legal and institutional reforms to strengthen public institutions, safeguard integrity and uphold the rule of law. In this regard, Budget 2026 will continue to enhance institutional regulatory frameworks, including fortifying parliamentary institutions, towards enabling greater legislative oversight and policy scrutiny. In addition, the Government will explore several new legislations to enhance governance, transparency and efficiency in the management of government-linked entities and to address complaints related to public administration. Furthermore, the Government

will table a Freedom of Information Bill to promote transparency and accountability by allowing public to access government information. These legislative reforms are in line with the NACS, which provides a whole-of-government and whole-of-society approaches to combat corruption, strengthen enforcement and inculcate integrity across all sectors of society.

Budget 2026 will also emphasise the Government's commitment to uphold integrity, accountability and transparency in fiscal management. This effort is reinforced by Act 850 and the Government Procurement Bill 2025, aiming to enhance fiscal responsibility and governance in managing public finances. In addition, the Public-Private Partnership Master Plan, 2030 will further strengthen collaboration between public and private sectors as well as promote efficient project management towards achieving national development agenda.

Raising the Ceiling

Malaysia's economic transformation requires bold measures to boost productivity and accelerate the shift towards higher value-added activities in supporting HGHV and energy transition efforts. In this regard, raising the ceiling entails advancing industrial capabilities, fostering innovation-driven growth and creating a conducive environment for businesses to scale up and integrate into global value chains. By leveraging technology, talent and sustainability principles, Malaysia is poised to unlock new sources of growth, which will fortify its position as a dynamic and resilient economy.

Malaysia is advancing towards becoming an AI-driven economy by recognising AI as a key enabler of productivity, innovation and competitiveness. The Government will introduce the National AI Action Plan 2030, a robust governance framework to guide and

accelerate AI adoption across priority sectors, while strengthening national capabilities in R&D&C&I. In this regard, Budget 2026 will focus on the utilisation of AI and big data analytics to enhance decision-making, optimise resources as well as improve efficiency across industries and public services.

By embedding AI across industries and cultivating a culture of innovation, Malaysia can accelerate the transition towards a dynamic and innovative economy, which will move the country up the global value chain. This reinforces Malaysia's aspiration to become a hub for high-value and technology-driven production, thus strengthening long-term competitiveness, creating high-paying jobs and ensuring the nation seizes opportunities in the digital age. Complementing this, the KL20 Plan seeks to position Kuala Lumpur among the world's top 20 startup ecosystem through nurturing innovation-driven enterprises and thereby developing a leading global startup hub. Budget 2026 will also provide funding such as seed funds and co-investment funding for potential startups.

The Government will continue to enhance productivity and competitiveness in HGHV industries and high-impact strategic sectors through targeted policies. This will include programmes under the Bumiputera Economic Transformation Plan 2035 (PuTERA35) that emphasises skills development and entrepreneurship to increase broader participation, meaningful ownership and upscale participation of the Bumiputera community in those industries and sectors. In addition, GLICs will continue to invest in strategic sectors to further boost domestic investments and strengthen global supply chains. Budget 2026 will also continue to focus on developing halal supply chains that are digitally enabled and internationally competitive, with Islamic finance serving as a key enabler for growth in the global Islamic economy.

INFORMATION BOX 1.2

Elevating the Bumiputera Agenda by Raising the Floor

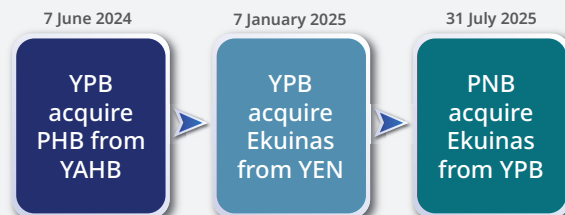
In 2024, the Ministry of Finance initiated the Government-Linked Enterprises Activation and Reform Programme (GEAR-uP) to strengthen strategic investments, innovation and social inclusion in supporting the nation's economic development agenda. GEAR-uP has delineated seven 'Raise the Floor' initiatives, one of which is empowering and uplifting Bumiputera communities and businesses. Beyond their commercial mandates, Government-Linked Investment Companies (GLICs) and Government-Linked Companies (GLCs) also contribute towards the development of a sustainable pipeline of talent and enterprises among Bumiputera.

GLICs' investments in Bumiputera-owned startups and mid-tier companies reached **RM1 billion** in 2024, underscoring continued commitment towards inclusive economic participation.

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Streamlining Bumiputera Investment Institutions for Greater Impact

Rationalisation of Yayasan Pelaburan Bumiputra (YPB), Yayasan Amanah Hartanah Bumiputera (YAHB) and Yayasan Ekuiti Nasional (YEN) reinforces investment institutional efficiency and mandate execution.



Creating Bumiputera champions

Through a unified effort, GLICs and GLCs are developing high-potential Bumiputera companies in strategic sectors to create **10 champions** by 2028.



- The champions are identified through GLICs and GLCs nomination, followed by financial and non-financial support including capacity building, market access, and regulatory facilitation.

Bumiputera Relay Race

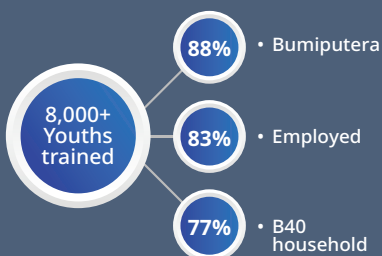


- Support mid- to late-stage Bumiputera firms through funding, value creation plans and eventual public listing.
- This structured handover from Ekuinas (private equity firm) to PNB (public institutional ownership) is at the core of the "relay race" metaphor, symbolising a seamless transition of ownership across growth stages.

'Raise the Floor' achievements in 2024



A youth employability initiative developed by Khazanah to nurture future talent.



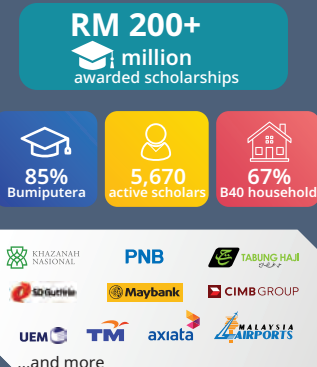
Lembaga Tabung Angkatan Tentera's PERHEBAT improved post-service employability of **3,500** armed forces personnel through upskilling.



Zakat contributions: Lembaga Tabung Haji and PNB disbursed **RM100 million** and **RM64 million**, respectively.



Education



Source: GEAR-uP 2025 Progress Report

In narrowing rural and regional development gaps, Budget 2026 will focus on diversifying the economic landscape beyond traditional economic activities. Leveraging collaborations between Federal and state governments with the private sector as exemplified in Cyberjaya, Port of Tanjung Pelepas, Kulim Hi-Tech Park, Kota Kinabalu Industrial Park and the Samalaju Industrial Park, the Government will continue the collaboration in developing other strategic locations across the nation. The collaboration can serve as impetus for state-level transformation, capitalising the untapped potential for industrial clustering, innovation ecosystems and inter-state synergies.

Underpinned by the New Investment Incentive Framework to accelerate the nation's industrial transformation, the Government will continue to provide tailored incentives to attract quality investments and maximise economic returns. Budget 2026 will focus on further streamlining approval processes, dismantling bureaucratic hurdles and realigning incentives with the complexity, value-add and technological intensity of targeted industries.

At the regional level, Malaysia is deepening ASEAN economic integration, with strategic initiatives such as the ASEAN Power Grid to enhance cross-border energy connectivity and security. These efforts will position Malaysia as a regional hub for renewable energy trade, reinforcing its role as a driver of sustainable growth within Southeast Asia.

In enhancing competitiveness and scalability of MSMEs, Budget 2026 will accelerate the adoption of digitalisation by expanding access to digital tools, training and e-commerce capabilities. This will foster an innovation ecosystem that connects MSMEs with technology providers, research institutions and global supply chains, thus enabling more firms to participate in international markets while improving productivity.

Similarly, Malaysia will harness growth in tourism and related services in conjunction with VM2026. In this regard, the Government will be focusing on progressive visa policies, including extended visa-free entry for selected key markets as well as maintaining and upgrading tourism-related infrastructure, enhancing public transportation and encouraging eco-tourism activities.

Overall, Budget 2026 initiatives will ensure Malaysia's integration with the global economy remains strategic, competitive, inclusive and future-oriented across all sectors. This is in line with the Government's aspirations to 'Raise the Ceiling' towards achieving objectives as outlined in the Ekonomi MADANI framework.

Raising the Floor

'Raising the Floor' is one of the key elements of Ekonomi MADANI manifested in Budget 2026 to enhance the rakyat's well-being. This development agenda explicitly requires the Government to safeguard the nation's most valuable asset, the rakyat. Emphasis will be placed in ensuring a decent standard of living and pathways for the rakyat to move upward.

For the rakyat to attain improved standards of living, the Government will continue to address socioeconomic issues across multiple dimensions of development. This entails ensuring fair wages and decent jobs, expanding assistance mechanisms to provide more dignified living conditions for the rakyat. This includes enhancing infrastructure as well as providing equitable access to quality healthcare and education, focusing on bridging the urban-rural divide towards balanced development.

FEATURE ARTICLE 1.1

A Decade of Minimum Wage: Assessing the Economic Impact

In collaboration with the National Wages Consultative Council

Introduction

Malaysia's minimum wage policy was introduced to address the low wage structure in the labour market and promote a more equitable and resilient economy. It was designed with the aim to raise wages of low-paid workers for a better safety net and well-being; encourage businesses to adopt automation for productivity improvement; and reduce the nation's dependency on low-skilled foreign labour while ensuring local employment is more competitive. After a decade of implementation, it is important to assess the outcome of the policy in improving the well-being of businesses and workers. Hence, this article will measure the impacts of minimum wage across several macroeconomic dimensions, including consumption, inflation, labour productivity, income distribution, as well as compliance and business operations, drawing on a decade's worth of data, findings from real-case studies and internal empirical analysis.

The Evolution of Minimum Wage Policy in Malaysia

Malaysia's journey towards implementing minimum wage has been lengthy pursuit with the aim to ensure workers earn enough to cope with the cost of living. It began in 1947 with the formation of the Wages Council, which was responsible for advising on fair wage practices for certain occupations. Over the years, as the economy grew and living expenses increased, the need for a more structured wage system became clear. This led to the official gazettement of the Minimum Wage Order in 2012, a major step in guaranteeing basic income for the low-wage earners across the country. Since then, the minimum wage has been revised five times, gradually rising to the current rate of RM1,700 per month, as illustrated in Figure 1.1.1. These changes reflect the ongoing efforts to ensure workers, especially those in low-paying jobs, can afford the essentials and live decently. Every adjustment made to the minimum wage, aims to strike a balance, between workers welfare and businesses competitiveness.

FIGURE 1.1.1. Evolution of Wages Policy and Institutions

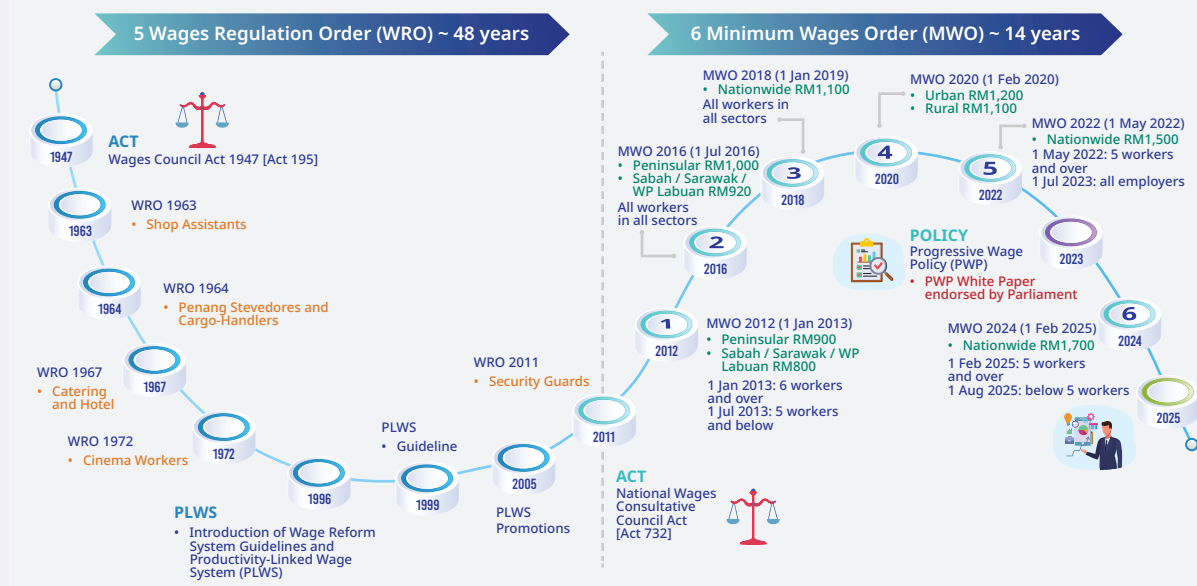


FIGURE 1.1.2. Profile of Wage Recipients Earning Below Minimum Wage (2010 – 2023)

Note: Wage recipients refer to workers earning below minimum wage for each year, which is about 2.5 million persons (30%) in 2010 to 2.3 million persons (20%) in 2023

Source: Calculations by Ministry of Finance, Malaysia

A common perception of workers receiving salary below minimum wage are foreign workers; women; youth; those concentrated in construction and agriculture sectors; as well as those located in less developed states¹. However, contrary to the perception, evidence presented in Figure 1.1.2. demonstrates that the majority of the wage recipients are local workers, mostly male, and largely within the 25 – 34 age group. Moreover, these workers are concentrated in the services and manufacturing sectors, with a significant share of around one-third, located in developed states such as Selangor and Johor.

Situational Analyses

From a macroeconomic perspective, minimum wage adjustments influence household consumption and inflation dynamics. Low-income households exhibiting higher marginal propensity to consume, with a substantial share (71.6%)² of their additional income for essential goods and services. Based on internal estimates, a minimum wage of RM1,700 a month could raise consumption³, resulting in a modest but steady boost to aggregate demand.

Higher labour costs can exert upward pressure on prices through cost-push effect. However, historical evidence shows that despite periodic wage hikes, Malaysia's inflation remained relatively stable at around 2% – 3% between 2010 and 2024, as shown in Figure 1.1.3., indicating the increasing minimum wage and household purchasing power have not triggered excessive inflationary pressures⁴. Instead, higher wages have bolstered domestic demand by enhancing the consumption capacity of lower-income groups. This is also in line with the expectation of Bank Negara Malaysia (BNM, 2025) that the overall impact on inflation following the announced domestic policy reforms, including the minimum wage revision, is to be contained.

FIGURE 1.1.3. Unemployment and Inflation Trend (2010 – 2026)



^e estimates

^f forecast

Source: Calculations by Ministry of Finance, Malaysia

¹ The Twelfth Malaysia Plan 2021 – 2025 defines less developed states as states with low GDP growth namely Kedah, Kelantan, Perlis, Sabah, Sarawak and Terengganu.

² Based on 2022 Household Income Survey report, essential needs refer to food and beverages; housing, water, electricity and other fuels; transportation; and restaurant & accommodation services.

³ Based on Ministry of Finance estimates, nominal private consumption will increase by 0.03 percentage points (ppt) within 2025 – 2026.

⁴ Based on Ministry of Finance estimates, inflation will increase by 0.01 ppt within 2025 – 2026.

Given Malaysia's resilient economic fundamentals and favourable labour market conditions, the recent minimum wage adjustment will not disrupt the economy's full employment trajectory. While a marginal increase⁵ in unemployment may occur due to higher labour costs, the effect is transitional and within manageable levels. On the other hand, Nurnaddia et al. (2020) and Sheikh Ahmad Faiz et al., (2023) indicate that minimum wage implementation can generate positive employment effects, particularly within low-skilled occupations.

The minimum wage policy is also projected to boost labour productivity and it is supported by Avila et al. (2023), where raising minimum wage can encourage firms to substitute low-skilled labour with automation, which will lift up productivity. A similar outcome was also found by Sheikh Ahmad Faiz et al. (2023) in Malaysia's manufacturing sector, showing positive linkages between minimum wage and worker output. Report in 2024 by the National Wages Consultative Council (NWCC) highlighted that majority of employers maintained and improved in automation and technology following the implementation of minimum wage. Despite this, NWCC reports⁶ also found that companies maintained and increased the employment of foreign workers. Hence, the minimum wage policy alone is not sufficient to address the issue of dependency on foreign workers. A combination of other specific policies is needed to reduce the number of foreign workers in various economic sectors.

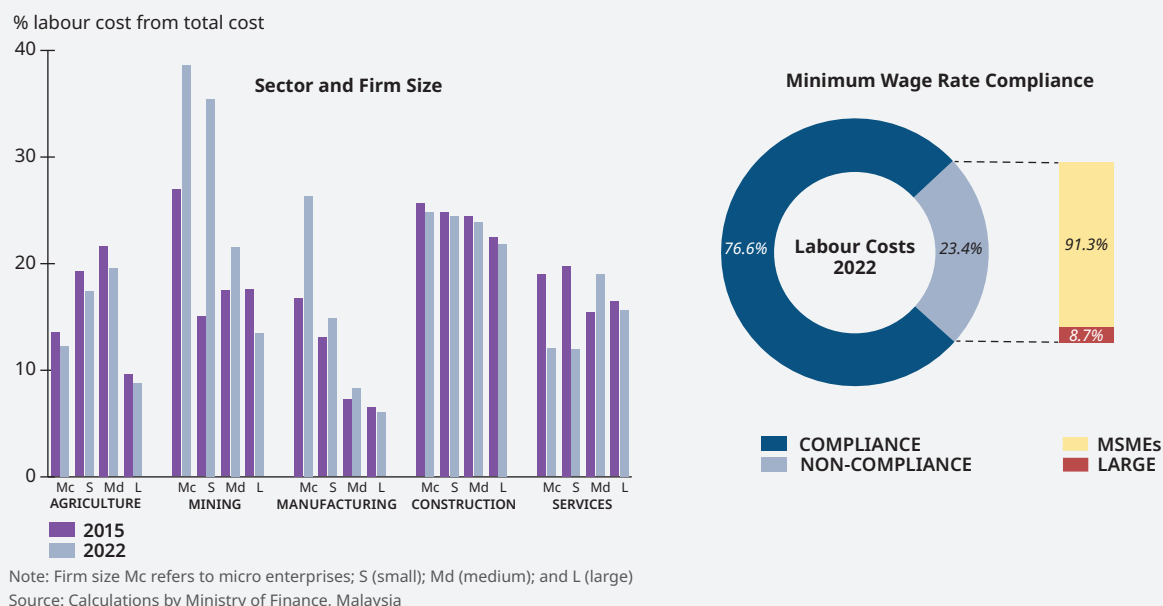
The increase in Kaitz Index⁷ or minimum-to-median wage ratio to around 65% in 2023, compared to 60% a decade ago, reflects the benefit of the policy in providing income safety-net for the low-wage workers. This is further supported by the Ministry of Finance (2023), which highlighted wage growth among low-wage earners were dependent on the implementation and revision of minimum wage. In addition, NWCC (2024) reports that of the total respondents, 83% received increment or adjustments as a result of the minimum wage revision and highlight that all employers agreed to salary increment based on workers performance.

The NWCC reports have consistently confirmed that the implementation of minimum wage benefit both employers and employees. While employers maintain and increase automation and technology to improve efficiency, employees are able to sustain remuneration packages including allowances, other cash benefits, bonuses, and trainings. Most businesses are able to maintain working hours and retain existing employees, which indicates the ability of employers to operate business as usual. Internal analyses also exhibit no significant variation in total labour costs by firm size in 2022 (11.3%) relative to 2015 (12.3%), especially in agriculture and construction sectors, as shown in Figure 1.1.4. Overall, businesses were able to maintain business competitiveness, despite periodic revisions in minimum wage.

⁵ Based on Ministry of Finance estimates, unemployment rate will increase by 0.03 ppt within 2025 – 2026.

⁶ NWCC series of surveys were conducted in 2013, 2018, 2019, 2020, 2021, 2022, 2023 and 2024 to measure the impacts of minimum wage on employers and employees throughout the country.

⁷ The Kaitz Index represents the share of minimum wage relative to median wage. It provides insights into the purchasing power of minimum wage earners. A higher ratio suggests a greater degree of income protection for low-wage workers.

FIGURE 1.1.4. Labour Costs by Economic Sectors and Firm Size

Challenges in the Implementation of Minimum Wage

Instituting the minimum wage policy into practice in Malaysia has come with its fair share of hurdles. One of the key challenges is the compliance rate, especially among small-scale businesses that often find it difficult to afford higher wages due to limited resources. On the other hand, limited capacity within enforcement agencies also contribute to challenges in enforcing and monitoring the minimum wage implementation. Based on the NWCC reports, on average around 9%⁸ of employers did not adhere to the minimum wage policy.

Internal analyses⁹ also shows that around 23.4% of establishments were not paying according to the minimum wage rate, of which 91.3% are micro, small and medium enterprises (MSMEs) and 8.7% are large firms. If these conditions persist, workers may remain trapped in low-income situations, amplifying financial stress and limiting the capacity to cope with the increasing cost of living.

Charting the Road Ahead

There are significant areas of improvement to enhance the overall effectiveness of minimum wage implementation in ensuring better wages for the nation's workforce. Policy recommendations may focus on strengthening monitoring and enforcement mechanisms to ensure full compliance across sectors. This includes enhancing the governance framework, leveraging digital-based reporting and declaration mechanism, and strengthening transparency in wage practices.

In ensuring a sustained income growth, the feasibility of instituting a compulsory structured annual wage increment which aligns with inflation and productivity trends may also be explored. In addition, a leap jump in minimum wage revision should be considered in expediting the achievement of the 45% labour income share by 2033, as aspired in the Ekonomi MADANI framework. Companies, particularly from developed states, are also encouraged to offer a minimum

⁸ Calculations by Ministry of Finance based on NWCC surveys from various years.

⁹ Calculations by Ministry of Finance based on data by Department of Statistics, Malaysia.

wage higher than the national rate, considering the differences in cost of living. These strategies will build a more equitable, productive, and resilient labour market that ensures fair remuneration for all workers.

Conclusion

The minimum wage policy has made notable progress in achieving some of its core objectives, such as increasing the purchasing power, strengthening safety net for low-wage workers and maintaining business competitiveness. However, the policy has had minimal impact in increasing automation adoption and reducing dependency on low-skilled foreign labour, as minimum wage revisions alone have not made local employment sufficiently attractive, especially in labour-oriented industries. This underscores the need for a more comprehensive approach, combining wage policy with broader labour market reforms, to fully realise the aspirations of Ekonomi MADANI framework and build a more resilient workforce in the future.

Reducing regional disparities remains integral for inclusive national development and providing adequate access to essential services. As such, Budget 2026 aims to increase nationwide connectivity by constructing or upgrading rural roads and improving the public transportation system, thus ensuring better interstate mobility. The Government will further improve highway and railway infrastructure projects, including road-to-rail shifts and urban transit expansions to promote economic inclusion by linking remote communities to regional growth areas.

The Government remains committed to building a sustainable and resilient healthcare system that guarantees universal access to quality and affordable services. Therefore, under Budget 2026, hospitals and clinics will continuously be equipped with appropriate advanced facilities and sufficient healthcare personnel for a more conducive environment across all healthcare centres. Initiatives related to sustainable healthcare financing will be explored to mobilise additional funding beyond traditional government allocation to offer premium economy services, while retaining talents in the public sector. Nevertheless, priority will continue to be given in improving access to affordable medicines, enhancing rural primary healthcare and accelerating digitalisation of healthcare services.

Education reforms will remain pivotal in fostering future-ready talent aligned with evolving labour market demands to support upward social mobility and inclusive growth.

Hence, adequate allocations will continue to be provided under Budget 2026 in enhancing access to quality education. Reforms will focus on revamping early childhood and preschool education to foster creativity and critical thinking skills from the early stages of child development. The teachers' professionalism and teaching approach will be modernised to improve students' learning outcomes. Budget 2026 will also continue to upgrade educational infrastructure and integrate digital learning, ensuring a conducive learning environment across all levels.

Meanwhile, stronger partnership between the industry and educational institutions, particularly tertiary education, including technical and vocational education and training (TVET), will be aligned to suit employment needs, thereby reducing skills mismatches and supporting workforce readiness in a dynamic jobs landscape.

Labour market reforms under Budget 2026 will focus on improving employability and supporting sustainable wage growth. Key reform initiatives include the expansion of skills development programmes, improvement in unionisation and collective bargaining as well as formalisation of informal employment. The strategy to increase women participation in the labour market will continue to be given priority. Additionally, the social protection mechanism will be explored to allow compulsory contribution by the self-employed. Meanwhile, accelerating the multi-tiered levy system will also reduce reliance on low-skilled

foreign labour while greater technological adoption will support productivity-driven wage growth.

As an integral part of a modern social protection system, the care economy contributes to building an equitable society, enhancing ageing support and safeguarding the well-being of families. The care economy broadens access to care by supplementing healthcare services with community-based support, ensuring that health needs are met more holistically to improve well-being.

In this regard, Budget 2026 will prioritise the caring society agenda to enhance community care and promote inclusive growth by strengthening the care workers' profession and the associated ecosystem. Improved household care services, particularly childcare, will also help reduce employment barriers and encourage greater female labour force participation.

Similarly, efforts will focus on preparing the rakyat for life after retirement. Recognising the knowledge and skills of the elderly, Budget 2026 will chart pathways to promote lifelong learning to enhance employability after retirement as well as encourage higher voluntary contributions to retirement schemes from an early age. These initiatives are aligned with the Thirteenth Plan's aspiration to foster a more inclusive and resilient social protection ecosystem, while upholding the dignity of the rakyat.

Budget 2026 strengthens efforts to enhance household resilience through a dual approach of empowering income generation and providing targeted support for vulnerable groups. This support is ultimately aimed at ensuring income security and dignified standards of living to ensure the rakyat can afford basic necessities, particularly food and essential goods. Hence, Budget 2026 will emphasise the improvement of targeting mechanisms and expanding the coverage of programmes such as Inisiatif Pendapatan Rakyat (IPR), STR, SARA and other dedicated support for vulnerable groups.

Complementing these initiatives are community-based programmes featuring a whole-of-nation approach involving the

Government, GLICs and GLCs as well as communities. Programmes such as Inisiatif Kesejahteraan Rakyat Malaysia MADANI (Sejahtera MADANI), Program Sejahtera Komuniti MADANI (SejaTi MADANI), Kampung Angkat MADANI and Sekolah Angkat MADANI aim to empower local communities, strengthen social cohesion and foster grassroots' participation in development. The continuation of these programmes will be improved under Budget 2026 in enhancing connectivity, raising living standards, supporting economic activities as well as ensuring equitable access to basic amenities.

In addition, food security remains a priority, with continued emphasis on boosting domestic production, strengthening supply chains and ensuring affordable access to nutritious food for all households. The Jualan Rahmah MADANI programme is one of the successful initiatives to enable consumers to enjoy essential goods at affordable prices, thus easing daily expenditure pressures. Budget 2026 will continue to improve the food supply chain in achieving self-sufficiency level (SSL) of food production while promoting price stability.

Conclusion

As the first budget under the Thirteenth Plan, Budget 2026 marks a pivotal step in charting the nation's direction in the medium-term towards a high-income nation by 2030. Malaysia's economy is projected to sustain the growth momentum in 2026 between 4% and 4.5%, underpinned by robust domestic demand and a resilient external sector. Emphasis will be placed on enhancing delivery through results-based budgeting and institutionalising best practices under the thrust of 'Administration and Governance'. Efforts will also continue to focus on transforming the economy to 'Raise the Ceiling' by supporting HGHV industries and high-impact strategic sectors, while initiatives related to labour market reforms as well as socioeconomic assistance expansion will be undertaken to 'Raise the Floor' of the rakyat. In essence, Budget 2026 will be instrumental in guiding the nation's economic trajectory and laying the pathway towards realising the targets set forth under the Thirteenth Plan.

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CHAPTER 2

Global Economic Outlook

Overview

Global GDP growth is projected at 3% in 2025 and 3.1% in 2026, contributed by stronger trade activity in first half of 2025, easing global financial conditions, and targeted fiscal measures in several large economies. Nonetheless, the pace of expansion remains below the pre-pandemic average of 3.7%, highlighting a recovery that is steady yet remain exposed to risks.

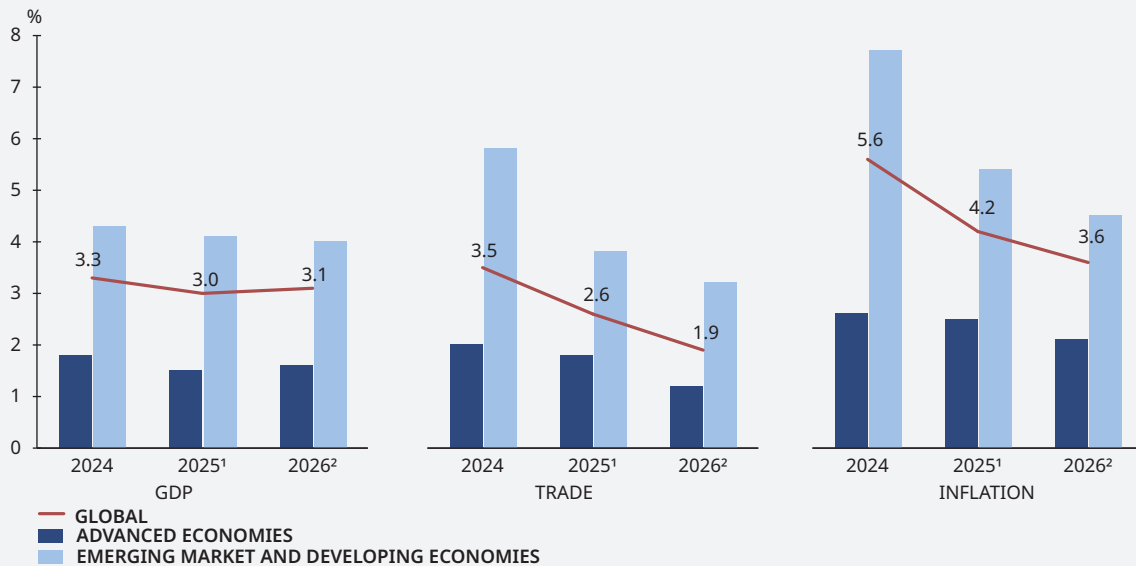
For **advanced economies**, growth is expected to remain moderate at 1.5% in 2025 and 1.6% in 2026. The United States (US) is forecast to expand at 1.9% in 2025 before rising to 2% in 2026. The euro area is projected to grow 1% in 2025 and 1.2% in 2026, while Japan is expected to slow from 0.7% in 2025 to 0.5% in 2026.

Emerging market and developing economies (EMDEs) remain the primary drivers of global growth, with output projected to record 4.1% in 2025 and 4% in 2026. China is expected to grow 4.8% in 2025, before moderating to 4.2% in 2026 as policy support eases. India is anticipated to maintain a robust pace, expanding 6.4% in both 2025 and 2026, underpinned by resilient domestic demand.

Global trade is forecast to expand 2.6% in 2025 before slowing to 1.9% in 2026, as the boost from front-loading fades. While trade flows have temporarily bolstered global output, persistent uncertainty surrounding tariffs and supply chain adjustments is expected to dampen momentum going forward. **Foreign direct investment** is also expected to remain subdued through 2026, as geopolitical tensions, shifting supply chains, and fiscal vulnerabilities weigh on investor sentiment

Global inflation is projected to continue its downward trajectory, averaging 4.2% in 2025 and 3.6% in 2026. Inflation remains above target in the US, while the euro area and many EMDEs are experiencing a more significant easing of inflation, driven by weaker demand and lower commodity prices.

Risks to the global outlook in 2026 remain tilted to the downside. These include renewed tariff escalations, geopolitical disruptions in energy and trade flows, persistent fiscal imbalances, and heightened volatility in global financial markets.

FIGURE 2.1 Global Gross Domestic Product, Trade and Inflation 2024 - 2026 (% 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 2025)

Global Economy

In the first half of 2025, the **US** economy registered a slow growth dampened by a weak start to the year. According to the Bureau of Economic Analysis, U.S. Department of Commerce, the economy declined in the first quarter at 0.5% however recorded a significant rebound of 3.8% in the second quarter. Private demand remained subdued as elevated interest rates increased borrowing costs, leading households and businesses to adopt a more cautious approach. The labour market remained robust, with the unemployment rate steady at 4.1% and the creation of approximately 150,000 new jobs each month. Meanwhile, inflation continued to subside as overall prices rose at a more moderate rate of 2.7%.

The US economy is projected to grow at 1.9% in 2025, compared to 2.8% in 2024. This subdued growth is attributed to the slow impact of prolonged higher interest rates,

diminished fiscal capacity, and ongoing global uncertainty. Financial conditions in the first half of 2025 improved due to the depreciating US dollar. However, overall economic activity remains constrained amid a more optimistic market outlook. The anticipated depreciation of the US dollar is expected to bolster exports, while domestic consumption is forecast to spur growth.

Consumers are expected to adopt a more cautious approach in light of rising borrowing rates and tepid real wage increases, despite a solid labour market. The previous momentum in post-pandemic consumer spending has diminished, leading shoppers to exhibit heightened sensitivity to price levels and repayment requirements. While retail performance remains stable, it has indicated varying levels of inconsistency across different income groups. The labour market is expected to remain tight in 2025, with the unemployment rate still averaging at 4.2%. Although this is higher than pre-pandemic

levels, it still reflects a strong job market. Employment is expected to rise in the services sector, particularly in healthcare, logistics, and digital services. Inflation is expected 2.8% in 2025, gradually converging towards the Federal Reserve's 2% target, supported by improving supply chain conditions. The Federal Reserve is expected to maintain elevated interest rates in 2025 as part of its strategy to manage projected inflation.

According to Office of National Statistics UK, **UK** recorded strong growth in first quarter at 0.7% in 2025 as compared to 0.1% growth for the same period in 2024. GDP is estimated to increase by 0.3% in second quarter 2025. Cumulative growth for the first half of 2025 is recorded at 1%.

The UK's economy is expected to grow at 1.2% for 2025, as compared to 1.1% in 2024. The primary factors contributing to this revised outlook include a smaller carryover from 2024, the impact of recent tariff announcements, an increase in gilt yields, and a weakening of private consumption due to elevated inflation stemming from regulated prices and energy costs.

The unemployment rate in the UK is projected to be 4.5% in 2025, as compared to 4.3% in 2024. This rate increase is due to the labour market showing signs of easing, with an increase in the unemployment rate and a fall in job vacancies. Inflation is anticipated to reach 3.1% for 2025, as compared to 2.5% in 2024 on an annual average basis. The pickup in headline inflation that started in the second half of 2024 is expected to continue as a result of regulated price increases, the employer National Insurance Contributions (NIC rate hike), and waning base effects from energy prices.

GDP in the **euro area** grew 1.5% in first quarter of 2025 as compared to 0.5% in 2024. This recovery was primarily driven by a strong performance in Ireland due to front-loading pharmaceutical exports and the opening

of new production facilities. Labour market remained resilient, with the unemployment rate at 6.4% as compared to 6.5% in 2024, supported by strong job creation notably in the services sector.

The euro area economy is forecast to grow 1% for 2025 as compared to 0.9% in 2024 bolstered by household spending as inflation moderates to 2.1% as compared to 2.4% in 2024. After consecutive rate cuts since mid-2024, the European Central Bank (ECB) held interest rates steady at 2%, adopting a cautious stance amid the unpredictable trade policy environment. Accommodative monetary policy by the ECB supported recovery in investments, recording a 1.3% growth in 2025 as compared to -1.8% in 2024. The labour market will continue to show strength, with the unemployment rate expected to stay at 6.4%.

After slightly contracting for two years in a row, for the first quarter of 2025 the **German economy** remains stagnant at zero GDP growth as compared to -0.1% in 2024. Similar to the rest of the euro area, Germany's growth was supported by increased household spending as inflation fell to 2.3% in first quarter as compared to 2.5% in 2024. However, trade tensions are set to significantly weigh on its large manufacturing sector, which relies heavily on exports. A new government formed in February 2025 unveiled a federal budget on 24 June 2025, focused on boosting investment amid modest economic growth. Subdued economic conditions are weighing on the labour market, with the unemployment rate edging up to 3.6% as compared to 3.3% in 2024.

Economic activity is expected to slow down for the rest of 2025, reflecting the challenges faced by the export sector throughout the year, as weak external demand and US trade policy uncertainty continue to weigh on the manufacturing sector. Household spending is supported by inflation easing to a projected 2.1% in 2025 as compared to 2.5% in 2024.

The **French** economy grew at a slower pace in first quarter of 2025, with GDP growth recorded at 0.6%, compared to 1.7% expansion in the same period of 2024. Inflation fell sharply during this period, easing to 1.1% from 2.8% a year earlier, which provided temporary relief to household purchasing power. The labour market demonstrated resilience, with the unemployment rate remaining stable at 7.4%.

For 2025, France's economic growth is projected at 0.6%, compared to the 1.1% expansion in 2024, indicating fiscal tightening, weak external demand, and heightened global policy uncertainty. This weak economic activity will weigh on the labour market, causing the unemployment rate to rise to 7.7% as compared to 7.4% in 2024. Government spending is expected to contract as budget cuts take effect. Consequently, this weak demand is expected to ease price pressures, with inflation projected to fall to 0.8% in second quarter of 2025 as compared to 2.2% in second quarter of 2024.

According to Cabinet Office, Government of Japan, **Japanese** economy grew 1.7% in the first and second quarter of 2025, rebounded from -0.8% and -0.7% in the same period of 2024. Japan's GDP growth was supported mainly from private consumption which rose 1.6% and 1.1% in the respective quarter. On the demand side, the growth is contributed by the surge in export which rose 3.9% and 4.9% in respective quarter as a result of front-loading amid the US tariff announcement. Inflation recorded between 3% and 3.5%, due to the effect of the rise in food prices particularly rice.

Japan's economy is projected to grow at 0.7% in 2025. Private consumption is expected to remain resilient due to robust wage growth raising household income. Private consumption is also projected to be underpinned by the

government's initiative such as the measures to reduce the household burden of higher energy prices and the tax reform in fiscal in 2025. Meanwhile, inflation is forecast to register 3.3% due to moderation of oil and food prices. The unemployment rate is projected to remain stable at 2.5%.

According to Australian Bureau of Statistics, **Australia's** economy grew 0.3% and 0.6% quarter-on-quarter in the first quarter and second quarter of 2025, respectively. Growth was mainly driven by domestic demand, particularly household and government consumption. Australian's economic growth was aided by strong international trade, especially in the exportation of mining goods. The inflation rate in the second quarter of 2025 was 2.1%, down from 2.4% in the first quarter of 2025. The labour market remained stable, with the unemployment rate in the first half of 2025 holding between 4.1% and 4.2%, while wages grew steadily.

In the year 2025, Australia's GDP is forecast to grow moderately at 1.8% supported by enhanced global financial conditions, a recovery in international trade, and reduced tariff pressures. However, domestic demand, particularly household spending is expected to moderate, due to a combination of factors which includes higher cost of living. Inflation is forecast to remain steady at 2.5%, prompting the Reserve Bank of Australia (RBA) to maintain a neutral monetary stance. The unemployment rate is stable, projected to be near 4.2%, bolstered by stable labour force participation and a services sector that is still taking in new job seekers.

Republic of Korea's GDP growth slowed sharply to 0.1% in the first half of 2025, down from 2.8% a year earlier. The slowed growth is primarily due to a contraction of 11.3% in construction investment and slower services sector growth amid subdued

consumer sentiment. Inflation was recorded at 2%, influenced by falling global oil prices meanwhile the unemployment was recorded at 3.1%.

Republic of Korea's economy is forecast to register a slower growth of 0.8% in 2025, owing to weak domestic demand. Construction investment is projected to contract sharply in 2025 largely due to a substantial downturn in the first half. The private consumption is forecast to slow particularly in the services sector as a result of poor consumer sentiment. Inflation and unemployment are expected to record 1.9% and 2.9%, respectively.

According to the National Bureau of Statistics of China, in the first half of 2025, **China's** economy expanded to 5.3%, marginally surpassing the 5% growth from the same period in 2024. This growth was underpinned by strong domestic demand, amounting to 68.8% of GDP. The services sector grew 5.5%, notably boosted by the value added of subsector of information transmission, software and information technology services, leasing and business services, transport, storage and postal services, and wholesales and retails. Inflation was recorded at 0.1% aided by ample supply causing declines in fresh vegetable and grain prices. The unemployment rate increased marginally to 5.2%.

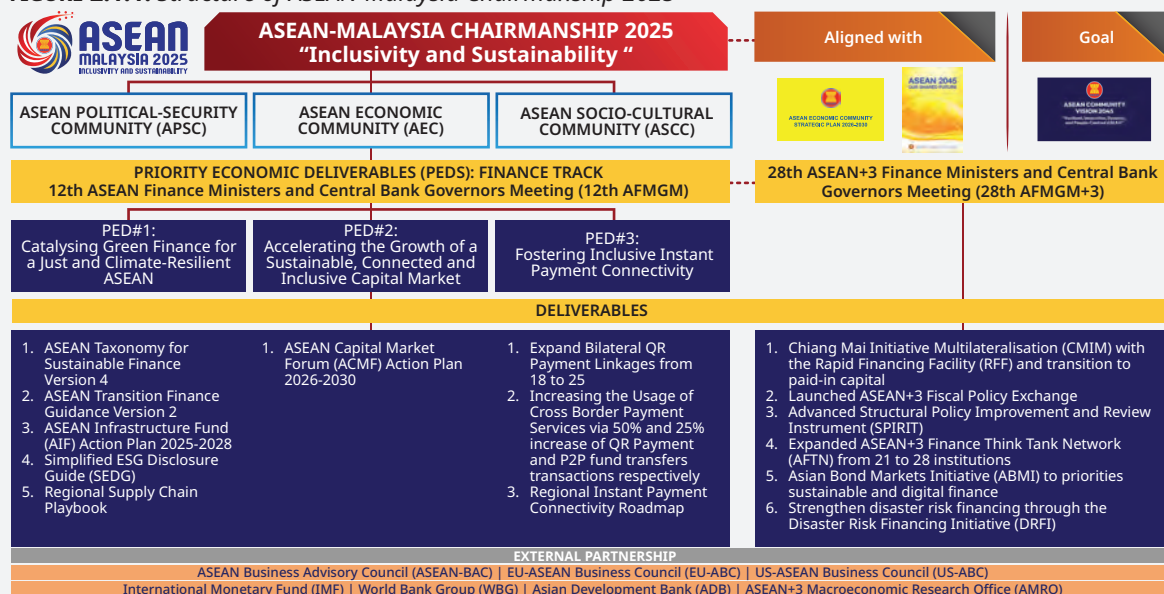
For year 2025, China's economic growth is forecast to moderate 4.8%, reflecting weaker domestic demand and persistent external trade challenges. The private investment is projected to decline 11.2% mainly contributed by slow investment in the property sector. Zero inflation is forecasted meanwhile the unemployment rate is projected to remain stable at 5.1%.

India's GDP is projected to grow at 6.4% in 2025, supported by strong domestic demand and improving external conditions. India's resilient private consumption and continued momentum in public infrastructure spending is expected to drive growth, alongside a gradual pickup in exports amid a more stable global environment. From the supply side, the services sector, particularly digital and financial services, are expected to remain the primary engines of growth, while manufacturing benefits from supply chain diversification and policy support. The unemployment rate is projected to remain stable in 2025, reflecting healthy labour market conditions. Inflation is expected to moderate at 4.2%, aided by easing food and energy prices.

INFORMATION BOX 2.1

Malaysia's ASEAN Chairmanship 2025: Leading ASEAN'S Financial Future

FIGURE 2.1.1. Structure of ASEAN-Malaysia Chairmanship 2025



Source: The ASEAN Charter
Ministry of Finance Malaysia

Introduction

In 2025, Malaysia assumed the ASEAN Chairmanship for the fifth time, themed *"Inclusivity and Sustainability"*, reflecting on a decade of achievements under the ASEAN Economic Community (AEC) Blueprint 2025 and to chart strategic directions for the future. This 2025 milestone provided a vital opportunity for ASEAN to launch the AEC Strategic Plan 2026–2030, paving the way for financial transformation, inclusivity and sustainable growth in line with ASEAN Community Vision 2045 (ACV 2045) amid evolving global challenges.

The ASEAN Community

The ASEAN Community is founded on three interconnected pillars: the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASCC). These pillars collectively aim to build a peaceful, prosperous, and people-centred region. The ASEAN Community Vision 2025 (ACV 2025) was launched during Malaysia's 2015 Chairmanship under the theme *"Our People, Our Community, Our Vision,"* has guided ASEAN's progress across all three pillars. In 2025, Malaysia concluded the ACV 2025 and set the foundation for the ACV 2045, which envisions a resilient, innovative, dynamic and people-centred ASEAN.

ASEAN Economic Community (AEC)

Malaysia's leadership has been instrumental in advancing ASEAN's economic cooperation, culminating in the completion of the AEC Blueprint 2025 adopted in 2015. The overall implementation rate stands at a commendable 97%, comprising 75% completed measures and 22% currently in progress. Under Malaysia's 2025 Chairmanship, the AEC Strategic Plan 2026–2030 was launched as the first phase towards ACV 2045. This Plan provides a comprehensive framework for ASEAN's economic transformation, aligning with evolving business needs and addressing global and regional challenges.

In support of this Plan, 18 Priority Economic Deliverables (PEDs) which includes three PEDs under finance track were endorsed to foster a resilient, inclusive and forward-looking AEC. These PEDs are clustered under four thrusts: enhancing trade and investment, creating an inclusive and sustainable pathway, promoting integration and connectivity of economies and building a digitally resilient ASEAN. Within the AEC framework, ASEAN Finance Ministers and Central Bank Governors spearhead financial cooperation, focusing on enhancing financial integration by reinforcing financial stability, capital market development, regional resilience, and inclusive financial services.

ASEAN Finance Track

The ASEAN Finance Ministers' and Central Bank Governors' Meeting (AFMGM) serves as the apex platform for regional financial cooperation. The 12th AFMGM in Kuala Lumpur, Malaysia endorsed three PEDs encompassing:

PED#1: Catalysing Green Finance for a Just and Climate-Resilient ASEAN

ASEAN faces projected GDP losses of up to 11% by 2100 due to climate-related risks. While carbon emissions remain relatively low, achieving net-zero emissions by 2050 will require substantial investment. Malaysia's leadership emphasises a three-pronged approach to sustainability:

- (i) developing tools to support decarbonisation efforts and build climate resilience;
- (ii) securing funding for climate/green projects; and
- (iii) supporting green transition of Micro, Small, and Medium Enterprises (MSMEs).

These three approaches under this PED are supported by key deliverables as follows:

- (i) Publishing **ASEAN Taxonomy for Sustainable Finance Version 4** which introduced an "Amber" category to reflect the diversity of ASEAN economies. Complementing this, the **ASEAN Transition Finance Guidance Version 2** was launched to enable financial institutions to credibly align their strategies with global climate goals;
- (ii) Scaling up green infrastructure, Malaysia launched the **ASEAN Infrastructure Fund (AIF) Action Plan 2025–2028**. The plan introduces new facilities such as a Regional Connectivity Project Readiness Facility (RCF), ASEAN Power Grid Transition Finance Facility (ASEAN TFF) and a pilot Islamic finance facility aimed at unlocking scalable, bankable projects across ASEAN; and

- (iii) Recognising that MSMEs account for 99% of ASEAN businesses and over 85% of jobs in some countries, Malaysia introduced the **Simplified Environment Social and Governance (ESG) Disclosure Guide (SEDG)** to help small firms meet ESG reporting requirements. Malaysia also released a regional supply chain playbook entitled “Building Supply Chain Resilience: Insight into Greening Value Chain for ASEAN” to guide MSMEs to accelerate decarbonisation, compliance with international regulations and building resilience.

Together, these efforts are expected to reduce emissions, increase ESG adoption, and unlock between USD3.7 trillion to USD6.7 trillion in green investments by 2050, generating between 49 to 66 million additional of jobs and long-term economic benefits.

PED#2: Accelerating the Growth of a Sustainable, Connected and Inclusive Capital Market

Malaysia led the launch of the **ASEAN Capital Markets Forum (ACMF) Action Plan 2026–2030**. Although market-based financing accounts for just 54% of ASEAN’s GDP, the plan designed to deepen integration, scale green and transition finance, and position ASEAN as a globally competitive asset class. The plan focuses on enhancing regulatory alignment, building capacity, improving transparency and raising awareness.

PED#3: Fostering Inclusive Instant Payment Connectivity

Malaysia has prioritised digital finance, aiming to expand bilateral QR payment linkages from 18 to 25 by end-2025. These efforts target 50% annual increase in cross border QR payment transaction volumes and 25% increase in person-to-person fund transfers. These linkages support MSMEs, consumers and migrant workers by lowering transaction costs, while improving speed and security. Malaysia also led the finalisation of the **Regional Instant Payment Connectivity Roadmap**, a key step toward a multilateral, seamless payment network across ASEAN. This will boost trade, tourism and financial inclusion, aligning with global financial standards.

ASEAN+3 Finance Track

In 2025, as Co-Chair ASEAN+3 Finance Ministers’ and Central Bank Governors’ Meeting (AFMGM+3) with China, Malaysia further strengthened ASEAN’s position within the ASEAN+3 framework which includes China, Japan and Republic of Korea to enhance regional economic cooperation, promote financial stability and foster strategic dialogue among Asia’s largest economies, amplifying ASEAN’s influence and advancing sustainable growth across East Asia.

The key initiatives of the AFMGM+3 include:

- (i) Improving **Chiang Mai Initiative Multilateralisation (CMIM)** by enhancing its USD240 billion safety net with the Rapid Financing Facility (RFF) allowing timely access to emergency funds in major currencies. In addition, swift adoption of the amended CMIM Agreement moving to a Paid-In Capital model will strengthen its credibility, aligning with global standards;
- (ii) Launching of the **ASEAN+3 Fiscal Policy Exchange** to share best practices on ageing population and fiscal reforms;
- (iii) Advancing the **Structural Policy Improvement and Review Instrument (SPIRIT)** to support targeted structural reforms focusing on supply side such as reforming labour markets, deregulating industries and improving public institutions;

- (iv) Extending the **ASEAN+3 Finance Think-Tank Network (AFTN)** from 21 to 28 institutions in which the Khazanah Research Institute (KRI) and the Institute of Malaysian and International Studies, *Universiti Kebangsaan Malaysia* (IKMAS-UKM) are included as new members;
- (v) Updating the **Asian Bond Markets Initiative (ABMI)** to prioritise sustainable digital finance, to enhance ASEAN+3's local currency bond markets, as well as to improve liquidity, resilience and investor confidence; and
- (vi) Strengthening disaster risk financing through the **Disaster Risk Financing Initiative (DRFI)** in support of building a resilient, investment-ready region capable of managing disaster risks to protect sustainable, long-term growth.

These initiatives further establish ASEAN as a credible and responsive force in the global financial architecture.

External Cooperation

Throughout Malaysia's leadership, the ASEAN Finance Track reinforced cooperation with essential external partners, including private sector networks such as the **ASEAN Business Advisory Council (ASEAN-BAC)**, **EU-ASEAN Business Council (EU-ABC)** and **US-ASEAN Business Council (US-ABC)**. These partnerships align policy frameworks with market realities to ensure that financial integration efforts are practical, inclusive, and responsive to stakeholder needs. ASEAN serves as a platform to facilitate dialogue on global and regional economic developments and coordinated responses to emerging financial risks.

In addition, ASEAN maintained close cooperation with major multilateral international organisations including **International Monetary Fund (IMF)**, **World Bank Group (WBG)**, **Asian Development Bank (ADB)** and other institutions such as **ASEAN+3 Macroeconomic Research Office (AMRO)**. Their active involvement in the 12th AFMGM and 28th AFMGM+3 meetings under Malaysia's chairmanship facilitated ASEAN to navigate through geopolitical uncertainties, maintain alignment with evolving global standards and implement sound financial policies within a complex international landscape.

Conclusion

Under ASEAN-Malaysia Chairmanship 2025, regional financial integration gained momentum, green investment channels expanded, and digital innovation flourished, collectively laying a robust foundation for ASEAN sustained growth beyond 2025. This reinforced financial architecture positioned ASEAN as a stable and resilient economic community amid ongoing global uncertainties. Malaysia also deepened internal economic linkages while broadening external partnerships, enhancing the region's resilience to geopolitical and financial shocks. These strategic efforts aligned closely with ASEAN's vision of a competitive and integrated economic community by 2045.

Guided by the ASEAN Way and bolstered by key outcomes from the 12th AFMGM and 28th AFMGM+3, ASEAN-Malaysia Chairmanship 2025 reaffirmed the critical role of multilateralism and regional cooperation in tackling emerging global challenges. The strong foundations established in 2025 provide a strategic leap for national and regional ambitions to further strengthen financial infrastructure, drive innovation and sustain inclusive growth.

Ultimately, Malaysia's leadership delivered a forward-looking blueprint that sets ASEAN firmly on a path toward a resilient, inclusive and sustainable financial future which affirms ASEAN as a vital and dynamic economic community on the world stage.

The **ASEAN-5** economies (Indonesia, Malaysia, Philippines, Singapore, Thailand) displayed resilience, with growth registered at 4.1% during the first half of 2025. Growth from rising exports was partly offset by weaker domestic demand, which stemmed from lower investment in Indonesia, Malaysia, and Thailand. Services remained robust while industrial performance was mixed. Core exports faced headwinds despite strong global demand for electronics and commodities. Inflation moderated to 1.7% helped by cautious monetary policies. Labour market conditions remained stable with Southeast Asia markets having recovered to pre-pandemic levels.

The ASEAN-5's GDP growth is projected at 4.1%. ASEAN's deep integration into global value chains and its reliance on external demand may impact the region's trade outlook. External headwinds may pose challenges, potentially dampening export performance and investment flows in the coming year.

According to the BPS-Statistics Indonesia, **Indonesia's** GDP grew 4.9% in the first quarter and 5.1% in the second quarter of 2025, compared to 5.1% in both quarters of 2024. Growth was buoyed by household consumption, rising population mobility, and festive spending. Economic gains were supported by agriculture due to the main harvesting season for food crops and solid retail trade performance. Inflation was recorded at 2.4% in July 2025. The unemployment rate in February 2025 was 4.8%, a decrease of 0.1% compared to February 2024.

Indonesia's growth is forecast at 4.7% in 2025, driven by household consumption, government spending, and infrastructure projects. Global geopolitical conditions may slow non-oil and gas exports. Indonesia too may be affected by high uncertainty in the financial markets. Inflation is projected at 2.5% caused by domestic demand and imported inflation while unemployment is projected at 5%.

According to the Office of the National Economic and Social Development Council, **Thailand's** GDP in the first half of 2025 was recorded at 2.3% compared to an average growth of 2% in 2024, amid recent global trade policy shifts. In addition, the weakening exports, slowing consumption and moderating tourism recovery contributed to the growth. Public investment expanded supported with higher disbursements from the central government and investment by state-owned enterprises. Thailand's headline inflation rate for July 2025 stood at -0.7% due to decline in prices of domestic energy and raw food. The unemployment rate remained stable at an average of 0.9% with employment in the non-agricultural sector at a similar level to the previous year. Meanwhile, the agricultural sector continued to contract.

Thailand's GDP growth for 2025 is projected at 1.8%, trailing regional peers. Private consumption remains the main driver, supported by tourism and government stimulus packages. Public investment is expected to improve in the second half of 2025 yet may not fully offset external sector weaknesses. The services sector will expand while the manufacturing sector is likely to contract further. Inflation is expected to record 0.5%.

According to the Singapore Department of Statistics, **Singapore's** economy grew at an average of 4.3% in the first half of 2025 as compared to 3% in the first half of 2024 with GDP valued at 3.8% in the first quarter and increased to 4.3% in the second quarter. Growth was supported by the wholesale trade, manufacturing, finance and insurance as well as transportation and storage sectors, boosted by front-loading activities in the region ahead of the implementation of tariff measures by the US. Inflation is valued at 0.9% in the first half of 2025 contributed by household income groups in accommodation, health, insurance, food and motor cars. Unemployment remains stable at 2.1% supported by continued economic growth.

Singapore's GDP is forecast at 1.7% in 2025 driven by resilient performance in the first half of 2025 underpinned by wholesale trade, manufacturing, finance as well as insurance and transport sectors. Growth is expected to ease in the second half of 2025 as global trade slows, tariff measures take hold and domestic demand softens. Nonetheless, certain high-value sectors such as transport engineering are expected to be boosted by rising aircraft maintenance activities. In addition, the precision engineering sector is likely to grow, supported by continued investments in AI-related chips. The inflation rate is projected at 1.2% in 2025 reflecting easing global commodity and energy prices, subdued domestic demand and a stabilised labour market that keeps cost pressures low. Unemployment rate is projected to 2.3%.

According to the Philippine Statistics Authority, the **Philippines'** GDP recorded 5.4% in first quarter and increased to 5.5% in second quarter driven by the growth in wholesale and retail trade, repair of motor vehicles and motorcycles, public administration and defence, compulsory social security as well as financial and insurance activities. Inflation rate averaged at 1.8% for the first half of 2025 driven by an increase in the housing, water, electricity, gas and other fuels index as well as slower decrease in the transport index. The unemployment rate recorded 3.7% in June 2025, compared to 3.1% in June 2024.

In 2025, Philippines' GDP is projected to average at 5.5% fuelled by consumption, labour market strength and remittances. Inflation rate is forecast at 2.6% reflecting easing food and energy prices alongside appropriate monetary stance. The unemployment rate is forecast at 4.5% with job creation continuing primarily in services, agriculture and construction sectors.

Global Outlook 2026

Moving ahead to 2026, **the US** economy is projected to grow at 2%, supported by consolidating domestic demand and improving global trade. Investment sentiment is anticipated to improve due to reduced policy uncertainty and monetary easing. Government spending is expected to remain contained, though targeted infrastructure and energy initiatives may provide a modest fiscal boost. The expansion is projected to be widespread, with growth anticipated in both manufacturing and services sectors.

Private consumption is projected to improve in 2026, supported by moderating inflation, stable employment, and slight improvements in wage growth. As interest rates are anticipated to return to normal levels in the long-term, consumers may regain some of their spending power. Unemployment is expected to remain at 4.2%, indicating ongoing resilience in labour market conditions. Inflation is expected to improve further to 2.5%, reflecting price stability, however, downside risks remain. Apart from fiscal imbalances, cross-market volatility, and uncertainties in the future trajectory of the Federal Reserve, the potential for renewed tariff measures and trade tensions presents an additional challenge. Increased tariffs could elevate import costs, contribute to inflationary pressures, and diminish real household income. Over the long-term, concerns about the sustainability of public debt and the pace of fiscal consolidation may further impact investment decisions.

Looking ahead to 2026, **the UK's** economic growth is forecast to improve slightly to 1.4% as monetary easing, positive wealth effects, and an uptick in confidence bolster private consumption, while the expected boost to public spending in the November budget will also help support growth. The unemployment rate is projected to remain relatively stable at 4.4%. Inflation is expected to moderate further to 2.2% by 2026, as The Bank of England

maintained a base rate of 4% as of August 2025 and is expected to continue easing market price rates.

Global trade tensions are forecast to lower the level of UK GDP 0.3% by 2026, due to continued uncertainty, slower activity in UK trading partners, and the direct impact of remaining US tariffs on the UK. Persistent global trade uncertainty could also weigh on the UK's growth, by weakening world economic activity, disrupting supply chains, and undermining private investment. Tighter-than-expected financial conditions, combined with rising precautionary savings by households, would hinder the rebound in private consumption and slow the recovery.

Growth in the **euro area** is projected to increase to 1.2% in 2026, mainly supported by favourable domestic demand. Household consumption strengthens as inflation decreases to 1.9%. A moderate recovery of investment is expected, bolstered by investment in infrastructure and research and development (R&D), supported by European Union funded projects such as the Recovery and Resilience Facility and the Cohesion Fund. The labour market is expected to remain strong, with the unemployment rate forecast to decrease at 6.3%.

The outlook is exposed to significant risks stemming from a weakening global trade outlook and higher trade policy uncertainty. This uncertainty, more so than the direct impact of tariffs, weighs on domestic demand. Meanwhile, volatile market responses to the trade tensions are having a tightening impact on financing conditions. Furthermore, the rising frequency of climate-related disasters continues to be a persistent downside risk to economic activity.

The **German** economy is forecast to grow 0.9% in 2026, an improvement from the slower growth in 2025. Domestic demand is expected to strengthen, driven by consumption growth as inflation is projected to decrease

to 1.9%. Growth will be supported by fiscal expansion under the new government's 2025 federal budget. A key priority of the government is economic modernisation, with plans for a substantial increase in spending and investment funded largely by higher debt issuance. Key measures include a €46 billion package of industrial tax incentives for investment and R&D, alongside major public investments in railway modernisation, housing, and digitalisation. The unemployment rate is anticipated to improve to 3.2%, as employment growth picks up again.

The economic outlook continues to face considerable risks as the export-dependent economy is exposed to US tariffs. Key sectors such as automotive and machinery manufacturing face significant disruption and reduced demand. Key supply-side constraints, including lack of digital skills in the labour market and labour shortages, could limit productivity growth.

GDP growth for **France** is forecast to 1% in 2026, contingent on improvement in the external environment and an easing of monetary policy. Private investment is expected to be slow as financing conditions gradually become more accommodative. The continued deployment of the France 2030 plan, which aims to decarbonise the economy and foster innovation in strategic sectors like green hydrogen, electric vehicles, and health, will provide some targeted stimulus, but its broader impact will be limited by the weak overall economic climate. Unemployment rate is expected to improve to 7.4%. A marginal increase in consumer demand is projected to push inflation higher to 1.6% in 2026.

The Government's fiscal consolidation plan, aimed at reducing the budget deficit below 3% poses both a policy challenge and a short-term growth risk. While necessary to address the high public deficit and debt, these budget cuts will reduce domestic demand and could heighten the risk of political instability. On the external front, the French economy is exposed

to a prolonged global slowdown, particularly in key trading partner like Germany. Furthermore, ongoing international trade tensions are projected to weigh on exports and investment.

In 2026, **Japan's** GDP growth is forecast to moderate at 0.5%. Inflation is expected to record 2.1%, mainly due to waning effects in food prices. The unemployment rate is anticipated to maintain at 2.6%. Japan risks prolonged supply chain issues, trade frictions and demographic pressures.

Australia's GDP growth in 2026 is expected to expand at 2.2%. This growth is indicative of enhanced investment activities which includes subsidised investment in renewable energy and critical minerals by the government. The primary driver of growth is anticipated to be rising business investment, particularly in technology and sustainable infrastructure. In addition, a more consistent external trade including services exports is forecast to grow with a rise in Chinese tourists to Australia following the easing of relationship with China. Inflation is expected to decline to 2.1%, within the RBA's target range, while unemployment rate is projected to decrease to 4%.

Republic of Korea's economy growth is forecast to improve moderately to 1.8% in 2026 supported by recovering domestic demand. Inflation and unemployment projected to remain steady. Republic of Korea is vulnerable to external demand shocks, construction regulation tightening, and trade tensions.

In 2026, **China's** growth is expected to slow at 4.2% as higher trade restrictions slow export growth and uncertainty on manufacturing investment and labour demand. The inflation is forecast at 0.6% and unemployment is expected to maintain stable at 5.1%. Risks in China also includes escalation of global trade tensions, supply chain disruptions, commodity price volatility and prolonged weakness in the property sector.

India's GDP is expected to remain at 6.4% in 2026, supported by resilient domestic consumption, sustained investment activity and a more favourable external environment. Lower trade tariffs and improved financial conditions are anticipated to bolster export performance and attract capital inflows. Continued policy measures focused on infrastructure development and industrial growth will further reinforce medium-term expansion. The unemployment rate is projected to remain low at 3.4%, reflecting sustained job creation in both services and manufacturing sectors. Inflation is forecast to record 4.5% alongside stable core inflation, keeping price pressures within the Reserve Bank of India's target range.

ASEAN-5's growth at 4.1% is expected to continue, bolstered by infrastructure investment and services expansion, with inflation and unemployment contained. ASEAN-5 economies confront risks from global trade tensions, commodity volatility, climate events, and political uncertainties.

Indonesia's growth is projected at 4.7%, with inflation expected to increase marginally to 2.5% due to increased demand. Nonetheless, Indonesia is exposed to downside risks from global trade challenges and commodity price volatility.

Thailand's growth is projected to remain modest at 1.7% in 2026, aided by recovery in domestic demand and trade as the tariff impacts taper off, which will improve output growth leading to a better labour market. Inflation is expected to rise gradually in 2026. The Thai economy continues to face constraints and risks from high levels of household and corporate debt, volatility in agricultural prices and production, and uncertainties surrounding global trade and economic conditions.

Singapore's growth is projected to increase to 1.9% in 2026, following the gradual recovery in external demand as global uncertainty subsides and domestic factors like private consumption and increase in capital accumulation. Inflation is expected to record 1.5% supported by stabilizing energy prices and easing global supply chain disruptions. Meanwhile, unemployment rate is expected to improve at 1.9% aided by government initiatives on workforce reskilling and digital transformation. Singapore's risks include tighter financial conditions, geopolitical uncertainty and global trade tensions.

The Philippines is forecast to grow 5.9% driven largely by private consumption supported by a sustained labour market and continued remittance inflow. Public investment under government infrastructure programs is expected to sustain growth momentum. The services and tourism sector are forecast to lead supply-side expansion, followed by stable contributions from industry and agriculture. Inflation rate is expected to increase to 2.9% and unemployment to remain at 4.5% underpinned by ongoing economic reforms and a robust infrastructure investment program. The Philippines is at risk from natural disasters, energy disruptions and global trade tensions.

Conclusion

The global economy outlook for 2025 and 2026 highlights a steady recovery yet remain exposed to risks. Growth is projected to expand at a moderate pace of 3% in 2025 and 3.1% in 2026, with emerging markets providing the bulk of the momentum. Inflation continues to ease, though the adjustment differs across regions.

However, the outlook is vulnerable due to multiple downside risks. The fading impact of tariff-related trade front-loading, the possibility of renewed tariff measures, rising geopolitical tensions, and fiscal imbalances pose substantial risks to stability in 2026. At the same time, tighter global financial conditions and high public debt in some economies add to the vulnerability.

To safeguard the economic recovery, policymakers must focus on restoring fiscal buffers, preserving monetary credibility, and advancing clear and predictable trade frameworks. Structural reforms that enhance productivity, accelerate digital transformation, and improve competitiveness will play a pivotal role in raising medium-term growth potential and reinforcing the resilience of the global economy.

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CHAPTER 3

Macroeconomic Outlook

Overview

Malaysia's economy remains strong, having grown by a steady 4.4% in the first six months of the year. Growth is projected to continue within the range of 4% – 4.8% in 2025 and 4% – 4.5% in 2026. These projections are consistent with the International Monetary Fund (IMF) in the World Economic Outlook Update, July 2025, which forecasts Malaysia's growth at 4.5% for 2025 and 4% for 2026.

The growth will mainly be underpinned by strong domestic demand, moderate inflation, favourable labour market and proactive policies undertaken by the Government. The performance will also be supported by the ASEAN-Malaysia Chairmanship 2025 and Visit Malaysia 2026 (VM2026). The economy continues to be steered by the Ekonomi MADANI framework and the Government remains committed to positioning Malaysia as an attractive destination for quality investments. At the same time, ongoing improvements in the wage-setting mechanism and rising business efficiency are expected to strengthen the wage structure, thus contributing to a higher labour income share.

Economy In 2025

Sectoral

Services Sector

Maintaining the growth

The **services** sector grew by 5% in the first half of 2025 and is expected to expand by 5.1% in the second half, underpinned by resilient household spending and higher visitor arrivals leading to robust domestic tourism activities. Overall, the sector is estimated to grow 5.1%, with all subsectors registering positive growth.

TABLE 3.1. *Gross Domestic Product by Sector, 2024 – 2026*
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2025 ¹	2024	2025 ¹	2026 ²
Services	59.7	5.3	5.1	5.2
Manufacturing	23.0	4.2	3.8	3.0
Agriculture	6.1	3.1	1.2	2.2
Mining	5.8	0.9	1.1	-1.0
Construction	4.2	17.5	10.1	6.1
GDP	100.0	5.1	4.0 – 4.8	4.0 – 4.5

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, 2024 – 2026 (at constant 2015 prices)*

	SHARE (%)	CHANGE (%)		
	2025 ¹	2024	2025 ¹	2026 ²
Wholesale and retail trade	29.8	4.3	4.4	5.0
Finance and insurance	10.8	4.9	2.1	2.8
Information and communication	10.7	3.4	3.6	4.3
Real estate and business services	8.0	9.5	7.3	6.7
Transportation and storage	7.3	10.7	8.4	7.1
Food & beverages and accommodation	5.3	6.2	9.5	6.6
Utilities	4.2	3.6	0.8	1.7
Other services	8.0	5.7	4.7	4.6
Government services	15.7	4.8	7.0	6.8
Services	100.0	5.3	5.1	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 4.3% in the first half of 2025, with sustained performance observed, particularly in the wholesale and retail trade segments. The subsector is anticipated to expand by 4.4% in the second half of the year, driven by retail trade segment attributed to higher domestic consumption and visitor spending. Meanwhile, steady income growth, expansion of initiatives under Payung Rahmah as well as the Penghargaan Sumbangan Asas Rahmah (SARA) RM100 One-off, will further spur household spending. Meanwhile, the motor vehicles segment is estimated to experience a marginal contraction due to normalisation of total industry volume (TIV) for new vehicle sales following all-time high sales of 817,955 units recorded in 2024¹. Despite the slowing

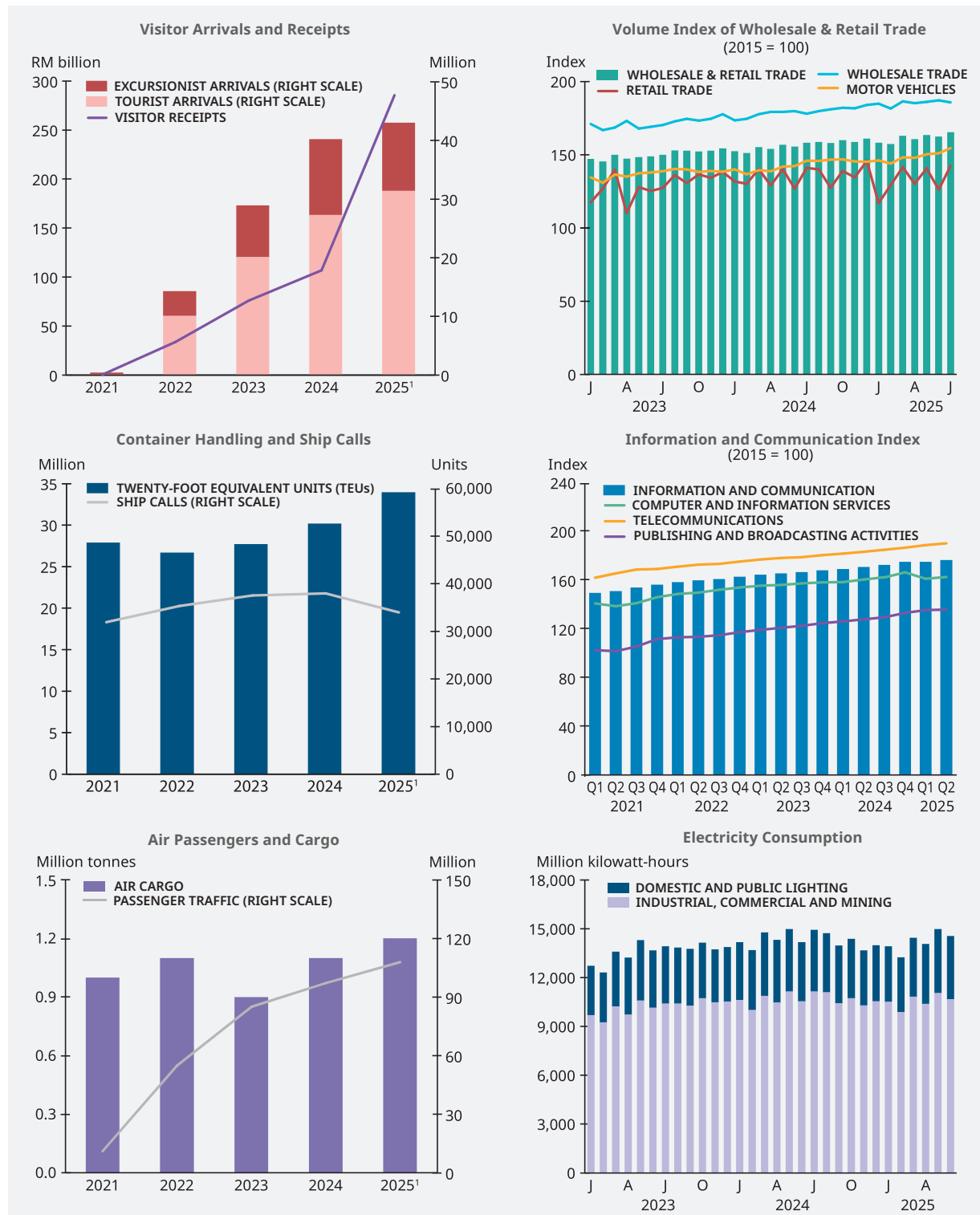
down in sales, the demand for national cars remain sizeable and orders for electric vehicles (EVs) continues to rise. Therefore, in line with continuation of high order books for the whole year, the automotive industry is expected to support the performance of the segment. Overall, the subsector is forecast to maintain growth of 4.4% in 2025.

The transportation and storage subsector expanded by 9% in the first half of 2025, attributed to vibrant trade, business and leisure activities, as reflected by the increase in various segments, mainly the land and air transport segments, as well as supporting activities related to highway and airport operations. The subsector is expected to grow by 7.7% in the second half of 2025 supported by positive growth in all segments. Under the land transport segment, growth in traffic volumes on toll highways and ridership of rail transport will be driven by additional extended weekends. The air transport segment is expected to expand with new direct flight services to various destinations in Malaysia by several international carriers, including from China and Sri Lanka. The water transport segment is anticipated to grow amid trade uncertainties which might affect trade flows and shipping services. Overall, the subsector is estimated to expand by 8.4% in 2025.

The real estate and business services subsector increased by 8.8% in the first half of 2025 supported by strong professional, scientific & technical activities under the business services segment. This growth was underpinned by construction-related activities, particularly from the increasing demand for data centre and renewable energy-related projects. The subsector is expected to grow by 5.8% in the second half of the year attributed to continued demand for professional services. The housing

¹ The automotive sector's TIV for new vehicle sales is expected to normalise at an average level of 750,000 units, with the Malaysian Automotive Association (MAA) projecting 780,000 units for 2025.

FIGURE 3.1. Selected Indicators for the Services Sector

¹ Estimate

Note: Visitor consist of tourists and excursionists

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)

incentives given under Budget 2025 and reduction of the Overnight Policy Rate (OPR) are also expected to stimulate demand for properties, thereby supporting the subsector's growth. For the year, the subsector is forecast to grow by 7.3%.

For the first half of 2025, the finance and insurance subsector expanded 2.1%, attributed to moderate growth in credit and fee-based income in the finance segment as well as increased claims offsetting gains from higher premium income in the insurance segment. In tandem with ongoing economic activities, the subsector is anticipated to increase at 2.2% for the second half of the year. For the whole year, the subsector is projected to grow by 2.1%.

The information and communication subsector expanded by 3.5% in the first half of 2025 attributed to increasing demand for digital connectivity and data services in the telecommunication segment. The subsector's growth is projected to increase by 3.6% in the second half of the year, leading to an overall growth of 3.6% in 2025.

The food & beverages and accommodation subsector expanded by 8.4% in the first half of 2025, spurred by higher hotel occupancy rates and increased patronage at restaurants. Building from the notable surge in visitor arrivals by 17.9% in the first half of the year, the subsector is expected to expand by 10.5% in the second half of the year. This improvement is expected to be buoyed by an influx of visitors for both business and leisure purposes along with numerous meetings, incentives, conferences and exhibitions (MICE) events in conjunction with ASEAN-Malaysia

Chairmanship 2025. The upward momentum is boosted by improved accessibility through progressive visa policies and continuous improvement in regional connectivity as well as intensified promotional activities for VM2026. The subsector is forecast to register a growth of 9.5% in 2025.

The utilities subsector contracted marginally by 0.01% in the first half of 2025 due to lower electricity consumption from the industrial segment following cautious stance stemming from tariff uncertainties. Nevertheless, the subsector is estimated to grow by 1.7% in the second half of the year, supported by steady demand for electricity, water and gas in the industrial and commercial segments following improved production activities. For the year, the subsector is expected to grow marginally by 0.8%.

The other services subsector grew by 5.1% in the first half of 2025, mainly supported by the private healthcare and other private services segments. The subsector is projected to grow by 4.4% in the second half of the year driven by the growth in the community, social and personal services as well as other private services segments in line with increased tourism activities. Overall, the subsector is anticipated to expand by 4.7% in 2025.

The government services subsector is expected to expand by 7.8% in the second half of 2025 after recording 6.2% in the first half. This growth is mainly fuelled by the implementation of phase one of the salary increment for civil servants under the Public Service Remuneration System (SSPA). The subsector is expected to register a growth of 7% for the year.

Manufacturing Sector

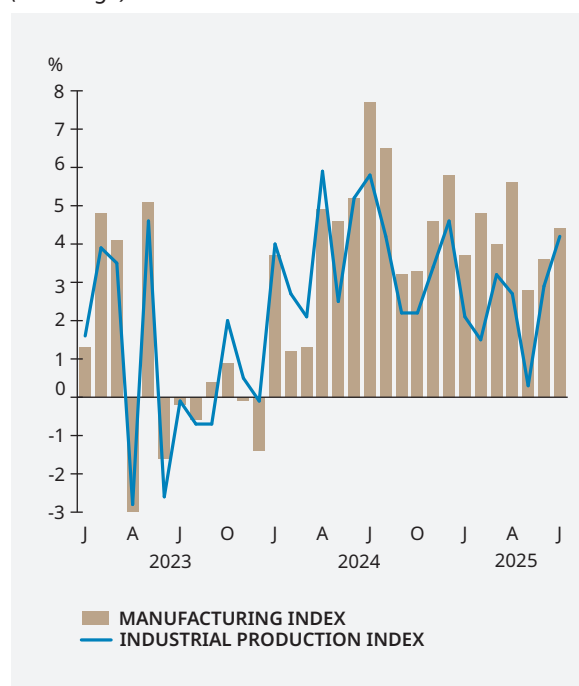
Resilient growth trajectory

The **manufacturing** sector grew by 3.9% in the first half of 2025, supported by expansion in both export- and domestic-oriented industries. The export-oriented industries dominated the first half performance, recording a steady growth of 4.8%, primarily driven by strong gains in the E&E segment. This growth is on the back of demand for data centre-related components and the emergence of initial artificial intelligence (AI) edge applications. Meanwhile, the domestic-oriented industries registered a growth of 2.2%, contributed by continued household spending and construction-related activities.

For the second half of the year, the sector is projected to record a growth of 3.6%, in line with steady performance in all subsectors. Within the export-oriented industries, higher investment in the semiconductor segment and continued implementation of initiatives under existing policies, among others the New Industrial Master Plan 2030 (NIMP 2030) and National Semiconductor Strategy (NSS), will further enhance competitiveness through stronger industrial clusters and greater digital adoption. In addition, an upsurge in activities of mining-related clusters are anticipated to bolster the industries' growth. Meanwhile, robust domestic consumption in the consumer goods and construction

segments is anticipated to support the domestic-oriented industries. The demand for consumer-related products, particularly in the food and beverages as well as transportation segments, will be underpinned by higher tourism-related activities. On the other hand, building materials such as metal and cement are expected to record higher production, in line with the steady performance of the construction sector. Hence, the manufacturing sector is projected to register a growth of 3.8% in 2025.

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 2024 and 2025
(2015 = 100)

	INDEX		CHANGE (%)		SHARE (%)	
	2024	2025	2024	2025	2024	2025
Export-oriented industries	142.1	148.6	3.1	4.6	67.2	67.5
Manufacture of vegetable and animal oils and fats	94.9	106.4	1.6	12.1	3.6	3.9
Manufacture of textiles	118.1	114.3	3.9	-3.3	0.7	0.7
Manufacture of wearing apparel	125.9	127.3	2.2	1.1	0.8	0.8
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	117.7	120.5	2.7	2.4	1.7	1.7
Manufacture of coke and refined petroleum products	122.2	120.2	3.5	-1.6	11.8	11.2
Manufacture of chemicals and chemical products	130.4	133.1	2.1	2.1	8.6	8.4
Manufacture of rubber products	189.2	193.4	6.8	2.2	4.3	4.3
Manufacture of plastics products	130.2	132.9	4.8	2.1	3.0	3.0
Manufacture of computer, electronics and optical products	170.6	184.2	2.9	8.0	24.4	25.4
Manufacture of electrical equipment	145.8	153.0	-1.0	4.9	3.3	3.3
Manufacture of machinery and equipment n.e.c. ¹	152.9	164.3	3.8	7.4	3.4	3.5
Manufacture of furniture	135.2	142.5	8.2	5.4	1.5	1.5
Domestic-oriented industries	141.5	145.9	6.2	3.1	32.8	32.5
Manufacture of food processing products	170.8	186.5	4.7	9.2	6.5	6.8
Manufacture of beverages	140.3	150.9	6.0	7.5	0.9	1.0
Manufacture of tobacco products	141.8	141.9	10.6	0.1	0.8	0.7
Manufacture of leather and related products	165.5	177.8	4.6	7.5	0.3	0.3
Manufacture of paper and paper products	147.8	146.0	4.0	-1.2	1.8	1.7
Printing and reproduction of recorded media	135.5	146.3	7.9	8.0	1.3	1.3
Manufacture of basic pharmaceuticals, medicinal chemical and botanical products	176.1	187.9	6.3	6.7	0.7	0.7
Manufacture of other non-metallic mineral products	122.1	125.0	8.5	2.3	3.7	3.7
Manufacture of basic metals	128.5	134.5	5.2	4.7	3.1	3.1
Manufacture of fabricated metal products, except machinery and equipment	130.6	136.3	10.4	4.4	5.1	5.1
Manufacture of motor vehicles, trailers and semi-trailers	159.3	148.0	3.8	-7.1	5.2	4.7
Manufacture of other transport equipment	105.8	104.5	4.4	-1.2	1.3	1.2
Other manufacturing	124.4	128.2	3.9	3.0	1.0	0.9
Repair and installation of machinery and equipment	144.9	157.2	5.9	8.5	1.1	1.2
Manufacturing	141.9	147.7	4.1	4.1	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

Agriculture Sector

Slight expansion in the horizon

The **agriculture** sector increased by 1.4% in the first half of 2025. During the period, the oil palm subsector, the major contributor in the agriculture sector, grew by 1.4%, supported by higher production of crude palm oil (CPO), in particular from Sabah and Sarawak. The better fresh fruit bunches (FFB) yield from oil palm estates also boosted the subsector's performance, buoyed by improved labour market and agronomic management as well as increased mechanisation in harvesting and FFB collections. In addition, the other agriculture subsector expanded by 2.1% mainly contributed by higher output in paddy, vegetables and fruits segments. The livestock subsector grew moderately by 2%, partly owing to better production of egg and cattle segments. Furthermore, the fishing subsector increased by 2.8% as a result of favourable performance in both marine fishing and aquaculture segments. In contrast, the rubber subsector fell marginally by 0.5% due to lower production in the smallholdings segment. Similarly, the forestry and logging subsector contracted by 7.6% as all regions recorded lesser output.

TABLE 3.4. *Performance of Agriculture Sector, 2024 – 2026 (at constant 2015 prices)*

	SHARE (%)	CHANGE (%)		
	2025 ²	2024	2025 ²	2026 ³
Oil palm	36.8	5.1	1.4	3.4
Other agriculture ¹	29.0	1.3	2.1	2.0
Livestock	16.9	3.3	1.5	1.8
Fishing	11.5	2.9	2.0	1.1
Forestry and logging	4.1	-5.4	-5.2	-4.4
Rubber	1.7	10.5	-6.7	7.0
Agriculture	100.0	3.1	1.2	2.2

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

For the second half of the year, the sector is forecast to increase by 1% following growth in most subsectors, except rubber as well as forestry and logging. The oil palm subsector is anticipated to expand mainly attributed to continued improvement of FFB yield following favourable weather conditions and better operational efficiencies. The other agriculture, fishing and livestock subsectors are expected to grow underpinned by better production in the paddy, fruits, aquaculture and cattle segments. In addition, efforts to strengthen the food supply chain and improving resilience in agrofood industry are expected to provide additional support to these subsectors. Furthermore, the intensification of the Program Penanaman Padi Lima Musim dalam Tempoh Dua Tahun which aims to increase national rice production, will further fortify the agriculture sector to strengthen food security. Overall, the agriculture sector is estimated to grow by 1.2% in 2025.

Mining Sector

Better prospects ahead

The **mining** sector contracted by 3.9% in the first half of 2025 with subdued performance in all subsectors. The natural gas subsector declined by 5%, weighed down by lower output across all regions. The crude oil and condensate subsector fell by 3.1% stemming from supply disruptions particularly in Sabah. Meanwhile, the other mining & quarrying and supporting services subsector shrank marginally by 0.5%, mainly reflecting weaker activities in the supporting services segment.

The mining sector is forecast to rebound by 6.2% in the second half of 2025, driven by higher production in the natural gas subsector. This will be contributed by a spike in production attributed to the stabilisation of operations at the Kasawari and Jerun gas fields in Sarawak. Additionally, the crude oil and condensate subsector performance is envisaged to grow following higher output from Sabah and Sarawak. The other mining &

quarrying and supporting services subsector is also anticipated to expand on the back of increased supporting services activities. The sector is estimated to grow by 1.1% for the year. In terms of price, the average Brent crude oil is expected to be around USD70 per barrel, amid greater geopolitical uncertainties.

Construction Sector

Strong foundation for growth

The **construction** sector expanded strongly by 13.1% in the first half of 2025, supported by solid performance across all subsectors. The non-residential buildings subsector recorded robust expansion, driven by acceleration and realisation of private investment in industrial facilities, commercial complexes and data centres, reflecting sustained business activities and rising digitalisation. The residential buildings subsector also posted a steady growth, supported by continued demand for affordable housing and government initiatives to promote home ownership. In addition, the specialised construction activities subsector recorded stable growth, driven by telecommunications infrastructure projects and coastal reclamation activities. The civil engineering subsector sustained its positive performance, underpinned by ongoing works on infrastructure projects, such as the Pan Borneo Highway Sabah and Rapid Transit System Link (RTS Link).

For the rest of 2025, the sector is expected to grow by 7.3%. The civil engineering subsector is anticipated to expand, supported by continued rollout of large-scale public infrastructure projects towards the end of the Twelfth Malaysia Plan, 2021 – 2025 (Twelfth Plan) period. Ongoing projects, including the Sarawak Sabah Link Road (SSLR), will continue to drive momentum in the subsector. The non-residential buildings subsector will continue to gain from investment in commercial and industrial facilities, including data centres development in Johor and Selangor. In

addition, the residential buildings subsector growth is expected to be bolstered by new launches in the affordable and mid-market housing as well as integrated township development in key growth corridors amid favourable financing conditions. Overall, the construction sector is projected to record a steady growth of 10.1% for 2025.

Domestic Demand

Firm domestic demand to anchor expansion

Domestic demand, driven by the private sector, remains firm and continues to anchor overall economic performance. The growth in the first half of 2025 was recorded at 6.5% and is projected to expand by 5.8% in the second half of the year. It will be driven by an expansion in private sector expenditure, which is forecast at 6.1% in 2025, contributing 4.7 percentage points (ppt) to GDP growth. Meanwhile, public sector expenditure is projected to increase by 6.3%, contributing around 1.1 ppt to GDP growth.

TABLE 3.5. *Gross Domestic Product by Aggregate Demand, 2024 – 2026 (at constant 2015 prices)*

	SHARE (%)	CHANGE (%)		
	2025 ²	2024	2025 ²	2026 ³
Domestic demand	96.7	6.5	6.1	5.4
Private expenditure	78.3	6.6	6.1	5.7
Consumption	60.9	5.1	5.0	5.1
Investment	17.4	12.3	10.0	7.8
Public expenditure	18.3	6.3	6.3	4.4
Consumption	13.1	4.7	4.0	3.2
Investment	5.2	11.1	12.7	7.3
External sector¹	3.4	9.2	-15.0	-32.0
Exports	66.4	8.3	1.9	3.8
Imports	63.0	8.2	3.1	5.8
GDP	100.0	5.1	4.0 – 4.8	4.0 – 4.5

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

In the first half of 2025, **private consumption** expanded by 5.2% and is projected to maintain this momentum, with an estimated annual growth of 5%. Household spending is expected to benefit from higher disposable income amid sustained domestic economic activities, favourable labour market and easing inflation. Income growth has been further reinforced by wage-related policy measures, including salary adjustments for civil servants under the SSPA and the implementation of a higher minimum wage. In addition, the Government has provided further support to consumer spending through the Penghargaan SARA RM100 One-off as well as the expansion of initiatives under Payung Rahmah. Major national and regional events such as the ASEAN-Malaysia Chairmanship 2025, Langkawi International Maritime and Aerospace Exhibition (LIMA) 2025 and promotional campaigns in preparation for VM2026 are anticipated to further stimulate tourism-related activities and boost consumption.

Private investment recorded a growth of 10.6% in the first half of 2025 and is expected to sustain the pace, expanding by 10% for the year. Growth will be underpinned by the realisation of multi-year projects of substantial approved investments in the pipeline (2023: RM329.5 billion; 2024: RM384.4 billion), with robust inflows into semiconductor and data centre projects. These investments are predominantly concentrated in strategic hubs across key states, particularly Bayan Lepas in Penang, Cyberjaya in Selangor and Iskandar Puteri in Johor. Further momentum is expected from the Government-linked Enterprises Activation and Reform Programme (GEAR-uP), which has mobilised RM11 billion up to June 2025 in high growth high value (HGHV) projects. In addition, strategic developments such as the expansion of the Kulim Hi-Tech Park (KHTP) and establishment of the Johor-Singapore Special Economic Zone (JS-SEZ) are expected to further strengthen Malaysia as a

preferred investment destination in the region. These initiatives, alongside the implementation of strategic national policies, will reinforce the private investment growth trajectory in the years ahead.

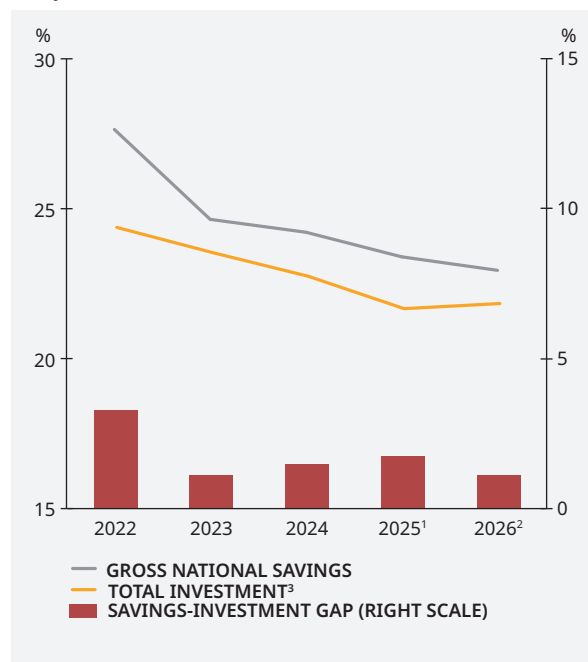
Public consumption expanded by 5.3% in the first half of 2025 and is projected to increase moderately at 4% for the year. The growth will be primarily driven by higher expenditure on emoluments following the implementation of SSPA. Expenditure on supplies and services also supported the growth, ensuring the continued efficiency of public service delivery. Importantly, the enactment of the Government Procurement Bill 2025 reflects the Government's commitment to strengthening governance, enhancing transparency and embedding value-for-money principles primarily in procurement practices. These efforts, coupled with ongoing optimisation of procurement processes, underscore a disciplined and prudent fiscal approach in balancing the need for operational efficiency and sustainable public finances.

Public investment recorded a robust 12.6% expansion in the first half of 2025 and is expected to sustain a double-digit growth of 12.7% for the year. This performance is largely underpinned by continued capital spending, mainly by both non-financial public corporations (NFPCs) and the Federal Government. Key drivers include continued progress in major infrastructure initiatives, such as the East Coast Rail Link (ECRL), Pan Borneo Highway Sabah, Central Spine Road and SSLR, which are integral to improving connectivity and supporting long-term economic growth. NFPCs continue to sustain investment in oil and gas, with a notable increase in the energy sector. Investments in the oil and gas sector are focused on major projects in gas and maritime, downstream and clean energy. Furthermore, the energy sector is prioritising renewable energy initiatives,

including large-scale solar, hydropower and Hybrid Hydro-Floating Solar (HHFS) Photovoltaic systems. Together, these efforts aim to strengthen the nation's energy security and support Malaysia's transition to a low-carbon economy. These initiatives collectively reflect a deliberate strategy to leverage public investment as a catalyst for sustainable and inclusive growth.

The gross national income (GNI) at current prices is anticipated to post a growth of 5% in 2025, reflecting the continued expansion of domestic economic activity. Subsequently, gross national savings (GNS) and total investment are anticipated to record 23.4% and 21.7% of GNI, respectively. The **savings-investment gap** is expected to remain in surplus at RM34.3 billion or 1.7% of GNI, allowing the country to finance investment, 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

Sharing benefit of growth remains challenging

In 2024, GDP at current prices expanded strongly by 5.9% to reach RM1,932.3 billion, following positive growth in all income components. The **compensation of employees²** (CE) component improved by 6.1% to RM648.5 billion, driven by strong employment and wage growth momentum, in tandem with productivity gains and the early rollout of progressive wage initiative. The share of CE to GDP increased to 33.6%, although remaining below the 40% target stipulated under the Twelfth Plan. In 2025, the CE is expected to strengthen by 7.1%, underpinned by the implementation of wage-related policies, namely the RM1,700 minimum wage, broadening uptake of the Progressive Wage Policy and adjustment of the civil servants salary, which will substantially uplift income. The overall labour income share is expected to reach 34.4%, driven by income from services (62.5%) particularly from wholesale & retail trade, food & beverage and accommodation; and other services (including public services) industries. Meanwhile, the manufacturing sector, mainly from electrical, electronic and optical products, contributes 22.1%.

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

TABLE 3.6. *Gross Domestic Product by Income Components, 2023 – 2026*

	SHARE (%)				CHANGE (%)			
	2023	2024	2025 ¹	2026 ²	2023	2024	2025 ¹	2026 ²
Compensation of employees	33.5	33.6	34.4	34.9	4.6	6.1	7.1	6.9
Gross operating surplus	64.3	63.7	62.2	60.8	-2.1	5.0	1.8	3.1
Operating surplus	48.9	48.3	45.8	43.6	-5.7	4.5	-1.0	0.5
Mixed income	15.4	15.5	16.4	17.2	11.1	6.6	10.4	10.6
Taxes less subsidies	2.2	2.7	3.4	4.3	215.4	29.3	30.4	33.5
GDP at purchasers' prices	100.0	100.0	100.0	100.0	1.6	5.9	4.3	5.5

¹ Estimates² Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

TABLE 3.7. *Gross Domestic Product by Income in Selected Countries, 2022 – 2024*

	COMPENSATION OF EMPLOYEES			GROSS OPERATING SURPLUS			TAXES LESS SUBSIDIES		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	SHARE OF GDP (%)								
Malaysia	32.5	33.5	33.6	66.7	64.3	63.7	0.7	2.2	2.7
Philippines	36.1	35.2	34.6	55.4	57.0	56.7	8.5	7.8	8.7
Singapore	34.9	38.8	37.8	59.8	54.6	54.9	5.3	6.6	7.3
Republic of Korea	47.5	48.6	48.2	43.0	43.0	43.5	9.5	8.4	8.4
Australia	46.0	45.9	47.4	45.2	44.8	43.0	8.8	9.4	9.6
Netherlands	45.8	45.9	46.3	44.4	44.5	43.9	9.8	9.7	9.9
Canada	48.6	50.3	50.9	41.3	39.3	38.9	10.1	10.4	10.2
United Kingdom	49.2	49.4	49.8	39.6	40.2	39.4	11.2	10.4	10.8
United States	51.6	51.7	51.9	41.8	41.8	41.7	6.6	6.5	6.5
Germany	52.8	53.3	54.7	38.0	38.5	36.3	9.2	8.2	9.0

Source: Department of Statistics, Malaysia

Gross operating surplus³ (GOS) rebounded 5% and remained the largest income component totalling RM1,231.5 billion despite the share of GDP decreased further to 63.7% in 2024. Improvement in income growth for capital owners was attributed to recovery in profit margin from commodity-related industries, construction and manufacturing sectors as well as stable services sector. Likewise, mixed-income⁴ also registered an encouraging growth of 6.6%, supported by strong domestic demand as well as greater economic participation of self-employed, including unincorporated enterprises. Profit earnings in 2025 will be supported by lower financing costs, strong private consumption and vibrant investment

activities under national strategic initiatives. Meanwhile, the enactment of the landmark Gig Workers Bill 2025 is set to provide a more enabling environment, offering protection and broadening earning opportunities for self-employed groups. As a result, the share of mixed-income is expected to increase to 16.4%. Overall, the share of GOS is expected to record 62.2% in 2025.

The **net taxes⁵** component contributed 2.7% of GDP in 2024, attributed to a notable increase of 13.8% in tax receipts compared to smaller increases (0.2%) in subsidy and incentive expenditures. In 2025, SST expansion and more efficient tax management, particularly through

³ Consists of operating surplus for capital owners and mixed-income.⁴ Mixed income includes an unknown element of remuneration for work done by the owner of the enterprise, or other members of the household, as well as operating surplus accruing from the production.⁵ Consists of taxes on products and other taxes on production less subsidies on products and other subsidies on production.

e-invoicing, are expected to further increase revenue on production and imports. Meanwhile, a significant reduction in expenditure for subsidies and incentives by 18.8%, mainly on fuel subsidies, is expected to increase net taxes by 30.4% in 2025. Hence, the overall share of net taxes on production and imports is projected to record 3.4% of GDP.

External Sector

Resilient growth

Trade Performance

Total trade is expected to expand by 3.9% to RM2,991.5 billion in 2025. The expansion will be supported by steady global trade conditions and Malaysia's resiliency of exports amid trade and geostrategic vulnerabilities.

Gross exports are estimated to grow by 3.3% in 2025, underpinned by the continuous global technological upcycle, anchored by E&E products and sustained demand from advanced economies. Exports of manufactured goods are projected to rise by 4.1%, following high demand in E&E products, which

increased by 11.3%, attributed to strong demand for semiconductor and front-loading activities induced by the imposition of tariffs. Semiconductor accounted for more than 60% of E&E products, followed by automatic data processing equipment and telecommunication equipment parts. In contrast, exports of non-E&E products are estimated to contract by 2.3%, particularly in petroleum products; chemicals and chemical products; as well as iron and steel products, owing to slower demand from major trading partners.

In addition, exports of agriculture goods are projected to expand by 5%, buoyed by higher demand, mainly for palm oil and palm oil based agriculture products at 5.1% and other agricultures at 7.5%. Increasing demand, particularly from Afghanistan, the Philippines, Mauritania, Sri Lanka and Kenya, is expected to raise exports of palm oil by 3%. Conversely, exports of mining goods are estimated to decline by 9.9%, as a result of deteriorating global demand for LNG and crude petroleum by 11.2% and 17.5%, respectively, due to market diversification and product substitution by major trading partners.

TABLE 3.8. *External Trade, 2024 – 2026*

	RM MILLION			CHANGE (%)		
	2024	2025 ¹	2026 ²	2024	2025 ¹	2026 ²
Total trade	2,879,528	2,991,500	3,090,832	9.2	3.9	3.3
Gross exports	1,509,291	1,558,664	1,602,556	5.8	3.3	2.8
<i>of which:</i>						
Manufactured goods	1,289,189	1,341,511	1,381,521	6.0	4.1	3.0
Agriculture goods	105,786	111,026	114,703	11.6	5.0	3.3
Mining goods	103,892	93,593	93,238	-2.1	-9.9	-0.4
Gross imports	1,370,237	1,432,836	1,488,276	13.1	4.6	3.9
<i>of which:</i>						
Intermediate goods	749,247	737,976	768,613	20.7	-1.5	4.2
Capital goods	166,098	206,851	215,654	29.0	24.5	4.3
Consumption goods	117,414	118,440	123,079	12.8	0.9	3.9
Trade balance	139,053	125,828	114,280	-35.4	-9.5	-9.2

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 2024 and 2025*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2024	2025	2024	2025	2024	2025
Manufactured goods	848,127	892,269	6.0	5.2	85.4	86.5
Agriculture goods	66,976	71,806	9.5	7.2	6.7	7.0
Mining goods	71,034	59,220	3.1	-16.6	7.2	5.7
Others ¹	6,592	8,392	20.0	27.3	0.7	0.8
Gross exports	992,729	1,031,687	6.1	3.9	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

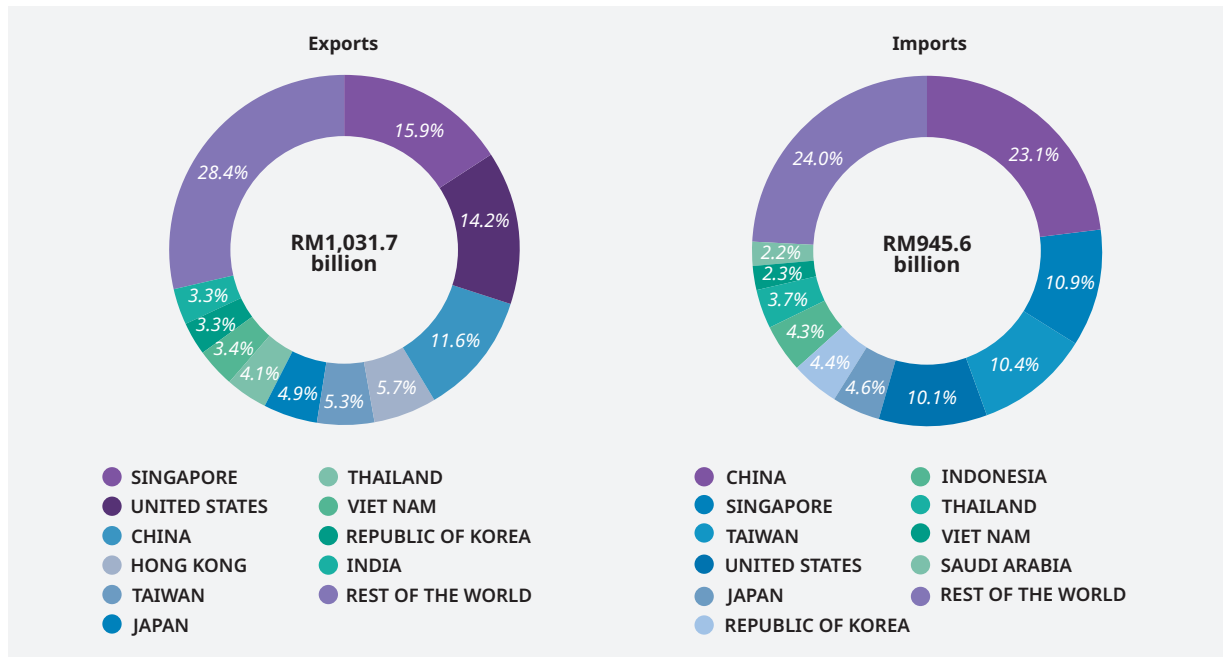
TABLE 3.10. *Exports of Manufactured Goods,
January – August 2024 and 2025*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2024	2025	2024	2025	2024	2025
E&E	384,142	446,931	0.9	16.3	45.3	50.1
Non-E&E	463,985	445,338	10.6	-4.0	54.7	49.9
Petroleum products	90,938	68,697	-5.8	-24.5	10.7	7.7
Chemicals and chemical products	49,088	43,782	4.5	-10.8	5.8	4.9
Manufactures of metal	41,582	41,461	10.6	-0.3	4.9	4.6
Machinery, equipment and parts	45,139	51,778	24.1	14.7	5.3	5.8
Optical and scientific equipment	39,525	40,958	11.2	3.6	4.7	4.6
Palm oil-based manufactured products	23,236	26,568	13.4	14.3	2.7	3.0
Rubber products	17,134	16,463	22.5	-3.9	2.0	1.8
Processed food	22,719	25,768	19.2	13.4	2.7	2.9
Iron and steel products	23,445	18,038	16.5	-23.1	2.8	2.0
Transport equipment	12,485	12,628	10.8	1.1	1.5	1.4
Textiles, apparels and footwear	11,785	10,949	11.7	-7.1	1.4	1.2
Manufactures of plastics	11,587	11,484	10.8	-0.9	1.4	1.3
Wood products	10,257	9,816	8.5	-4.3	1.2	1.1
Non-metallic mineral products	8,402	9,294	3.7	10.6	1.0	1.0
Jewellery	5,998	6,852	20.1	14.2	0.7	0.8
Paper and pulp products	9,450	8,609	30.6	-8.9	1.1	1.0
Beverages and tobacco	2,009	1,890	-0.8	-5.9	0.2	0.2
Other manufactures	39,205	40,303	35.9	2.8	4.6	4.5
Exports of manufactured goods	848,127	892,269	6.0	5.2	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 2025 (% share)



Gross imports are estimated to accelerate by 4.6% in 2025, mainly contributed by capital and consumption goods, particularly for data centre- and transportation-related activities as well as robust private spending. Imports of capital goods, which represents 14.4% of total imports, are estimated to surge by 24.5%, underpinned by ongoing industrial and infrastructure investments, partly driven by

growing demand for data centres. Similarly, consumption goods, which account for 8.3%, are projected to increase marginally by 0.9%, following shifting consumer preference and higher demand for local products. In contrast, imports of intermediate goods, which constitute the largest share at 51.5%, are expected to shrink by 1.5% as industry players utilise existing inventories.

TABLE 3.11. *Gross Imports by End Use, January – August 2024 and 2025*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2024	2025	2024	2025	2024	2025
Capital goods	106,224	141,276	35.9	33.0	11.6	14.9
Capital good (except transport equipment)	100,934	131,266	43.0	30.1	11.1	13.9
Transport equipment (industrial)	5,291	10,010	-30.2	89.2	0.6	1.1
Intermediate goods	503,575	479,102	26.2	-4.9	55.2	50.7
Food and beverages, primary and processed, mainly for industries	21,890	25,305	8.7	15.6	2.4	2.7
Fuel and lubricants, primary, processed and other	80,587	62,947	17.8	-21.9	8.8	6.7
Industrial supplies, primary, processed and n.e.s. ¹	209,869	190,107	14.6	-9.4	23.0	20.1
Parts and accessories of capital goods and transport equipment	191,228	200,742	50.3	5.0	21.0	21.2
Consumption goods	78,646	77,912	17.3	-0.9	8.6	8.2
Food and beverages, primary and processed, mainly for household	36,636	35,047	18.0	-4.3	4.0	3.7
Transport equipment (non-industrial)	1,127	1,285	13.1	14.0	0.1	0.1
Other consumer goods	40,883	41,580	16.8	1.7	4.5	4.4
Durables	11,726	12,704	32.1	8.3	1.3	1.3
Semi-durables	12,837	13,007	14.1	1.3	1.4	1.4
Non-durables	16,321	15,869	9.8	-2.8	1.8	1.7
Others	32,697	22,557	20.7	-31.0	3.6	2.4
Re-exports	191,424	224,770	-9.1	17.4	21.0	23.8
Gross imports	912,565	945,617	16.7	3.6	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 2025, the current account surplus of the **balance of payments** was recorded at RM17 billion or 1.8% of GNI. The surplus was attributed to a higher net inflow in the goods account as well as a narrowing deficit in the services and income accounts. The momentum is expected to continue in the second half of 2025, recording a surplus of RM17.3 billion or 1.7% of GNI. In 2025, the current account surplus is anticipated to improve to RM34.3 billion or 1.7% of GNI.

The goods account is expected to record a smaller surplus of RM112.5 billion in 2025, weighed down by escalating imports of capital goods and a marginal increase in consumption goods, despite a contraction in the imports of intermediate goods. The higher imports of goods will be mainly driven by steady performance in gross fixed capital formation (GFCF), following continuous industrial and infrastructure investments. Nevertheless, the accelerating imports will be cushioned by the increasing exports of manufactured and agriculture goods.

Meanwhile, the services account is estimated to register a smaller deficit of RM7.6 billion, resulting from vigorous performance in the travel account, which will counterbalance wider deficits in the transport and other services accounts. In this regard, the travel account is anticipated to register a higher surplus of RM48.7 billion, supported by various government strategies to boost tourism activities, leading to higher tourist arrivals, particularly in conjunction with the ASEAN-Malaysia Chairmanship 2025. Growing tourism activities are expected to positively impact the air travel industry through the increase in flight frequencies and new direct flight routes. Furthermore, domestic transport companies are projected to record higher earnings, following competitive air fares and freight charges as well as fees generated from airport

and port activities. Nevertheless, the growth of payments in the transport account is expected to outpace the growth of earnings due to continuous reliance on foreign transport providers. Thus, the transport account is anticipated to record a larger deficit of RM31.5 billion in 2025. Similarly, the other services account is expected to register a higher net outflow of RM24.8 billion in 2025, owing to increasing payments for manufacturing services on physical inputs owned by others; telecommunications, computer and information services; charges for the use of intellectual property; as well as other business services.

The primary income account is projected to record a lower net outflow of RM55.7 billion in 2025, on the back of a smaller deficit in the

TABLE 3.12. *Current Account of the Balance of Payments, 2024 – 2026 (RM million)*

	2024			2025 ¹			2026 ²		
	RECEIPTS	PAYMENTS	NET	RECEIPTS	PAYMENTS	NET	RECEIPTS	PAYMENTS	NET
Balance on goods and services	1,378,518	1,275,728	102,790	1,414,973	1,310,088	104,884	1,477,692	1,379,371	98,322
Goods	1,135,655	1,021,193	114,462	1,150,495	1,037,967	112,527	1,190,406	1,092,150	98,255
Services	242,863	254,535	-11,672	264,479	272,121	-7,642	287,286	287,221	65
Transport	34,631	64,828	-30,197	35,662	67,211	-31,549	37,123	69,893	-32,770
Travel	95,315	57,936	37,379	108,460	59,801	48,658	119,536	65,325	54,210
Other services	112,916	131,770	-18,854	120,357	145,109	-24,752	130,627	152,003	-21,376
Primary income	91,793	157,903	-66,111	87,976	143,691	-55,715	92,783	154,364	-61,581
Compensation of employees	7,353	17,294	-9,941	7,340	17,145	-9,805	8,959	20,633	-11,674
Investment income	84,440	140,610	-56,170	80,637	126,546	-45,910	83,825	133,731	-49,907
Secondary income	39,127	48,090	-8,963	36,465	51,383	-14,918	37,943	51,467	-13,523
Balance on current account	1,509,437	1,481,721	27,716	1,539,415	1,505,162	34,254	1,608,419	1,585,201	23,218
% of GNI			1.5			1.7			1.1

¹ Estimate

² Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

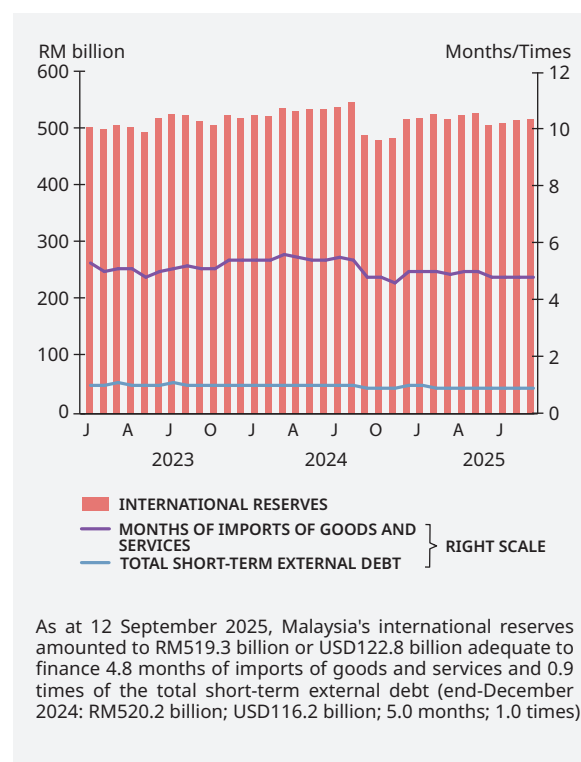
investment income account and compensation of employees. The lesser net outflow amounting to RM45.9 billion in the investment income account is primarily contributed by lower repatriation of profits and dividends by foreign investors in Malaysia in the direct investment account. Similarly, the deficit in the compensation of employees is expected to narrow to RM9.8 billion, following lower payments to non-resident professionals in Malaysia.

The secondary income account is anticipated to record a higher net outflow of RM14.9 billion in 2025. The widening deficit is owing to higher outward remittances by non-resident workers and entities, which are expected to reach RM51.4 billion. This is also in tandem with the implementation of minimum wages as announced under Budget 2025. However, earnings in the secondary income account are projected to decline to RM36.5 billion, due to lower inward remittances by Malaysians working abroad.

In the first half of 2025, the financial account registered a net outflow of RM22.5 billion. This deficit was due to a turnaround from net inflow to net outflow in the other investment and financial derivatives accounts. The other investment account registered a net outflow of RM4.5 billion, primarily due to interbank activities. Similarly, the financial derivatives account recorded a net outflow of RM0.4 billion. Nonetheless, the net outflow in the financial account was cushioned by improvements in both the direct investment and portfolio investment accounts. During the period, the direct investment account

registered a wider surplus of RM14.3 billion and the portfolio investment account recorded a smaller deficit amounting to RM31.9 billion. Meanwhile, Malaysia recorded a higher net inflow in FDIs amounting to RM17.2 billion, mainly channelled into the financial and insurance/takaful activities; information and communication; as well as transportation and storage sectors. The net outflow of direct investment abroad by Malaysian companies narrowed to RM2.9 billion, primarily directed into the financial and insurance/takaful activities; mining & quarrying; as well as construction sectors.

FIGURE 3.5. *International Reserves*



Source: Bank Negara Malaysia

FEATURE ARTICLE 3.1

The Unsettling Impact of the US Tariff on the Malaysian Economy

Introduction

As a small and highly open economy, Malaysia engages with approximately 90% of countries in international trade and investment flows. The nation's firm commitment to liberal and open trade policies has been a key driver of economic growth, attracting quality investment, generating employment opportunities and improving household incomes. Malaysia continues to leverage on the extensive network of trade agreements with major global and regional partners, supported by a dynamic and resilient economic structure. This outward-oriented approach has resulted in consistently high trade-to-GDP ratio of more than 100% over the years, highlighting the country's presence in the global economic landscape. A major advantage of Malaysia's trade profile is the diversity of export portfolio, which spans across multiple sectors and product categories. Strategically located in Southeast Asia, Malaysia maintains strong trade ties with two of the world's largest economies, China and the US. Hence, any trade policy change by either country will significantly impact the global and Malaysia's economy.

The US has long been a key player in global trade, exerting significant influence over international economic policies, trade norms and market access. As one of the world's largest economies and trading nation, the US shapes global trade trends through its multinational corporates, consumption appetite, trade agreement and regulatory frameworks. The re-elected US President Donald Trump has unveiled a slew of reciprocal tariffs on numerous countries, which have sent ripples throughout the global economy. The move triggered widespread response, amid geopolitical tensions, resulting in affected countries reassessing their trade strategies and several imposing retaliatory reciprocal tariffs. As such, Malaysia is experiencing both the direct and indirect repercussions, given the strong linkages in the global supply chain, particularly in the E&E industry. In light of the changing and challenging trade landscape, Malaysia views this new unfolding horizon as an opportunity to enhance economic structures while managing the challenges ahead.

The US Tariff Imposition on Malaysia: A New Trade Challenge

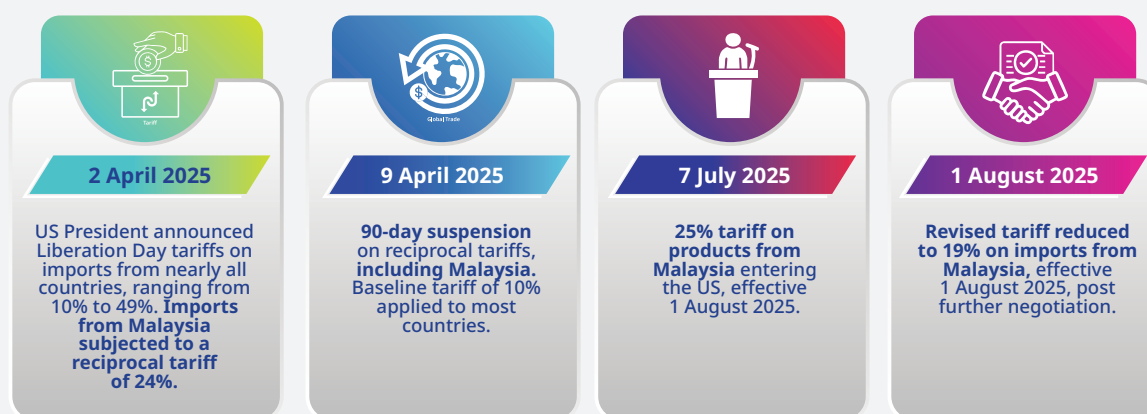
On the Liberation Day, the US President imposed new tariff rates ranging from 10% to 49% on a wide range of imports effective July 2025, citing concerns over trade imbalances, domestic industry protection and national security. This marked a significant escalation in global trade policies, especially for economies with growing trade surpluses with the US. As part of the broader 'America First 2.0' economic strategy, the tariff announcement targeted key products such as electronics, machinery, steel, agriculture goods and textiles. The US imposed an initial tariff rate of 24% on a range of exports from Malaysia, including E&E products, machinery, agriculture goods and textiles. The new tariff rate was disconcerting, especially for Malaysia's E&E products, which make up around 40% of the country's total exports.

Subsequently on 9 April 2025, the US Administration announced a 90-day postponement of the individualised reciprocal tariffs for most countries, including Malaysia, while imposing a baseline tariff rate of 10%. This decision was made to allow for negotiations with more than 75 economies expressing concerns over the new tariffs. Meanwhile, the US Administration announced additional tariffs on Chinese imports, bringing the total tariff rate to 145% on goods originating from China. The 90-day tariff truce, ending 8 July 2025, was extended to enable countries to engage and negotiate with the US. However, several countries were notified of revised rates, including Malaysia with a higher rate of 25% effective 1 August 2025.

In addition, the US may impose an additional 10% tariff to countries aligning with BRICS. Changes in the US tariffs on China also indirectly trigger negative impacts on Malaysian-made components that contribute to China's manufacturing processes. Furthermore, practices such as 'place-of-origin washing', whereby goods are rerouted through any third country, have raised red flags that may expose such countries to potential risk of trade penalties by the US authorities.

The US Administration revealed new tariff rates to be imposed on trading partners, effective 1 August 2025, with a reduced tariff rate for Malaysia from 25% to 19%. Among ASEAN member countries, rates ranged between 10% and 40%, with Singapore being levied the lowest, while Myanmar and Lao PDR were the highest charged. The timeline of the US tariff imposition on Malaysia is summarised in Figure 3.1.1.

FIGURE 3.1.1. *The US Tariff on Malaysia*



Source: The White House and Ministry of Investment, Trade and Industry, Malaysia

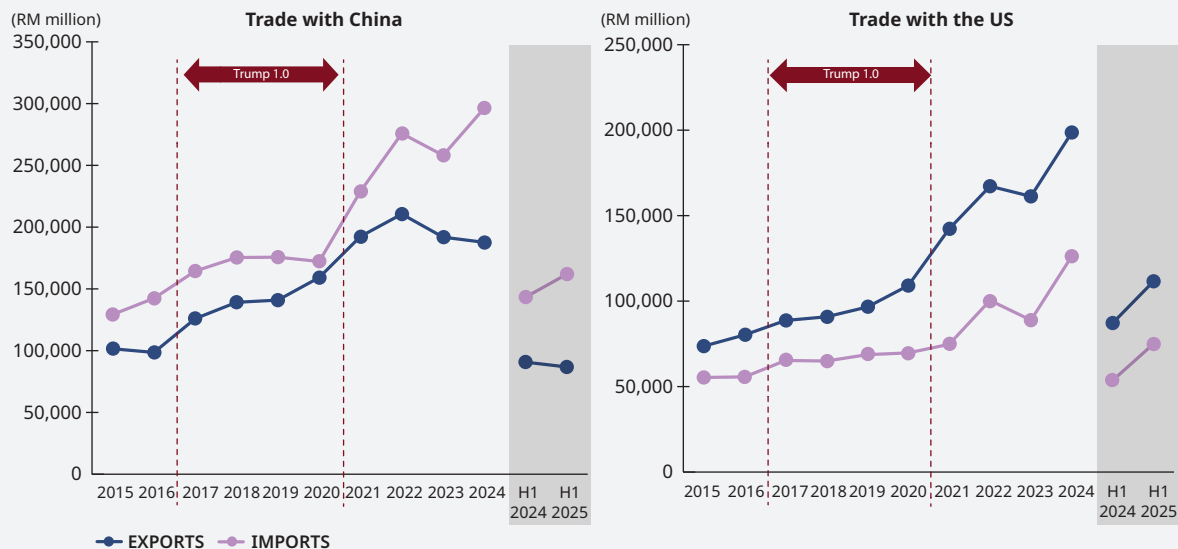
Malaysia's Trade Relations with China and the US

Malaysia and China have maintained strong economic ties over the decades, with China being Malaysia's top trading partner since 2009. Meanwhile, Malaysia is China's top 10 trading partner globally and the second-largest among ASEAN member countries. Malaysia's total trade with China expanded by 7.6%, to record RM484.2 billion or 16.8% of Malaysia's total trade in 2024. Malaysia is a net importer with China, as imports in 2024 registered RM296.5 billion, comprising mainly E&E products (40.3%); machinery, equipment and parts (12.5%); chemicals and chemical products (8.1%); and manufactures of metal (6.3%). Correspondingly, exports to China amounted to RM187.8 billion, which include E&E products (36.2%); chemicals and chemical products (9.7%); LNG (8.2%); and manufactures of metal (7.1%).

On the other hand, the US was Malaysia's third largest trading partner in 2024, with trade totalling RM325.2 billion or 11.3% of total trade. Malaysia is a net exporter to the US with total exports and imports at RM198.9 billion and RM126.3 billion, respectively, during the period. Major exports to the US were E&E products (60.4%); other manufactures (8.7%); optical and scientific equipment (6.5%); as well as machinery, equipment and parts (4.4%), highlighting the diversity and strength of Malaysia as a global advanced manufacturing hub. Meanwhile, major imports from the US were E&E products (43%); machinery, equipment and parts (15.5%); chemicals and chemical products (7.7%); as well as manufactures of metal (7.4%) to accelerate technological advancement and innovation in driving high value-added growth in industries.

During the first half of 2025 (H1 2025), Malaysia's total trade with China grew by 6.3% to reach RM248.8 billion, while trade with the US surged by 32.6% to record RM186.6 billion, as compared with the corresponding period in 2024. However, exports to China shrank by 4.3%, partly due to slower demand for mining goods, while exports to the US increased by 28%, attributed to higher demand for manufactured and agriculture goods. Meanwhile, imports from China and the US grew significantly by 13% and 40%, respectively. Trade performance with China and the US is as illustrated in Figure 3.1.2.

FIGURE 3.1.2. *Malaysia's Trade with China and the US*



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

Tariff Impact on Malaysia's Economy

According to the World Economic Outlook Update, July 2025 by the IMF, the global economy is projected to expand by 3% in 2025 and 3.1% in 2026. This outlook factored in the stronger-than-expected front-loading of trade in anticipation of higher tariffs, revised US tariff rates than initially announced in April, improved financial conditions and fiscal expansion in several major economies. Global trade growth for 2025 was revised to 2.6%, largely due to the acceleration of certain trade flows amid heightened policy uncertainties and in anticipation of tighter restrictions arising from protectionist measures. However, these effects are expected to wane in the second half of 2025. In 2026, global trade is forecast to decelerate to 1.9% as most economies with current account surpluses are expected to adopt an expansionary fiscal policy, which is expected to contribute to a reduction in global imbalances. Meanwhile, the IMF projects Malaysia's GDP to grow at 4.5% in 2025 and 4% in 2026.

During H1 2025, Malaysia's GDP growth moderated to 4.4%, compared with 5% recorded in the corresponding period of 2024, owing to lower export performance by 3.1 percentage points (ppt), while imports eased by 2.2 ppt. The slower performance of external trade was partly as a result of subdued global demand in response to the imposition of the US tariffs. As such, countries registering trade surpluses with the US are expected to be impacted by these protectionist measures.

In this regard, the Ministry of Finance, Malaysia conducted an assessment to estimate the direct and indirect impacts of the imposition of the US tariff on Malaysia's GDP and external sector. Direct impact refers to the direct effects of US tariff on Malaysia's economy. Meanwhile, the indirect impact captures the ripple effect stemming from the impact of US tariffs on other countries' economy, which subsequently affect Malaysia's economic performance. Cognisant of the US Court of Appeals ruling dated 29 August 2025 on the illegality of the tariffs, this analysis is based on tariff rates effective 1 August 2025, as announced by the White House, and also takes into account reciprocal tariffs imposed by other countries.

Based on the analysis, the imposition of tariff is estimated to reduce Malaysia's real GDP by 0.38 ppt in 2025, with a direct impact of 0.07 ppt and indirect impact at 0.31 ppt. The indirect impact is poised to be bigger than the direct impact as trade with the rest of the world accounts for more than 80% of Malaysia's total trade. Furthermore, China, a key player in global manufacturing, may transmit stronger pass-through effects to other economies resulting from the higher tariff imposed on its exports. In this vein, Malaysia's exports of goods and services is expected to reduce by 0.71 ppt, while imports decline by 0.28 ppt. The impact of tariff is anticipated to be greater in 2026 as it will reflect a full-year effect compared with the five-month (August – December) effect in 2025. Malaysia's GDP growth is projected to be lower by 0.76 ppt in 2026, with a direct impact of 0.15 ppt and indirect effect of 0.61 ppt. Malaysia's exports and imports of goods and services is expected to decrease by 1.38 ppt and 0.64 ppt, respectively, as shown in Figure 3.1.3.

FIGURE 3.1.3. *Impact of the US Tariff on Malaysia's Gross Domestic Product, Exports and Imports*



Source: Ministry of Finance, Malaysia (estimates)

The E&E products remain Malaysia's export strength, contributing around 40% of total exports. In 2024, the US was Malaysia's largest export market for E&E products, representing about 20% of total exports of E&E products. In addition, being a significant player in the global semiconductor supply chain, Malaysia contributes around 7% to the overall global semiconductor market and is the world's sixth-largest semiconductor exporter. As of August 2025, imports of semiconductor by the US remain exempt from being levied, including from Malaysia, subject to ongoing US national security investigations. Any removal of this exemption could result in repercussions, reduce competitiveness and strain sectors that are closely integrated with the US supply chains.

Way Forward

In light of the unsettling impact of tariffs, given the pending outcome of the legality as well as possible imposition of levies on semiconductor and retaliatory policy responses, amid heightened global uncertainties, it is crucial for Malaysia to implement swift and proactive measures to mitigate these effects. Existing measures and initiatives outlined should be expedited to strengthen economic growth and further enhance trade performance.

The National Geoeconomic Command Centre (NGCC), a whole-of-government platform, chaired by YAB Prime Minister, was established to assess and coordinate responses to global trade disruptions, tariff shocks and non-tariff barriers. The platform also recommends comprehensive and multi-pronged strategies to mitigate the effects of tariffs on Malaysia's industries as well as safeguard economic competitiveness amid global uncertainties. Subsequently, in May 2025, the Government promptly responded and identified several measures to support Malaysian companies, especially SMEs, to adjust to this new tariff rate.

Moreover, the Government, through various policies including the National Semiconductor Strategy (NSS) and the New Industrial Master Plan 2030 (NIMP 2030), will continue to strengthen the resiliency of local industries. Initiatives under these policies will spur significant investments in workforce development, R&D and higher-value segments. Programmes outlined under the initiatives, including the NIMP Industrial Development Fund, Market Development Grant and Services Export Funds, will facilitate market access and further support domestic companies to transform operations by enhancing efficiency, embracing automation and boosting overall productivity.

Malaysia is well-positioned as a preferred investment destination, given its diversified and strong economic fundamentals. Hence, Malaysia may benefit from trade diversion as foreign companies pursue alternative manufacturing hubs beyond China. Initiatives such as the Johor-Singapore Special Economic Zone (JS-SEZ) could further attract investors seeking stable and competitive environments.

Furthermore, Malaysia is broadening export markets by prioritising high-growth regions and leveraging existing free trade agreements (FTAs), including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). Malaysia's market diversification strategy focuses on reducing reliance on traditional trading partners by expanding its export footprint into emerging and high-growth markets across Asia, the Middle East, Africa and Latin America. Through active participation in regional and multilateral trade agreements, Malaysia aims to enhance market access and integrate deeper into global value chains. Emphasis is given through the National Trade Blueprint (NTBp) in supporting exporters, particularly SMEs, by facilitating trade missions, offering market intelligence and promoting high-value industries such as E&E, halal products and green technology.

Conclusion

While the tariffs pose short-term challenges, Malaysia remains committed to trade openness, policy adaptability and regional integration, which will be key to weathering the latest disruption in the global trade landscape. The proactive approaches complement Malaysia's economic resilience as well as position Malaysia as a niche market with a diversified trade portfolio amid volatile global trade environments. This will further enhance investors' confidence and reinforce Malaysia's role as a reliable trade and investment destination as well as to move up the global value chain.

Prices

Inflation stays moderate amid subsidy reforms

Headline inflation, as measured by the **Consumer Price Index (CPI)**, averaged 1.4% in the first eight months of 2025. This outcome was shaped by steady domestic demand, stable global cost conditions and improved policies aimed at supporting household purchasing power. The food & beverages category, which constituted the largest share of 29.8% from the CPI basket, increased by 2.2% during the period. Within this category, food away from home was the primary contributor (4.5%), driven by robust demand for dining out and prepared meals as well as ongoing wage adjustments. Furthermore, rising input and operating costs in the food services sector also contribute to higher prices. Conversely, prices for food at home remained broadly stable (0.1%), reflecting minimal price changes across fresh food and essential grocery items. In terms of services-related categories, personal care, social protection & miscellaneous goods & services led the increase (3.8%), followed by restaurant & accommodation services (3.2%), which also exerted upward pressure

on inflation. These increases were partially offset by price declines in the information & communication (-5.4%) and clothing & footwear (-0.2%) groups. While overall price pressures have eased, disinflationary momentum has been uneven, with inflation becoming increasingly concentrated in services-related segments.

The expansion of the sales tax and service tax (SST) as well as adjustments to the minimum wage and utility prices, could influence inflation through both cost-push and demand-pull channels. However, headline inflation is expected to remain contained within the 1% – 2% range in 2025. The main upside risks encompass potential changes in administered prices and global supply disruption. Meanwhile, downside risks consist of further moderation in global energy and food prices, as well as the possibility of weaker domestic demand. Despite the moderate headline inflation, core inflation remains higher, averaging 1.9% in the first eight months of 2025, signalling persistent underlying price pressures. This reflects firm domestic demand and the fluctuation of wage and input costs, even as global inflation eased.

INFORMATION BOX 3.1

Changes in Prices Towards Household Spending Patterns

Introduction

Concerns over the rising cost of living have become increasingly salient for Malaysian households. While headline inflation on average remains moderate over the years, aggregate figures do not reflect the actual cost pressures experienced by different segments of the population. Lower-income groups, rural households and larger families tend to face greater pressures, particularly in essential categories such as food & beverages; transport; and housing & utilities.

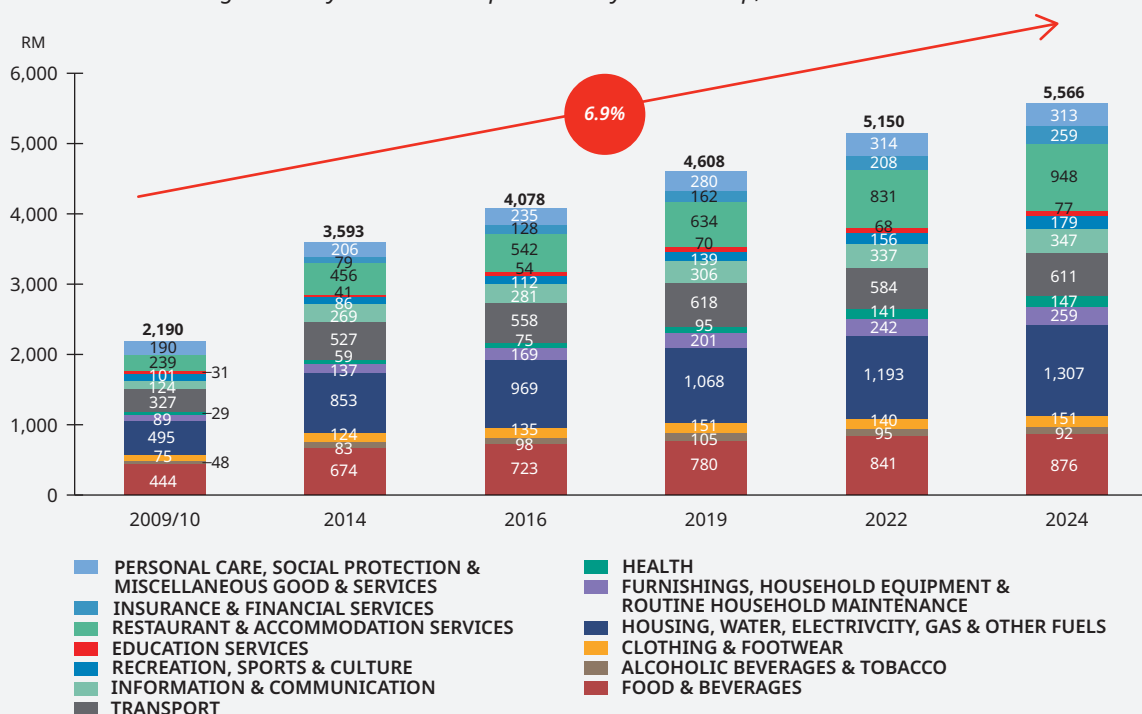
While headline inflation indices provide a broad macroeconomic overview, household spending trade-offs in response to price changes cannot be fully captured. Nevertheless, the Household Income and Expenditure Survey (HIES) can reveal the behavioral adjustments in household spending priorities. An understanding of these dynamics are necessary towards formulating more inclusive and targeted policy responses.

Hypothetically, households could choose to maintain spending levels by reducing consumption, switching to lower-cost alternatives, or deferring non-essential purchases of goods and services. This article examines how rising prices have reshaped household spending patterns across different income levels and demographic groups in Malaysia. By integrating price trends, income and expenditure data¹, the analysis offers a more granular understanding of how households adjust to price changes. These findings complement the effort of enhancing social mobility by managing cost of living under the Thirteenth Malaysia Plan (Thirteenth Plan).

Evolving Household Spending Patterns

Malaysian households have progressively adjusted their spending patterns over the past decade, reflecting evolving socio-economic conditions and shifting consumption priorities. A long-term pattern on household spending reveals broad structural shifts in consumption patterns as shown in Figure 3.1.1. Based on the Household Expenditure Survey (HES)², nominal household expenditure expanded at a compound annual growth rate (CAGR) of 6.9% from RM2,190 in 2009/10 to RM5,566 in 2024.

FIGURE 3.1.1. Average Monthly Household Expenditure by Main Group, 2009/10 – 2024



Note: Data for 2009/10 is based on COICOP 1999, while data for 2014-2024 is based on COICOP 2018

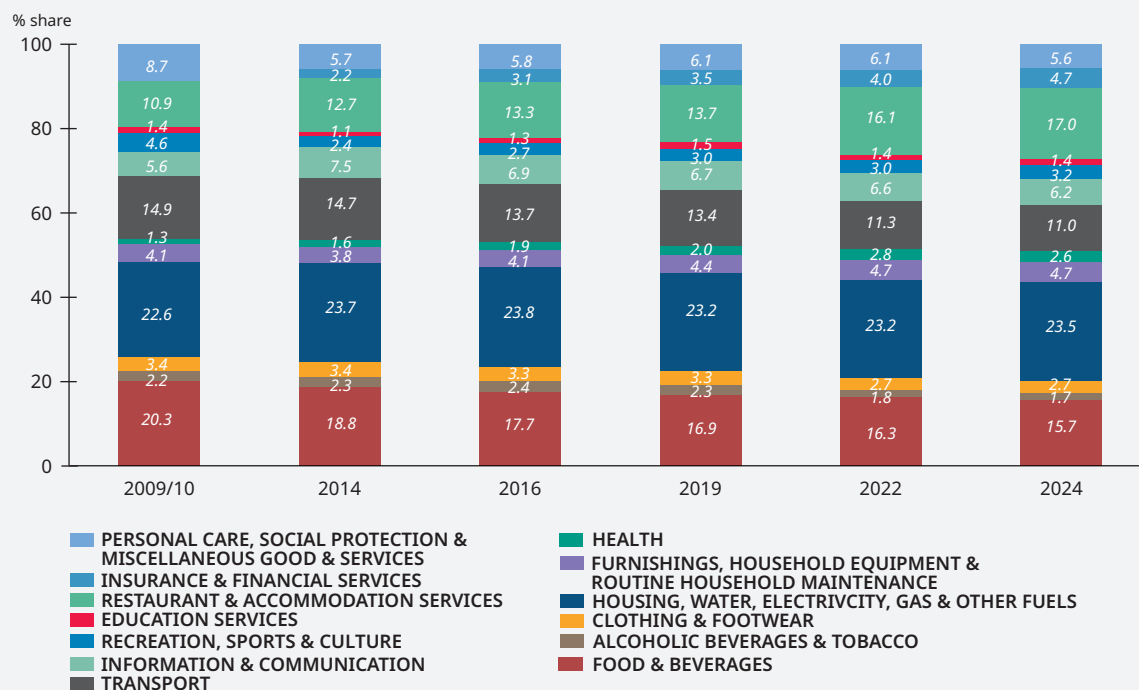
Source: Department of Statistics, Malaysia

¹ HIS 2009, 2014, 2016, 2019, 2022 & 2024 and HES 2009/10, 2014, 2016, 2019, 2022 & 2024.

² HES 2009/10, 2014, 2016, 2019, 2022 & 2024.

A gradual decline has been observed in the share of expenditure on necessities, namely food & beverages decreased from 20.3% to 15.7%, and transport groups decreased from 14.9% to 11% between 2009/10 and 2024. During the same period, household spending shifted more toward discretionary categories. This is including restaurants & accommodation services group which increased from 10.9% to 17%, communication (5.6% to 6.2%), as well as personal care & social protection as shown in Figure 3.1.2. The shift has been influenced by demand-side factors, such as changing lifestyle preferences and demographic transitions, as well as supply-side influences, including price changes, technological advancement, infrastructure development and urbanisation.

FIGURE 3.1.2. Composition of Mean Monthly Household Consumption Expenditure by Main Group, 2009/10 – 2024



Note: Data for 2009/10 is based on COICOP 1999, while data for 2014-2024 is based on COICOP 2018

Source: Department of Statistics, Malaysia

This transition towards more discretionary items reflect broader improvement in Malaysians' quality of life, as households tend to prioritise comfort, convenience and personal wellbeing. This mirrors structural shifts observed in high-income countries, where time constraints, ageing and evolving preferences drive greater discretionary spending. These patterns indicate a clear and consistent trajectory, therefore offering insight into the future direction of consumption.

Household spending has shifted increasingly toward services and lifestyle-related categories, reflecting evolving consumption priorities. Spending on housing & utilities has increased significantly, thus becoming the largest expenditure component since 2004. Spending on information & communication has risen sharply, reflecting the growing role of smartphones, internet access and digital connectivity as essential utilities rather than discretionary items. Meanwhile, higher spending on personal care & social protection, signals greater emphasis on wellness, lifestyle and self-expression, particularly among younger generation and urban

households. Collectively, these trends demonstrate a broader transition from subsistence-oriented consumption towards quality-of-life and aspirational spending, in line with Malaysia's ongoing socioeconomic development.

Income Gains Have Outpaced Inflation But Price Pressures Remain Uneven

Household incomes in Malaysia have risen steadily over the past decade, outpacing inflation and supporting broad-based improvements in household expenditure. Between 2009 and 2024, average household income grew at 5.6% per annum, while the headline inflation rate grew at an average of 2.2% as shown in Table 3.1.1. This resulted in an estimated annual real income growth of 3.4%, indicating households experienced improvements in spending ability. Comparing further, food & beverages (F&B), the largest component of the Consumer Price Index (CPI), rose by 3.3% during the period, indicating ability of households to meet essential needs. In addition, the D1³ category also recorded an improvement in income growth at 7.2%, outpacing the headline and F&B inflation for the income group of less than RM3,000.

TABLE 3.1.1. *Monthly Household Income, Household Consumption Expenditure and Inflation Rate by Selected Group, 2009/10 – 2024*

Items	RM		Growth, % p.a.	Headline Inflation, % p.a.	Inflation (F&B), % p.a.
Monthly Household Income, Consumption Expenditure and Inflation Rate					
	2009	2024	2010 - 2024		
Mean Monthly Household Income	4,025	9,155	5.6	2.2	3.3
Urban	4,705	10,145	5.3	2.2	3.5
Rural	2,545	5,669	5.5	1.9	2.7
Bottom 10% (D1*)	788	2,227	7.2	–	–
	2009/10	2024	2011 - 2024		
Mean Monthly Household Consumption	2,190	5,566	6.9	2.0	3.2
Urban	2,465	6,103	6.7	2.1	3.3
Rural	1,599	3,750	6.3	1.8	2.6
Bottom 10% (D1*)	733	2,186	8.1	2.1**	3.0**

Notes:

* D1 refers to households in the lowest 10% of overall income distribution

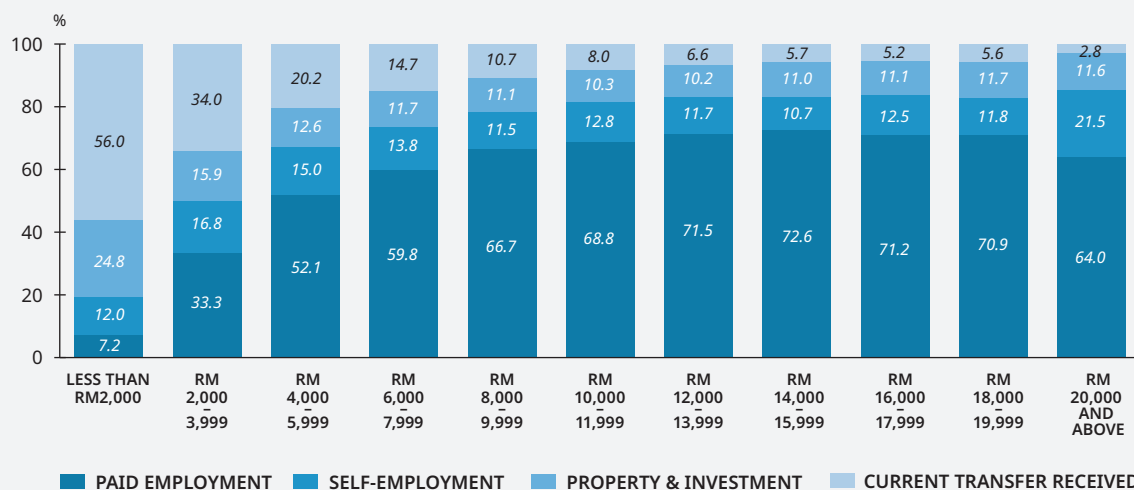
** Inflation for D1 is compared to the CPI for households earning less than RM3,000

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

³ D1 refers to households in the lower 10% income group, defined as those with a monthly household income of less than RM2,890 in 2024. Household income comprises income received from paid employment, self-employment, investment income and current transfers. Current transfers received include cash, goods or services and may be received from other households, the Government or charities, both within or outside the country. Examples of current transfers received include remittances, pensions, alimony and other assistances received periodically.

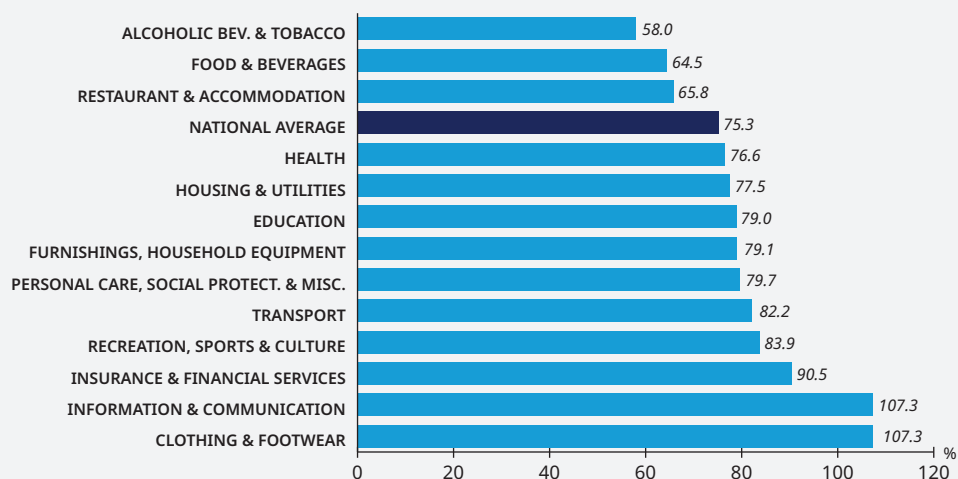
Meanwhile, interpreting cost-of-living pressures solely from the perspective of individual wages may overlook household-level dynamics. Household income, as measured by HIS, captures combined earnings from all household members, including paid employment, self-employment, property & investment, as well as current transfers as shown in Figure 3.1.3. Rising labour force participation, especially among women, and the growing prevalence of dual-income households have meaningfully raised aggregate household income over time (Goldin, 2006). These income gains have translated into stronger household consumption, which serves as an indicator of improved household welfare and economic participation.

FIGURE 3.1.3. Sources of Income by Income Class, 2024



Source: Department of Statistics, Malaysia

Nonetheless, in terms of price pressures, households continue to face challenges, particularly from uneven changes across spending categories. While long-term average of inflation was contained at 2% per annum, cumulative price increases between 2010 and 2024 have eroded the value of money. Spending RM100 on goods and services in 2024 is equivalent to spending RM75.30 in 2010, indicating a decline in purchasing power over the period as shown in Figure 3.1.4. This erosion is more pronounced in key categories, such as F&B and restaurants & accommodation services, where purchasing power declined by more than 60%, reflecting higher price growth. In contrast, categories such as communication and clothing & footwear recorded price decline, underscoring the uneven nature of inflation. While real incomes have improved over time, households remain exposed to varying degrees of price pressure depending on their consumption profile. This highlights the importance of targeted policy responses that consider the fragmented impact of inflation on different household groups and expenditure types.

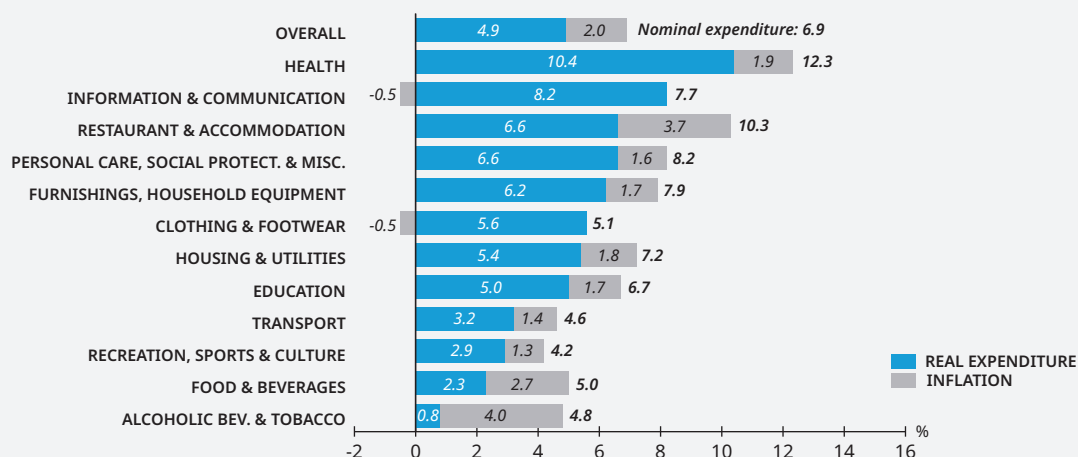
FIGURE 3.1.4. *Purchasing Power by Main Group, 2024, 2010=100 (%)*

Note: Based on the Department of Statistics Malaysia (2021), purchasing power is calculated by dividing the CPI of the reference year by the CPI of the current year and multiplying by 100

Source: Ministry of Finance, Malaysia (estimates)

Influence of Prices in Changing Household Consumption Patterns

Rising incomes and evolving lifestyles are seen to steadily reshape household spending patterns in Malaysia, with consumption shifting from necessities toward services and discretionary items. The data in Figure 3.1.5 shows that nominal household expenditure grew by 6.9%, in which real household spending rose moderately at 4.9%. The notable share of the increased spending is due to higher prices rather than larger quantities of goods and services consumed.

FIGURE 3.1.5. *Nominal Expenditure, Inflation and Real Expenditure Growth by Main Expenditure Group, 2009/10 – 2024*

Notes:

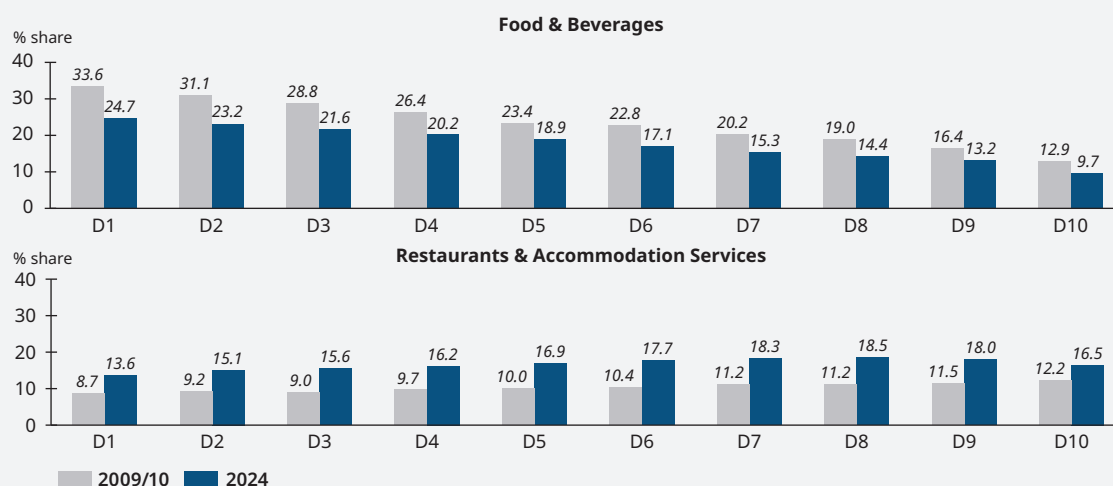
1. Insurance & finance has been grouped with personal care, social protection and miscellaneous in 2024 to align with earlier years where it was not reported separately, for consistency.

2. Inflation for food & beverages and restaurants & accommodation has been adjusted to reflect the reclassification of food away from home from the former to the latter, based on updated Household Expenditure Survey (HES) weights

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

The share of F&B spending has declined across all income groups, signalling a transition towards discretionary items. Theoretically, food becomes a smaller portion of a household budget as income rises.⁴ This can be seen especially among the bottom decile (D1), where the share declined by 8.9 percentage points (ppt) as compared to top income decile (D10) by 3.2 ppt as shown in Figure 3.1.6. Based on the data, food at home is no longer a growing area of spending among higher-income households, underscoring its nature as a necessity that saturates with rising affluence. Once basic nutritional needs are met, households shift focus from necessities to preferences.

FIGURE 3.1.6. *Expenditure on Food & Beverages and Restaurants & Accommodation Services across Income Groups, 2009/10 and 2024*



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

In terms of lifestyle, dining out has become a growing norm, particularly among urban households. Spending on restaurants & accommodation services has increased across all income groups as shown in Figure 3.1.6, of which both D1 and D10 increased by 4.9 and 4.3 ppt, respectively. This supports the findings by Khazanah Research Institute (2025) that expenditure related to dining out is growing robustly, reflecting a clear shift toward convenience and time-saving choices, despite steady price pressures at 3.7% annually as shown in Figure 3.1.5.

After household size adjustment, internal analysis⁵ reveals the top income decile D10 spent almost ten times more on food away from home than the D1. Study on per capita spending also suggests that dining out remains a preference regardless of income level. This can be concluded that eating out is no longer a luxury, but an embedded, aspirational part of modern household consumption. Even amid rising food away from home prices, many households continue to prioritise convenience, reflecting deeper lifestyle and cultural shifts behind cost-of-living concerns.

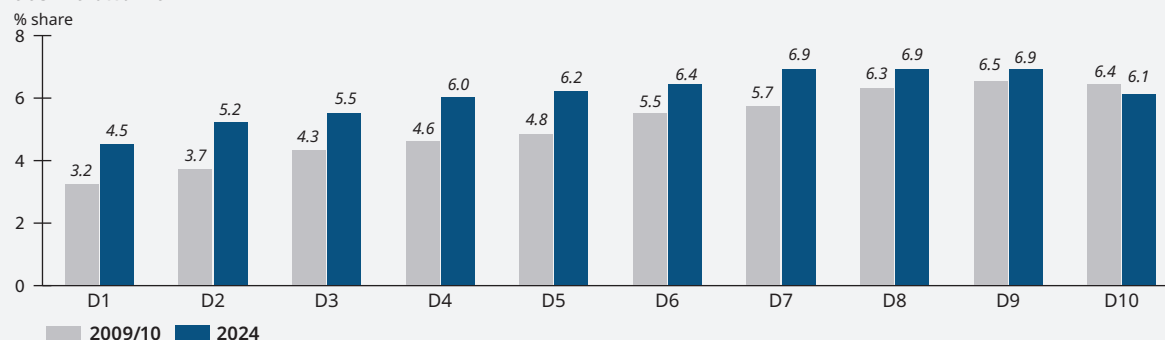
⁴ Engel's Law states that as household income increases, the proportion of income spent on food decreases, even though absolute expenditure/ amount spent on food increases (Chai & Moneta, 2010).

⁵ Based on the MoF study on household expenditure related to dining out across various income groups by household size using HIES 2022 data.

Beyond food, healthcare spending has become a growing priority across all income groups, with spending proportionately increase with rising income, especially among the middle income group. Between 2009/10 and 2024, health-related spending saw the fastest growth across most deciles, with annual increases exceeding 12%. In addition, the average income elasticity⁶ at below 1 across all income groups is aligned with the findings of Habib et al. (2016), indicating the necessity of healthcare. Despite this, the relative income elasticity of the middle- and higher-income working groups is lower, which could be due to employer-provided health benefits. Meanwhile, the growing share signals an increasing concern on long-term health well-being, ageing and access to public healthcare despite the increase in price of medicines & health products.

Similarly, as digital connectivity has become a necessity, the uptake among lower- and middle-income households has been rising driven by widespread access to smartphones and internet services. Among the D1, share of total consumption climbed from 3.2% to 4.5% as shown in Figure 3.1.7. This increase in spending was also supported by slight price deflation of 0.5% per annum as in Figure 3.1.5, partly due to competition among service providers. It is assumed that the lower- and middle-income groups predominantly consist of young and middle-aged working adults. The income elasticity of more than 1 for these groups reflect higher adoption of ICT product and services once the affordability thresholds are reached. This underscores the growing importance of digital access for education, work as well as social and financial inclusion.

FIGURE 3.1.7. *Expenditure on Information & Communication across Income Groups, 2009/10 and 2024*



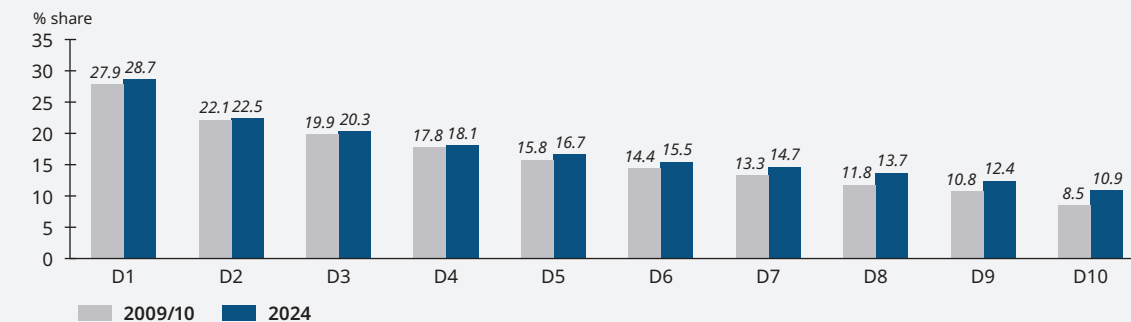
Source: Department of Statistics and Ministry of Finance, Malaysia (estimates)

Housing & utilities remains the biggest expenditure item, especially among lower-income households, which consistently exceeded 28% of total consumption since 2009/10. The percentage of housing & utilities⁷ for D1 comprises 28.7% of income, more than double the 10.9% recorded among the D10 as shown in Figure 3.1.8. This underscores the disproportionate burden of housing & utilities on lower-income groups. Despite moderate inflation at 1.8% per annum, real growth in housing & utilities spending was subdued at 5.4%, reflecting affordability constraints and limited scope for adjustment. Income elasticity remains below one across all deciles, indicating housing & utilities behaves as a necessity⁸.

⁶ Elasticity rules refer to income elasticity of demand, where necessities have elasticity between 0 and 1, while luxuries have elasticity greater than 1 (Frank, 2021).

⁷ The rental component account for 76.2% of total housing & utilities expenditure in 2024.

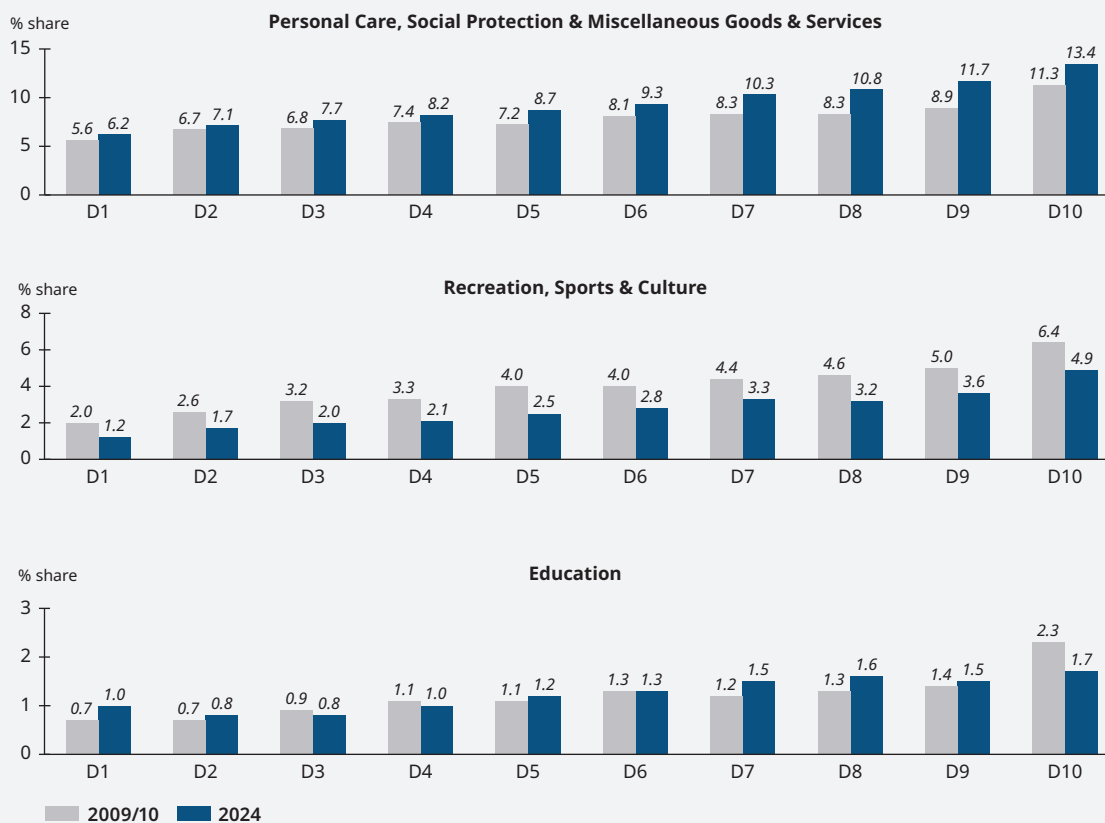
⁸ Explanation on the elasticity rules refer to income elasticity of demand, where necessities have elasticity between 0 and 1, while luxuries have elasticity greater than one (Frank, 2021).

FIGURE 3.1.8. *Expenditure on Housing & Utilities as a Percentage of Household Income across Income Groups, 2009/10 and 2024*

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

Transport component remains a sizeable and essential cost, particularly for the middle- and lower-income households. While the share has declined modestly with the rise of flexible working arrangement since the COVID-19 pandemic, transport still accounts for over 10% of total household spending across most income groups. Despite an inflation of 1.4% annually, real spending has continued to rise, supported by income growth. The 1.4 income elasticity among the lower-income households indicates discretionary spending, beyond necessity. It is assumed that the additional income of these groups are spent to fulfil aspirations and lifestyle preferences. On the other hand, the elasticity among higher-income households plateaus between 0.7 and 0.8, suggesting transport consumption is less sensitive to income increases.

Spending on personal development reflects lifestyle shifts and affordability. Household spending on personal care, recreation and education has evolved in distinct ways, shaped by income, affordability thresholds and access to alternatives. Personal care and miscellaneous goods recorded steady growth across all income groups, with the share of D1 increasing from 5.6% to 6.2%, while the D10 rose by 2.1 ppt to 13.4%, as shown in Figure 3.1.9. Meanwhile, recreation, sports & culture spending remains responsive to income among middle-income households with income elasticity averaging at 1.3, highlighting rising demand for enrichment and leisure once basic needs are met. However, spending in education remained stagnant across all income groups, averaging approximately 1% of total household budgets due to subsidised education, particularly in government schools.

FIGURE 3.1.9. *Expenditure on Personal Care, Social Protection & Miscellaneous Goods & Services, Recreation, Sports & Culture and Education across Income Groups, 2009/10 and 2024*

Notes: Insurance & finance has been grouped with personal care, social protection and miscellaneous in 2024 to align with earlier years where it was not reported separately, for consistency

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

Conclusion

Price changes affect households differently, reinforcing the need for targeted and data-driven policy interventions. While headline inflation serves as an important macroeconomic indicator, it may differ in terms of household-level inflation, particularly for low-income and vulnerable groups. These households typically allocate a larger share of their budgets for essential goods, such as food & beverages, health, housing & utilities and transport, with limited room for substitution when prices rise. Consequently, the impact of household-level inflation is not uniform and can differ significantly across income groups, locations and household preferences. In this regard, various ongoing initiatives continue to safeguard purchasing power of the rakyat and ease cost-of-living pressures, as captured in Figure 3.1.10.

FIGURE 3.1.10. Selected Initiatives & Assistances



Source: Ministry of Finance, Ministry of Economy and Ministry of Domestic Trade and Cost of Living, Ministry of Agriculture and Food Security, Malaysia

As Malaysia progresses towards a more targeted fiscal support, a granular understanding of household consumption patterns is critical. Integrating both price and expenditure data enable a more precise policy calibration, to provide measures in addressing actual household vulnerabilities. This underscores the importance of policies in line with the Ekonomi MADANI framework, which emphasise equitable and targeted measures to safeguard household welfare and ensure inclusive economic resilience. This patterns will continue to evolve as the country moves forward to achieve high-income nation status.

The **Producer Price Index (PPI)** registered a decline in the first eight months of 2025, averaging a decrease of 2.3%, after a marginal increase in the first two months of the year. This is reflected by persistent price declines in export-oriented sectors such as mining and manufacturing, against a backdrop of soft global energy prices and subdued external demand. The mining sector plummeted by 10.0%, reflecting a significant drop in prices for crude petroleum, natural gas and refined products, while the manufacturing sector fell by 2.6%. In contrast, electricity and gas supply increased by 0.8%, agriculture, forestry and fishing rose by 6.7% and water supply increased by 1.8%, providing partial offsets. By

stage of processing, prices for crude materials for further processing; intermediate materials, supplies and components; and finished goods fell by 4.1%, 2.2% and 1.3%, respectively, signalling broad cost containment along the supply chain.

These trends indicate persistent moderation in upstream input costs and subdued price pressures throughout the production chain. PPI growth is expected to remain manageable for the rest of the year, attributed to stable global commodity prices and resilient key domestic sectors. Malaysia's diversified economic base and proactive policy measures continue to offer buffers against external shocks.

TABLE 3.13. *Consumer Price Index,
January – August 2024 and 2025
(2010 = 100)*

	WEIGHT ¹	CHANGE (%)		CONTRIBUTION TO CPI GROWTH (PERCENTAGE POINTS)	
		2024	2025	2024	2025
Consumer Price Index	100.0	1.8	1.4	1.80	1.40
Food & beverages	29.8	1.8	2.2	0.54	0.66
Alcoholic beverages & tobacco	1.9	0.6	0.7	0.01	0.01
Clothing & footwear	2.7	-0.2	-0.2	-0.01	-0.01
Housing, water, electricity, gas & other fuels	23.2	2.9	1.9	0.67	0.44
Furnishings, household equipment & routine household maintenance	4.3	0.9	0.2	0.04	0.01
Health	2.7	2.0	1.2	0.05	0.03
Transport	11.3	1.1	0.6	0.12	0.07
Information & communication	6.6	-0.9	-5.4	-0.06	-0.36
Recreation, sports & culture	3.0	1.7	1.2	0.05	0.04
Education	1.3	1.5	2.1	0.02	0.03
Restaurant & accomodation services	3.4	3.2	3.2	0.11	0.11
Insurance & financial services	4.0	0.1	2.4	0.00	0.10
Personal care, social protection & miscellaneous goods & services	5.8	2.9	3.8	0.17	0.22

¹ Based on Household Income and Expenditure Survey 2022

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

TABLE 3.14. *Producer Price Index,
January – August 2024 and 2025
(2010 = 100)*

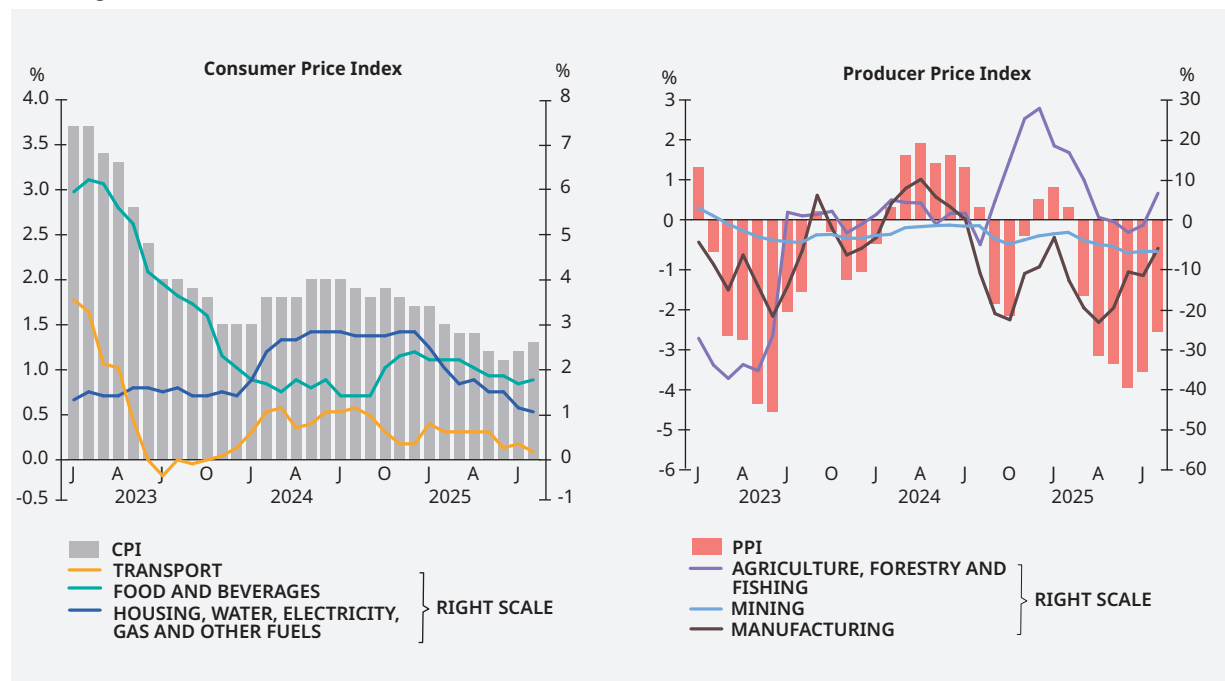
	WEIGHT ¹	CHANGE (%)		CONTRIBUTION TO PPI GROWTH (PERCENTAGE POINTS)	
		2024	2025	2024	2025
PPI by Sector	100.000	0.9	-2.3	0.90	-2.30
Agriculture, forestry and fishing	6.730	3.8	6.7	0.26	0.45
Mining	7.927	3.3	-10.0	0.26	-0.79
Manufacturing	81.571	0.4	-2.6	0.33	-2.12
Electricity and gas supply	3.442	0.5	0.8	0.02	0.03
Water supply	0.330	6.4	1.8	0.02	0.01
Producer Price Index by stage of processing	100.000	0.9	-2.3	0.90	-2.30
Crude materials for further processing	16.410	3.4	-4.1	0.56	-0.67
Intermediate materials, supplies and components	56.119	-0.4	-2.2	-0.22	-1.23
Finished goods	27.471	2.3	-1.3	0.63	-0.36

¹ Based on Economic Census 2016

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

FIGURE 3.6. Consumer Price Index and Producer Price Index Trends (% change)



Source: Department of Statistics, Malaysia

Labour Market

Optimistic labour market outlook

Malaysia's labour market remained strong in the first half of 2025, in line with steady economic performance. Robust domestic demand and sustained job opportunities attracted more new entrants into the market, resulting in the labour force participation rate recording 70.8%. The labour force expanded by 2.4% to 17.3 million persons, while the **total employment** grew higher by 2.6% to record 16.8 million persons. This growth contributed to a decline in the **unemployment rate** to 3% or 520,100 unemployed persons, the lowest rate in a decade. The services sector continued to be the dominant source of employment during the period with a share of 66%, followed by the manufacturing (16.2%) and agriculture (8.8%) sectors.

The significant improvements in the labour market were also reflected in the number of job **placements**, which rose significantly by 150%, with over 188,500 individuals securing positions in the first half of 2025. At the same time, **retrenchments** remained low at 34,005, indicating businesses are focusing on talent retention to support operations. Meanwhile, the number of **vacancies** registered as of June 2025 were over 108,500 positions, with 42.4% in skilled occupations and the remaining 57.6% in semi- and low-skilled roles.

The labour market for the whole year is poised to expand further, following increasing demand for talents as companies expand operations and investments. This is in tandem with increasing pace of digital integration, tourism-related activities and MICE events under ASEAN-Malaysia Chairmanship 2025. Hence, the **unemployment rate** for the year is expected to remain low at 3%.

TABLE 3.15. *Labour Market Indicators*

	('000)			CHANGE (%)		
	H1 ¹	2025 ²	2026 ³	H1 ¹	2025 ²	2026 ³
Labour force	17,270.4	17,309.2	17,707.3	2.4	2.4	2.3
Employment	16,750.3	16,795.0	17,181.3	2.6	2.6	2.3
Unemployment	520.1	514.2	526.0	(3.0)	(3.0)	(3.0)

¹ January to June 2025² Estimate³ 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)			SHARE (%)		
	H1 ²	2025 ³	2026 ⁴	H1 ²	2025 ³	2026 ⁴
Agriculture, forestry and fishing	1,481.6	1,493.3	1,512.7	8.8	8.9	8.8
Mining and quarrying	90.8	91.1	92.9	0.5	0.5	0.5
Manufacturing	2,708.7	2,727.2	2,787.2	16.2	16.2	16.2
Construction	1,411.5	1,415.7	1,443.3	8.4	8.4	8.4
Services	11,055.8	11,066.4	11,343.1	66.0	65.9	66.0
Total¹	16,750.3	16,795.0	17,181.3	100.0	100.0	100.0

¹ Total includes 'Activities of extraterritorial organisations and bodies'² January to June 2025³ Estimate⁴ Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

As at end-August 2025, the number of registered low-skilled **foreign workers** decreased by 15% to 2.1 million persons compared to 2.5 million persons in the same period last year. The contraction was primarily attributable to the Government's decision to impose a freeze in foreign worker quota approval, which will remain in place until year-end 2025. The freeze, prompted by the foreign worker ceiling approaching the 15% threshold, reflects the continued commitment to gradually reduce the economy's dependence on low-skilled migrant labour while encouraging industries to shift towards high-value added activities, leveraged by automation and advanced technology. Foreign workers were sourced mainly from Bangladesh (37.4%), Indonesia (25.6%) and Nepal (15.5%). The manufacturing sector employed the highest

number of foreign workers with a share of 29.5%, followed by the construction (27.7%) and services (18.1%) sectors. Meanwhile, the number of **expatriates** increased by 6.9% to register 121,310 persons as at end-August 2025. The majority of expatriates were from China (26%), India (17.3%) and the Philippines (8.1%), and mainly employed in the information technology (40.8%), services (16.3%) and manufacturing (11.8%) sectors.

Labour productivity, measured by value-added per worker, improved by 2.7% to RM49,753 in the first half of 2025. The performance is mainly attributed to the double-digit productivity expansion in the construction sector, following efficient implementation of ongoing infrastructure-related projects, including the completion of the electric train

services (ETS) south bound rail track and system. Overall, labour productivity is expected to expand by 2.5% to reach over RM101,700 in 2025, following continued investment in skills development, adoption of digital technology, as well as modernisation of business models and regulations. The construction sector is projected to record the highest increase of 8.9%, followed by the manufacturing (2.8%) and services (2.4%) sectors.

Outlook For 2026

Sectoral

Services Sector

Looking forward to Visit Malaysia 2026

The **services** sector is projected to grow by 5.2% in 2026, with all subsectors contributing to the expansion. This growth will be led by increased tourism activities, driven by a surge in visitor arrivals and spending related to VM2026, alongside sustained consumer spending.

The wholesale and retail trade subsector will remain the key driver for the services sector, with a growth of 5% mainly attributed to the retail segment. Vigorous seasonal sales and promotional campaigns across stores as well as e-commerce and social media platforms will stimulate buying activities. In addition, initiatives such as product demonstrations and in-store placements as well as attractive pricing strategies will enhance sales of locally made products. Meanwhile, the motor vehicles segment is expected to rebound, supported by higher booking for new vehicles.

The transportation and storage subsector is forecast to grow by 7.1%, supported by all segments following the expansion in rail, highway, port and airport activities. The land transport segment is anticipated to be boosted by the commencement of operations of the Light Rail Transit 3 (LRT3) Phase 1 and ETS south bound as well as operationalisation of the East Klang Valley Expressway (EKVE).

Likewise, the air transport segment is expected to be driven by increased flight frequencies, expanded route connectivity and a surge in international passenger traffic in conjunction with VM2026. The targeted incentives and airport capacity upgrades will further support growth in both passenger and cargo segments. The water transport segment is projected to expand in tandem with encouraging trade activities.

The finance and insurance subsector is anticipated to expand by 2.8% with positive growth in all segments, supported by sustained economic activities. Under the finance segment, loan growth is anticipated to remain moderate amid steady credit demand from household sector. Meanwhile, the insurance segment is expected to remain modest with stable premium growth despite net benefit pay-outs remaining high, particularly for life insurance policies.

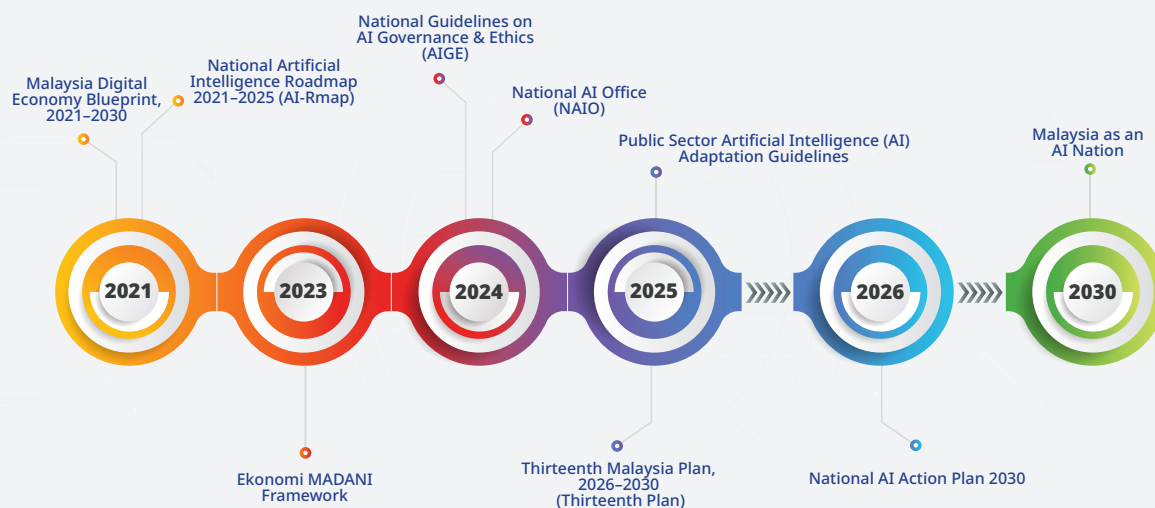
The real estate and business services subsector is projected to grow by 6.7%, driven by sustained demand for professional services. The growth is expected to be spurred by engineering-related services, benefiting from increased demand for logistic hubs, warehouses and ongoing development of industrial parks. This expansion is also anticipated to be fuelled by new demand from key projects, including the JS-SEZ and continuous construction activities for new data centres.

The information and communication subsector is expected to grow 4.3%, mainly driven by expansion in AI technologies, data centre and cloud computing capacities as well as continued government support through comprehensive digital policies and infrastructure upgrades. In addition, the subsector will be fuelled by higher social commerce activities via various social platforms as well as subscriptions of over-the-top (OTT) media services for e-sports and entertainment. Major sporting events such as the 2026 FIFA World Cup, BWF Thomas & Uber Cup 2026 and the 2026 Commonwealth Games will increase the number of subscribers, further boosting the subsector.

Information Box 3.2**Bridging the Artificial Intelligence Divide in Malaysia****Introduction**

Artificial Intelligence (AI) is a suite of technologies that enable machines to exhibit intelligence, adapt to changing circumstances and amplify human ingenuity and intellectual capabilities. These technologies encompass a broad spectrum of capabilities including learning, reasoning, problem-solving and decision-making. Consequently, AI is expected to rapidly reshape technological and innovation landscapes, while emerging as a critical enabler of progress and inclusive growth. The adoption of AI is anticipated to enhance competitiveness across socioeconomic activities by enabling businesses to operate more efficiently, creating new opportunities for employment and contributing to higher living standards. The integration of AI has the potential to contribute approximately USD115 billion or RM485 billion in value added to the national economy (Ministry of Digital, 2024). Thus, realising this potential requires not only accelerating adoption but also ensuring benefits are shared inclusively to prevent the incidence of an AI divide across society.

The Government has set a clear aspiration to become an inclusive and sustainable AI nation by 2030, as outlined in the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan). This is underpinned by national strategies and frameworks, including the Malaysia Digital Economy Blueprint, 2021 – 2030; the National Artificial Intelligence Roadmap, 2021 – 2025 (AI-Rmap); the National Guidelines on AI Governance & Ethics (AIGE) and the Public Sector Artificial Intelligence (AI) Adaptation Guidelines, as shown in Figure 3.2.1.

FIGURE 3.2.1. AI-related Policies and Guidelines

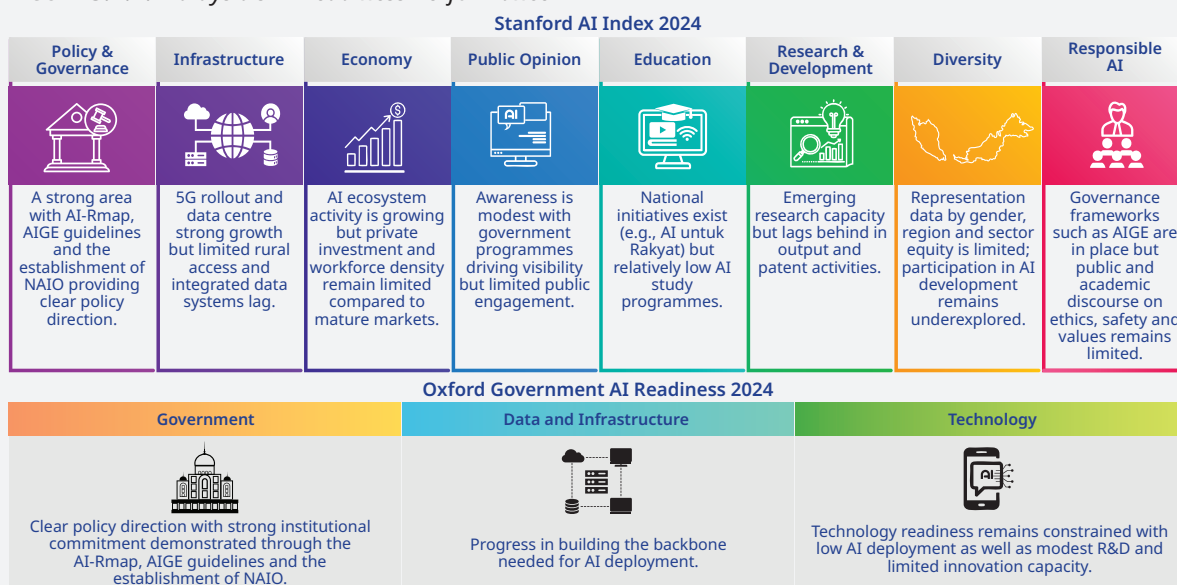
Source: Ministry of Digital; Ministry of Economy; Ministry of Science, Technology and Innovation; National AI Office and Prime Minister's Office of Malaysia

Malaysia's Current AI Readiness Landscape

Malaysia's current state of AI readiness reveals notable progress, while simultaneously highlighting the need for greater maturity and broader impact. Evaluations from leading global indices in 2024 provide a balanced perspective on the nation's standing. The Stanford University recognised the government's effort in charting the AI development in Malaysia as reflected in the Stanford AI Index¹ 2024. Similarly, the Oxford Government AI Readiness Index² highlights strong foundations in vision, governance, ethics and digital capacity. Both indices highlighted that Malaysia performed relatively well in building solid policy and institutional foundations, with initiatives reinforced by the establishment of the National AI Office (NAIO).

Although Malaysia's progress highlights institutional readiness and demonstrates strong policy and governance foundations, there are needs to strengthen ecosystem maturity through greater research, innovation and industry adoption. A moderate achievement in infrastructure is due to persistent gaps in internet connectivity such as limited rural network access and integrated data systems lag. In addition, low AI adoption and limited talent development remain as challenges for Malaysia. Summary of Malaysia's AI readiness are as shown in Figure 3.2.2.

FIGURE 3.2.2. *Malaysia's AI Readiness Performance*



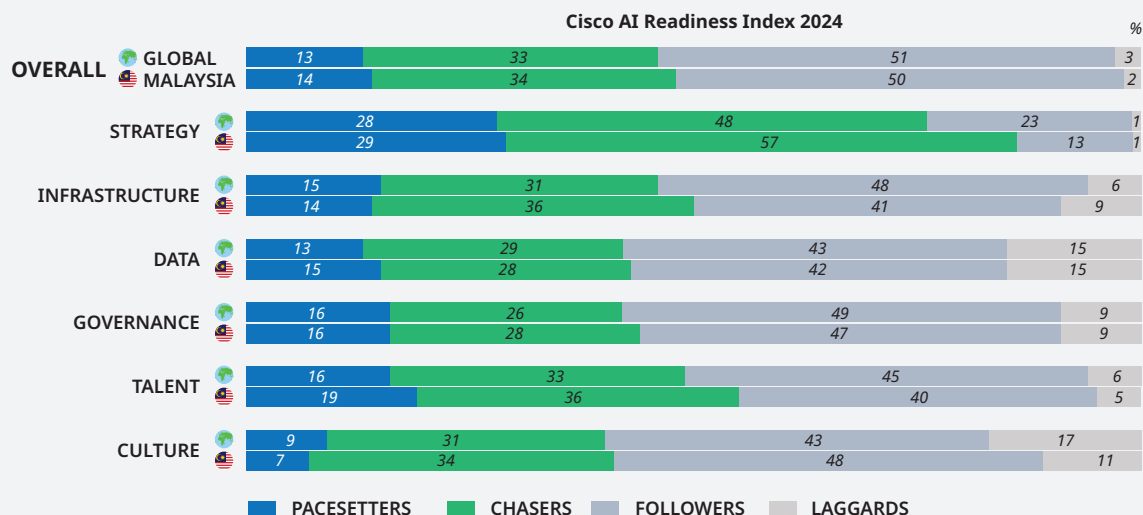
Source: Stanford University and Oxford Insights

¹ The Stanford AI Index assesses country-level AI vibrancy through eight key pillars, each representing a critical aspect of AI development. The pillars are Research and Development, Responsible AI, Economy, Education, Diversity, Policy and Governance, Public Opinion, and Infrastructure.

² The Oxford Government AI Readiness Index assesses how well-prepared governments are to implement AI technologies in public services across three pillars: Government, Data & Infrastructure and Technology.

Despite the Government's efforts, companies' ability and readiness to fully leverage AI is still limited as reflected in the Cisco AI Readiness Index³ 2024 report. This underscores the modest adoption of AI capabilities across the enterprise level as infrastructure readiness remains a major barrier. In addition, talent development, data management and governance need to be further emphasised to accelerate Malaysia's AI adoption. The findings of the Cisco AI Readiness Index 2024 are shown in Figure 3.2.3.

FIGURE 3.2.3. *AI Readiness of Malaysia's Companies*



Source: Cisco Systems, Inc.

The AI Divide Challenges

Efforts to bridge the AI divide are imperative in building a comprehensive ecosystem as Malaysia reaches the final year of the AI-Rmap. Despite strong policy direction, AI adoption particularly among SMEs remains uneven especially in the absence of SME-friendly AI platforms. Key barriers of AI adoption include limited expertise and knowledge of practical applications, uncertainty in investment returns and lack of customised AI-related financing. Reskilling and upskilling programmes also remain fragmented and insufficient to meet growing demand for AI competencies. In addition, digital infrastructure gaps, particularly in remote and rural areas, results in uneven access to reliable high-speed connectivity, further restricting the effective use of cloud-based services and real-time applications. These gaps, coupled with insufficient AI-ready datasets, hinders the potential benefits of AI.

Way Forward

As stated in the Thirteenth Plan, Malaysia aspires to become an inclusive and sustainable AI nation by 2030. Aligned with the policy to become a regional digital technology hub and to realise the 'Made by Malaysia' products and services, there is a need to strengthen innovation ecosystems, modernise infrastructure, future-proof the workforce and enhance governance.

³ The Cisco AI Readiness Index measures AI readiness of companies across six key pillars: Strategy, Infrastructure, Data, Governance, Talent and Culture.

Strengthening the Domestic Innovation Ecosystem

The domestic innovation ecosystem will be strengthened by providing facilities and targeted assistance to foster closer collaboration among researchers, universities and government research institutes. Emphasis will also be given to support the protection of intellectual property and drive homegrown innovations. Furthermore, a more prominent role by the private sector in providing incubation hubs and sandboxes is critical in bringing AI solutions to market.

Expanding Data and Digital Infrastructure

Expanding AI-ready datasets and developing national supercomputer facilities will accelerate AI capabilities. Moreover, nationwide rollout of 5G will ensure improved connectivity as well as expanding rural broadband and community access points. These efforts will enable industry-specific applications while safeguarding national digital sovereignty.

Enhancing Education and Training Systems

Embedding AI literacy across the education system is needed in preparing students for real-world applications. Meanwhile, the Government has introduced upskilling and reskilling programmes, particularly in AI-related field to further equip workers with AI knowledge and technical expertise.

Advancing AI-Ready Civil Service and GovTech Platforms

The Government will continue to improve the public service delivery system by leveraging AI towards enabling data-driven and more responsive decision-making. In this regard, the Government will expand the adoption of GovTech through a whole-of-government approach to transform the public sector, while streamlining operations and enhancing data sharing across ministries and agencies.

NAIO to Steer the National AI Agenda

NAIO is mandated to accelerate adoption, foster innovation and ensure faster development of AI towards enhancing Malaysia competitiveness and sustainable growth. This can be achieved through seven deliverables⁴, including formulation of the National AI Action Plan 2030 to ensure the adoption of AI across all sectors. Additionally, a dedicated AI framework will be introduced to enhance transparency, promote ethical practices and accelerate deployment of AI technology.

Conclusion

Advances in AI are rapidly transforming the dynamic of economies worldwide. Capitalising on advanced digital technologies, Malaysia seeks to harness economic opportunities that strengthen national resilience and promote inclusive growth. This reflects the aspiration to become an AI nation by 2030 through building a digitally empowered, future-ready economy that benefits all Malaysians.

⁴ Seven deliverables outlined by NAIO are the National AI Action Plan 2030, AI Adoption Regulatory Framework, Acceleration of AI Technology Adaptation, AI Code of Ethics, AI Impact Study for Government, National AI Trend Report and the development of datasets related to AI technology.

The food & beverages and accommodation subsector is poised to expand by 6.6%, in anticipation of higher visitor arrivals in conjunction with VM2026 as well as numerous business and leisure events nationwide. The development of Special Tourism Investment Zones (STIZ) in Johor, Melaka, Negeri Sembilan and Sarawak is expected to attract private investment and further boost tourism activities. The zones will showcase new tourism products focusing on arts, culture, heritage and natural attractions. In addition, visit state year programmes in Johor, Negeri Sembilan, Perlis and Selangor are expected to further promote domestic tourism activities and fuel the growth of the subsector.

The utilities subsector is projected to expand by 1.7%, driven by steady demand from industrial and commercial users for electricity and water services. This is in tandem with the increase in industrial production activities to meet domestic and external demand. In addition, the increasing number of data centres in operation will further support the subsector.

The other services subsector is projected to rise by 4.6%, driven by private health and education segments. In particular, the Malaysia Year of Medical Tourism 2026 (MYMT 2026) initiative, emphasising affordability and high-quality healthcare services will attract more healthcare travellers. The healthcare industry will continue to focus on a targeted marketing campaign, particularly in China, India and Indonesia. Meanwhile, the private education segment is expected to remain robust, anchored by ongoing initiatives to draw in students such as through educational tourism, international partnerships and mobility programmes.

The government services subsector is forecast to record a growth of 6.8% in 2026 attributed to the implementation of salary adjustment under Phase 2 of the SSPA. In addition, expenditure on supplies and services

is expected to remain steady following commencement of the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan).

Manufacturing Sector

Expansion remains favourable

Growth in the **manufacturing** sector is projected to remain steady at 3% in 2026, supported by both export- and domestic-oriented industries. The broader gains from the global technology upcycle is anticipated to continue supporting export-oriented industries. The E&E cluster is expected to remain the key driver, with sustained growth across semiconductor products, particularly in the chips segment, following robust demand for AI applications and digitalisation. These developments will further elevate growth prospects and strengthen Malaysia's position in the global E&E supply chain.

Meanwhile, domestic-oriented industries will be supported by higher output, attributed to stable investment and consumption activities as well as concerted government efforts to boost local production. A surge in visitor arrivals and rising gastronomic activities are expected to increase output in the consumer goods segment, particularly food and beverages. Furthermore, Phase 2 of the SSPA implementation is anticipated to boost household spending. The transportation-related industries will also benefit from increasing logistics and travel activities.

Agriculture Sector

Upward growth trend persists

The **agriculture** sector is forecast to expand by 2.2% in 2026, supported by all subsectors, except forestry and logging. The oil palm subsector is projected to produce higher CPO output attributed to increased FFB and oil extraction rate (OER). These improvements are mainly driven by expected favourable weather

conditions, expansion of matured plantation areas and further improvements in harvesting practices as well as continued adoption of mechanisation. Additionally, improved OER, owing to more frequent harvesting activities and better field management, is likely to enhance fruits quality and reduce losses. These developments will provide a lift to the overall expansion of the oil palm subsector during the year. In terms of price, average CPO price is forecast to range between RM3,900 and RM4,100 per tonne (2025: RM4,000 – RM4,300). This is in line with higher global CPO production and increased output of competing vegetable oils. Meanwhile, the rubber subsector is anticipated to rebound in line with higher production from both estates and smallholdings segments.

The output of livestock, fishing and other agriculture subsectors are also expected to expand, attributed to growing demand from household spending and tourism activities. In addition, the upcoming action plan under the national blueprint on food security is expected to propel the growth of subsectors. Furthermore, implementation of the Thirteenth Plan initiatives to modernise the agriculture sector by prioritising large-scale agriculture, accelerate modern rice farming and adopting latest technologies will further catalyse these subsectors.

Mining Sector

Muted outlook

In 2026, the **mining** sector is projected to contract by 1%, reflecting subdued performance across all subsectors. The natural gas subsector is projected to decline, primarily due to lower production in Peninsular Malaysia and Sabah as well as moderating demand from major importing countries such as Japan, China and the Republic of Korea. Overall, natural gas

production is expected to be slower, despite the scheduled commencement of several new projects, including Rosmari & Marjoram in Sarawak as well as Irong Timur and Kurma Manis in Terengganu. Meanwhile, the crude oil and condensate subsector is projected to decline, weighed down by lower output in Sabah. In terms of price, Brent crude oil is expected to average between USD60 and USD65 per barrel.

Construction Sector

Steady growth path

The **construction** sector is expected to remain stable in 2026 by recording a growth of 6.1%, underpinned by positive performance across all subsectors. The realisation of approved strategic investments under national policies and commencement of projects under the Thirteenth Plan, will further support the sector's performance. Within the subsectors, major infrastructure and utilities development such as LRT Mutiara Line, HHFS and ASEAN Power Grid will steer the civil engineering subsector's performance. In addition, the non-residential buildings subsector is anticipated to be driven by sustained demand for industrial facilities, logistics hubs and data centres, in line with the expansion of high technologies as well as digitalisation. Meanwhile, the residential buildings subsector is expected to benefit from government-led affordable housing programmes and targeted home ownership initiatives supported by policy measures under the Thirteenth Plan as well as new projects by private sectors. On the other hand, specialised construction activities subsector is projected to grow in tandem with other subsectors' performance supported by sustained demand for site preparation, mechanical and electricals, as well as finishing works.

Domestic Demand

Consumption and investment to propel economic activity

In 2026, **domestic demand** is expected to register a growth of 5.4%, steered by sustained private sector expenditure at 5.7%. Strong consumption and investment activities will keep the private sector's contribution significant at 4.5 ppt to GDP growth. Meanwhile, public expenditure is anticipated to rise by 4.4%, contributing 0.8 ppt to overall growth.

Private consumption is projected to grow by 5.1%, driven by sustained income growth and favourable employment prospects. In addition, spillover effects from the implementation of Phase 2 of the SSPA, STR and the BUDI MADANI RON95 (BUDI95) targeted subsidy programme are expected to provide further impetus to household spending, particularly among lower- and middle-income groups. Consumer spending will also be stimulated by higher tourism-related activities alongside major national and international events, including VM2026 and MAHA 2026 as well as 2026 FIFA World Cup and BWF Thomas & Uber Cup 2026.

Private investment is anticipated to register a growth of 7.8% in 2026, driven by increased capital spending on structures and machinery & equipment in technology-intensive manufacturing and services sectors. The large volume of approved investments is expected to be realised, particularly in semiconductors, renewable energy and data centres. This outlook is reinforced by the strong implementation track record, with the execution of 85.1% manufacturing projects approved between 2021 and June 2025. Strong global demand for E&E, coupled with automation and digitalisation is expected to further stimulate investment in high-value and innovation-led activities. At the same time, ongoing initiatives such as GEAR-uP and the rollout of national masterplans will strengthen investor confidence and Malaysia's position as a competitive investment destination.

Public consumption is projected to grow by 3.2% in 2026, primarily driven by increased spending on emoluments following salary adjustment under Phase 2 of the SSPA. Expenditure on supplies and services is expected to remain steady, ensuring the continued delivery of essential public services while aligning with the Government's fiscal discipline and value-for-money principles.

Public investment is anticipated to expand by 7.3% in 2026, mainly driven by increased capital spending by public corporations, which are estimated to account for about 70% of total public investment. Growth will be further underpinned by key developments in strategic sectors, including utilities, energy and transportation, to support economic resilience and future growth. This includes projects to enhance electricity generation capacity, upgrade railway networks, and public transport systems. Public investment is also expected to gain momentum in the first year of the Thirteenth Plan, driven by the implementation of new people-centric projects aimed at improving public wellbeing, such as the construction of a cancer centre in the northern region, the upgrading of the Miri airport terminal and a programme to strengthen national food security. These initiatives will be supported by GLICs' strategic investments in priority sectors. Overall, the public investment activities will further strengthen the national development agenda while promoting inclusive and sustainable growth.

In 2026, GNI in current price is anticipated to grow by 5.3% to RM2,064.2 billion. The share of GNS as a percentage of GNI remains high at 22.9%, primarily contributed by the private sector savings. Meanwhile, total investment is expected to increase by 6.2% to RM450.5 billion and account for 21.8% of GNI. The **savings-investment gap** is expected to record a surplus of RM23.2 billion or 1.1% of GNI, providing ample liquidity for long-term productive investment.

Income

Continuous reforms to boost income growth

The outlook for **CE** is expected to be more favourable in 2026, attributed to strengthened labour institutions and enhanced wage-setting mechanisms. The decent wage initiative under GEAR-uP may encourage other corporations to pay higher wages to their employees. Additionally, cyclical events, such as VM2026, are expected to drive tourism-related industries including wholesale & retail trade, food & beverages, accommodation, logistics and support services activities, further expanding job opportunities and wage growth. These developments will support higher labour income share to 34.9%, to gradually close the gap towards the longer-term target of raising the labour income share to 40% of GDP by 2030.

The **GOS** is projected to expand by 3.1%, contributing 60.8% share of GDP in 2026. Operating surplus growth will hinge on robust domestic demand as well as continued strength in services, in particular tourism-related industries and infrastructure-linked activities. However, rising input costs and external risks due to uncertain global trade conditions may constrain the profit margins on export-oriented firms. Meanwhile, mixed-income is forecast to rise by 10.6%, contributing 17.2% of GDP. The Gig Workers Bill 2025, will enable the establishment of a fair income framework, providing social protection for about 1.2 million individuals engaged in gig work, including e-hailing drivers and freelancers. The legislation, which also aims to integrate gig workers into the formal economy, is anticipated to boost motivation and more participation in self-employment as the main source of household income.

Income from indirect tax and non-tax revenue on production and imports is anticipated to increase by 7.9% in 2026, attributed to

ongoing reforms on revenue diversification and tax expansion. Meanwhile, expenditure on subsidies and incentives is expected to decline by 38.5% as the Government remains committed to implement subsidy targeting. Hence, the income share from **net taxes** on production and imports is projected to contribute 4.3% of GDP in 2026 in line with sustaining fiscal consolidation strategies.

External Sector

Steady external prospects

In 2026, **gross exports** are forecast to increase by 2.8%, particularly for manufactured and agriculture goods, backed by the continued expansion of the E&E sector, driven by higher demand for semiconductor and AI edge applications, as well as competitive commodity prices. The growth is also attributed to stronger external demand from trade expansion following market and product diversifications, on the back of Malaysia's comparative advantage, particularly in semiconductor. Additionally, intensified intra trade with ASEAN member countries as well as ventures into non-traditional markets will further strengthen exports.

Exports of manufactured goods are anticipated to expand by 3%, resulting from rising demand for both E&E and non-E&E products. These products constitute shares of total manufactured goods at 50.4% and 49.6%, respectively. The E&E products are projected to grow by 3.9%, buoyed by steady demand for semiconductor. This is in tandem with the continued technological upcycle, leading to a better performance outlook of the global semiconductor market at 9.9%, as reported by the World Semiconductor Trade Statistics. Concurrently, exports of non-E&E products are estimated to rebound by 2.1%, following higher demand, particularly for palm oil-based manufactured products; manufactures of metal; chemicals and chemical products; as well as machinery, equipment and parts.

Exports of agriculture goods are projected to grow by 3.3%, supported by sustained global demand for palm oil and palm oil based agriculture products, attributed to higher export volumes and competitive prices for agriculture goods. Conversely, exports of mining goods are estimated to contract marginally by 0.4% on account of lower exports of LNG and crude petroleum, partly due to slower demand from major importing countries.

Gross imports are forecast to increase by 3.9% in 2026, supported by growth in all components, reflecting Malaysia's steady performance in key economic sectors and strategic investment activities. Imports of intermediate goods are anticipated to expand by 4.2%, particularly for parts and accessories as well as industrial supplies, in tandem with increasing exports of manufactured goods. In addition, imports of capital goods are projected to expand by 4.3%, following continuous investment activities driven by data centre development, as well as increasing demand for lumpy items such as aircrafts and locomotives. Imports of consumption goods are anticipated to rise by 3.9%, indicating stronger household spending.

The **current account of the balance of payments** is forecast to register a lower surplus of RM23.2 billion or 1.1% of GNI in 2026, resulting from payments growing faster than receipts, following realisation of approved investments and ongoing project developments. The goods account is projected to record a narrower surplus of RM98.3 billion, contributed by strong imports, particularly for capital goods, which more than offset higher demand from major trading partners. Contrarily, the services account is expected to turnaround and register a slight surplus of RM0.1 billion, attributed to a higher net inflow in the travel account and a smaller net outflow in the other services account, while registering

a wider deficit in the transport account. Receipts in the travel account are expected to increase to RM119.5 billion, bolstered by higher tourist arrivals. Nonetheless, payments in the travel account are anticipated to increase to RM65.3 billion, following residents spending abroad for business, education and pilgrimage travelling activities.

Incomes from the transport account are projected to reach RM37.1 billion, contributed by higher earnings from air travel and cargo handling services provided by domestic companies. However, continuous dependency on foreign transport services is expected to increase payments in the transport account to RM69.9 billion, leading to a higher net outflow of RM32.8 billion in 2026. Meanwhile, the other services account is anticipated to register a smaller deficit of RM21.4 billion, supported by increasing earnings to reach RM130.6 billion, stemming from repatriation of profits on investment and ongoing strategic projects abroad. Nonetheless, payments in the other services account are expected to be at RM152 billion, due to higher payments for the telecommunications, computer and information services as well as charges for the use of intellectual property.

The primary income account is forecast to record a wider deficit of RM61.6 billion in 2026, owing to higher payments in the compensation of employees and investment income accounts. Payments in the investment income account are expected to increase, attributed to repatriation of profits by foreign investors, in tandem with robust investment activities, resulting in a higher deficit of RM49.9 billion. Similarly, compensation for foreign professionals is anticipated to register a larger net outflow of RM11.7 billion, following the ongoing development agenda for HGHV industries such as digital technology, including AI, cloud computing and automation. However,

a narrowing deficit of RM13.5 billion is projected in the secondary income account, mainly due to higher remittances by Malaysians working abroad.

Prices

Inflation to remain stable

Headline inflation is projected to range between 1.3% and 2% in 2026, reflecting a continued environment of manageable price growth. The outlook is shaped by steady domestic demand, stable labour market conditions as well as policies that support household purchasing power and market stability. Price pressures are anticipated to remain contained, supported by ongoing improvements in supply chains and productivity, with producer-price movements gradually passing through to consumers. Risks to the outlook are broadly balanced with upside risks include potential adjustments to domestically administered prices or higher global commodities. However, downside risks stemming from a stable ringgit, ongoing policy measures and any further easing in global food and energy prices would temper inflation.

Labour Market

Resilient labour market, future-ready workforce

In 2026, the labour market is expected to remain optimistic, underpinned by resilient domestic demand and the continued expansion in key sectors. It will also be supported by a boost in tourism following the VM2026 and the roll-out of strategic public investments under the Thirteenth Plan. Ongoing structural reforms, particularly the wage-setting mechanisms and efforts to enhance working conditions, are anticipated to encourage greater labour force participation and improve workers' well-being. While lingering uncertainties in global trade may weigh on hiring in export- and commodity-related

industries, robust growth in domestic-oriented sectors is expected to sustain employment and wage growth. Accordingly, the **unemployment rate** is anticipated to remain at 3% in 2026. Total **employment** is projected to expand by 2.3% to 17.2 million persons, driven largely by job creation in the services and manufacturing sectors, which are expected to continue accounting for over 80% of total employment.

The number of low-skilled **foreign workers** is expected to decrease in 2026, attributed to the strict approval of foreign worker quota applications on a case-by-case basis for specific approved sectors such as agriculture, construction and certain service industries. The Government also remains committed to reducing the dependency on foreign workers by limiting the hiring ceiling from 15% to 10% of total employment, as outlined in the Thirteenth Plan. The implementation of the multi-tiered levy mechanism in 2026 is also expected to further drive industries towards mechanisation and automation, thus further reducing demand for low-skilled foreign workers. On the other hand, continued demand for workers in the economy will be met through greater investment in automation and upskilling of local workers to support productivity gains.

Labour productivity is projected to increase by 2% to record RM103,700 in 2026, supported primarily by improvements in the construction and services sectors. This growth will be reinforced by ongoing efforts to strengthen skills development programmes to better align with industry needs, alongside greater investments in digital transformation and mechanisation to accelerate technology adoption across industries. Furthermore, strategies to improve regulatory and governance through digitalisation are expected to streamline service delivery and create a more efficient and productive business environment.

Conclusion

Malaysia's economy is expected to maintain resilient growth trajectory, anchored by a diversified economic structure and sound policy management against heightened global uncertainties, stemming from unsettled trade tariffs and prolonged geopolitical tensions. While Malaysia's export-oriented markets remain vulnerable, domestic demand will continue to provide a solid foundation, supported by a strong labour market and vibrant private consumption. The upcoming VM2026 is strategically positioned to act as a lever for the economy. With the target of attracting 47 million foreign visitors, VM2026 is set to boost the services sector including retail, transportation and hospitality, while the manufacturing sector and trade remain supportive. The combination of a robust domestic economy, enhanced trade diversification and a major tourism impetus, positions Malaysia to navigate global headwinds and sustain the nation's growth momentum.

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CHAPTER 4

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CHAPTER 4

Monetary and Financial Developments

Overview

Resilient financial market to withstand external headwinds

Malaysia's financial market remains orderly and continues to operate effectively despite global financial markets volatility arising from ongoing tariff tensions, heightened geopolitical risks and an extended period of high US interest rates. The domestic financial market has demonstrated resilience, underpinned by well-capitalised financial institutions and a well-functioning capital market that continues to support economic activity. The supportive monetary policy is expected to stimulate growth by providing a conducive environment for businesses and households.

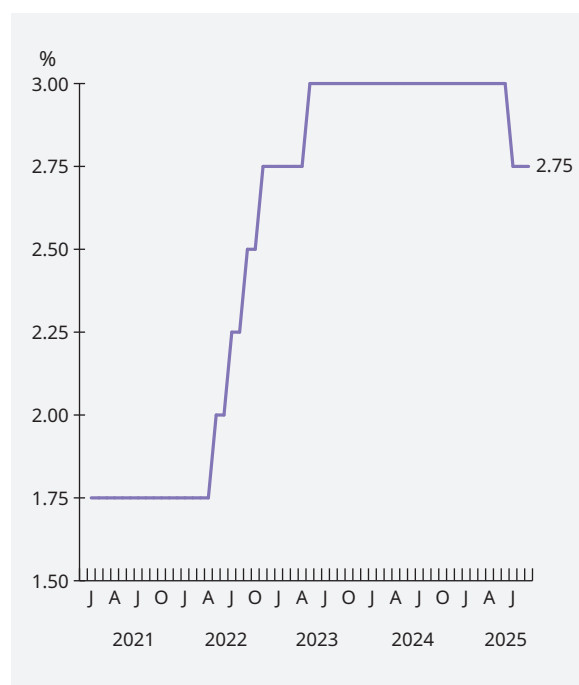
Monetary Developments

Supportive monetary policy preserves Malaysia's steady growth

Monetary policy in 2025 remains focused on supporting economic growth amid global uncertainties in an environment of domestic price stability. The Overnight Policy Rate (OPR) was maintained at 3.00% during the first half of the year. The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) decided to lower the OPR for the first time in July 2025 since May 2023, by 25 basis points (bps) from 3.00% to 2.75%. The OPR adjustment was made as a pre-emptive measure aimed at preserving Malaysia's steady growth path in view of uncertainties surrounding external developments, amid moderate inflation prospects. Moreover, the reduction of the Statutory Reserve Requirement (SRR) ratio from 2.00% to 1.00% in May 2025 was part of

BNM's continuous efforts to ensure sufficient liquidity in the domestic financial system. This will facilitate banks to better manage liquidity in an environment of greater financial market volatility and provide continued support for financial intermediation activities in response to the challenging global environment.

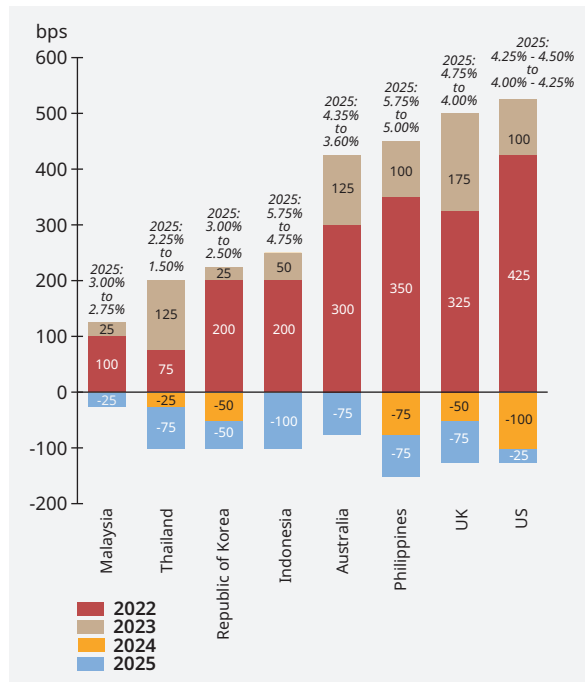
FIGURE 4.1. Overnight Policy Rate Level (%)



Source: Bank Negara Malaysia

In line with the reduction in the OPR, interest rates within the banking system were adjusted accordingly. The Standardised Base Rate (SBR) and banks' Base Rates (BRs) experienced immediate and direct pass-through, with retail banks revising their rates within days to mirror the change. Interest rates on fixed deposits with maturities of 1 month to 12 months moderated to a range of 1.95% to 2.22%. Meanwhile, the average savings deposit rate declined by 5 bps to 0.37% as at end-July 2025.

FIGURE 4.2. Monetary Policy Rate Adjustments for Selected Central Banks, January 2022 – September 2025 (bps)



Source: Bank Negara Malaysia and Bloomberg

At the current OPR level, the monetary policy stance is appropriate and remains supportive of the economy amid price stability. Going forward, the MPC will continue to monitor ongoing developments and assess the risks surrounding the outlook for domestic growth and inflation.

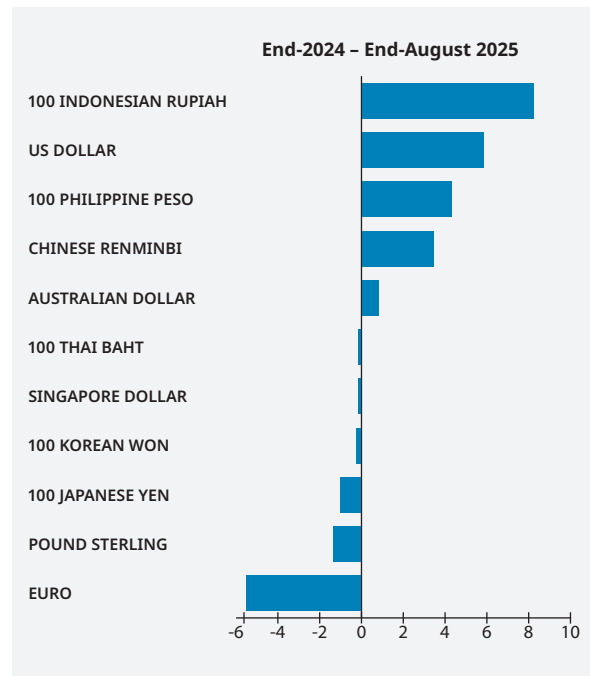
Performance of Ringgit

Ringgit maintains as one of the best-performing Asia currencies

From the beginning of the year until end-August 2025, the ringgit strengthened to RM4.2253, recording a gain of 5.8% against the US dollar. The ringgit also appreciated against several Asian currencies, such as the Indonesian rupiah (8.2%), Philippine peso (4.3%) and Chinese renminbi (3.4%), maintaining its position as one of the best-performing currencies in the region. The ringgit's appreciation stems from the broad-based weakening of the US dollar against most major and regional currencies, following

unpredictability in the US trade policy and growing concerns over long-term fiscal sustainability, which have dampened investors' confidence in the US economic prospects.

FIGURE 4.3. Performance of Ringgit against Selected Currencies (% change)



Source: Bloomberg

External factors continue to influence the ringgit's performance, including ongoing uncertainty surrounding the US tariff developments, which weigh on global financial markets. Additionally, the recent 25 bps rate cut by the US Federal Reserve (Fed) in September 2025 to a range of 4.00% to 4.25%, coupled with the anticipation of two more rate cuts towards the end of 2025 may boost the ringgit. Furthermore, as Malaysia's largest trading partner, steady performance of China's economy could influence the ringgit exchange rate by boosting positive market sentiment. On the domestic front, Malaysia's economic resilience, supported by ongoing structural reforms and initiatives to encourage flows, will continue to provide enduring support to the ringgit. To this end, BNM remains committed to ensuring the orderly functioning of the domestic foreign exchange market.

Banking Sector Performance

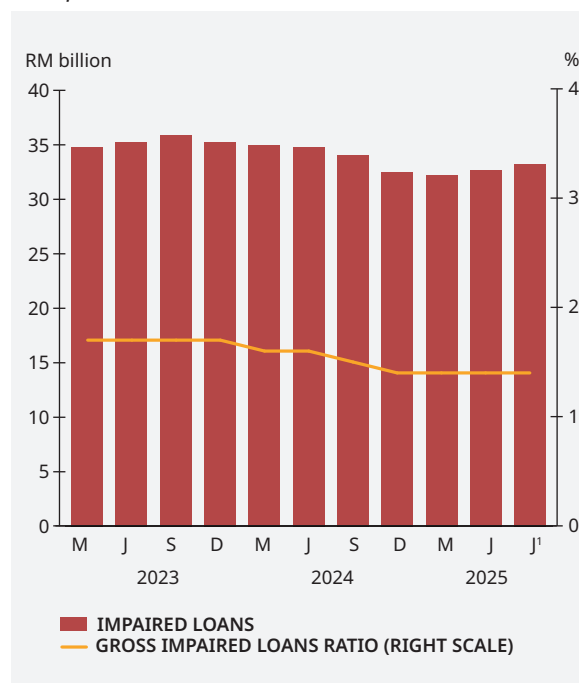
Well-capitalised banking sector withstands external shocks

As at end-July 2025, the Common Equity Tier 1 Capital (CET1), Tier 1 Capital and Total Capital ratios stayed well above the minimum regulatory levels¹ at 14.9%, 15.3% and 18.4%, respectively. Supported by a strong aggregate Liquidity Coverage Ratio (LCR) of 158.4%, the banking sector remained resilient to absorb unexpected losses and short-term liquidity shocks. The banking sector also maintained prudent liquidity management in balancing credit growth with deposits, as reflected in the loan-to-deposit ratio (LDR), which held steady at 87.2%.

Asset quality of the banking sector remained strong, with the gross impairment loans ratio staying steady at 1.4% as at end-July 2025. The low impairment ratios reflect sustained repayment capacity, coupled with minimal enrolment in new restructuring and rescheduling programmes among financially constrained borrowers. The loan loss coverage ratio (including regulatory reserves) stood at 128.9%, indicating the banks' prudent provisioning practices against potential defaults.

Collectively, these indicators suggest the banking sector is well-positioned to uphold the stability of the financial system while supporting financial intermediation activities.

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



¹ End-July 2025

Source: Bank Negara Malaysia

Overall lending activities in the banking sector remained healthy despite cautious sentiment in the global market during the first seven months of 2025. As at-end July 2025, total outstanding loans of the banking sector expanded by 5.4% to RM2,306.4 billion, supported by sustained growth in household (5.8%) and business (4.7%) segments. For the period from January to July 2025 compared to the same period in 2024, loan applications and approvals were also robust, increasing by 5.3% and 4.3%, respectively. Nevertheless, loan disbursements and repayments contracted by 7.2% and 8.8%, respectively.

Household segment, primarily for the purchase of residential properties, constitutes the largest component of banking system loans. As at end-July 2025, loan applications grew marginally by 0.6% to RM491.6 billion. Meanwhile, loan

¹ 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, the minimum requirement is 100%.

approvals and disbursements primarily for residential properties and passenger cars, recorded a slight decline of 0.6% to RM217 billion and 0.2% to RM293.9 billion, respectively. In contrast, loan repayment activities registered a marginal increase of 0.8% to RM287.8 billion. Moving forward, household loan demand will be supported by positive job and wage growth as well as continued income-support measures, including the full implementation of the Public Service Remuneration System (SSPA).

Demand for business lending was steady during the first seven months of 2025, particularly in loan applications, recording a double-digit growth of 11.1% to RM370.8 billion. This reflected sustained demand for new loans, driven by working capital- and investment-related financing. The loan approvals increased by 5.9% to RM212 billion, particularly in sectors such as construction; information and communication; as well as finance, insurance, real estate and business activities. Meanwhile, loan disbursements and repayments declined by 8.1% to RM856.9 billion and 10.9% to RM824.5 billion, respectively. The slowdown in disbursements was evident in sectors such as primary agriculture; mining and quarrying; as well as transport and storage. Conversely, repayments in the real estate sector remained steady relative to the same period of 2024. Financing to SMEs remained broadly steady, accounting for 52.8% of total business financing. As at end-July 2025, total outstanding SME financing grew by 8.2% to RM410.4 billion, underpinned by sustained demand for working capital loans. The banking sector remains supportive of the financing needs of the economy, with ongoing measures such as credit guarantees and financing facilities remaining available to provide targeted financing support for SMEs.

TABLE 4.1. Banking System: Loan Indicators¹, January – July 2024 and 2025

	RM BILLION		CHANGE (%)	
	2024	2025	2024	2025
Total²				
Loans applications	842.7	887.5	5.7	5.3
Loans approvals	432.7	451.3	4.7	4.3
Loans disbursements	1,386.0	1,285.8	-0.1	-7.2
Loans repayments	1,363.6	1,243.4	-2.7	-8.8
Loans outstanding ^{2,3}	2,188.4	2,306.4	6.4	5.4
<i>of which:</i>				
Business Sector				
Loans applications	333.6	370.8	7.6	11.1
Loans approvals	200.3	212.0	7.8	5.9
Loans disbursements	932.5	856.9	0.1	-8.1
Loans repayments	925.8	824.5	-2.3	-10.9
Loans outstanding ³	741.9	776.9	6.0	4.7
<i>of which:</i>				
SMEs				
Loans applications	190.8	205.8	5.6	7.9
Loans approvals	102.4	99.2	7.9	-3.1
Loans disbursements	325.2	321.2	11.7	-1.2
Loans Repayments	315.3	301.9	10.3	-4.3
Loans outstanding ³	379.4	410.4	9.4	8.2
Household Sector				
Loans applications	488.7	491.6	4.9	0.6
Loans approvals	218.2	217.0	4.1	-0.6
Loans disbursements	294.4	293.9	10.5	-0.2
Loans Repayments	285.6	287.8	7.4	0.8
Loans outstanding ³	1,305.3	1,381.5	6.5	5.8

¹ Loans for all segments include data from the banking system

² Refers to the sum of outstanding loans to businesses, households, government, financial institutions and other entities

³ As at end-period

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

TABLE 4.2. Banking System: Loans Outstanding by Sector, End-July 2024 and 2025

	RM BILLION		SHARE (%)	
	2024	2025	2024	2025
Business Sector	741.9	776.7	33.9	33.7
Non-SMEs	360.5	364.5	16.5	15.8
SMEs	379.4	410.4	17.3	17.8
<i>Selected sectors</i>				
Primary agriculture	32.9	29.9	4.4	3.9
Mining and quarrying	9.1	8.8	1.2	1.1
Manufacturing	133.7	137.3	18.0	17.7
Construction	91.2	95.3	12.3	12.3
Electricity, gas and water supply	18.7	23.2	2.5	3.0
Wholesale and retail trade	160.9	165.1	21.7	21.3
Hotels and restaurants	20.9	22.2	2.8	2.9
Transport and storage	31.3	33.2	4.2	4.3
Information and communication	22.2	26.2	3.0	3.4
Finance, insurance, real estate and business activities	190.1	207.6	25.6	26.7
Household Sector	1,305.3	1,381.5	59.6	59.9
<i>of which:</i>				
Purchase of residential properties	812.8	865.4	62.3	62.6
Purchase of non-residential properties	82.8	86.1	6.3	6.2
Purchase of passenger cars	192.8	206.6	14.8	15.0
Credit cards	43.5	47.4	3.3	3.4
Personal use	115.6	119.4	8.9	8.6
Purchase of securities	57.5	56.3	4.4	4.1
Others	0.3	0.3	0.0	0.0
Other sectors	141.2	147.8	6.5	6.4
Total¹	2,188.4	2,306.0	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 2025, household debt in Malaysia stood at RM1,666.4 billion with a debt-to-GDP ratio of 84.8%, broadly in line with pre-pandemic levels. Debt growth of 5.9% was supported by prudent underwriting standards and closely aligned with improvements in the labour market. Borrowings continued to be concentrated in residential property and car financing, accounting for about 75% of total household debt, while personal financing and credit card debt collectively represented 15.2%. Nevertheless, household repayment capacity remains sound, with the median debt-service ratio (DSR) at 33% for outstanding loans and 41% for newly approved loans, providing adequate buffers for household borrowers to meet their loan obligations. Loan impairments also remain low at 1.1%, supported by restructuring programmes and assistance from the Credit Counselling and Debt Management Agency (AKPK).

The Government has strengthened measures to minimise credit risks, including those arising from digital banks and Buy Now Pay Later (BNPL) schemes. Financial service providers are required to comply with strict affordability and suitability standards, while policy guidelines prohibit predatory lending and mandate prudent DSR limits to ensure repayment capacity is not overstretched. Furthermore, BNPL will be regulated under the Consumer Credit Act once it comes into force, and non-bank BNPL providers will be subject to authorisation and conduct regulations by the Consumer Credit Commission once established. These measures, complemented by financial literacy initiatives, underscore the commitment of the Government in ensuring household debt remains sustainable while safeguarding financial stability and supporting economic resilience.

Household debt is expected to remain manageable, underpinned by steady economic expansion. Residential property loans are anticipated to continue driving borrowing, backed by household formation and government housing initiatives, while auto financing is projected to normalise after earlier incentive-driven demand. Meanwhile, rising incomes are also expected to support repayment capacity, keeping debt levels manageable and DSR within prudent ranges.

Capital Market Performance

Fundraising activities continue to thrive

Fundraising activities in the domestic capital market remained healthy, underscoring the vital role in supporting Malaysia's economic development and private sector expansion. Despite global uncertainties, the market demonstrated resilience as firms actively tapped both the equity and bond markets to finance business growth, infrastructure projects and strategic investments. In the first seven months of 2025, private sector fundraising rose by 8.2% to RM75.9 billion, with gross funds raised in the equity market surging by 29% to RM4.3 billion. In contrast, public sector fundraising contracted by 7.7% to RM102.4 billion, reflecting the Government's fiscal reform commitments. Overall, gross funds raised in the capital market recorded a decline of 1.5% to RM178.4 billion.

Corporate bonds have continued to serve as a flexible financing avenue beyond traditional bank loans. These instruments support business expansion and investment needs while diversifying funding sources, lowering capital costs and spreading risks across a broader investor base. In the first seven months of 2025, corporate bond issuances increased by 7.2% to RM71.7 billion, with medium-term notes accounting for 96.7% of total issuances. Financing activities

were led by the finance, insurance, real estate and business services sector, which collectively accounted for 77.3% of new issuances. Proceeds were primarily channelled towards working capital, new ventures, refinancing and other corporate requirements.

TABLE 4.3. *Funds Raised in the Capital Market, January – July 2024 and 2025*

	RM MILLION	
	2024	2025
Public Sector		
Government securities		
Malaysian Government Securities	55,174.5	47,599.6
Malaysian Government Investment Issues	55,765.9	54,830.7
New issues of debt securities	110,940.4	102,430.3
Less: Redemptions	50,520.0	19,720.0
Net funds raised by the public sector	60,420.4	82,710.3
Private Sector		
Shares¹/Warrants		
Initial Public Offers	3,316.3	4,279.2
Rights Issues	-	-
Warrants	-	-
New issues of shares/warrants	3,316.3	4,279.2
Debt securities²		
Straight bonds	2,579.9	402.0
Convertible bonds	-	-
Islamic bonds	2,666.8	1,956.3
Medium-term notes	61,599.3	69,297.7
New issues of debt securities	66,846.0	71,655.9
Less: Redemptions	51,960.2	44,244.7
Net issues of debt securities	14,885.8	27,411.2
Net funds raised by the private sector	18,202.1	31,690.4
Total net funds raised	78,622.5	114,400.7

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

The equity market remained active, supported by new and ongoing strategic projects, underpinned by Government initiatives such as the New Industrial Master Plan 2030 (NIMP 2030) and the National Energy Transition Roadmap (NETR), alongside private investments in data centres and developments within the Johor-Singapore Special Economic Zone (JS-SEZ). Likewise, fundraising via IPOs was supported by business expansion initiatives, with RM4.3 billion raised and 38 new listings on Bursa Malaysia in the first seven months of 2025 across diverse sectors. The strong performance was bolstered by Bursa Malaysia's outreach programmes and recent regulatory enhancements. In particular, the pledge to expedite IPO approvals within three months has successfully attracted quality companies to the market. However, external risks, including from the US tariffs and geopolitical tensions, may impact the IPO market.

TABLE 4.4. *New Issuance of Corporate Bonds by Sector, January – July 2024 and 2025*

	RM MILLION		SHARE (%)	
	2024	2025	2024	2025
Agriculture, forestry and fishing	0.0	72.9	0.0	0.1
Manufacturing	1,163.9	738.7	1.7	1.0
Construction	3,208.0	7,566.0	4.8	10.6
Electricity, gas and water	5,875.0	4,480.0	8.8	6.3
Transport, storage and communication	1,931.0	1,036.0	2.9	1.4
Finance, insurance, real estate and business services	51,169.9	55,416.2	76.5	77.3
Government and other services	2,500.0	1,944.6	3.7	2.7
Wholesale and retail trade, restaurants and hotels	998.1	401.5	1.5	0.6
Mining and quarrying	0.0	0.0	0.0	0.0
Total	66,846.0	71,655.9	100.0	100.0

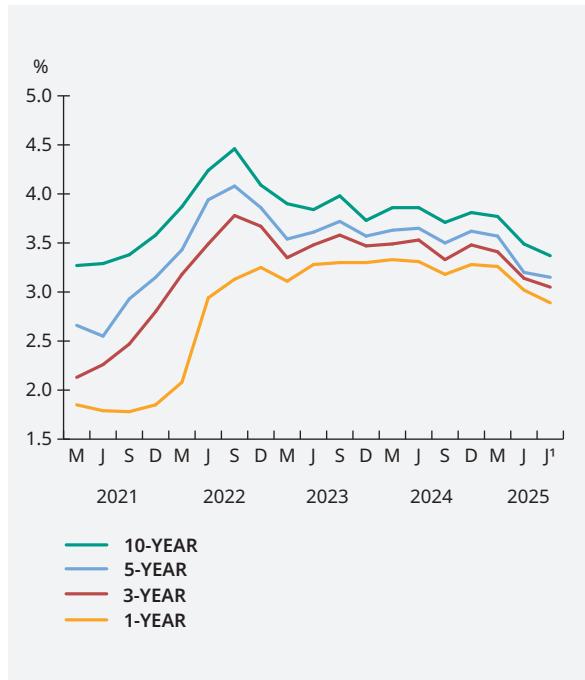
Note: Includes corporate bonds issued by Cagamas and non-resident corporations
Total may not add up due to rounding
Source: Bank Negara Malaysia

Public sector fundraising contracted during the period as issuances of Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) declined by 13.7% to RM47.6 billion and 1.7% to RM54.8 billion, respectively. This moderation reflects the Government's commitment to fiscal consolidation, with issuances aligned to meet financing strategies. Prudent debt management is expected to enhance Malaysia's attractiveness as an investment destination and promote stability.

Overall, the stability and attractiveness of Malaysia's debt market continue to be supported by strong institutional investor participation and ample secondary market liquidity. The Fed rate cuts may further bolster demand for MGS, with narrowing interest rate differentials reinforcing confidence in the structure and liquidity of government securities. Furthermore, fiscal consolidation measures will likely moderate net issuances of MGS and MGII. Nevertheless, corporate bond supply is projected to increase as the prevailing low-interest-rate environment continues to encourage corporates to tap the bond market for funding.

During the first seven months of 2025, the MGS market experienced gains attributed to a broad-based decline in yield across all tenures. This trend was driven by sustained foreign demand, as investors sought stable returns in Asian debt markets amid global uncertainties. Expectations of subdued global growth, interest rate cuts by the Fed and a weakening US dollar supported appetite for fixed income assets, enhancing the appeal of locking in attractive yields. In a falling yield environment, this also offered capital appreciation potential as bond prices rose.

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

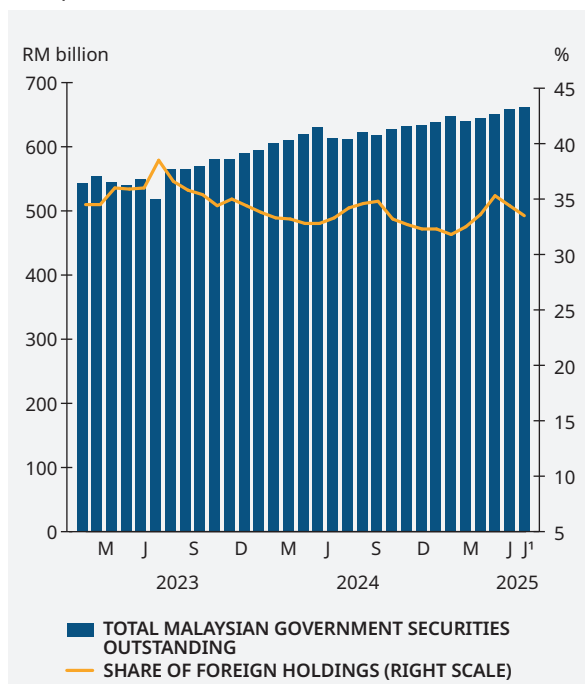


¹ End-July 2025
Source: Bank Negara Malaysia

Malaysia's bond market continued to benefit from a shift of global capital flows, as concerns over the US fiscal sustainability and trade policy volatility drove investors towards emerging markets with macroeconomic stability and attractive yields. Yields trended lower in July 2025 in line with the OPR reduction and ringgit's appreciation, further enhancing Malaysia's appeal. A softer US dollar added to local currency gains, while BNM's proactive monetary stance reinforced confidence in Malaysia's resilience as a stable investment destination.

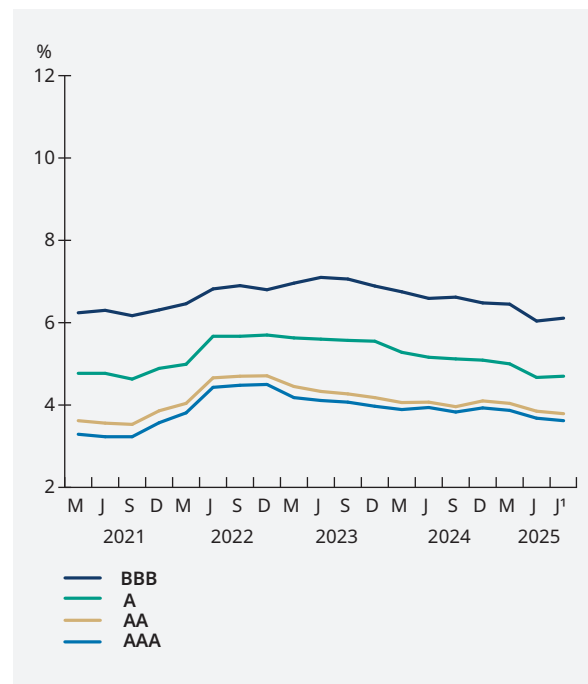
In the corporate bond segment, yields on 5-year AAA, AA, A and BBB-rated bonds declined by 31, 31, 39 and 37 bps, respectively, over the same period. These movements mirrored the downward trend in government bond yields, driven by improved liquidity and stronger investor demand across credit segments. The broad-based yields decline underscored yield-seeking behaviour, supported by easing inflation expectations and sustained demand for investment-grade assets.

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



¹ End-July 2025
Source: Bank Negara Malaysia

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



¹ End-July 2025
Source: Bank Negara Malaysia

Looking ahead, Malaysia's bond market is expected to remain resilient throughout the remainder of 2025, driven by sustained foreign appetite and a supportive monetary policy environment. With global interest rates likely to trend lower and the US dollar expected to remain weak, demand for Malaysian sovereign and corporate bonds is anticipated to stay robust. Meanwhile, Malaysia's sound macroeconomic fundamentals, ample market liquidity and currency stability continue to strengthen its position as a preferred investment destination. These factors collectively support a conducive environment for continued bond market performance.

Performance of FBM KLCI

FBM KLCI perseveres amid global market uncertainties

The FBM KLCI navigated a challenging global environment in the first eight months of 2025, shaped by the US tariffs, geopolitical tensions and regional monetary adjustments. The index first came under pressure in early April 2025 following the US' broad tariffs, which led the local bourse to close lower at 1,400.59 points on 9 April. Nevertheless, the local market staged a strong rebound attributed to resilient domestic consumption, supported by renewed foreign buying interest, optimism over the trade truce and benefits from China's stimulus measures, lifting the index to 1,582.39 points on 13 May.

The announcement of the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan) and Penghargaan Sumbangan Asas Rahmah (SARA) RM100 One-off as well as expectations of a series of Fed rate cuts, helped boost market sentiment. By 25 August, the FBM KLCI rose to a five-month high of 1,602.45 points, before easing slightly to close at 1,575.12 points as at end-August 2025. Market capitalisation stood at

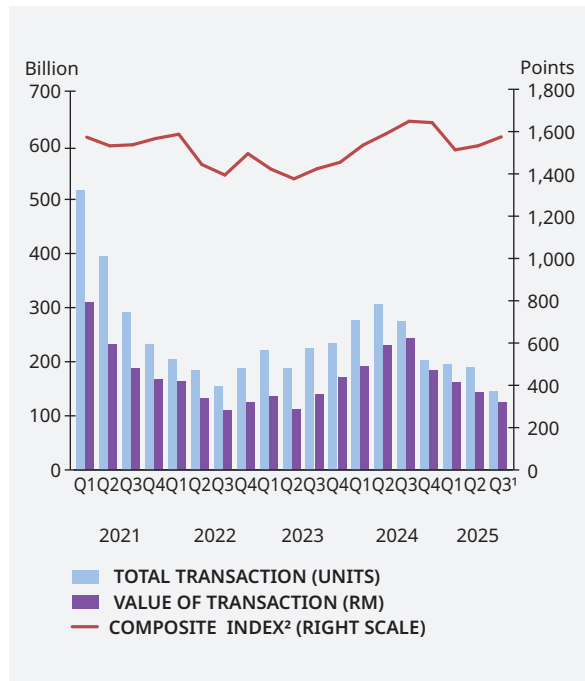
RM1,950.30 billion, with average daily volume and trading value adjusted to 530.9 billion units and RM429.5 billion, respectively, reflecting healthy consolidation. Trading conditions remained orderly, with market velocity averaging above 30% and volatility around 11%, while steady foreign investors holding at approximately 19% of market capitalisation, signalling continued confidence in the local equity market.

TABLE 4.5. *Bursa Malaysia: Selected Indicators, End-August 2024 and 2025*

	2024	2025
Indices		
FBM KLCI	1,678.80	1,575.12
FBM EMAS	12,484.26	11,702.89
FBM 100	12,187.62	11,474.57
FBM SCAP	17,457.02	15,739.94
FBM ACE	5,116.09	4,722.02
Total trading¹		
Volume (million units)	788,250.91	530,875.72
Value (RM million)	588,434.11	429,542.89
Average daily trading¹		
Volume (million units)	4,835.90	3,277.01
Value (RM million)	3,610.03	2,651.50
Market capitalisation (RM billion)	2,035.63	1,950.31
Total number of listed companies		
Main Market	783	787
ACE Market	189	229
LEAP Market	49	47
Market liquidity		
Turnover value/market capitalisation (%)	28.9	22.0
Market concentration		
10 highest capitalised stocks/market capitalisation (%)	32.8	32.0

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

FIGURE 4.8. *Performance of Bursa Malaysia*



¹ End-August 2025

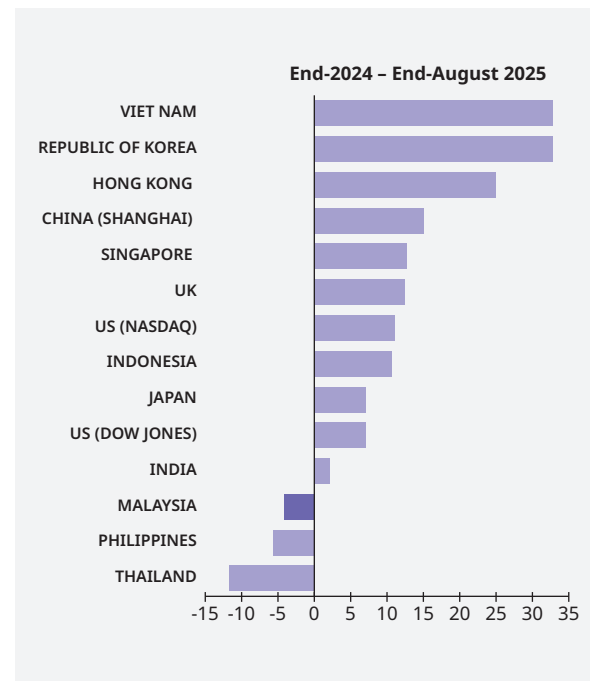
² As at end-period

Source: Bursa Malaysia

In 2026, Malaysia's equity market is well-positioned to benefit from ongoing structural reforms, robust consumer spending, stable political landscape and continued strengthening of the ringgit, which together are expected to sustain investor sentiment. The Capital Market Master Plan 4 (CMP4) articulates a bold 20-year strategic vision, commencing with a practical five-year action plan for 2026 – 2030. Founded on an outcome-driven approach, it differentiates itself from previous roadmaps by setting defined targets for its long-term vision and emphasising external collaboration through a whole-of-nation approach to ensure sustained progress.

The CMP4 outlines transformative initiatives designed to reshape and recalibrate the Malaysian capital market, ensuring it remains a key driver of growth, resilience and inclusivity. These initiatives are designed to harness megatrends that are transforming economies, businesses and societies. Firmly aligned with national sustainability priorities, the CMP4 will facilitate capital mobilisation for a just transition, climate mitigation, adaptation and resilience, thereby strengthening Malaysia's position as a leading sustainable investment hub in the region.

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

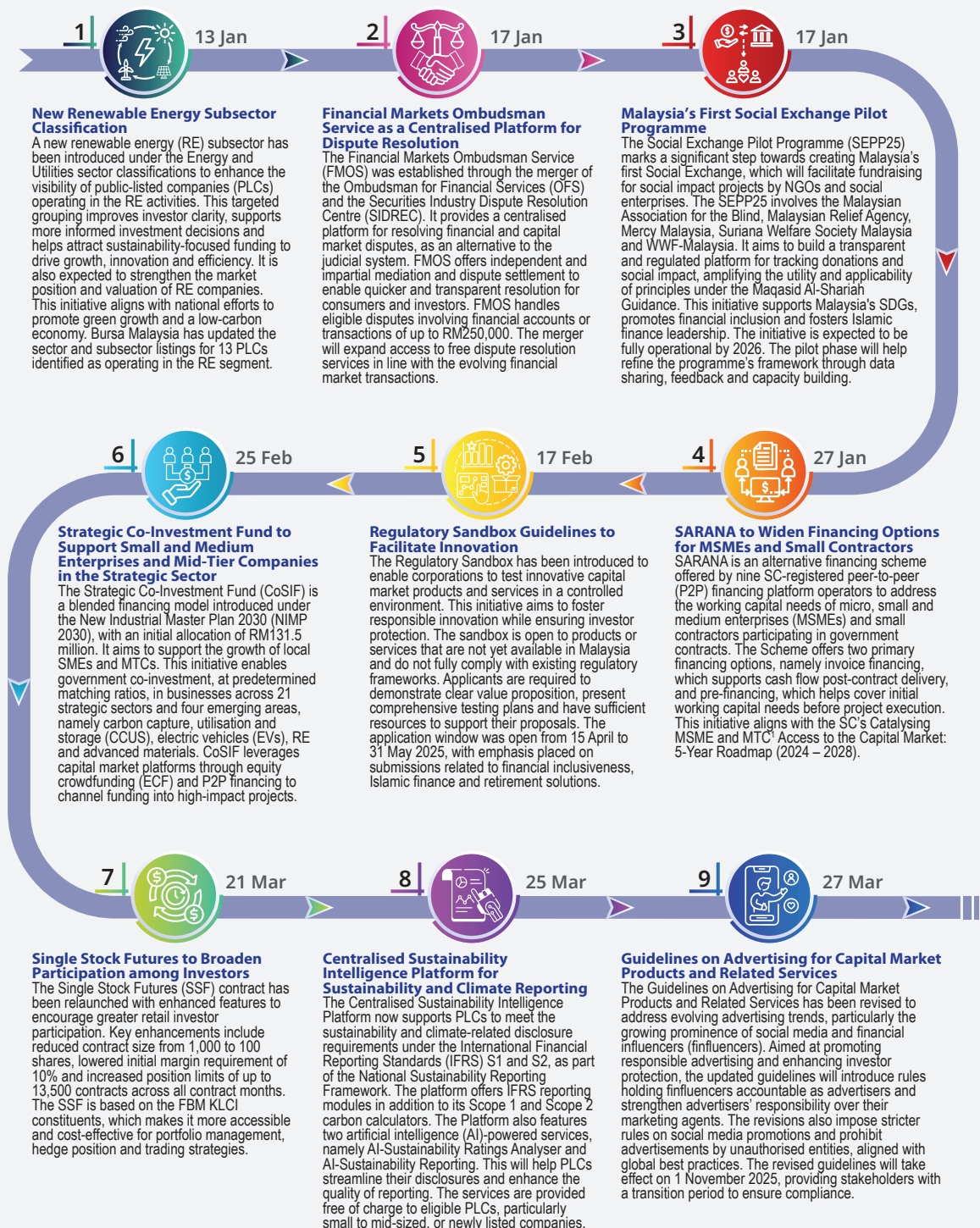


Source: Bloomberg

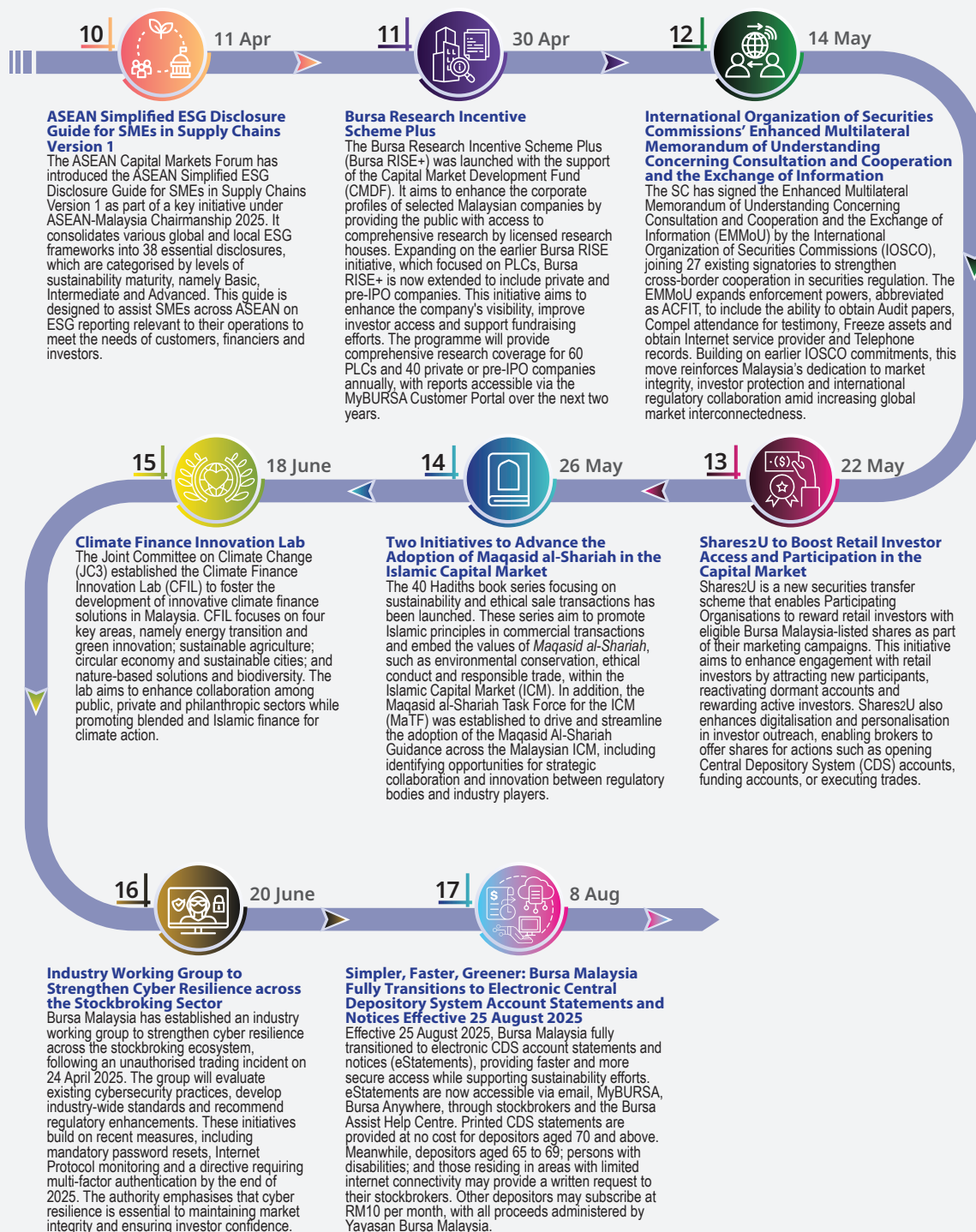
INFORMATION BOX 4.1

Key Capital Market Measures

Several key measures were undertaken by the Securities Commission Malaysia (SC) and Bursa Malaysia in the first eight months of 2025 to enhance the liquidity and efficiency of Malaysia's capital market as follows:



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 industry projects steady growth

Malaysia's Islamic banking industry together with the conventional banking system continue to support economic growth. As at end-July 2025, the total Islamic banking assets expanded by 9.1% year-on-year to RM1,583.3 billion, representing 38.7% of total banking assets². The demand for Islamic financing, which accounts for 47.5% market share of total banking system loans and financing, increased by 8% to RM997.7 billion, outpacing conventional banking. The growth was driven by household sector financing, constituting 63.5% of total Islamic financing, which expanded by 8.6% to RM633.7 billion, mainly for the purchase of residential properties and passenger cars.

Malaysia's ongoing efforts to solidify its position as a global leader in Islamic finance continue to gain international recognition and were further reinforced during the ASEAN-Malaysia Chairmanship 2025. Malaysia has retained the top position on the Islamic Finance Development Index (IFDI) 2024 for the 12th consecutive year, reaffirming decades of visionary planning, strategic alignment and the Government's unwavering commitment. Strategic initiatives under the leadership of the Malaysia International Islamic Financial Centre (MIFC) Leadership Council continue to play a pivotal role in driving the advancement of the Islamic finance agenda such as the Global Islamic Finance Forum. Meanwhile, the internationally recognised i-TEKAD programme, which is based on a blended financing approach, continues to facilitate

low-income micro-entrepreneurs in growing their businesses and improving financial stability, exemplifying Malaysia's commitment to social finance.

TABLE 4.6. *Islamic Banking: Key Indicators, End-July 2024 and 2025*

	RM BILLION		CHANGE (%)	
	2024	2025	2024	2025
Assets	1,161.1	1,270.0	7.4	9.4
Financing	924.1	997.7	9.5	8.0
Primary agriculture	20.4	18.4	-3.0	-9.5
Mining and quarrying	3.0	3.4	-5.3	12.3
Manufacturing ¹	37.5	39.1	10.8	3.6
Electricity, gas and water supply	6.8	9.3	-31.7	36.1
Wholesale and retail trade, restaurants and hotels	62.4	67.0	15.8	7.4
Construction	47.8	37.6	7.2	-21.7
Real estate	38.7	40.8	15.4	5.5
Transport, storage and communication	25.3	29.1	-8.1	15.1
Finance, insurance and business activities	51.9	74.1	37.2	43.0
Education, health and others	8.5	8.2	3.3	-4.2
Households	583.7	633.7	9.6	8.6
Others	38.1	37.1	0.9	-2.5
Liabilities	1,073.9	1,175.0	7.3	9.4
Deposits and Investment Account	840.0	908.1	6.1	8.0
Investment	0.2	0.2	-28.7	-8.6
Savings	77.0	79.6	7.5	3.4
Demand	149.3	173.5	12.5	16.2
Others	613.4	654.8	4.5	6.6
Investment account	157.5	182.4	10.2	15.9

¹ Excluding DFIs

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

² Including Development Financial Institutions (DFIs).

Malaysia's Islamic Capital Market (ICM) has continued to strengthen its position as one of the key pillars of the nation's financial landscape, reaching RM2,634 billion or 64% of the total capital market size. Built on strong foundations, the ICM is well-positioned to sustain its growth momentum. The sukuk market offers diversification through financial instruments structured in line with Shariah principles. This provides investors with investment choices that comply with Shariah requirements.

Malaysia remains one of the world's largest sukuk markets, commanding an estimated 33.9% share of global sukuk outstanding. As at end-July 2025, sukuk accounted for RM1,402 billion or 63.6% of Malaysia's total bonds and sukuk outstanding. Local corporate sukuk issuances increased by 21% compared to the same period in 2024, with issuance momentum expected to strengthen in the second half of 2025. Favourable monetary conditions and the prospect of interest rate cuts by the Fed and other major central banks support this outlook. Together with Malaysia's robust regulatory framework and continuous product innovation, these factors continue to reinforce the appeal of the sukuk market to both domestic and international investors.

INFORMATION BOX 4.2

Strengthening Malaysia's Islamic Capital Market through the Maqasid al-Shariah

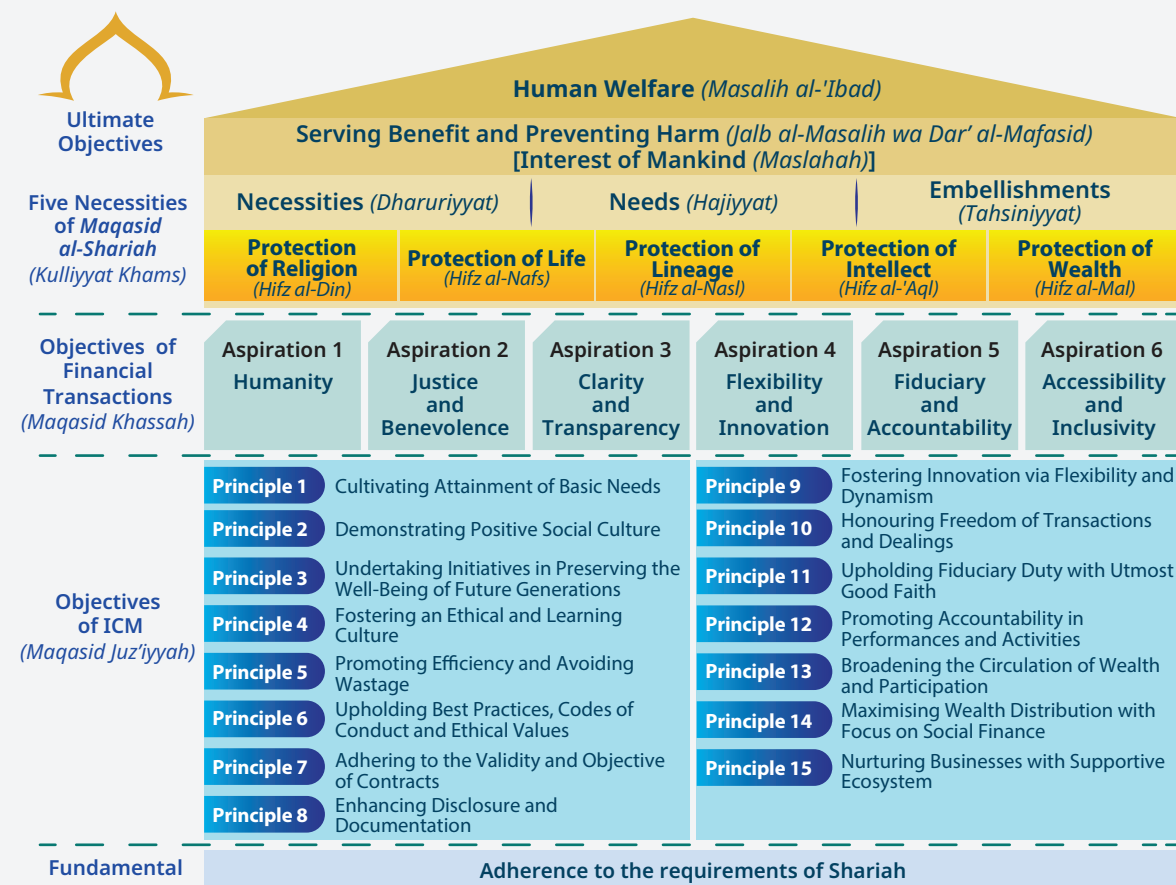
In collaboration with the Securities Commission Malaysia

A practical and measurable response to contemporary needs

Malaysia's Islamic Capital Market (ICM) has evolved beyond its traditional role of financial intermediation to become a driver of resilience, inclusivity and ethical stewardship while promoting a more sustainable and equitable financial system as well as ensuring strong integrity in the marketplace. The Government through the Securities Commission Malaysia (SC) is spearheading this advancement by embedding the *Maqasid al-Shariah* framework as a cornerstone of the ICM development. This reinforces Malaysia's standing as a global leader in sustainable and inclusive Islamic finance, ensuring the ICM not only supports economic growth but also advances the broader interests of society.

As one of the key pillars in the financial system, the ICM represent more than 60% or RM2.6 trillion of Malaysia's capital market (Securities Commission Malaysia, 2025). Malaysia has maintained its global leadership in sukuk issuance and Islamic fund management, while retaining the top position in the Global Islamic Finance Development Indicator for 12 consecutive years (LSEG & ICD, 2024). These achievements provide a solid foundation for the next phase of the ICM transformation.

The launch of the Maqasid Al-Shariah Guidance for the ICM (Maqasid Guidance) in November 2023 marked a significant milestone in this journey. The framework underscores Shariah's higher objectives, including justice, social well-being, sustainability and ethical conduct, as guiding principles for financial practices. To deepen understanding and encourage adoption, the SC has actively engaged stakeholders, locally and internationally. Although adoption is voluntary, industry response has been strong, reflecting growing commitment to purpose-driven finance.

FIGURE 4.2.1. Overview of the Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia

Source: Securities Commission Malaysia

Embedding Maqasid Principles into the Islamic Capital Market

The Maqasid Guidance operationalises Shariah's higher objectives within the ICM through three dimensions:

- (i) **Five necessities:** Ensuring financial products and practices protect fundamental human and societal well-being.
- (ii) **Aspirations:** Embedding values that foster trust, fairness, innovation and inclusivity across market operations.
- (iii) **Principles of application:** Guiding conduct through the integrity of contract, robust disclosure standards, and initiatives that promote social finance, innovation and equitable wealth distribution.

Together, these dimensions form a holistic framework that ensures financial activities deliver tangible societal value, while preserving Shariah authenticity.

FIGURE 4.2.2. Strategic Priorities for 2026 and 2027

The next phase of ICM development will be anchored on three strategic priorities:

01 Driving Ethical Excellence through Collaboration



The establishment of the Maqasid al-Shariah Task Force (MaTF) in May 2025 underscores Malaysia's commitment to collective action. Bringing together regulators, industry stakeholders, academicians and market participants, the MaTF provides cohesive leadership to ensure consistent, credible and future-ready implementation of the Maqasid Guidance.

02 Streamlining Regulatory Approaches



While the adoption of *Maqasid al-Shariah* principles in sukuk structuring has been encouraging, variations in interpretation continue to pose a challenge. To address this, the SC is developing a structured and rules-based framework for ICM products, starting with sukuk and extending progressively to other asset classes, to promote clarity and accountability. Forthcoming guidance notes will further standardise disclosures, strengthen oversight, and reinforce Malaysia's global reputation for credibility and innovation.

03 Ensuring Authenticity through End-to-End Shariah-Compliance



Current Shariah governance focuses primarily on pre-issuance compliance, with limited oversight post-issuance. To enhance integrity, the SC is introducing measures that extend governance across the product life cycle, from inception to maturity, ensuring holistic compliance, safeguarding investor confidence and preserving the authenticity of ICM offerings.

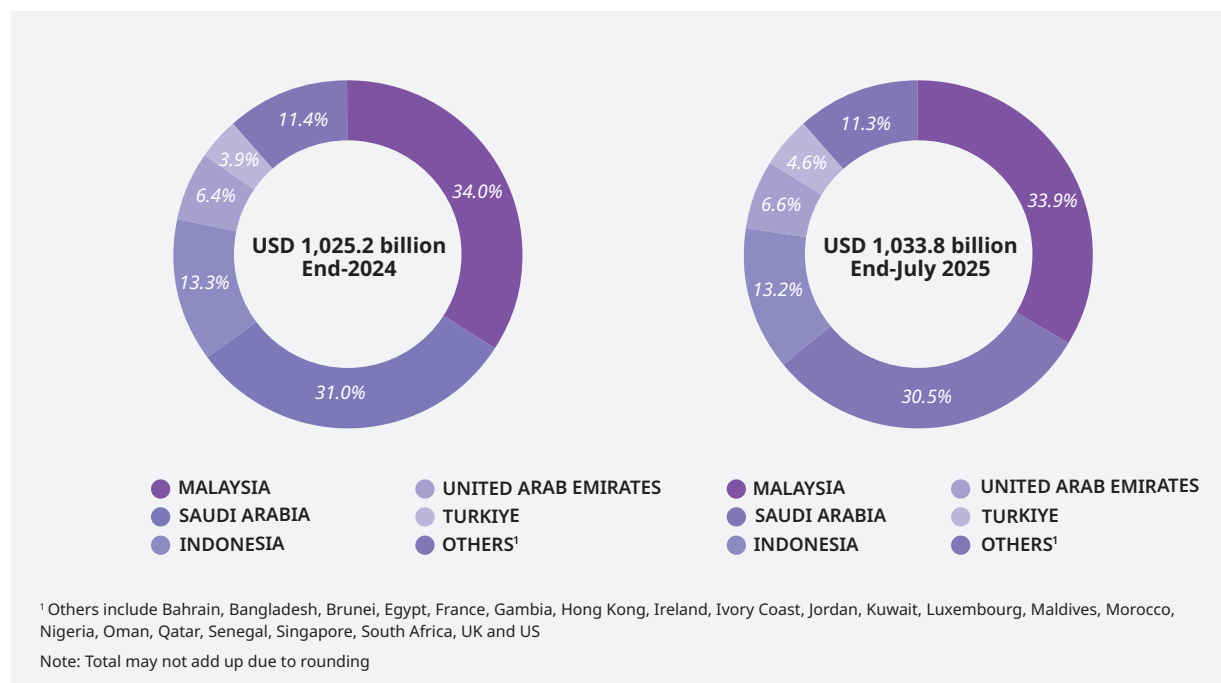
Conclusion

The integration of *Maqasid al-Shariah* into the ICM represents more than a regulatory enhancement. It marks a paradigm shift that positions Islamic finance as a value-driven agenda advancing humanity, environmental stewardship as well as inclusive and equitable growth. Looking ahead, the priority is to establish *Maqasid al-Shariah* as the core identity of the ICM, strengthening resilience, and cementing Malaysia's role as a global leader in sustainable and inclusive Islamic finance. By nurturing markets that are globally competitive, yet firmly anchored in universal values, the ICM will continue to drive economic growth while serving the broader interests of society. The integration of *Maqasid al-Shariah* principles within the ICM reinforces Malaysia's commitment towards societal well-being and long-term national aspirations in line with MADANI's values.

In the equity market, 860 out of 1,065 companies listed on Bursa Malaysia, or 80.8% were Shariah-compliant PLCs, underscoring the Exchange's central role in advancing the ICM. As at end-July 2025, Shariah-compliant market capitalisation stood at RM1,232 billion, representing 64.4% of the total market capitalisation of listed securities. The segment is dominated by the industrial products and services, consumer products and services as well as technology sectors.

The ICM strengthened its global leadership in Islamic sustainable finance through the issuance of Sustainable and Responsible Investment (SRI) sukuk, aligning with domestic and regional standards. These issuances have funded projects in quality education, affordable housing, green buildings and clean energy, which are recognised under Malaysia's SRI Sukuk Framework and the ASEAN Green, Social and Sustainability Bond Standards. The SRI sukuk issuances have also expanded beyond typical green sectors, which include healthcare and transportation, reflecting a more holistic approach to sustainable development.

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



Source: Bank Negara Malaysia

Moving forward, Malaysia's ICM is poised to expand further with strong global leadership role, supported by continuous regulatory enhancements and clear focus on sustainable finance. Guided by the *Maqasid al-Shariah* aspirations, Malaysia aims to further strengthen governance and promote the development of socially-responsible financial products. Collectively, these efforts will reinforce Malaysia's standing as a leading global hub for Islamic finance while reaffirming its commitment to sustainable, ethical and inclusive investment.

Conclusion

Malaysia's financial market outlook remains positive, buoyed by strong macroeconomic fundamentals, supportive monetary policy and ongoing structural reforms aimed at driving sustainable economic growth. Steady participation in the domestic capital market alongside the strengthening of the ringgit signals heightened investor confidence. Moreover, the growing sophistication of Islamic banking and the capital market further reasserts Malaysia's commitment to ethical and value-based finance. These, along with the national plans, ensure economic advancement remains closely aligned with social well-being and the long-term aspirations of the Ekonomi MADANI framework.

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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	2021	2022	2023	2024 ¹⁰	2025 ¹¹
Demographic Statistics					
Population ¹ ('000)					
Total	32,576	32,698	33,402	34,059	34,477
Male	17,000	17,040	17,472	17,883	18,116
Female	15,576	15,659	15,930	16,176	16,361
Sex ratio ²	109	109	110	111	111
Population density (per square kilometre)	99	99	101	103	104
Dependency ratio (%)					
Total ³	44.1	43.7	43.1	42.5	42.2
Young age ⁴	34.0	33.3	32.4	31.6	30.9
Old age ⁵	10.1	10.4	10.6	10.9	11.3
Life expectancy at birth ¹					
Total	74.0	73.8	74.0	74.9 ¹⁰	75.3 ¹¹
Male	71.8	71.5	71.7	72.7 ¹⁰	73.1 ¹¹
Female	76.5	76.4	76.6	77.6 ¹⁰	77.9 ¹¹
	2020	2021	2022	2023	2024
Education					
Primary school enrolment rate ⁶ (%)	98.2	98.3	98.7	99.1	99.4
Secondary school enrolment rate ⁷ (%)	92.4	92.5	93.5	93.6	94.9
Higher education institutions enrolment ⁸	1,224,098	1,207,593	1,202,202	1,247,908	1,349,090
Pupil-teacher ratio					
Primary schools	12.0	12.3	12.3	12.4	12.3
Secondary schools	11.0	11.5	11.3	11.5	11.6
Literacy rate ⁹ (%)	96.3	97.0	97.1	97.5	97.6

¹ Year 2020 to 2023: Current Population 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	2020	2021	2022	2023	2024
Health					
Population per doctor	441	420	412	406	404
Official beds strength in public sector ¹²	48,305	49,781	49,981	51,100	52,048
Information Technology					
Mobile-cellular penetration rate per 100 inhabitants (%)	133.6	144.0	145.3	148.7	145.4
Mobile-broadband penetration rate per 100 inhabitants (%)	118.7	126.4	131.0	134.5	131.1
Infrastructure					
Rural electricity coverage (% of housing unit)	97.4	97.5	97.8	98.3	98.5
Electricity index	115.7	118.6	124.0	126.4	133.2
	2012	2014	2016	2019	2022
Poverty Structure¹³					
Incidence of absolute poverty (% of households)					
Total	1.7	0.6	0.4	5.6	6.2
Urban	1.0	0.3	0.2	3.8	4.5
Rural	3.4	1.6	1.0	12.4	12.0
Incidence of relative poverty (% of households)					
Total	19.2	15.6	15.9	16.9	16.6
Urban	17.9	13.7	11.1	12.8	11.9
Rural	15.1	14.4	33.0	33.2	33.3

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; Ministry of Health and Ministry of Rural and Regional Development, 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								
2022	2.9	65,434.7	7.3	4.5	-273.2	–	19,054.4	19,164.1
2023	1.8	68,416.2	4.6	4.4	24.9	–	19,048.2	18,727.8
2024	1.8	70,893.1	2.6	4.6	102.9	–	19,647.3	19,218.4
2025 ⁵	1.5	73,462.2	2.5	4.7	-71.1	–	19,833.2	19,582.4
2026⁶	1.6	75,942.9	2.1	4.6	56.8	–	20,421.0	20,119.6
United States								
2022	2.5	77,801.4	8.0	3.6	-1,012.1	242.7	2,065.2	3,371.8
2023	2.9	82,253.9	4.1	3.6	-905.4	245.2	2,018.1	3,168.2
2024	2.8	85,812.2	3.0	4.0	-1,133.6	–	2,065.2	3,359.3
2025 ⁵	1.9	89,105.2	2.8	4.2	-1,137.7	–	–	–
2026⁶	2.0	92,096.5	2.5	4.2	-1,006.5	–	–	–
United Kingdom								
2022	4.8	46,233.8	9.1	3.8	-65.7	208.2	546.2	823.6
2023	0.4	49,213.4	7.3	4.1	-118.3	214.1	525.0	791.5
2024	1.1	52,648.2	2.5	4.3	-122.7	219.1	512.8	816.0
2025 ⁵	1.2	54,949.1	3.1	4.5	-141.4	–	–	–
2026⁶	1.4	57,386.7	2.2	4.4	-148.8	–	–	–
Euro Area								
2022	3.5	–	8.4	6.7	-15.4	1,208.6	5,936.1	6,184.5
2023	0.5	–	5.4	6.6	263.1	1,281.7	5,936.8	5,804.3
2024	0.9	–	2.4	6.4	460.9	1,460.4	5,875.8	5,608.5
2025 ⁵	1.0	–	2.0	6.4	384.3	–	–	–
2026⁶	1.2	–	1.8	6.3	370.8	–	–	–
Germany								
2022	1.4	49,725.3	8.7	3.1	160.2	294.9	1,676.5	1,583.6
2023	-0.3	53,565.0	6.0	3.0	251.8	322.9	1,702.3	1,467.6
2024	-0.2	54,989.8	2.5	3.4	266.9	377.9	1,682.9	1,424.5
2025 ⁵	0.1	55,911.0	2.1	3.5	249.0	–	–	–
2026⁶	0.9	57,801.0	1.9	3.2	244.2	–	–	–
France								
2022	2.6	41,096.7	5.9	7.3	-32.8	253.5	620.5	823.2
2023	1.6	44,792.0	5.7	7.3	-30.4	246.6	651.1	788.2
2024	1.1	46,203.7	2.3	7.4	12.5	285.8	640.2	750.2
2025 ⁵	0.6	46,792.4	1.3	7.7	6.1	–	–	–
2026⁶	1.0	48,210.9	1.6	7.4	-6.1	–	–	–
Japan								
2022	0.9	34,080.1	2.5	2.6	89.9	1,272.7	746.8	897.2
2023	1.4	33,845.5	3.3	2.6	158.5	1,336.3	717.3	785.8
2024	0.2	32,498.1	2.7	2.6	193.0	1,269.5	707.0	742.6
2025 ⁵	0.7	33,955.7	3.3	2.6	141.9	–	–	–
2026⁶	0.5	35,653.2	2.1	2.6	144.7	–	–	–

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								
2022	4.1	65,574.1	6.6	3.7	6.4	57.6	412.7	309.2
2023	2.1	64,652.2	5.6	3.7	-5.1	64.5	371.4	287.4
2024	1.0	66,248.0	3.2	4.0	-34.6	63.8	341.4	296.4
2025 ⁵	1.8	64,547.1	2.6	4.3	-54.4	-	-	-
2026 ⁶	2.2	66,277.3	3.5	4.5	-63.3	-	-	-
Republic of Korea								
2022	2.7	34,822.4	5.1	2.9	25.8	423.2	683.6	731.4
2023	1.6	35,563.0	3.6	2.7	32.8	420.1	632.2	642.6
2024	2.0	36,129.0	2.3	2.8	99.0	415.6	683.6	631.8
2025 ⁵	0.8	34,641.7	1.8	3.0	62.7	-	-	-
2026 ⁶	1.8	35,880.2	1.8	3.0	67.2	-	-	-
EMDEs								
2022	4.1	15,140.5	9.5	-	699.6	-	12,366.8	11,424.0
2023	4.7	16,246.6	8.0	-	299.6	-	11,840.9	11,318.8
2024	4.3	17,256.9	7.7	-	415.7	-	12,473.8	11,846.3
2025 ⁵	4.1	18,186.1	5.4	-	124.9	-	12,382.8	11,994.6
2026 ⁶	4.0	19,109.3	4.5	-	39.2	-	12,748.0	12,423.0
China								
2022	3.1	12,968.2	2.0	5.6	443.4	3,466.8	3,544.4	2,706.5
2023	5.4	12,960.7	0.2	5.2	263.4	3,610.0	3,379.0	2,556.9
2024	5.0	13,312.7	0.2	5.1	423.9	3,615.7	3,576.8	2,587.2
2025 ⁵	4.8	13,687.3	0.0	5.1	362.6	-	-	-
2026 ⁶	4.2	14,534.2	0.6	5.1	343.2	-	-	-
India								
2022	7.6	2,361.1	6.7	5.3	-67.0	564.7	453.4	720.4
2023	9.2	2,546.8	5.4	4.9	-26.0	626.3	431.6	673.9
2024	6.5	2,711.4	4.7	4.9	-31.0	638.5	442.6	701.6
2025 ⁵	6.4	2,878.5	4.2	4.9	-39.6	-	-	-
2026 ⁶	6.4	3,136.0	4.1	4.9	-64.8	-	-	-

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 2025); 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								
2022	5.5	17,641.5	4.8	–	84.6	–	1,381.7	1,337.3
2023	4.1	18,836.7	3.5	–	88.6	–	1,284.2	1,235.6
2024	4.6	19,993.5	2.0	–	87.9	–	1,371.9	1,354.2
2025 ⁵	4.1	21,145.2	1.7	–	72.3	–	–	–
2026⁶	4.1	22,261.7	2.2	–	73.5	–	–	–
Brunei Darussalam								
2022	-1.6	37,452.9	3.7	5.2	3.3	–	14.2	9.2
2023	1.4	33,507.4	0.4	5.3	1.9	–	11.2	7.5
2024	3.9	34,044.5	-0.4	4.9	2.6	–	11.3	7.9
2025 ⁵	2.5	34,969.7	1.0	4.9	2.5	–	–	–
2026⁶	2.6	36,120.6	1.0	4.9	2.5	–	–	–
Cambodia								
2022	5.1	2,365.2	5.3	–	-7.6	17.8	22.5	29.8
2023	5.0	2,545.5	2.1	–	0.6	20.6	23.5	24.4
2024	6.0	2,754.5	0.9	–	-0.8	23.3	26.7	28.7
2025 ⁵	4.0	2,869.7	1.0	–	1.1	–	–	–
2026⁶	3.4	3,027.0	3.2	–	0.6	–	–	–
Indonesia								
2022	5.3	4,784.2	4.1	5.9	13.2	137.2	292.0	237.4
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	-8.9	155.7	264.7	233.7
2025 ⁵	4.8	5,026.5	1.7	5.0	-21.2	–	–	–
2026⁶	4.8	5,344.9	2.5	5.1	-24.5	–	–	–
Lao PDR								
2022	2.3	2,022.4	23.0	–	-0.5	–	8.2	7.2
2023	3.7	1,975.5	31.2	–	0.4	–	8.4	7.6
2024	4.3	2,066.0	23.1	–	0.5	–	9.4	8.6
2025 ⁵	2.5	2,095.8	9.4	–	0.0	–	–	–
2026⁶	2.0	2,123.6	7.0	–	0.0	–	–	–
Malaysia								
2022	9.0	12,472.6	3.3	3.9	13.0	114.6	351.9	293.7
2023	3.5	11,973.9	2.5	3.4	4.4	113.5	312.7	265.4
2024	5.1	12,397.0	1.8	3.2	6.1	116.2	330.6	300.1
2025 ⁵	4.0 – 4.8	13,465.1 ⁸	1.0 - 2.0	3.0	7.9	122.8 ⁹	359.0	330.0
2026⁶	4.0 – 4.5	14,031.7⁸	1.3 - 2.0	3.0	5.3	–	369.1	342.8
Myanmar								
2022	4.0	1,135.5	28.0	–	-2.1	–	17.1	17.4
2023	1.0	1,124.7	25.5	–	-1.4	–	14.8	16.4
2024	-1.1	1,113.8	26.5	–	-0.7	–	13.3	13.6
2025 ⁵	1.9	1,176.9	30.0	–	-1.6	–	–	–
2026⁶	2.1	1,269.7	20.0	–	-2.9	–	–	–

2.2. KEY ECONOMIC DATA OF ASEAN MEMBER 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)
Philippines								
2022	7.6	3,644.8	5.8	5.4	-18.3	101.9	78.9	145.9
2023	5.5	3,905.4	6.0	4.4	-12.4	109.8	73.5	133.8
2024	5.7	4,079.0	3.2	3.8	-17.5	111.9	73.0	134.3
2025 ⁵	5.5	4,349.7	2.6	4.5	-17.0	-	-	-
2026 ⁶	5.9	4,661.2	2.9	4.5	-17.0	-	-	-
Singapore								
2022	4.1	90,299.1	6.1	2.1	93.8	289.5	515.8	475.6
2023	1.8	85,412.3	4.8	1.9	89.4	351.0	476.3	423.4
2024	4.4	90,674.0	2.4	2.0	96.0	371.4	505.7	458.7
2025 ⁵	2.0	92,932.1	1.3	2.0	96.9	-	-	-
2026 ⁶	1.9	95,729.3	1.5	1.9	99.6	-	-	-
Thailand								
2022	2.6	7,072.7	6.1	1.3	-17.2	216.8	287.4	301.0
2023	2.0	7,350.9	1.2	1.0	7.4	224.6	285.1	288.5
2024	2.5	7,491.7	0.4	1.0	11.1	237.7	300.5	306.8
2025 ⁵	2.0	7,766.7	0.7	1.0	6.4	-	-	-
2026 ⁶	1.7	7,911.7	0.9	1.0	6.9	-	-	-
Viet Nam								
2022	8.5	4,132.9	3.2	2.3	1.4	-	371.3	359.1
2023	5.1	4,316.7	3.3	2.3	25.6	-	353.8	325.8
2024	7.1	4,535.8	3.6	2.2	28.0	-	403.2	379.0
2025 ⁵	5.2	4,805.8	2.9	2.0	15.7	-	-	-
2026 ⁶	4.0	5,041.9	2.5	2.0	9.8	-	-	-

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 2025 at RM4.3421/USD. Data is sourced from BNM Monthly Statistical Bulletin (August 2025)⁹ As at 12 September 2025

Sources: International Monetary Fund (IMF), World Economic Outlook (April and July 2024); 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	2022	2023	2024 ²	2025 ³	2026 ⁴
Agriculture	100,164 (1.3)	100,393 (0.2)	103,458 (3.1)	104,725 (1.2)	107,004 (2.2)
Mining and quarrying	97,004 (3.5)	97,537 (0.5)	98,432 (0.9)	99,503 (1.1)	98,462 (-1.0)
Manufacturing	364,226 (8.2)	366,793 (0.7)	382,034 (4.2)	396,388 (3.8)	408,280 (3.0)
Construction	53,455 (5.1)	56,663 (6.0)	66,580 (17.5)	73,272 (10.1)	77,705 (6.1)
Services	884,870 (11.3)	930,363 (5.1)	980,110 (5.3)	1,030,007 (5.1)	1,083,056 (5.2)
Utilities	40,399 (3.5)	41,487 (2.7)	42,983 (3.6)	43,341 (0.8)	44,090 (1.7)
Wholesale and retail trade	265,943 (13.8)	281,713 (5.9)	293,744 (4.3)	306,522 (4.4)	321,728 (5.0)
Food & beverages and accommodation	43,894 (34.6)	47,019 (7.1)	49,919 (6.2)	54,651 (9.5)	58,257 (6.6)
Transportation and storage	55,250 (29.7)	62,785 (13.6)	69,510 (10.7)	75,330 (8.4)	80,647 (7.1)
Information and communication	99,477 (5.2)	103,018 (3.6)	106,518 (3.4)	110,300 (3.6)	115,005 (4.3)
Finance and insurance	106,156 (0.4)	103,581 (-2.4)	108,692 (4.9)	111,028 (2.1)	114,100 (2.8)
Real estate and business services	66,210 (23.9)	71,881 (8.6)	78,707 (9.5)	84,457 (7.3)	90,091 (6.7)
Other services ¹	69,755 (12.9)	74,286 (6.5)	78,523 (5.6)	82,251 (4.7)	86,044 (4.6)
Government services	137,784 (4.8)	144,593 (4.9)	151,515 (4.8)	162,128 (7.0)	173,093 (6.8)
(+) Import duties	16,784 (7.3)	18,392 (9.6)	19,692 (7.1)	20,818 (5.7)	21,245 (2.1)
GDP at purchasers' prices	1,516,503 (9.0)	1,570,142 (3.5)	1,650,305 (5.1)	1,724,712 (4.0 - 4.8)	1,795,752 (4.0 - 4.5)

¹ Owner occupied dwellings, community, social and personal services, private non-profit services to 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 (%)	2021	2022	2023	2024	2025 ¹
		Annual Change (%)				
Services	100.0	1.6	14.4	5.6	5.7	5.1
Wholesale & retail trade, food & beverages and accommodation	45.2	0.5	17.2	5.9	4.6	4.9
Wholesale and retail trade	37.9	2.3	14.3	5.6	4.3	4.3
Food and beverages	5.7	-8.3	24.3	2.5	4.6	6.5
Accommodation	1.6	-25.2	140.7	26.2	12.6	13.4
Business services and finance	26.8	2.6	9.3	2.9	6.8	4.7
Finance and insurance	16.0	9.9	1.0	-1.7	4.8	1.9
Professional, scientific & technical and administrative & support services	7.2	-6.7	22.2	11.1	8.3	7.6
Real estate	3.6	-12.8	31.1	6.5	12.1	10.6
Information & communication and transportation & storage	21.9	5.0	14.1	7.2	6.2	5.7
Information and communication	12.9	6.5	5.1	3.6	3.4	3.5
Transportation and storage	9.0	1.8	33.7	13.6	10.7	8.9
Other services	6.1	-8.7	19.7	9.7	8.0	6.9
Arts, entertainment & recreation and personal services & other activities	2.6	-28.1	52.9	10.9	7.3	7.6
Private education	1.9	-5.6	7.3	7.5	8.1	4.9
Private health	1.6	7.6	9.5	10.8	8.7	8.3

¹ January to June 2025

Source: Department of Statistics, Malaysia

3.3. INDUSTRIAL PRODUCTION INDEX

2015 = 100, Malaysia

Subsector	Weights (%)	2021	2022	2023	2024	2025 ¹
		Annual Change (%)				
Total Industrial Production	100.00	7.4	6.9	0.7	3.7	2.4
Mining	25.14	1.5	2.9	0.2	0.7	-3.2
Electricity	6.61	2.5	4.5	2.0	5.4	-0.4
Manufacturing	68.25	9.5	8.2	0.7	4.3	4.1
Export-oriented industries	45.82	11.6	7.0	-1.1	4.0	4.6
Manufacture of vegetable and animal oils and fats	3.71	-8.4	-1.8	4.4	5.2	12.1
Manufacture of textiles	0.58	13.3	4.3	-4.7	2.7	-3.3
Manufacture of wearing apparel	0.60	1.6	2.1	4.6	1.4	1.1
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1.44	9.2	6.7	-4.5	3.7	2.4
Manufacture of coke and refined petroleum products	9.36	11.6	6.3	-1.6	1.9	-1.6
Manufacture of chemicals and chemical products	6.37	9.4	4.1	4.2	2.2	2.1
Manufacture of rubber products	2.22	23.2	-16.9	-7.1	8.3	2.2
Manufacture of plastics products	2.26	12.1	2.8	-2.9	5.4	2.1
Manufacture of computer, electronics and optical products	13.89	15.6	16.0	-2.0	4.9	8.0
Manufacture of electrical equipment	2.20	12.2	9.7	-0.8	0.4	4.9
Manufacture of machinery and equipment n.e.c.	2.14	11.6	7.0	-0.4	3.9	7.4
Manufacture of furniture	1.04	-3.7	9.5	-4.6	6.6	5.4
Domestic-oriented industries	22.44	5.0	10.9	4.9	5.1	3.1
Manufacture of food processing products	3.68	10.1	8.7	5.8	4.9	9.2
Manufacture of beverages	0.65	9.9	13.3	1.8	7.0	7.5
Manufacture of tobacco products	0.52	-12.4	22.1	13.9	10.0	0.1
Manufacture of leather and related products	0.15	11.5	25.6	7.7	6.1	7.5
Manufacture of paper and paper products	1.15	14.9	7.5	4.1	3.0	-1.2
Printing and reproduction of recorded media	0.93	3.1	6.8	6.1	8.3	8.0
Manufacture of basic pharmaceuticals, medicinal chemical and botanical products	0.38	15.7	6.1	-0.7	5.7	6.7
Manufacture of other non-metallic mineral products	2.97	1.0	9.1	4.5	7.1	2.3
Manufacture of basic metals	2.35	2.8	6.8	3.0	4.6	4.7
Manufacture of fabricated metal products, except machinery and equipment	3.79	6.3	7.1	7.1	9.1	4.4
Manufacture of motor vehicles, trailers and semi-trailers	3.17	0.8	25.6	4.5	0.1	-7.1
Manufacture of other transport equipment	1.19	2.8	7.0	2.7	3.0	-1.2
Other manufacturing	0.74	2.6	9.9	2.7	3.2	3.0
Repair and installation of machinery and equipment	0.76	-0.1	10.2	4.9	5.6	8.5

¹ January to July 2025

Source: Department of Statistics, Malaysia

3.4. GROSS NATIONAL INCOME BY DEMAND AGGREGATES

Malaysia
RM million

Type of Expenditure	2022	2023	2024 ³	2025 ⁴	2026 ⁵
Current Prices					
A. Final consumption expenditure					
Public	208,446	218,331	231,196	242,447	252,002
Private	1,034,028	1,102,875	1,174,092	1,244,055	1,324,971
B. Gross fixed capital formation					
Public ¹	72,461	79,980	89,938	101,529	109,730
Private	254,356	270,732	307,007	337,045	363,674
C. Changes in inventories and valuables ²	96,532	65,197	27,268	-14,223	-22,942
D. Exports of goods and services	1,378,618	1,252,717	1,378,518	1,414,973	1,477,692
E. Imports of goods and services	1,249,547	1,165,812	1,275,728	1,310,088	1,379,371
F. Gross Domestic Product at purchasers' prices (A+B+C+D-E)	1,794,893	1,824,019	1,932,291	2,015,738	2,125,757
G. Balance of primary income	-56,943	-55,661	-66,111	-55,715	-61,581
H. Gross National Income (F+G)	1,737,950	1,768,358	1,866,181	1,960,023	2,064,176
Constant 2015 Prices					
A. Final consumption expenditure					
Public	200,948	207,808	217,563	226,252	233,446
Private	910,364	952,397	1,000,999	1,051,203	1,104,815
B. Gross fixed capital formation					
Public ¹	66,121	71,738	79,721	89,843	96,438
Private	232,219	242,719	272,595	299,853	323,160
C. Changes in inventories and valuables ²	24,506	31,404	9,485	-1,863	-2,519
D. Exports of goods and services	1,126,873	1,038,085	1,124,259	1,146,022	1,189,655
E. Imports of goods and services	1,044,529	974,008	1,054,317	1,086,600	1,149,243
F. Gross Domestic Product at purchasers' prices (A+B+C+D-E)	1,516,503	1,570,142	1,650,305	1,724,712	1,795,752
G. Balance of primary income	-30,105	-27,408	-35,630	-30,082	-32,828
H. Gross National Income (F+G)	1,486,398	1,542,735	1,614,675	1,694,629	1,762,924

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	2021	2022	2023	2024	2025
Imports of consumption goods ¹ (RM million)	83,893	104,017	104,118	117,414	77,912 ²
Bursa Malaysia (end-period)					
FBM-KLCI	1,567.53	1,495.49	1,454.66	1,642.33	1,575.12 ³
Market capitalisation (RM billion)	1,789.20	1,736.21	1,796.40	2,080.51	1,950.30 ³
Sales number (units)					
Passenger cars	452,486	642,157	719,145	748,544	478,824 ²
Motorcycles	497,262	680,749	541,703	567,332	380,675 ²
Production of televisions ('000 units)	15,072	15,978	13,583	13,798	8,661 ⁴
Outstanding balance of credit card (RM million, end-period)	35,982	41,310	45,785	49,357	49,948 ⁵
Banking system's consumption credit (RM million, end-period)	311,319	332,123	360,688	385,412	395,995 ⁵

¹ Refers to imports by broad economic categories published by the Department of Statistics, Malaysia² January to August 2025³ End-August 2025⁴ January to July 2025⁵ End-July 2025

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	2021	2022	2023	2024	2025
Imports (RM million)					
Capital goods ¹	103,823	120,231	128,743	166,098	141,276 ³
Intermediate goods ¹	545,801	706,551	620,607	749,247	479,102 ³
Loan disbursements by banking system (RM million)					
Manufacturing	378,570	490,590	439,727	466,292	242,681 ⁴
Construction	110,379	149,330	175,867	164,917	89,180 ⁴
Housing loans (RM million, end-period)					
Government ²	96,602	102,871	109,064	115,327	118,682 ⁵
Banking system	689,234	736,928	790,694	845,167	874,646 ⁵
Production of construction materials					
Cement roofing tiles ('000 units)	37,054	39,760	42,152	40,418	22,197 ⁴
Ready-mixed concrete ('000 cubic metres)	35,425	37,696	39,836	40,936	22,166 ⁴
Iron and steel bars and rods ('000 metric tonnes)	708	931	1,159	1,285	776 ⁴
Sales of commercial vehicles (units)	56,397	79,020	80,676	69,787	38,038 ³

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

² Based on principal amount

³ January to August 2025

⁴ January to July 2025

⁵ End- July 2025

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

		2021	2022	2023	2024		2025 ¹	
		RM million	RM million	RM million	RM million	share (%)	RM million	share (%)
Total	Total Trade	2,228,366	2,843,821	2,637,243	2,879,528	100.0	1,977,304	100.0
	Exports	1,241,022	1,550,009	1,426,199	1,509,291	52.4	1,031,687	52.2
	Imports	987,344	1,293,811	1,211,044	1,370,237	47.6	945,617	47.8
	Net	253,678	256,198	215,155	139,053	-	86,070	-
China	Total Trade	421,491	486,381	450,012	484,245	100.0	337,892	100.0
	Exports	192,475	210,554	191,885	187,764	38.8	119,735	35.4
	Imports	229,016	275,826	258,127	296,481	61.2	218,157	64.6
	Net	-36,541	-65,272	-66,241	-108,716	-	-98,422	-
Singapore	Total Trade	267,607	367,524	363,021	396,263	100.0	266,496	100.0
	Exports	173,974	232,484	219,295	230,865	58.3	163,662	61.4
	Imports	93,633	135,040	143,726	165,398	41.7	102,834	38.6
	Net	80,341	97,444	75,569	65,467	-	60,827	-
United States	Total Trade	216,971	267,629	250,123	325,158	100.0	242,093	100.0
	Exports	142,244	167,208	161,272	198,906	61.2	146,423	60.5
	Imports	74,727	100,421	88,850	126,252	38.8	95,670	39.5
	Net	67,517	66,788	72,422	72,654	-	50,753	-
Japan	Total Trade	149,759	181,734	156,747	153,505	100.0	94,423	100.0
	Exports	75,816	98,658	85,830	83,357	54.3	51,023	54.0
	Imports	73,942	83,076	70,917	70,147	45.7	43,399	46.0
	Net	1,874	15,582	14,913	13,210	-	7,624	-
Taiwan	Total Trade	115,828	157,748	127,173	176,148	100.0	152,575	100.0
	Exports	40,625	51,745	43,377	67,021	38.0	54,187	35.5
	Imports	75,203	106,003	83,795	109,127	62.0	98,388	64.5
	Net	-34,579	-54,258	-40,418	-42,105	-	-44,201	-
Indonesia	Total Trade	95,307	129,704	111,211	115,556	100.0	74,061	100.0
	Exports	39,180	55,736	50,910	54,424	47.1	33,010	44.6
	Imports	56,127	73,968	60,301	61,132	52.9	41,050	55.4
	Net	-16,947	-18,232	-9,391	-6,708	-	-8,040	-
Thailand	Total Trade	97,546	121,959	113,370	114,522	100.0	77,520	100.0
	Exports	52,162	65,774	58,913	58,998	51.5	42,520	54.8
	Imports	45,383	56,186	54,457	55,524	48.5	35,000	45.2
	Net	6,779	9,588	4,455	3,475	-	7,519	-
Republic of Korea	Total Trade	88,308	114,093	111,684	109,677	100.0	75,873	100.0
	Exports	38,224	54,906	56,387	54,256	49.5	34,240	45.1
	Imports	50,084	59,187	55,298	55,421	50.5	41,633	54.9
	Net	-11,860	-4,280	1,089	-1,165	-	-7,393	-
Hong Kong	Total Trade	94,343	113,271	105,086	105,466	100.0	71,006	100.0
	Exports	76,706	95,671	89,836	88,796	84.2	58,633	82.6
	Imports	17,637	17,601	15,250	16,670	15.8	12,373	17.4
	Net	59,069	78,070	74,586	72,126	-	46,260	-
Australia	Total Trade	57,041	88,728	84,638	82,980	100.0	51,501	100.0
	Exports	34,479	48,091	49,899	49,401	59.5	32,232	62.6
	Imports	22,562	40,637	34,739	33,579	40.5	19,269	37.4
	Net	11,917	7,453	15,160	15,823	-	12,963	-

¹ January to August 2025

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

3.8. EXTERNAL TRADE INDICES

2010 = 100, Malaysia

Commodity Section	Weights ¹ (%)	2021	2022	2023	2024	2025 ²
		Annual Change (%)				
Export Unit Value Indices						
Total	100.0	10.2	17.2	-1.1	4.0	1.1
Food	3.5	3.8	4.3	6.2	10.5	12.0
Beverages and tobacco	0.6	3.5	4.4	4.2	6.7	13.0
Crude materials, inedible	2.7	7.2	2.9	0.6	5.9	4.9
Mineral fuels, lubricants, etc.	16.1	34.2	60.0	-8.8	7.8	-7.9
Animal and vegetable oils and fats	6.0	48.1	18.6	-29.6	-2.3	7.2
Chemicals	7.8	6.3	7.7	0.6	2.0	0.6
Manufactured goods	9.7	5.1	4.5	-0.3	-0.9	-2.8
Machinery and transport equipment	42.3	1.8	10.3	7.5	1.8	-0.6
Miscellaneous manufactured articles	10.9	1.8	1.0	1.0	3.4	3.7
Miscellaneous transactions and commodities	0.4	11.4	78.4	60.0	67.9	104.3
Import Unit Value Indices						
Total	100.0	3.9	10.0	-0.9	0.0	-3.1
Food	6.8	2.3	2.8	3.0	1.2	0.9
Beverages and tobacco	0.6	1.6	1.1	1.3	1.1	-0.8
Crude materials, inedible	3.3	10.7	1.3	-2.3	-1.3	-2.3
Mineral fuels, lubricants, etc.	12.9	25.8	56.3	-7.0	-0.2	-14.1
Animal and vegetable oils and fats	1.1	48.5	44.6	-5.4	7.9	8.0
Chemicals	10.5	2.6	0.5	-2.6	-2.5	-4.5
Manufactured goods	13.4	4.6	1.9	-1.1	-1.1	-2.0
Machinery and transport equipment	41.8	-1.3	4.8	1.0	-0.1	-3.2
Miscellaneous manufactured articles	7.6	0.19	2.4	1.8	1.3	0.3
Miscellaneous transactions and commodities	2.0	2.6	4.8	3.6	17.4	25.0

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 2025

Source: Department of Statistics, Malaysia

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

Malaysia

Major Commodities	2021	2022	2023	2024	2025 ¹
Palm oil					
Production ('000 tonnes)	18,116	18,453	18,552	19,338	12,634
Exports					
Volume ('000 tonnes)	14,835	14,905	14,260	15,188	9,117
Value (RM million)	64,615	82,480	59,450	65,818	43,092
Natural rubber					
Production ('000 tonnes)	470	377	348	387	198 ²
Exports					
Volume ('000 tonnes)	653	621	579	577	330
Value (RM million)	4,568	4,592	3,714	4,503	2,867
Crude petroleum					
Exports					
Volume ('000 tonnes)	8,901	8,921	9,309	8,518	5,169
Value (RM million)	18,372	31,847	28,733	26,114	13,117
Liquefied natural gas (LNG)					
Exports					
Volume ('000 tonnes)	24,697	27,316	26,863	27,650	17,163
Value (RM million)	38,193	68,002	60,231	61,903	34,338

¹ January to August 2025² January to July 2025

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

3.10. DIRECTION OF MAJOR EXPORTS

Malaysia

Exports	2021			2022		
	'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)
Electrical and electronic (E&E)						
Total		455,953	100.0		592,956	100.0
Singapore		85,869	18.8		115,275	19.4
United States		66,494	14.6		96,023	16.2
China		59,671	13.1		81,097	13.7
Hong Kong		65,774	14.4		79,087	13.3
European Union		41,882	9.2		52,021	8.8
Non-E&E						
Total		612,478	100.0		711,713	100.0
Singapore		79,258	12.9		105,751	14.9
China		101,825	16.6		89,647	12.6
United States		72,825	11.9		68,453	9.6
European Union		49,598	8.1		59,850	8.4
Indonesia		34,722	5.7		49,975	7.0
Palm oil						
Total	14,835	64,615	100.0	14,905	82,480	100.0
India	3,440	15,285	23.7	2,913	15,382	18.6
China	1,769	7,029	10.9	1,694	8,447	10.2
European Union	1,421	6,181	9.6	1,229	6,978	8.5
Turkiye	688	3,048	4.7	767	4,309	5.2
Kenya	835	3,450	5.3	762	4,042	4.9
Natural rubber						
Total	653	4,568	100.0	621	4,592	100.0
China	316	2,132	46.7	286	2,076	45.2
European Union	124	919	20.1	112	862	18.8
United Arab Emirates	37	247	5.4	52	372	8.1
United States	39	284	6.2	34	251	5.5
India	23	156	3.4	25	177	3.9
Crude petroleum						
Total	8,901	18,372	100.0	8,921	31,847	100.0
Australia	2,823	5,796	31.5	2,343	8,431	26.5
Thailand	1,725	3,572	19.4	2,089	7,307	22.9
India	1,369	2,723	14.8	1,507	5,291	16.6
Japan	1,158	2,494	13.6	1,341	4,622	14.5
Brunei	744	1,629	8.6	1,035	3,891	12.2
Liquefied natural gas (LNG)						
Total	24,697	38,193	100.0	27,316	68,002	100.0
Japan	10,277	16,413	43.0	11,777	30,566	44.9
China	8,433	12,929	33.9	7,489	18,053	26.5
Republic of Korea	4,186	6,150	16.1	5,361	12,480	18.4
Thailand	1,086	1,648	4.3	1,893	4,461	6.6
Taiwan	372	529	1.4	374	1,214	1.8

¹ January to August 2025

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

2023			2024			2025 ¹		
'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)
	575,455	100.0		601,577	100.0		446,931	100.0
	106,523	18.5		112,776	18.7		85,195	19.1
	101,286	17.6		120,111	20.0		89,575	20.0
	76,675	13.3		68,047	11.3		47,020	10.5
	74,010	12.9		73,299	12.2		50,113	11.2
	52,578	9.1		51,946	8.6		38,810	8.7
	640,828	100.0		687,612	100.0		445,338	100.0
	100,374	15.7		104,836	15.2		69,187	15.5
	81,267	12.7		87,123	12.7		53,197	11.9
	57,803	9.0		74,952	10.9		53,841	12.1
	50,425	7.9		52,479	7.6		35,169	7.9
	43,759	6.8		47,505	6.9		27,880	6.3
14,260	59,450	100.0	15,188	65,818	100.0	9,117	43,092	100.0
2,767	10,767	18.1	2,931	11,947	18.2	1,551	6,838	15.9
1,297	5,043	8.5	1,229	5,095	7.7	512	2,255	5.2
933	4,270	7.2	1,059	5,109	7.8	608	3,085	7.2
838	3,459	5.8	727	3,134	4.8	498	2,340	5.4
860	3,384	5.7	1,157	4,874	7.4	693	3,171	7.4
579	3,714	100.0	577	4,503	100.0	330	2,867	100.0
279	1,749	47.1	231	1,731	38.4	140	1,174	41.0
94	637	17.1	99	835	18.5	56	515	18.0
57	366	9.9	58	436	9.7	30	254	8.9
16	102	2.7	34	267	5.9	21	185	6.5
29	178	4.8	40	298	6.6	13	106	3.7
9,309	28,733	100.0	8,518	26,114	100.0	5,169	13,117	100.0
2,022	6,242	21.7	1,833	5,723	21.9	1,662	4,363	33.3
2,615	8,089	28.2	2,709	8,368	32.0	1,559	3,994	30.4
702	2,078	7.2	921	2,768	10.6	365	881	6.7
2,012	6,177	21.5	1,565	4,732	18.1	992	2,408	18.4
1,203	3,775	13.1	811	2,495	9.6	263	661	5.0
26,863	60,231	100.0	27,650	61,903	100.0	17,163	34,338	100.0
10,433	25,830	42.9	10,646	26,231	42.4	6,402	13,791	40.2
7,437	15,126	25.1	7,775	15,393	24.9	4,543	8,193	23.9
6,322	13,838	23.0	6,346	14,190	22.9	4,277	8,572	25.0
1,785	3,585	6.0	1,826	3,806	6.1	1,191	2,215	6.5
616	1,266	2.1	942	2,039	3.3	205	467	1.4

3.11. EXPORTS OF MANUFACTURED GOODS

Malaysia

RM million

	2021	2022	2023	2024	2025 ²	
					share (%)	
Electrical and electronic (E&E) products	455,953	592,956	575,455	601,577	446,931	50.1
Petroleum products	96,206	161,205	143,494	127,331	68,697	7.7
Chemicals and chemical products	70,683	80,579	71,454	73,614	43,782	4.9
Manufactures of metal	61,557	63,551	56,323	61,502	41,461	4.6
Machinery, equipment and parts	49,922	60,409	57,250	69,011	51,778	5.8
Optical and scientific equipment	46,928	56,632	54,575	59,171	40,958	4.6
Palm oil-based manufactured products	32,704	41,385	31,212	34,984	26,568	3.0
Rubber products	64,615	28,790	21,337	26,319	16,463	1.8
Processed food	24,600	28,414	30,304	35,368	25,768	2.9
Iron and steel products	29,409	33,827	30,478	32,429	18,038	2.0
Transport equipment	15,914	18,988	17,500	18,608	12,628	1.4
Textiles, apparels and footwear	15,827	17,341	16,019	17,234	10,949	1.2
Manufactures of plastics	15,971	17,262	16,041	17,270	11,484	1.3
Wood products	16,555	18,096	14,866	15,580	9,816	1.1
Non-metallic mineral products	10,572	11,945	12,469	12,465	9,294	1.0
Jewellery	5,804	7,395	7,708	9,255	6,852	0.8
Paper and pulp products	8,516	9,948	11,594	13,911	8,609	1.0
Beverages and tobacco	2,495	2,757	3,105	3,016	1,890	0.2
Other manufactures ¹	44,201	53,190	45,101	60,544	40,303	4.5
Total	1,068,431	1,304,668	1,216,283	1,289,189	892,269	100.0

¹ Includes animal feed, printed matter, miscellaneous manufactured articles, etc² January to August 2025

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

3.12. SOURCE OF MAJOR IMPORTS

Malaysia

RM million

Imports	2021		2022		2023		2024		2025 ¹	
	share (%)		share (%)		share (%)		share (%)		share (%)	
Electrical and electronic (E&E) products										
Total	314,546	100.0	393,474	100.0	355,945	100.0	455,803	100.0	360,726	100.0
China	91,244	29.0	110,095	28.0	100,589	28.3	119,503	26.2	92,304	25.6
Taiwan	51,815	16.5	76,704	19.5	62,710	17.6	87,258	19.1	86,265	23.9
Singapore	32,658	10.4	42,278	10.7	30,909	8.7	54,238	11.9	46,179	12.8
Chemicals and chemical products										
Total	96,551	100.0	115,514	100.0	104,426	100.0	104,147	100.0	64,037	100.0
China	21,718	22.5	28,611	24.8	24,940	23.9	24,152	23.2	15,498	24.2
European Union	12,175	12.6	12,982	11.2	12,513	12.0	12,811	12.3	8,226	12.8
Singapore	8,971	9.3	9,704	8.4	10,972	10.5	13,103	12.6	7,301	11.4
Petroleum products										
Total	89,546	100.0	145,639	100.0	137,935	100.0	128,518	100.0	64,824	100.0
Singapore	26,759	29.9	51,051	35.1	44,257	32.1	43,316	33.7	25,997	40.1
China	12,400	13.8	18,356	12.6	19,731	14.3	12,219	9.5	6,978	10.8
Republic of Korea	11,181	12.5	16,693	11.5	15,646	11.3	14,421	11.2	7,330	11.3
Machinery, equipment and parts										
Total	68,638	100.0	89,381	100.0	89,210	100.0	113,640	100.0	79,583	100.0
China	23,944	34.9	30,546	34.2	27,855	31.2	36,991	32.6	27,150	34.1
European Union	9,102	13.3	10,949	12.2	12,346	13.8	13,427	11.8	8,853	11.1
Japan	7,972	11.6	10,248	11.5	10,381	11.6	11,797	10.4	7,284	9.2
Manufactures of metal										
Total	54,216	100.0	63,853	100.0	64,817	100.0	71,060	100.0	42,844	100.0
China	14,271	26.3	16,151	25.3	15,632	24.1	18,562	26.1	13,883	32.4
United States	6,177	11.4	7,678	12.0	8,714	13.4	9,368	13.2	4,045	9.4
India	7,260	13.4	7,604	11.9	5,358	8.3	4,774	6.7	2,921	6.8

¹ January to August 2025

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

3.13. BALANCE OF PAYMENTS

Malaysia

RM million

Components	2021			2022		
	Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net
Balance on goods and services	1,093,895	981,922	111,973	1,378,618	1,249,547	129,071
Goods	1,005,841	828,206	177,634	1,237,226	1,049,951	187,275
Services	88,054	153,716	-65,661	141,392	199,596	-58,204
Transport	16,474	48,337	-31,863	26,569	60,763	-34,194
Travel	323	15,180	-14,857	28,696	29,884	-1,188
Other services	71,258	90,199	-18,941	86,127	108,949	-22,822
Primary income	97,698	139,851	-42,153	93,156	150,099	-56,943
Compensation of employees	6,433	13,092	-6,659	7,116	14,455	-7,339
Investment income	91,265	126,759	-35,494	86,040	135,644	-49,603
Secondary income	20,504	30,146	-9,642	22,958	37,863	-14,905
Balance on current account	1,212,097	1,151,919	60,178	1,494,731	1,437,509	57,223
% of Gross National Income			4.0			3.3
Capital account			-469			-454
Financial account			16,242			8,533
Direct investment			31,065			12,593
Assets			-53,200			-53,603
Liabilities			84,265			66,196
Portfolio investment			18,802			-50,114
Financial derivatives			-2,250			-2,212
Other investment			-31,375			48,267
Balance on capital and financial accounts			15,774			8,079
Net errors and omissions			-30,266			-11,943
Overall balance			45,686			53,359

¹ January to June 2025

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

2023			2024			2025 ¹		
Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net
1,252,717	1,165,812	86,904	1,378,518	1,275,728	102,790	691,619	642,829	48,790
1,057,736	926,839	130,897	1,135,655	1,021,193	114,462	564,814	509,319	55,496
194,980	238,973	-43,993	242,863	254,535	-11,672	126,804	133,510	-6,706
30,187	62,192	-32,005	34,631	64,828	-30,197	17,578	32,577	-15,000
68,037	50,758	17,279	95,315	57,936	37,379	50,420	28,865	21,555
96,756	126,023	-29,267	112,916	131,770	-18,854	58,807	72,068	-13,261
86,590	142,251	-55,661	91,793	157,903	-66,111	42,729	68,750	-26,021
7,767	15,907	-8,140	7,353	17,294	-9,941	3,682	8,541	-4,859
78,824	126,344	-47,521	84,440	140,610	-56,170	39,047	60,209	-21,162
33,919	45,114	-11,195	39,127	48,090	-8,963	19,329	25,136	-5,807
1,373,226	1,353,178	20,048	1,509,437	1,481,721	27,716	753,677	736,715	16,962
		1.1			1.5			1.8
		-259			-8			153
		-7,150			-4,928			-22,519
		8,473			17,664			14,300
		-35,570			-63,758			-19,676
		44,042			81,422			33,976
		-36,528			-84,140			-31,885
		-3,879			2,814			-429
		24,784			58,734			-4,505
		-7,408			-4,936			-22,366
		-33,140			-7,038			9,507
		-20,500			15,742			4,103

3.14. CONSUMER PRICE INDEX BY REGION

2010 = 100, Malaysia

Groups	2021	2022	2023	2024	2025 ¹
	Annual Change (%)				
Malaysia					
Total	2.5	3.3	2.5	1.8	1.4
Food and beverages	1.7	5.8	4.8	2.0	2.3
Alcoholic beverages and tobacco	0.5	0.5	0.6	0.7	0.7
Clothing and footwear	-0.4	0.1	0.3	-0.3	-0.2
Housing, water, electricity, gas and other fuels	1.5	1.8	1.7	3.0	1.9
Furnishings, household equipment and routine household maintenance	1.6	3.5	2.3	0.7	0.2
Health	0.4	0.7	2.2	1.8	1.1
Transport	11.0	4.7	1.1	1.0	0.6
Information and communication	0.0	0.0	-3.0	-1.5	-5.4
Recreation, sport and culture	0.4	2.3	1.5	1.8	1.2
Education	0.2	1.1	1.9	1.5	2.1
Restaurant and accommodation services	0.4	5.0	5.6	3.1	3.1
Insurance and financial services	0.0	0.2	0.1	0.3	2.4
Personal care, social protection and miscellaneous goods and services	0.5	2.0	2.4	3.0	3.8
Peninsular Malaysia					
Total	2.6	3.5	2.5	1.7	1.4
Food and beverages	1.9	5.8	4.8	2.0	2.3
Alcoholic beverages and tobacco	0.5	0.6	0.6	0.7	0.8
Clothing and footwear	-0.5	0.2	0.2	-0.2	-0.2
Housing, water, electricity, gas and other fuels	1.9	1.9	1.5	3.0	1.9
Furnishings, household equipment and routine household maintenance	1.7	3.8	2.3	0.8	0.2
Health	0.4	0.8	2.2	1.9	1.1
Transport	10.6	4.7	1.2	0.9	0.7
Information and communication	0.0	0.0	-3.2	-1.6	-5.6
Recreation, sport and culture	0.4	2.2	1.6	1.8	1.2
Education	0.2	1.1	1.8	1.6	2.2
Restaurant and accommodation services	0.4	4.9	5.6	3.2	3.0
Insurance and financial services	0.1	0.2	0.1	0.3	2.5
Personal care, social protection and miscellaneous goods and services	0.5	2.1	2.5	3.1	4.0

¹ January to August 2025

Source: Department of Statistics, Malaysia

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

2010 = 100, Malaysia

Groups	2021	2022	2023	2024	2025 ¹
	Annual Change (%)				
Sarawak					
Total	2.1	3.2	3.1	2.4	1.0
Food and beverages	1.1	5.5	6.1	1.9	1.2
Alcoholic beverages and tobacco	0.3	0.2	0.9	0.9	0.4
Clothing and footwear	-0.4	0.0	0.2	0.0	-0.2
Housing, water, electricity, gas and other fuels	-0.5	0.9	1.8	5.6	2.1
Furnishings, household equipment and routine household maintenance	0.9	2.3	2.3	0.9	0.4
Health	0.2	-0.8	1.6	1.5	0.9
Transport	15.7	3.9	0.7	0.9	0.6
Information and communication	0.0	0.0	-1.6	-1.2	-4.7
Recreation, sport and culture	-1.5	4.9	0.6	2.0	1.3
Education	-0.7	1.5	2.4	1.1	0.8
Restaurant and accommodation services	0.6	5.2	5.3	3.2	3.1
Insurance and financial services	0.0	0.0	0.0	0.0	0.4
Personal care, social protection and miscellaneous goods and services	0.5	1.2	2.6	2.3	3.3
Sabah					
Total	1.6	3.0	2.4	1.2	1.1
Food and beverages	0.6	5.1	4.1	1.5	2.2
Alcoholic beverages and tobacco	0.2	0.2	0.2	0.7	-0.5
Clothing and footwear	-0.4	0.1	-0.1	-0.3	-1.0
Housing, water, electricity, gas and other fuels	-1.1	1.9	2.6	1.5	1.0
Furnishings, household equipment and routine household maintenance	1.0	2.3	1.6	0.5	-0.1
Health	0.3	1.5	1.4	1.1	1.1
Transport	12.6	3.5	0.0	0.3	0.0
Information and communication	0.0	-0.1	-1.1	-0.5	-2.8
Recreation, sport and culture	2.4	0.2	1.0	0.0	0.8
Education	-0.4	1.4	2.3	2.1	2.4
Restaurant and accommodation services	0.4	7.3	5.4	3.1	5.5
Insurance and financial services	0.0	0.0	-0.1	0.6	2.1
Personal care, social protection and miscellaneous goods and services	0.7	1.6	2.3	2.9	2.6

¹ January to August 2025

Source: Department of Statistics, Malaysia

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

2010 = 100, Malaysia

Groups	2021	2022	2023	2024	2025 ¹
	Annual Change (%)				
Federal Territory of Labuan					
Total	1.6	2.4	1.6	0.7	0.5
Food and beverages	1.3	3.5	3.6	1.4	2.2
Alcoholic beverages and tobacco	0.0	0.0	0.2	0.3	0.2
Clothing and footwear	-0.2	-0.3	0.0	-2.1	-1.6
Housing, water, electricity, gas and other fuels	-1.5	1.1	1.5	0.8	0.6
Furnishings, household equipment and routine household maintenance	-0.3	0.7	1.4	-3.3	-2.1
Health	0.4	0.9	3.9	1.8	-0.8
Transport	14.8	7.6	-2.3	-1.1	-0.9
Information and communication	0.0	-0.6	-2.5	-1.5	-6.0
Recreation, sport and culture	2.9	0.2	0.2	2.0	0.0
Education	0.0	0.0	1.7	0.6	5.1
Restaurant and accommodation services	-0.5	2.2	5.9	6.7	3.1
Insurance and financial services	0.0	0.0	0.0	0.0	1.7
Personal care, social protection and miscellaneous goods and services	1.3	0.3	1.9	2.7	5.2

¹ January to August 2025

Source: Department of Statistics, Malaysia

3.15. CONSUMER PRICE INDEX BY STRATUM

2010 = 100, Malaysia

Groups	2021	2022	2023	2024	2025 ¹
	Annual Change (%)				
Rural					
Total	2.6	2.6	2.1	1.7	1.0
Food and beverages	1.6	4.3	3.6	1.7	1.5
Alcoholic beverages and tobacco	0.2	0.2	0.2	0.5	0.0
Clothing and footwear	0.0	0.5	0.4	0.1	-0.5
Housing, water, electricity, gas and other fuels	1.3	1.7	1.5	3.2	1.6
Furnishings, household equipment and routine household maintenance	0.6	2.0	1.8	0.7	0.3
Health	0.5	0.6	1.6	1.0	1.0
Transport	12.1	2.9	1.1	0.9	0.6
Information and communication	0.1	0.0	-1.4	-0.8	-3.7
Recreation, sport and culture	0.3	1.6	1.0	1.1	0.3
Education	0.2	0.3	1.6	0.6	1.0
Restaurant and accommodation services	0.2	2.9	2.9	2.9	2.7
Insurance and financial services	0.0	0.0	0.0	0.2	1.6
Personal care, social protection and miscellaneous goods and services	0.6	1.5	2.2	3.1	3.7
Urban					
Total	2.4	3.6	2.6	1.8	1.4
Food and beverages	1.8	6.1	5.1	2.1	2.4
Alcoholic beverages and tobacco	0.6	0.7	0.8	0.7	0.9
Clothing and footwear	-0.5	0.1	0.1	-0.2	-0.2
Housing, water, electricity, gas and other fuels	1.6	1.8	1.7	2.9	1.9
Furnishings, household equipment and routine household maintenance	1.8	3.7	2.4	0.7	0.2
Health	0.4	0.8	2.2	2.0	1.1
Transport	10.9	5.0	1.1	0.9	0.6
Information and communication	0.0	0.0	-3.2	-1.7	-5.6
Recreation, sport and culture	0.5	2.3	1.6	1.9	1.3
Education	0.2	1.1	1.9	1.7	2.3
Restaurant and accommodation services	0.4	5.3	5.9	3.2	3.2
Insurance and financial services	0.1	0.2	0.1	0.3	2.5
Personal care, social protection and miscellaneous goods and services	0.4	2.1	2.5	3.0	3.9

¹ January to August 2025

Source: Department of Statistics, Malaysia

3.16. CONSUMER PRICE INDEX BY STATE
2010 = 100, Malaysia

States	2021	2022	2023	2024	2025 ¹
	Annual Change (%)				
Total					
Malaysia	2.5	3.3	2.5	1.8	1.4
Johor	2.4	3.4	2.5	1.7	1.9
Kedah	2.6	2.6	1.7	1.3	0.7
Kelantan	3.1	2.8	1.7	1.0	0.3
Melaka	2.4	2.7	2.4	1.3	1.5
Negeri Sembilan	2.6	2.8	2.0	1.2	1.6
Pahang	3.0	3.0	2.6	2.4	1.1
Pulau Pinang	2.1	3.2	2.2	3.0	1.2
Perak	2.7	3.3	2.8	1.0	0.9
Perlis	2.9	3.2	2.2	1.7	0.9
Selangor	2.7	4.2	2.9	2.1	1.7
Terengganu	3.4	3.1	1.8	1.5	1.2
Sabah	1.6	3.0	2.4	1.2	1.1
Sarawak	2.1	3.2	3.1	2.4	1.0
Federal Territory of Kuala Lumpur	2.0	3.0	2.1	1.4	1.2
Federal Territory of Labuan	1.6	2.4	1.6	0.7	0.5
Federal Territory of Putrajaya	3.9	7.3	3.4	1.4	0.6

¹ January to August 2025

Source: Department of Statistics, Malaysia

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

2010 = 100, Malaysia

States	2021	2022	2023	2024	2025 ¹
	Annual Change (%)				
Food and Beverages					
Malaysia	1.7	5.8	4.8	2.0	2.2
Johor	1.8	6.1	4.3	1.7	2.5
Kedah	1.2	3.7	2.9	0.7	0.8
Kelantan	2.1	4.5	3.2	0.8	0.2
Melaka	1.4	4.7	4.6	1.1	2.4
Negeri Sembilan	1.6	4.8	4.5	1.2	3.2
Pahang	2.3	4.9	4.9	2.0	1.9
Pulau Pinang	1.1	6.0	5.0	2.7	1.8
Perak	1.8	5.4	4.8	0.6	1.2
Perlis	1.4	4.9	3.5	1.8	1.5
Selangor	2.4	7.4	6.1	3.3	3.2
Terengganu	2.2	4.9	3.6	1.8	2.7
Sabah	0.6	5.1	4.1	1.5	2.2
Sarawak	1.1	5.5	6.1	1.9	1.2
Federal Territory of Kuala Lumpur	1.3	5.1	4.1	1.4	2.2
Federal Territory of Labuan	1.3	3.5	3.6	1.4	2.2
Federal Territory of Putrajaya	3.6	7.7	5.9	2.4	3.1

¹ January to August 2025

Source: Department of Statistics, Malaysia

3.17. CORE INDEX

2010 = 100, Malaysia

Groups	2021	2022	2023	2024	2025 ¹
	Annual Change (%)				
Total	0.7	3.0	3.0	1.8	1.9
Food and beverages	1.3	5.8	5.8	3.0	3.7
Alcoholic beverages and tobacco	–	–	–	–	–
Clothing and footwear	-0.4	0.1	0.3	-0.3	-0.2
Housing, water, electricity, gas and other fuels	0.6	1.4	1.9	1.6	2.2
Furnishings, household equipment and routine household maintenance	1.6	3.5	2.3	0.7	0.2
Health	0.4	0.7	2.2	2.0	1.3
Transport	0.7	5.6	4.4	2.1	2.2
Information and communication	0.0	0.0	-3.0	-1.5	-5.4
Recreation, sport and culture	0.4	2.3	1.5	1.9	1.2
Education	0.2	1.1	1.9	1.5	2.1
Restaurant and accommodation services	0.4	5.0	5.6	3.1	3.1
Insurance and financial services	0.0	0.2	0.1	0.3	2.4
Personal care, social protection and miscellaneous goods and services	0.5	2.0	2.4	3.0	3.8

¹ January to August 2025

Source: Department of Statistics, Malaysia

3.18. PRODUCER PRICE INDEX - LOCAL PRODUCTION

2010 = 100, Malaysia

Sectors and Stage of Processing	2021	2022	2023	2024	2025 ¹
	Annual Change (%)				
Sector (MSIC 2008)					
Total	9.5	7.8	-1.9	0.3	-2.3
Agriculture, forestry and fishing	30.2	1.3	-13.8	7.9	6.7
Mining	41.2	12.6	-5.9	-2.0	-10.0
Manufacturing	5.5	8.4	-0.2	-0.3	-2.6
Electricity and gas supply	-0.4	0.7	0.4	0.6	0.8
Water supply	0.5	2.6	2.4	6.5	1.8
Producer Price Index by Stage of Processing					
Total	9.5	7.8	-1.9	0.3	-2.3
Crude materials for further processing	30.3	6.2	-9.6	0.7	-4.1
Intermediate materials, supplies and components	7.7	10.9	-1.2	-0.5	-2.2
Finished goods	-0.2	1.8	3.1	1.9	-1.3

¹ January to August 2025

Source: Department of Statistics, Malaysia

3.19. LABOUR FORCE

Malaysia

	2021	2022	2023	2024	2025 ⁵
Labour force ('000)	15,532.8	15,769.7	16,366.8	16,903.5	17,270.4
Employment ('000)	14,825.2	15,155.2	15,813.4	16,369.4	16,750.3
Unemployment ('000)	707.6	614.5	553.4	534.1	520.1
Unemployment rate (%)	4.6	3.9	3.4	3.2	3.0
Labour force participation rate¹ (%)					
Total	68.6	69.3	70.0	70.6	70.8
Male	80.5	81.5	82.3	83.0	83.3
Female	55.3	55.6	56.2	56.5	56.3
Number of collective agreements signed in the current year²	154	334	274	240	116
Labour productivity³	2.0	5.8	0.7	2.4	2.7
Agriculture	-0.7	2.0	-0.4	2.2	1.5
Mining and quarrying	-0.8	2.2	0.1	0.7	-4.4
Manufacturing	6.7	4.1	-2.1	2.6	3.0
Construction	-4.2	5.4	4.9	16.4	12.1
Services	0.8	6.9	1.6	1.8	2.7
Foreign workers ('000)⁴	1,171.9	1,459.2	2,003.7	2,368.4	2,137.1

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 2025

⁵ For the first half of 2025

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

3.20. EMPLOYMENT BY INDUSTRY

'000 persons, Malaysia

Industry ¹	2021	2022	2023	2024		2025 ⁴	
					share (%)		share (%)
Total employment²	14,825.2	15,155.2	15,813.4	16,369.4	100.0	16,750.3	100.0
Agriculture, forestry and fishing	1,408.8	1,408.1	1,437.4	1,478.5	9.0	1,481.6	8.8
Mining and quarrying	82.8	84.1	88.8	88.7	0.5	90.8	0.5
Manufacturing	2,476.4	2,507.3	2,597.8	2,664.6	16.3	2,708.7	16.2
Construction	1,165.8	1,245.4	1,284.5	1,393.4	8.5	1,411.5	8.4
Services	9,691.5	9,910.3	10,404.7	10,744.1	65.6	11,055.8	66.0
Electricity, gas, steam and air conditioning supply	77.1	78.8	81.5	76.8	0.5	81.0	0.5
Water supply; sewerage, waste management and remediation activities	86.3	85.0	85.5	93.0	0.6	93.9	0.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,732.7	2,840.6	2,991.5	3,063.3	18.7	3,135.8	18.7
Transportation and storage	693.6	707.2	735.3	751.4	4.6	768.0	4.6
Accommodation and food and beverage service activities	1,447.2	1,482.7	1,592.8	1,617.1	9.9	1,687.1	10.1
Information and communication	241.7	252.7	268.1	286.3	1.7	305.6	1.8
Financial and insurance/takaful activities	428.3	410.4	434.2	444.6	2.7	468.7	2.8
Real estate activities	90.6	90.5	92.8	101.5	0.6	98.9	0.6
Professional, scientific and technical activities	379.0	380.0	390.3	396.6	2.4	415.7	2.5
Administrative and support service activities	803.3	834.3	886.3	888.0	5.4	897.7	5.4
Public administration and defence; compulsory social security	782.9	783.6	797.1	854.4	5.2	888.8	5.3
Education	963.0	944.5	989.5	1,042.5	6.4	1,055.4	6.3
Human health and social work activities	601.1	596.1	626.4	683.5	4.2	701.8	4.2
Arts, entertainment and recreation	67.9	70.9	72.5	73.5	0.4	84.7	0.5
Others service activities	255.8	258.2	261.6	264.5	1.6	260.8	1.6
Activities of households as employers ³	40.6	94.5	96.5	107.1	0.7	111.8	0.7

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 2025

Source: Department of Statistics, Malaysia

3.21. ACTIVE REGISTRANTS

Malaysia

	2021	2022	2023	2024		2025 ²	
					share (%)		share (%)
Total Active Registrants (end-period)	887,977	546,325	526,441	410,954	100.0	136,496	100.0
Age							
19 and below	1,805	17,016	20,456	16,606	4.0	11,919	8.7
20 – 24	219,340	170,139	179,276	140,090	34.1	52,064	38.1
25 – 29	295,432	161,879	146,182	95,745	23.3	26,332	19.3
30 and above	371,306	197,212	180,506	158,513	38.6	46,181	33.8
Gender							
Male	422,685	264,974	250,630	204,902	49.9	65,686	48.1
Female	465,292	281,351	275,811	206,052	50.1	70,810	51.9
Educational Level							
Less than PT3/PMR/SRP/LCE	11,846	4,882	5,368	9,861	2.4	2,232	1.6
PT3/PMR/SRP/LCE	20,826	9,538	9,348	10,217	2.5	3,206	2.3
SPM/MCE	283,259	108,173	117,723	95,707	23.3	41,633	30.5
MHSC/STPM, Matriculation, Diploma and Degree	325,930	210,964	202,123	150,838	36.7	63,760	46.7
Employment Status							
Unemployed ¹	351,459	188,099	198,746	144,756		61,006	

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 2025

Note: Data is obtained via MyFutureJobs portal. 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 AND PLACEMENTS

Malaysia

	2021	2022	2023	2024		2025 ²	
					share (%)		share (%)
Number of Vacancies by Occupational Category¹	2,480,577	4,753,418	2,002,920	1,526,128	100.0	742,186	100.0
Managers	98,813	228,840	128,315	103,512	6.8	41,769	5.6
Professionals	462,024	373,444	315,462	270,817	17.7	131,361	17.7
Technician and associate professionals	301,750	326,714	282,214	255,062	16.7	107,731	14.5
Clerical support workers	182,056	211,790	156,284	167,909	11.0	90,208	12.2
Service and sales workers	398,567	510,071	249,471	174,589	11.4	93,697	12.6
Skilled agricultural, forestry and fishery workers	8,347	49,120	20,472	6,654	0.4	4,321	0.6
Craft and related trade workers	176,813	315,621	95,546	82,153	5.4	27,581	3.7
Plant and machine operators and assemblers	221,789	367,929	123,487	85,540	5.6	55,287	7.4
Elementary occupation	630,418	2,369,889	631,669	379,892	24.9	190,231	25.6
Number of Vacancies by Sector	2,480,577	4,753,418	2,002,920	1,526,128	100.0	742,186	100.0
Agriculture, forestry and fishing	75,676	244,694	125,613	120,573	7.9	34,196	4.6
Mining and quarrying	9,226	12,176	20,770	12,042	0.8	3,676	0.5
Manufacturing	603,216	1,600,230	342,791	261,112	17.1	155,762	21.0
Construction	164,651	761,870	240,194	162,532	10.6	62,035	8.4
Services	1,627,808	2,134,448	1,273,552	969,869	63.6	486,517	65.6
Number of Placements by Sector	320,864	294,044	214,914	204,819		94,262	
Agriculture, forestry and fishing	3,815	2,650	2,033	2,057	1.0	1,106	1.2
Mining and quarrying	736	782	695	1,128	0.6	568	0.6
Manufacturing	57,388	63,966	42,470	43,030	21.0	26,548	28.2
Construction	16,510	8,544	11,042	10,544	5.1	4,757	5.0
Services	227,377	184,603	147,183	135,419	66.1	57,266	60.8

¹ Classification of occupational groups is based on the Malaysia Standard Classification of Occupations (MASCO) 2013² January to June 2025

Note: Definition of vacancies refers to job vacancy listings by employers in public (selected only) and private sector on MYFutureJobs portal. The job listing includes non-substantive vacancies such as sales person, promoter, insurance agent and part-time workers as well as foreign workers. The figures for certain variables for number of placements by sectors may not add up to total actual placements. As of now, some variables are not mandatory to be filled-up by employers, hence may not add up to the overall total

Source: Social Security Organisation, Malaysia

4.1. INTEREST RATES

Malaysia

	Average rates during the period (%)				Average rates during the period in 2025 (%)						
	2021	2022	2023	2024	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Overnight interbank	1.74	2.14	2.91	3.00	3.00	3.01	3.00	3.00	3.00	3.00	2.82
1-week interbank	1.77	2.17	2.95	3.10	3.10	3.13	3.12	3.11	3.10	3.10	2.90
3-month interbank	1.92	2.56	3.57	3.54	3.26	3.64	3.65	3.64	3.53	3.49	3.26
Commercial banks											
Fixed deposits											
3-month	1.56	1.95	2.65	2.65	2.57	2.57	2.58	2.59	2.55	2.59	2.32
12-month	1.72	2.11	2.81	2.80	2.70	2.69	2.71	2.69	2.69	2.68	2.42
Savings deposit	0.54	0.68	0.91	0.90	0.92	0.92	0.90	0.90	0.90	0.88	0.83
Weighted Base Rate ¹ (BR)	2.43	2.83	3.59	3.66	3.66	3.66	3.66	3.66	3.66	3.65	3.40
Base lending rate (BLR)	5.49	5.88	6.60	6.68	6.67	6.67	6.68	6.68	6.68	6.68	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 (%)				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025 ²
	End-December				End-August	End-December				End-August
Special Drawing Rights (SDR)	5.8447	5.8730	6.1603	5.8295	5.7768	-1.1	-0.5	-4.7	5.7	0.9
US dollar	4.1760	4.4130	4.5915	4.4700	4.2180	-3.9	-5.4	-3.9	2.7	6.0
Singapore dollar	3.0896	3.2819	3.4822	3.2860	3.2865	-1.8	-5.9	-5.8	6.0	0.0
100 Japanese yen	3.6286	3.3264	3.2452	2.8572	2.8695	7.2	9.1	2.5	13.6	-0.4
Pound sterling	5.6361	5.3159	5.8484	5.6105	5.6937	-3.0	6.0	-9.1	4.2	-1.5
Euro	4.7256	4.7038	5.0810	4.6528	4.9195	4.4	0.5	-7.4	9.2	-5.4
100 Thai baht	12.5011	12.7811	13.4353	13.0511	13.0457	7.2	-2.2	-4.9	2.9	0.0
100 Indonesian rupiah	0.0293	0.0283	0.0297	0.0277	0.0257	-2.4	3.5	-4.7	7.2	7.8
100 Korean won	0.3507	0.3494	0.3559	0.3032	0.3039	5.4	0.4	-1.8	17.4	-0.2
100 Philippine peso	8.1902	7.9214	8.2782	7.7296	7.3940	2.0	3.4	-4.3	7.1	4.5
Chinese renminbi	0.6552	0.6342	0.6469	0.6125	0.5916	-6.2	3.3	-2.0	5.6	3.5

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 2024 – End-August 2025

Source: Bank Negara Malaysia

4.3. COMMERCIAL BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR

Malaysia

	2023		2024		2025 ⁴	
	December		December		July	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Purpose						
Purchase of securities	26,974	2.1	24,878	1.9	24,586	1.9
Purchase of fixed assets other than land and building	101,038	8.1	107,483	8.3	108,629	8.2
of which:						
Purchase of transport vehicles	92,495	7.4	98,315	7.6	100,081	7.6
Purchase of residential property	486,996	38.8	503,786	38.7	514,807	38.9
Purchase of non-residential property	176,844	14.1	187,821	14.4	193,370	14.6
Personal uses	37,371	3.0	38,707	3.0	38,557	2.9
Credit card	40,264	3.2	42,979	3.3	43,226	3.3
Construction	37,874	3.0	39,119	3.0	38,970	2.9
Working capital	298,432	23.8	305,563	23.5	310,047	23.5
Other purpose	49,148	3.9	50,284	3.9	49,624	3.8
Total Loans¹	1,254,941	100.0	1,300,620	100.0	1,321,816	100.0
Sector²						
Agriculture, forestry and fishing	16,155	1.3	16,254	1.2	16,203	1.2
of which:						
Crops and animal production, hunting and related service activities	14,626	1.2	15,028	1.2	15,088	1.1
Mining and quarrying	7,030	0.6	6,362	0.5	6,191	0.5
of which:						
Mining of metal ores	78	0.0	65	0.0	80	0.0
Manufacturing	95,230	7.6	97,936	7.5	98,456	7.4
of which:						
Food products	17,781	1.4	18,781	1.4	18,661	1.4
Basic metals	9,207	0.7	9,846	0.8	9,889	0.7

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

Malaysia

	2023		2024		2025 ⁴	
	December		December		July	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Electricity, gas, steam and air conditioning supply	9,116	0.7	12,016	0.9	11,664	0.9
Water supply, sewerage, waste management and remediation activities	1,928	0.2	1,987	0.2	1,964	0.1
Construction	58,869	4.7	60,898	4.7	61,458	4.6
of which:						
Construction of buildings	32,328	2.6	34,993	2.7	36,117	2.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	105,417	8.4	110,179	8.5	109,240	8.3
Accommodation and food service activities	16,141	1.3	16,167	1.2	15,943	1.2
Transportation and storage	18,127	1.4	18,592	1.4	18,604	1.4
Information and communication	12,263	1.0	14,000	1.1	14,090	1.1
Finance, insurance, real estate and business activities	176,046	14.0	184,647	14.2	196,705	14.9
Education, health and others	26,498	2.1	24,158	1.9	21,426	1.6
Household sector	704,659	56.2	730,024	56.1	742,448	56.2
Other sector ³	7,462	0.6	7,401	0.6	7,424	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 2025). Total may not add up due to rounding

Source: Bank Negara Malaysia

4.4. GOVERNMENT AND CORPORATE BOND YIELDS

Malaysia

	2023	2024	2025						
			Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Malaysian Government Securities market indicative yield (%)									
1-year	3.30	3.28	3.26	3.27	3.26	3.14	2.98	3.02	2.89
3-year	3.47	3.48	3.46	3.45	3.41	3.25	3.15	3.14	3.05
5-year	3.57	3.62	3.61	3.60	3.57	3.37	3.19	3.20	3.15
10-year	3.73	3.81	3.81	3.79	3.77	3.66	3.53	3.49	3.37
5-year corporate bond yields (%)									
AAA	3.97	3.93	3.92	3.90	3.87	3.82	3.75	3.68	3.62
AA	4.18	4.10	4.09	4.07	4.04	3.96	3.91	3.85	3.79
A	5.55	5.09	5.03	5.03	5.00	4.63	4.64	4.67	4.70
BBB	6.89	6.48	6.63	6.59	6.45	5.77	5.70	6.04	6.11

Source: Bank Negara Malaysia

4.5. BURSA MALAYSIA: SELECTED INDICATORS

	2021	2022	2023	2024	2025 ³
Indices¹					
Composite	1,567.53	1,495.49	1,454.66	1,642.33	1,575.12
FBM EMAS	11,308.79	10,701.55	10,823.70	12,585.51	11,702.89
FBM ACE	6,419.60	5,308.33	5,322.03	5,380.44	4,722.02
Trading volume² (million units)	1,433,358.5	729,295.8	867,401.9	1,059,468.3	530,875.7
Main Market	902,137.2	480,595.2	579,819.3	628,784.6	277,341.1
ACE Market	446,341.2	165,900.2	190,587.0	194,129.4	73,708.7
LEAP Market	209.5	170.7	311.0	138.7	86.6
Average Daily	5,850.4	3,001.2	3,554.9	4,289.4	3,277.0
Trading value² (RM million)	897,043.9	530,856.0	559,400.2	848,697.5	429,542.9
Main Market	745,509.4	466,244.9	483,535.6	760,432.3	383,275.7
ACE Market	139,017.6	50,524.0	61,630.5	57,337.0	24,225.4
LEAP Market	44.5	35.6	86.7	43.0	20.5
Average Daily	3,661.4	2,184.6	2,292.6	3,436.0	2,651.5
Number of listed companies	949	972	995	1,039	1,063
Market capitalisation¹ (RM billion)	1,789.2	1,736.2	1,796.4	2,080.5	1,950.3
Market capitalisation/GDP (%)	128.6	114.5	114.4	126.1	-

¹ End-period² Based on market transactions and direct business transactions³ End-August 2025

Source: Bursa Malaysia

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

	2023		2024		2025 ⁴	
	December		December		July	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Purpose						
Purchase of securities	47,743	5.5	43,771	4.7	44,161	4.5
Purchase of fixed assets other than land and building	125,276	14.4	135,904	14.5	144,672	14.8
of which:						
Purchase of transport vehicles	118,464	13.6	130,414	13.9	138,807	14.2
Purchase of residential property	303,617	35.0	341,299	36.3	359,756	36.9
Purchase of non-residential property	74,633	8.6	83,978	8.9	87,854	9.0
Personal uses	76,794	8.8	79,476	8.5	80,832	8.3
Credit card	5,521	0.6	6,378	0.7	6,723	0.7
Construction	21,484	2.5	21,486	2.3	24,281	2.5
Working capital	179,204	20.6	194,409	20.7	195,160	20.0
Other purpose	33,812	3.9	32,460	3.5	31,801	3.3
Total Loans¹	868,083	100.0	939,160	100.0	975,238	100.0
Sector²						
Agriculture, forestry and fishing	18,994	2.2	16,659	1.8	16,953	1.7
of which:						
Crops and animal production, hunting and related service activities	18,610	2.1	16,219	1.7	16,522	1.7
Mining and quarrying	2,707	0.3	2,735	0.3	2,467	0.3
of which:						
Mining of metal ores	42	0.0	19	0.0	17	0.0
Manufacturing	36,115	4.2	40,202	4.3	39,348	4.0
of which:						
Food products	10,879	1.3	13,588	1.4	13,682	1.4
Basic metals	2,675	0.3	2,955	0.3	2,603	0.3

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

Malaysia

	2023		2024		2025 ⁴	
	December		December		July	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Electricity, gas, steam and air conditioning supply	10,432	1.2	6,309	0.7	7,270	0.7
Water supply, sewerage, waste management and remediation activities	1,864	0.2	2,228	0.2	2,300	0.2
Construction	43,479	5.0	33,972	3.6	34,237	3.5
of which:						
Construction of buildings	24,580	2.8	15,102	1.6	15,995	1.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	49,286	5.7	56,224	6.0	55,874	5.7
Accommodation and food service activities	3,549	0.4	5,627	0.6	6,145	0.6
Transportation and storage	13,215	1.5	13,033	1.4	14,598	1.5
Information and communication	10,577	1.2	10,968	1.2	13,362	1.4
Finance, insurance, real estate and business activities	90,396	10.4	117,882	12.6	123,296	12.6
Education, health and others	20,609	2.4	20,087	2.1	18,680	1.9
Household sector	556,129	64.1	606,298	64.6	633,762	65.0
Other sector ³	10,730	1.2	6,935	0.7	6,945	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 2025). 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	%	2019	0.00
			2022	0.00
2.	Households below the national poverty line	%	2019	5.6
			2022	6.2
3.	Multidimensional Poverty Index (MPI)	Index	2019	0.0110
			2022	0.0079
4.	Recipients of assistance	Number ('000)	2022	569.7
			2023	602.8
5.	Population using safely managed drinking water services	%	2022	94.9
			2023	95.2
	Households using safely managed sanitation services (%)	%	2019	99.7
			2022	99.9
6.	a. Number of deaths attributed to disasters per 100,000 population	Number	2022	35
			2023	9
	b. Number of missing person attributed to disasters per 100,000 population	Number	2022	....
			2023	....
	c. Number of affected people with damaged homes attributed to disasters per 100,000 population	Number	2022	199,244
			2023	192,593
7.	Direct agriculture loss attributed to disasters - Ringgit Malaysia	Current Ringgit Malaysia	2022	154,515,000
			2023	120,600,000
	Direct economic loss attributed to disasters relative to GDP	%	2022	....
			2023	n.a
	Direct economic loss attributed to disasters	Current Ringgit Malaysia	2022	....^c
			2023	755,400,000 ^c
	Direct economic loss resulting from damaged or destroyed critical infrastructure attributed to disasters	Current Ringgit Malaysia	2022	232,700,000
			2023	380,700,000
8.	Total government spending on education	%	2022	20.2
			2023	17.1
	Total government spending on health	%	2021	10.3 ^f
			2022	8.0

No.	Description of Indicators	Unit	Year	Achievement
SDG 2: Zero Hunger				
1.	Prevalence of undernourishment	%	2021	<2.5 ^r
			2022	<2.5
2.	Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)	%	2021	16.0
			2022	16.7
	Prevalence of severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)	%	2021	6.0
			2022	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	2022	53,783 ^e
			2023	53,808 ^p
7.	a. Type of plant genetic :Oryza, edible aroids, rare fruits, fruits, vegetables, industrial crops, coconut and herbs	Number of accessions	2022	19,441
			2023	20,634
	b. Semen (animal genetic resources)	Number	2022	27,175
			2023	26,973
	c. Number of local live purebred cattle (animal genetic resources)	Number	2022	635
			2023	811
8.	Proportion of local breeds classified as being at risk of extinction	%	2022	99.9 ^e
			2023	99.9 ^e
9.	a. Agriculture orientation index for government expenditures	Index	2021	0.2
			2022	0.2
	b. Agriculture share of Government Expenditure	%	2021	1.4
			2022	1.3
	c. Agriculture value added share of GDP	%	2021	9.6
			2022	9.0

No.	Description of Indicators	Unit	Year	Achievement
10.	Total official flows (official development assistance plus other official flows) to the agriculture sector	Number	2021	1.6 ^r
			2022	0.6
SDG 3: Good Health and Well-Being				
1.	Maternal mortality ratio	per 100,000 live births	2022	26.0
			2023	25.7
2.	Births attended by skilled health personnel	%	2022	99.8
			2023	99.7
3.	Under-five mortality rate	Per 1,000 live births	2022	8.6
			2023	8.3
4.	Neonatal mortality rate	Per 1,000 live births	2022	4.2
			2023	4.3
5.	Number of new HIV infections	Per 1,000 uninfected population	2022	0.1
			2023	0.1
6.	Tuberculosis incidence	Per 100,000 population	2022	77.8 ^r
			2023	78.3
7.	Malaria incidence	Per 1,000 population	2022	0.1
			2023	0.1
8.	Hepatitis B notification rate among children 5 years old and below	Per 100,000 population	2022	0.3
			2023	0.3
9.	People requiring Mass Drug Administration (MDA) in filarial endemic state	Number	2022	2,911 ^r
			2023	24,523
10.	a. Mortality rate attributed to cardiovascular,malignant neoplasms, diabetes mellitus or respiratory disease	Per 100,000 population aged 30-69	2021	19.4
			2022	19.2
	b. Mortality rate attributed to cardiovascular disease	Per 100,000 population aged 30-69	2021	11.9
			2022	12.1
	c. Mortality rate attributed to malignant neoplasms disease	Per 100,000 population aged 30-69	2021	5.7
			2022	5.7
	d. Mortality rate attributed to diabetes mellitus disease	Per 100,000 population aged 30-69	2021	1.5
			2022	1.4
	e. Mortality rate attributed to respiratory disease	Per 100,000 population aged 30-69	2021	1.4
			2022	1.2
11.	Suicide mortality rate	Per 100,000 population	2022	3.0 ^r
			2023	3.2
12.	a. Coverage of treatment interventions for Opioids	%	2022	80.4
			2023	76.1

No.	Description of Indicators	Unit	Year	Achievement
	b. Coverage of treatment interventions for Amphetamine Type Stimulant (ATS)	%	2022	59.8
			2023	56.1
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	2022	18.6
			2023	19.4
15.	Women of reproductive age who have their need for family planning satisfied with modern methods	%	2022	51.6
16.	a. Adolescent birth rate (aged 10-14 years)	Per 1,000 women	2022	0.1
			2023	0.1
	b. Adolescent birth rate (aged 15-19 years)	Per 1,000 women	2022	5.8
			2023	7.1
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	2021	6.8 ^r
			2022	6.6 ^r
20.	Mortality rate attributed to unintentional poisoning	Per 100,000 population	2021	0.2
			2022	0.2
21.	Age-standardised prevalence of current tobacco use among persons aged 15 years and older	%	2019	21.3
			2023	17.8
22.	a. Proportion of the target population covered by DTP (3 rd dose)	%	2022	97.2
			2023	107.7
	b. Proportion of the target population covered by MMR (2 nd dose)	%	2022	96.3
			2023	100.6
	c. HPV female aged 13 years (2 nd dose)	%	2022	n.a
			2023	n.a
	d. PCV given at the age of 6 month (2 nd dose)	%	2022	94.7
			2023	103.7
23.	Health facilities that have a core set of relevant essential medicines available and affordable on a sustainable basis	%	2020	20.6
			2022	26.6
24.	a. Density and distribution of doctors	Per 1,000 population	2022	24.3
			2023	21.4

No.	Description of Indicators	Unit	Year	Achievement
	b. Density and distribution of dentist	Per 1,000 population	2022	4.1
			2023	4.3
	c. Density and distribution of pharmacist	Per 1,000 population	2022	6.0
			2023	6.2
	d. Density and distribution of registered nurse	Per 1,000 population	2022	35.8
			2023	36.2
	e. Density and distribution of midwifery personnel	Per 1,000 population	2022	10.4
			2023	10.2
25.	Capacity and health emergency preparedness	%	2022	89.0
			2023	89.0
26.	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	2022	5.0
			2023	6.2
	Prevalence of bloodstream infections due to selected antimicrobial-resistant organisms (Healthcare-Associated ESBL E.Coli Bloodstream Infection)	Per 100,000 patient days in tertiary MOH hospital	2022	4.7
			2023	4.7
SDG 4: Quality Education				
1.	a. Children in grades 2/3 achieving at least a minimum proficiency level in reading	%	2017	98.3
			2018	98.0
	b. Children in grades 2/3 achieving at least a minimum proficiency level in mathematics	%	2017	98.8
			2018	98.6
	c. Children at the end of primary achieving at least a minimum proficiency level in reading	%	2018	94.5
			2019	95.0
	d. Children at the end of primary achieving at least a minimum proficiency level in mathematics	%	2018	80.5
			2019	83.1
	e. Young people at the end of lower secondary achieving at least a minimum proficiency level in reading	%	2018	78.3
			2019	82.2
	f. Young people at the end of lower secondary achieving at least a minimum proficiency level in mathematics	%	2018	42.3
			2019	56.4
2.	a. Completion rate for primary education	%	2022	99.3
			2023	98.8
	b. Completion rate for lower secondary education	%	2022	99.0
			2023	98.5
	c. Completion rate for upper secondary education	%	2022	99.2
			2023	98.8
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		2022	87.0
			2023	88.3
5.	Participation rate of youth and adults informal education and training in the previous 12 months		2022	10.3
			2023	10.4
6.	a. Adults with information and communication technology (ICT) skills in copying or moving a file or folder	%	2022	97.0
			2023	97.5
	b. Adults with information and communication technology (ICT) skills in copy and paste tools to duplicate or move information within a document	%	2022	96.3
			2023	96.7
	c. Adults with information and communication technology (ICT) skills in sending an e-mail with attached file	%	2022	89.4
			2023	89.9
	d. Adults with information and communication technology (ICT) skills in basic arithmetic formulas in a spreadsheet	%	2022	67.1
			2023	67.7
	e. Adults with information and communication technology (ICT) skills in connecting and installing new devices	%	2022	79.2
			2023	79.4
	f. Adults with information and communication technology (ICT) skills in searching, downloading, installing and configuring software	%	2022	72.5
			2023	73.0
	g. Adults with information and communication technology (ICT) skills in creating electronic presentations using computer software	%	2022	62.9
			2023	63.3
	h. Adults with information and communication technology (ICT) skills in transferring files between a computer and other devices	%	2022	83.1
			2023	83.5
	i. Adults with information and communication technology (ICT) skills in writing a computer program using a specialised programming language	%	2022	23.5
			2023	23.9
7.	Gender parity index for indicator 4.1.2 (a) completion rate for primary education	Index	2022	1.01
			2023	1.02
	Gender parity index for indicator 4.1.2 (b) completion rate for lower secondary education	Index	2022	1.00
			2023	1.01
	Gender parity index for indicator 4.1.2 (c) completion rate for upper secondary education	Index	2022	1.00
			2023	1.01
	Gender parity index for indicator 4.2.2 Participation rate in preschool	Index	2022	1.00
			2023	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	2022	1.22
			2023	1.27
	Gender parity index for indicator 4.6.1 Proficiency in literacy skill (15 years old and over)	Index	2022	0.98
			2023	0.99
	Gender parity index for indicator 4.6.1 Proficiency in literacy skill (aged 15-24 years old)	Index	2022	1.00
			2023	1.01'

No.	Description of Indicators	Unit	Year	Achievement
8.	a. Population (15 years old and over) achieving proficiency in literacy skill	%	2022	95.9 ^r
			2023	96.0
	b. Population (15 -24 years old)achieving proficiency in literacy skill	%	2022	97.8
			2023	97.7
9.	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
10.	Proportion of schools offering basic services, by type of service a. Schools with electricity facilities	%	2022	100.0
			2023	100.0
	Proportion of schools offering basic services, by type of service b. Schools with Internet facilities	%	2022	99.5
			2023	99.5
	Proportion of schools offering basic services, by type of service c. Schools with computer facilities	%	2022	92.2
			2023	88.1
	Proportion of schools offering basic services, by type of service d. Schools with adapted infrastructure and materials facilities	%	2022	51.4
			2023	46.9
	Proportion of schools offering basic services, by type of service e. Schools with basic drinking water facilities	%	2022	99.8
			2023	99.7
	Proportion of schools offering basic services, by type of service f. Schools with single-sex washing facilities	%	2022	99.3
			2023	99.7
11.	Number of foreign scholarships recipients	Number	2022	36
			2023	36
12.	Proportion of teachers with the minimum required qualifications, by education level a. Teachers with minimum organised teacher training of pre-primary	%	2022	54.4
			2023	67.4
	Proportion of teachers with the minimum required qualifications, by education level b. Teachers with minimum organised teacher training of primary	%	2022	98.2
			2023	97.8

No.	Description of Indicators	Unit	Year	Achievement
	Proportion of teachers with the minimum required qualifications, by education level	%	2022	99.2
	c. Teachers with minimum organised teacher training of secondary		2023	99.0
SDG 5: Gender Equality				
1.	Legal frameworks that promote, enforce and monitor gender equality	%	2020	33.3
	a. Area 1: Overarching legal frameworks and public life		2022	33.3
	Legal frameworks that promote, enforce and monitor gender equality	%	2020	66.7
	b. Area 2: Violence against women		2022	66.7
	Legal frameworks that promote, enforce and monitor gender equality	%	2020	40.0
	c. Area 3: Employment and economic benefits		2022	40.0
	Legal frameworks that promote, enforce and monitor gender equality	%	2020	63.6
	d. Area 4: Marriage and family		2022	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
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	2022	4,263 ^r
			2023	4,976
4.	Proportion of women aged 20 years who were married before age 18	%	2022	0.6
			2023	0.5
	Proportion of women aged 21 years who were married before age 18	%	2022	0.6
			2023	0.6
	Proportion of women aged 22 years who were married before age 18	%	2022	0.6
			2023	0.6
	Proportion of women aged 23 years who were married before age 18	%	2022	0.4
			2023	0.6
	Proportion of women aged 24 years who were married before age 18	%	2022	....
			2023	0.4
5.	a. Seats held by women in Senate	%	2022	14.8
			2023	16.1
	b. Seats held by women in House of Representatives	%	2022	13.5
			2023	13.5
6.	Women in managerial positions	%	2022	23.8 ^r
			2023	25.4
7.	Women a in the reproductive age who use contraceptive use	%	2014	89.3
8.	Individuals who own a mobile telephone	%	2022	98.2
			2023	98.4

No.	Description of Indicators	Unit	Year	Achievement
SDG 6: Clean Water Sanitation				
1	Population using safely managed drinking water services	%	2022	94.9
			2023	95.2
2.	Population using safely managed sanitation services	%	2019	99.7
			2022	99.9
3.	Domestic wastewater flows safely treated	%	2022	83.2 ^r
			2023	82.6 ^r
	Industrial wastewater flows safely treated	%	2022	98.4
			2023	99.3
4.	Proportion of bodies of water with good ambient water quality	%	2022	95.8
			2023	96.5
5.	Level of water stress: freshwater withdrawal as a proportion of available freshwater resources	%	2022	34.4
	(a) Non Revenue Water (NRW) (Peninsular Malaysia)		2023	34.6
	Level of water stress: freshwater withdrawal as a proportion of available freshwater resources	Litre/ capita/ day (lcd)	2022	237
	(b) Domestic Water Consumption (Peninsular Malaysia)		2023	228
6.	Degree of integrated water resources management	%	2020	63.0
			2023	73.0
7.	Proportion of transboundary basin area with an operational arrangement for water cooperation	%	2022	2.0
			2023	2.0
8.	Amount of water- and sanitation-related official development assistance that is part of a government-coordinated spending plan		2021	0.5 ^r
			2022	0.6
SDG 7: Affordable and Clean Energy				
1.	Access to electricity	%	2019	100.0 ^r
			2022	99.7
2.	Households by selected household gas/ electric stove equipment owned	%	2019	97.6
			2022	98.8
3.	Renewable energy share in the total final energy consumption	%	2021	1.4
			2022	2.0 ^p
4.	Energy intensity	(toe/ GDP at constant price 2015 (RM Million))	2021	67.9
			2022	65.8 ^p
5.	Installed renewable energy-generating capacity in developing countries	(Watts per capita)	2021	259.6
			2022	290.2 ^p

No.	Description of Indicators	Unit	Year	Achievement
SDG 8: Decent Work and Economic Growth				
1.	Annual growth rate of real GDP per capita	%	2022	8.5 ^e
			2023	1.4 ^p
2.	Annual growth rate of real GDP per employed person	%	2022	5.6 ^r
			2023	0.7
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	2021	3,037
			2022	3,212
6.	Unemployment rate	%	2022	3.9 ^r
			2023	3.4
7.	Youth not in education, employment or training	%	2021	9.3
			2022	10.2
8.	Fatal and non-fatal occupational injuries per 100,000 workers, by sex and migrant status a. Occupational injury rate	Per 100,000 workers	2022	222
			2023	246
	Fatal and non-fatal occupational injuries per 100,000 workers, by sex and migrant status b. Fatal injury rate	Per 100,000 workers	2022	2.06
			2023	2.05
	Fatal and non-fatal occupational injuries per 100,000 workers, by sex and migrant status c. Non-fatal injury rate	Per 100,000 workers	2022	220
			2023	244
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	2021	5.1 ^r
			2022	5.6
10.	Tourism Direct Gross Domestic Product (TDGDP) as a proportion of total GDP and in growth rate	%	2022	2.7 ^e
			2023	4.5 ^p
	Tourism GVA as % of total GVA	%	2022	2.7 ^e
			2023	4.5 ^p
11.	a. Number of commercial bank branches	Per 100,000 adults	2022	8.2 ^r
			2023	8.1
	b. Number of automated teller machines (ATMs)	Per 100,000 adults	2022	51.7 ^r
			2023	51.8

No.	Description of Indicators	Unit	Year	Achievement
12.	Adults with an account at a financial institution or mobile-money-service provider	%	2022	96.9
			2023	97.2
13.	Aid for Trade commitments and disbursements		2021	5.7 ^r
			2022	5.1
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.	a. Number of passengers by rails services	Million	2022	2.7
			2023	4.7
	b. Number of passengers at airport	Million	2022	54.7
			2023	86.8
	c. Freight volumes and containers handled by KTMB	('000 tonnes)	2022	6,014
			2023	5,207
	d. Containers handled by KTMB	Teu	2022	324,764
			2023	517,426
	e. Cargo handled by airport	Tonnes	2022	1,060,527
			2023	928,933
	f. Cargo throughput by port	('000 tonnes)	2022	567,644
			2023	586,565
3.	Manufacturing value added per capita	Per capita (RM)	2022	11,136 ^p
			2023	10,978
4.	Manufacturing employment as a proportion of total employment	%	2022	16.5 ^r
			2023	16.4
5.	Share manufacturing value added of small-scale industries (SMEs) to GDP	%	2022	33.5 ^p
			2023	33.8
6.	Proportion of SMEs with a loan or line of credit	%	2015	53.8
			2022	28.5
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	%	2018	1.0
			2020	1.0
9.	Researchers per million inhabitants	Number	2018	2,127
			2020	704
10.	Official international support (official development assistance plus other official flows) to infrastructure	Number	2021	101.5 ^r
			2022	45.9

No.	Description of Indicators	Unit	Year	Achievement
11.	Medium and high-tech industry value added ratio in total manufacturing value added (at constant prices)	Value added (RM million)	2022	49.8 ^p
			2023	49.5
12.	Population covered by a mobile network	%	2022	98.6
			2023	98.6

SDG 10: Reduced Inequalities

1.	Compounded annual growth rate among Bottom 40 per cent of the population and the total population	%	2019	3.4
			2022	2.5
2.	Households below 50 per cent of median income	%	2019	16.9
			2022	16.6
3.	Compensation of employees by kind of economic activity at current prices	%	2022	32.3
			2023	33.1
4.	Redistributive impact of fiscal policy a. Gross Income per Capita	%	2019	0.429
			2022	0.429
	Redistributive impact of fiscal policy b. Disposable Income per Capita	%	2019	0.416
			2022	0.417
5.	Financial Soundness Indicators a. Tier 1 capital to assets	%	2022	7.6 ^c
			2023	7.6
	Financial Soundness Indicators b. Tier 1 capital to risk-weighted assets	%	2022	15.8
			2023	15.8
	Financial Soundness Indicators c. Nonperforming loans net of provisions to capital	%	2022	6.3
			2023	6.2
	Financial Soundness Indicators d. Nonperforming loans to total gross loans	%	2022	1.7
			2023	1.7
	Financial Soundness Indicators e. Return on assets	%	2022	1.5
			2023	1.4
	Financial Soundness Indicators f. Liquidity coverage ratio	%	2022	151.5 ^c
			2023	161.0
	Financial Soundness Indicators g. Net open position in foreign exchange to capital	%	2022	3.5
			2023	4.1
6.	Proportion of members and voting rights of developing countries in international organisations: - Members in International Organisations (United Nations General Assembly)	%	2021	0.5
			2022	0.5
	Proportion of members and voting rights of developing countries in international organisations: - Members in International Organisations (International Monetary Fund)	%	2021	0.5
			2022	0.5
	Proportion of members and voting rights of developing countries in international organisations: - Members in International Organisations (International Bank for Reconstruction and Development)	%	2021	0.5
			2022	0.5

No.	Description of Indicators	Unit	Year	Achievement
	Proportion of members and voting rights of developing countries in international organisations:		2021	0.5
	- Members in International Organisations (International Finance Corporation)	%	2022	0.5
	Proportion of members and voting rights of developing countries in international organisations:		2021	1.5
	- Members in International Organisations (Asian Development Bank)	%	2022	....
	Proportion of members and voting rights of developing countries in international organisations:		2021	0.6
	- Members in International Organisations (World Trade Organisation)	%	2022	0.6
7.	Proportion of tariff lines applied to imports from least developed countries and developing countries with zero-tariff	%	2022	57.3
			2023	57.4
8.	Remittance costs as a proportion of the amount remitted	%	2022	2.7
			2023	2.9
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	%	2021/ 2022	3.5
			2022/ 2023	0.8
4.	Cities with a direct participation structure of civil society in urban planning and management that operate regularly and democratically	%	2022	89.7
			2023	89.7
5.	a. Number of deaths attributed to disasters	Per 100,000 population	2022	35
			2023	9
	b. Missing person attributed to disasters	Number	2022	....
			2023	....
	c. Number of affected people with damaged homes attributed to disasters	Per 100,000 population	2022	199,244
			2023	192,593
6.	Direct agriculture loss attributed to disasters - (Ringgit Malaysia)	Current Ringgit Malaysia	2022	154,515,000
			2023	120,600,000
	Direct economic loss attributed to disasters relative to GDP	%	2022	....
			2023	n.a
	Direct economic loss attributed to disasters (Ringgit Malaysia)	Current Ringgit Malaysia	2022	....
			2023	755,400,000
	Direct economic loss resulting from damaged or destroyed critical infrastructure attributed to disasters	Current Ringgit Malaysia	2022	232,700,000
			2023	380,700,000
7.	a. Damaged critical infrastructure attributed to disasters	Number	2022	....
			2023	n.a

No.	Description of Indicators	Unit	Year	Achievement
b.	Destroyed or damaged educational facilities attributed to disaster	Number	2022	503
			2023	n.a
c.	Destroyed or damaged health facilities attributed to disasters	Number	2022	78
			2023	n.a
d.	Disruptions to educational services attributed to disasters	Number	2022	503
			2023	n.a
e.	Disruptions to health services attributed to disasters	Number	2022	18
			2023	n.a
8.	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
9.	Annual average concentration based on the type of air pollutants (PM ₁₀)	(µg/ m ³)	2022	19.8
			2023	23.6
	Annual average concentration based on the type of air pollutants (PM _{2.5})	(µg/ m ³)	2022	12.3
			2023	15.2
10.	Average share of the built-up area of cities that is open space for public use for all	%	2022	35.5
			2023	35.6
11.	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	2022	477
			2023	522

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
	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	2021	17
			2022	17
3.	a. Quantity of clinical wastes handled	Tonnes '000	2022	49.1
			2023	41.8
	b. Scheduled wastes managed	Tonnes '000	2022	5,915.1
			2023	5,841.6

No.	Description of Indicators	Unit	Year	Achievement
4.	National recycling rate	%	2022	33.2 ^r
			2023	35.4
	Total of material recycled	Tons	2022	4,626,333.0
			2023	4,933,542.1
5.	Extent to which (i) global citizenship education and (ii) education for sustainable development are mainstreamed in (a) national education policies	%	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	%	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
6.	Installed renewable energy-generating capacity in developing countries (in watts per capita)	Watts per capita	2021	259.6
			2022	290.2 ^p
7.	Implementation of standard accounting tools to monitor the economic and environmental aspects of tourism		2021	7
			2022	7

SDG 13: Climate Action

1.	a. Number of deaths attributed to disasters per 100,000 population	Number	2022	35
			2023	9
	b. Number of missing person attributed to disasters per 100,000 population	Number	2022	....
			2023	....
2.	c. Number of affected people with damaged homes attributed to disasters per 100,000 population	Number	2022	199,244
			2023	192,593
	CO ² eq emissions	(tonnes (million))	2018	320.9
			2019	330.4
3.	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

No.	Description of Indicators	Unit	Year	Achievement
SDG 14: Life Below Water				
1.	a. Malaysia Marine Water Quality Index in coastal area with excellent status	Number of station	2022	88
			2023	106
	b. Malaysia Marine Water Quality Index in estuary area with excellent status	Number of station	2022	7
			2023	6
	c. Malaysia Marine Water Quality Index in island area with excellent status	Number of station	2022	54
			2023	61
2.	Fish stocks within biologically sustainable levels	%	2018	47.4
			2021	57.9
3.	Coverage of protected areas in relation to marine areas	%	2022	5.35
			2023	5.39
4.	Progress by countries in the degree of implementation of international instruments aiming to combat illegal, unreported and unregulated fishing (level of implementation: 1)	Bands	2018	3
			2022	3
5.	Share of the fisheries sector to GDP	%	2022	0.8 ^a
			2023	0.7
6.	Total research budget allocated to research in the field of marine technology	%	2022	12.1
			2023	10.3
SDG 15: Life on Land				
1.	Forest area as a proportion of total land area	%	2019	54.9
			2020	54.6
2.	Important sites for terrestrial and freshwater biodiversity that are covered	%	2019	10.2
			2020	10.0
3.	Mammals species, Peninsular Malaysia	Number	2017	223
	Mammals species, Peninsular Malaysia (Extinct (EX))	Number	2017	1
	Mammals species, Peninsular Malaysia (Critically Endangered (CR))	Number	2017	4
	Mammals species, Peninsular Malaysia (Endangered (EN))	Number	2017	12
	Mammals species, Peninsular Malaysia (Vulnerable (VU))	Number	2017	14

No.	Description of Indicators	Unit	Year	Achievement
	Mammals species, Peninsular Malaysia (Near Threatened (NT))	Number	2017	33
	Mammals species, Peninsular Malaysia (Least Concern (LC))	Number	2017	83
	Mammals species, Peninsular Malaysia (Data Deficient (DD))	Number	2017	76
4.	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for possession/ own use category	Number	2022 2023	1,945 2,937
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for encroachment category	Number	2022 2023	4 10
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for smuggling category	Number	2022 2023	14 12
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for business category	Number	2022 2023	.... 58
	Proportion of traded wildlife that was poached or illicitly trafficked: Wildlife crime cases for zoo/ exhibition category	Number	2022 2023	....^r 2
SDG 16: Peace, Justice and Strong Institutions				
1.	Number of victims of intentional homicide per 100,000 population, by sex and age	Number	2022 2023	240 258
2.	Proportion of population subjected to (a) physical, (b) psychological violence and (c) sexual violence in the previous 12 months a. Violent crime cases	Number	2022 2023	8,636 8,539
	Proportion of population subjected to (a) physical, (b) psychological violence and (c) sexual violence in the previous 12 months b. Sexual crime cases	Number	2022 2023	2,826 3,122
3.	Population that feel safe walking alone around the area they live after dark	%	2021	90.5
4.	Children aged 1-5 years who experienced any physical punishment and/or psychological aggression by caregivers in the past month	%	2016 2022	70.8 66.6
5.	Detected victims of human trafficking	Number	2022 2023	75 109
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 a. Violence crime cases	Number	2022 2023	8,636 8,539
	Proportion of victims of violence in the previous 12 months who reported their victimisation to competent authorities or other officially recognised conflict resolution mechanisms b. Sexual crime cases	Number	2022 2023	3,303 3,644

No.	Description of Indicators	Unit	Year	Achievement
7.	Unsentenced detainees as a proportion of overall prison population	%	2022	29.5
			2023	33.0
8.	Firearm seizures	Number	2022	218
			2023	242
9.	Proportion of persons 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 during the previous 12 months a. Investigation paper	Number	2022	820
			2023	1,026
	Proportion of persons 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 during the previous 12 months b. Statistics on arrests	Number	2022	909
			2023	1,137
10.	Federal Government expenditures as a proportion of original approved budget	%	2022	120.0
			2023	102.8
11.	Complaints on public services	Number	2022	5,833
			2023	7,268
12.	Civil servant with disabilities in public service	%	2022	0.3
			2023	0.3
13.	Population who believe decision-making is inclusive and responsive	%	2021	64.4
14.	Voting Right In International Organisations (United Nations General Assembly)	%	2021	0.5
			2022	0.5
	Voting Right In International Organisations (International Monetary Fund)	%	2021	0.8
			2022	0.8
	Voting Right In International Organisations (International Bank for Reconstruction and Development)	%	2021	0.4
			2022	0.4
	Voting Right In International Organisations (International Finance Corporation)	%	2021	0.6
			2022	0.6
	Voting Right In International Organisations (Asian Development Bank)	%	2021	2.5
			2021	....
	Voting Right In International Organisations (World Trade Organisation)	%	2021	0.6
			2022	0.6
15.	Children under 5 years of age whose births have been registered with a civil authority, by age	%	2022	96.9 ^r
			2023	95.3
SDG 17: Partnerships for the Goals				
1.	Share government revenue as a proportion of GDP	%	2022	16.4
			2023	17.3

No.	Description of Indicators	Unit	Year	Achievement
2.	Federal Government tax revenue and expenditure	%	2022	52.8
			2023	56.3
3.	Budget allocation for development assistance through Malaysian Technical Cooperation Programme	RM '000	2021	4,200.0
			2022	6,000.0
4.	Fixed-broadband penetration rate (256 kbit/s ≤ 2 Mbit/s)	Per 100 inhabitants	2022	0.1
			2023	0.0
	Fixed-broadband penetration rate (2 Mbit/s ≤ 10 Mbit/s)	Per 100 inhabitants	2022	0.1
			2023	0.0
	Fixed-broadband penetration rate (≥ 10 Mbit/s)	Per 100 inhabitants	2022	12.6
			2023	13.5
5.	Individuals using the Internet	%	2022	97.4
			2023	97.7
6.	Value of financial and technical assistance committed to developing countries	RM '000	2021	2,594.5
			2022	5,600.0
7.	Worldwide weighted World Trade tariff-average	%	2021	3.5
			2022	3.3
8.	Share of global exports	%	2021	1.3
			2022	1.4
9.	Average tariffs faced by developing countries	%	2022	21.2
			2023	21.1
10.	Amount in United States dollars committed to public-private partnerships for infrastructure	RM Billion	2022	8.0
			2023	48.0
	Amount in United States dollars committed to public-private partnerships for infrastructure	USD Billion	2022	1.7
			2023	10.5
11.	Open Data Inventory (ODIN) Coverage Index	%	2021	....
			2022	59.0
12.	Achievement 100 per cent birth registration	%	2021	100.0
			2022	100.0
13.	Achieved 80 per cent death registration	%	2022	97.9
			2023	97.9

Note: indicates Nil/blank/no cases

^e Estimates

^p Preliminary

^r Revised

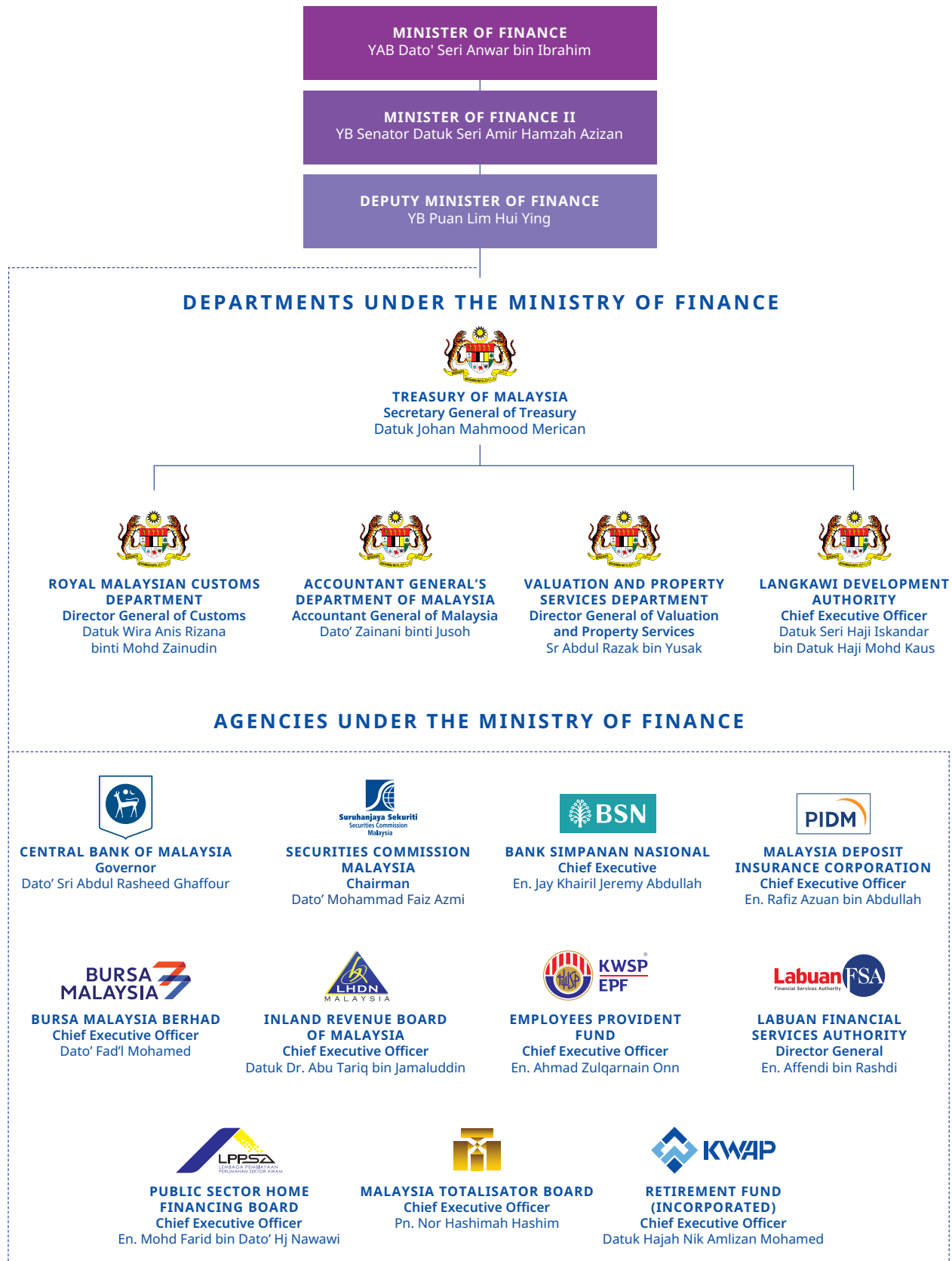
^a Refers to the international poverty level \$1.90

^b Refers to the international poverty level \$2.15

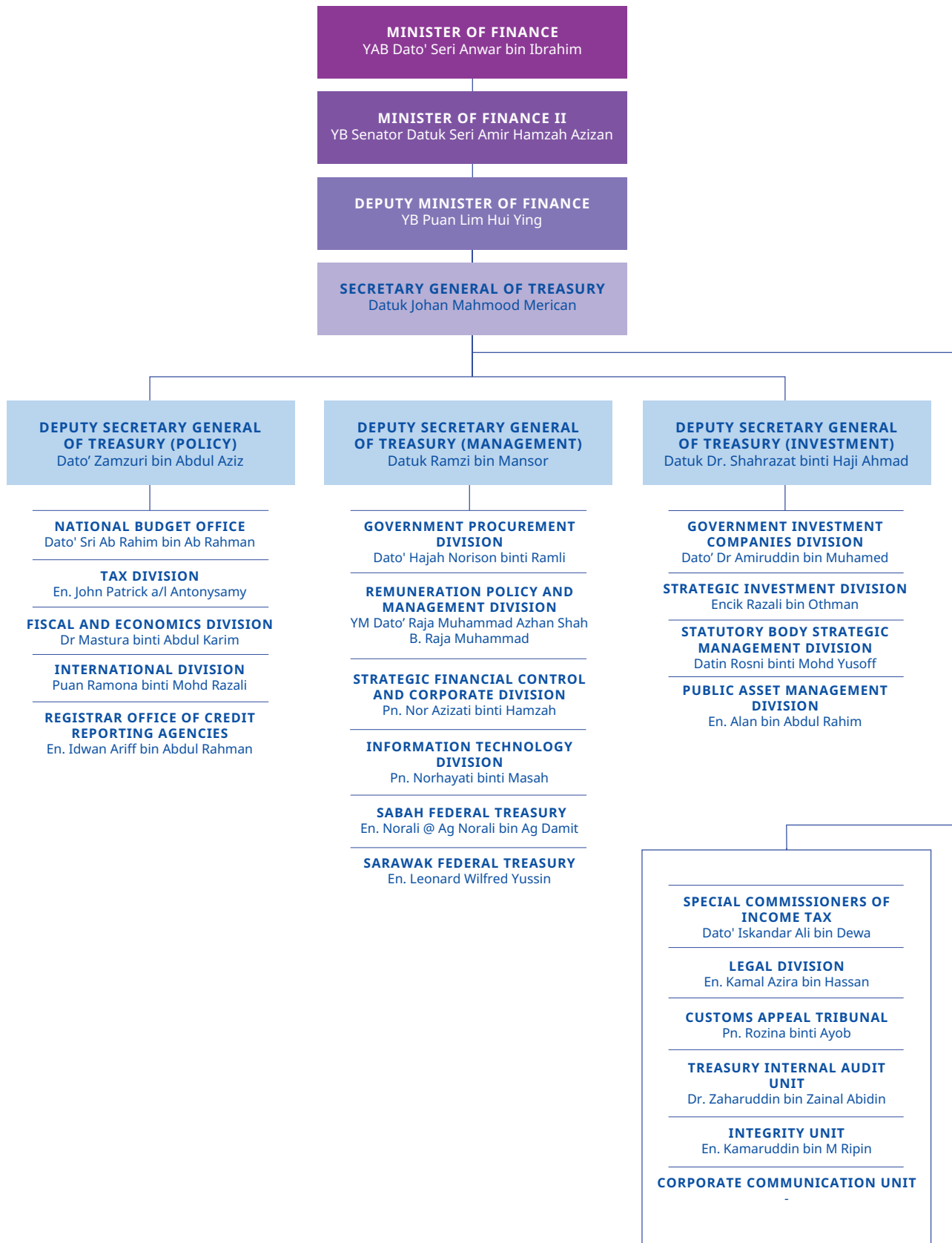
^c Refers to Special Report on Impact of Floods, Malaysia, 2022 by the Department of Statistics Malaysia

Source: Sustainable Development Goals (SDG) Indicators Executive Summary 2023, Department of Statistics, Malaysia

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