

Malaysia RMB Business Forum & The 10th Anniversary of the Malaysian RMB Clearing Bank

The Future Ahead: Malaysia in a Changing Landscape

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27 August 2025



Key Points

1

Malaysia's Diverse Growth Drivers Underpin Economic Growth in 2025

2

Medium-term Growth Prospects Anchoring on Strategic and Transformative Plans

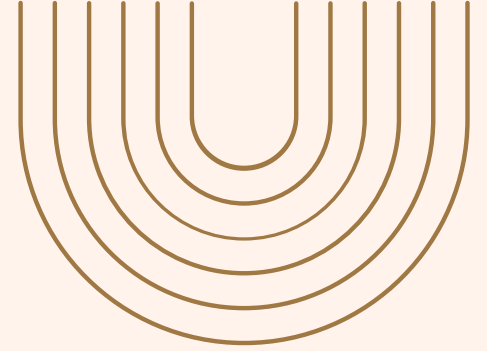
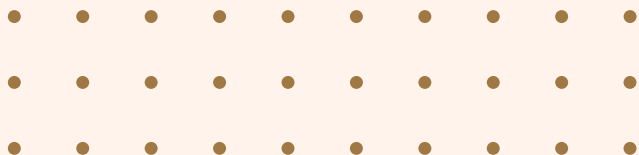
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Malaysia's Third Investment Upcycle Characterised by High Quality Investment



Changing Landscape

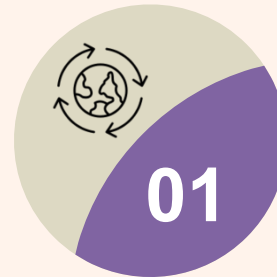
- We are now living in a world that is more uncertain and complex than before; a world where the environment in which we operate keep changing around us.
- The rules of global trade have been turned on their head.
- New geopolitical realities are dawning.
- Artificial intelligence (AI), the energy transition, and demographic changes are fundamentally changing our economic activity, business landscape and workplace.



Four megatrends

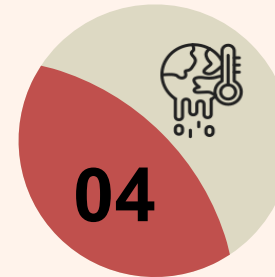
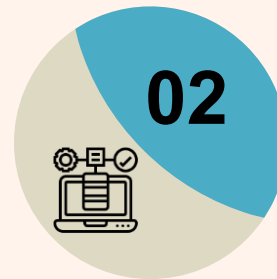
01 Power Shifts and New Economic Blocks

- The rise of bipolarism, nationalism and protectionism.
- Economic blocs are experiencing significant shifts driven by factors like geopolitical tensions, geopolitical allies, technological advancements, and evolving national economic priorities.
- Potential shifts in global trade patterns, geopolitical allies, impacting global supply chains, investment and trade flows as well as technology restrictions.



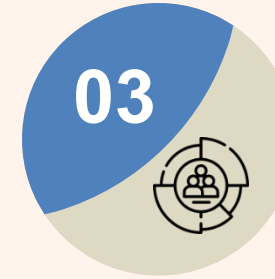
02 Technological and Digital Revolution

- Increasingly powered by technology advancements in AI, big data, cloud technology, blockchain, cybersecurity, robotics and mechatronic as well as innovation.



04 Environmental and Climate Crisis

- Induced disruptions such as floods and soil erosion, impacting human lives and health, and land degradation.
- Sustainability and food security.



03 Demographic Shifts and Quality of Life

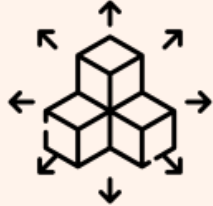
- Reshaping global priorities and public policies.
- Aging population impacts productivity, output and fiscal balance.
- Drive long-term transformations in ee markets, social systems, public health, education, and governance.

Malaysia can buffer against external shocks



Malaysia is in a position of strength to face headwinds.

Still-sound economic and financial fundamentals supported by facilitative policies and accommodative monetary policy.



A well-diversified economic sectors, markets and products and sources of foreign direct investments.

Reduce **vulnerability and risks** inflicted by a particular sector and industry as well as a country.



Gradual consolidation path continues to build fiscal buffers.

Prudent and target fiscal policy to strengthen domestic resilience, protect the vulnerable group.



The financial sector is well-capitalised.

As at end-2024, **banks' liquidity buffers** exceeded regulatory levels with strong loan quality (aggregate non-performing loans (NPLs)) at 1.4% of gross loans) and sizeable provisions (91.4% of total impaired loans). **Liquidity coverage ratio (LCR)** is well-above the required level (100% starting 2019) at 160%.

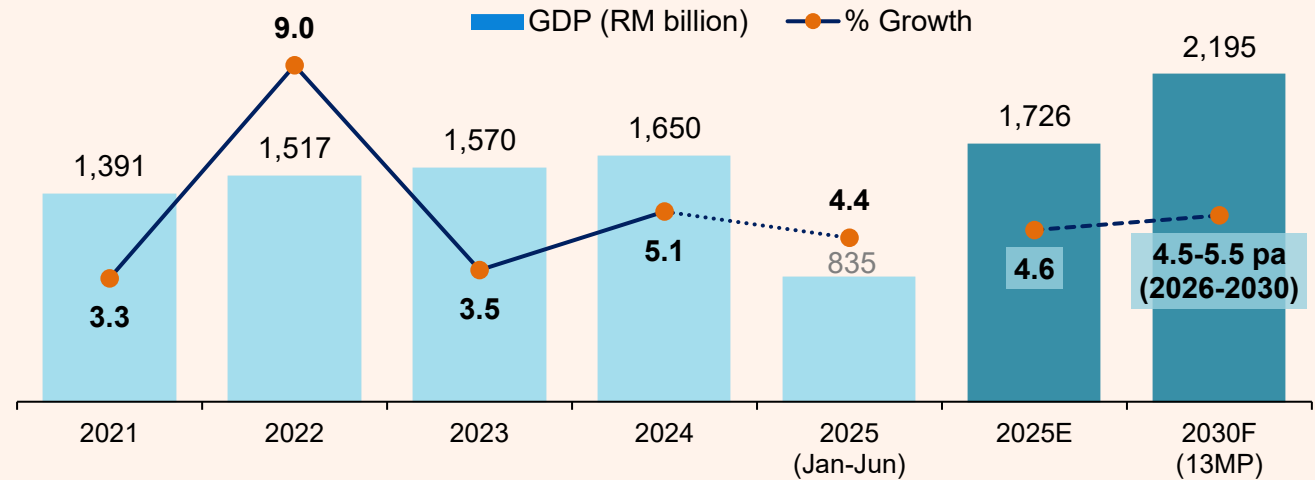


Flexible exchange rate is essential continue to play the role of shock absorber and remains the first line of defence against external shocks.

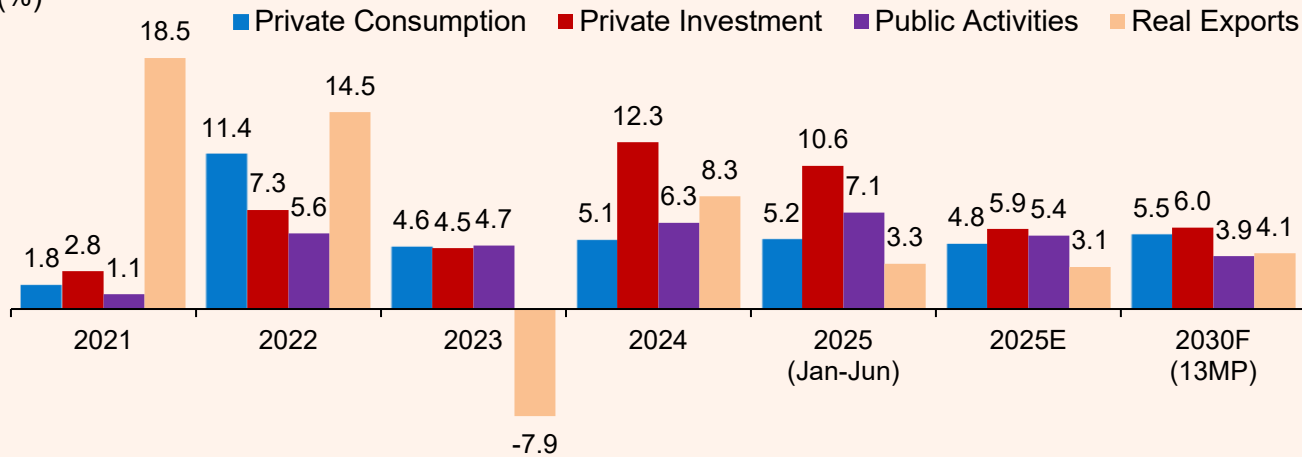
This is backed by **adequate international reserves** (USD121.3 billion at end-July 2025) and **sustained current account surplus**, albeit smaller.

A resilient and growing economy, anchoring on domestic demand

Gross Domestic Product (GDP)



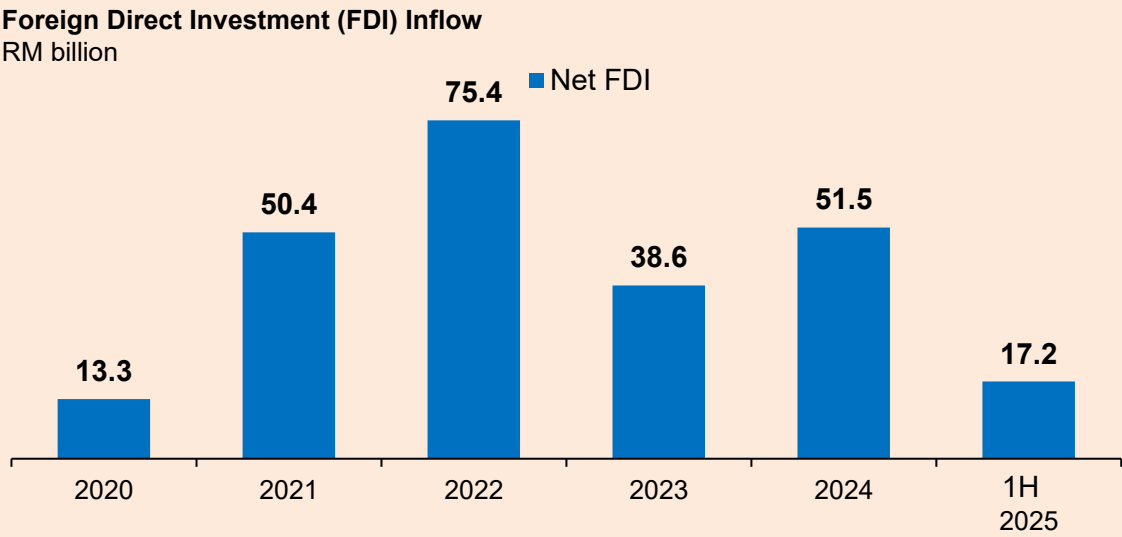
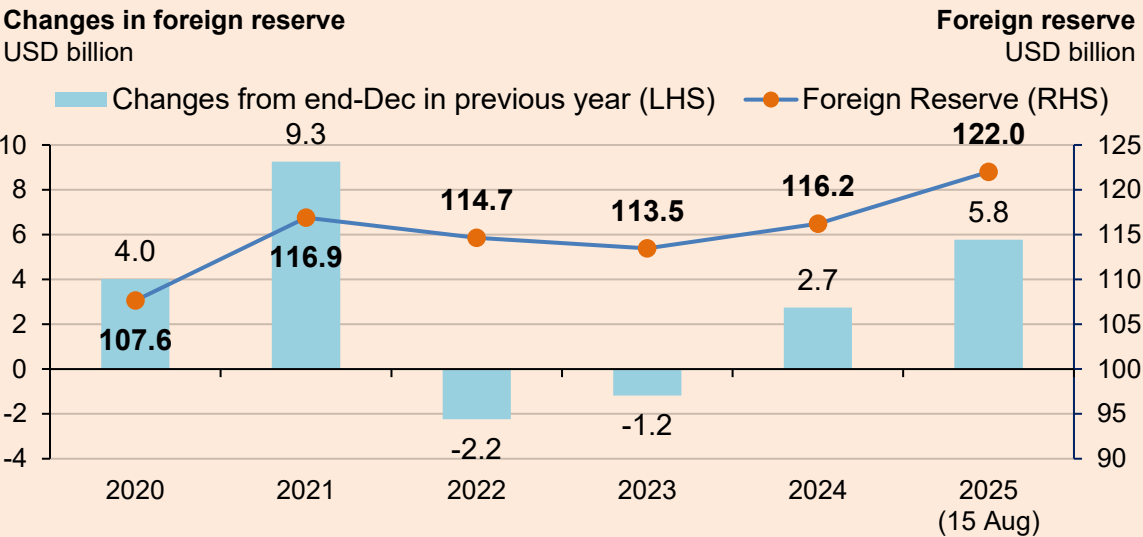
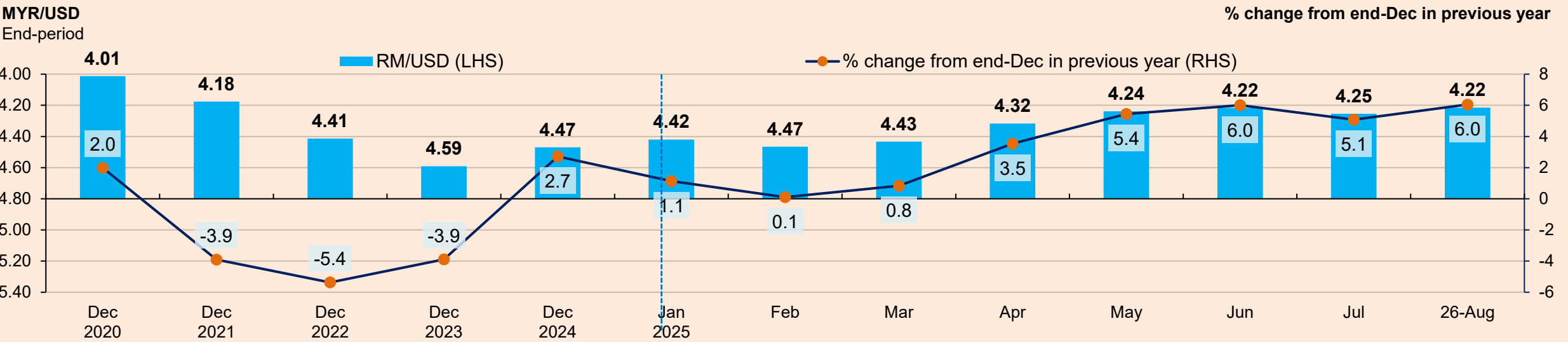
GDP growth by type of expenditure (%)



Note: 2025E was derived based on the 12MP estimates by Ministry of Economy in 13MP.
Source: Department of Statistics, Malaysia (DOSM); Ministry of Economy

- **Real GDP growth expanded 4.4% in 1H 2025**, on track to achieve at least 4.0%-4.5% in 2025.
- **Resilient domestic demand**, particularly private sector expenditure continued to underpin domestic economic growth amid slowing exports in 2025.
- **Positive labour market conditions** (unemployment rate at 3.0% in Apr-Jun), **continuous wage growth**, **low inflation** (1.1% in June), **income-related policy**, and **lower interest rate** will support household spending.
- **Investment activity** will be sustained by the realisation of approved investment in 2021-2024 and progress of multi-year projects in both the private and public sectors.
- The **on-going implementation of catalytic initiatives and master plans**: New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), National Semiconductor Strategy (NSS). The impending implementation of the 13th Malaysia Plan (2026-2030).

The ringgit vs. Foreign exchange reserves vs. FDI inflows



Source: Bank Negara Malaysia (BNM); Department of Statistics, Malaysia (DOSM); Ministry of Economy

Malaysia's strategic and transformative roadmaps and plans

1

MADANI Economy Framework

Raising the ceiling

- Rebuild Malaysia by regionalising our businesses, transforming our economy and increasing national competitiveness.

Raising the floor

- Championing social justice to improve quality of life for the rakyat.

Seven (7) medium-term targets

- Top **30** largest economy
- Top **12** in global competitiveness
- Top **25** on the **Human Development Index**
- **Increase labour share of income to 45%**
- Top **25** in **Corruption Perception Index**
- **Fiscal deficit of 3% of GDP or better**
- Increase **female labour force participation rate to 60%**

2

New Industrial Master Plan (NIMP) 2030

Four (4) mission-based approaches

- Advance economic complexity
- Tech up for a digitally vibrant nation
- Push for Net Zero
- Safeguard economic security & inclusivity

Top-line targets by 2030

- RM587.5 billion in value-added GDP (CAGR of 6.5% from 2022), derived from high-impact and emerging growth sectors.
- 3.3 million of employment (CAGR of 2.3% from 2022), including the creation of high-skilled jobs through higher value-added activities.
- Median salary of RM4,510 (CAGR of 9.6% from 2022), through a shift towards higher value-added activities and high-skilled jobs.

3

National Energy Transition Roadmap (NETR)

Six (6) energy transition levers

- Energy Efficiency (EE)
- Renewable Energy (RE)
- Hydrogen
- Bioenergy
- Green Mobility
- Carbon Capture, Utilisation and Storage (CCUS)

Economic benefits

- An investment opportunities up to RM1.2-1.3 trillion by 2050, with 18% of these funds (RM210-240 billion) allocated within 2023-2029.
- 310,000 direct jobs creation by 2050.
- 10%-15% uplift in GDP value (or RM200-220 billion) with spurring of new growth areas.

Malaysia's strategic and transformative roadmaps and plans (cont.)

4

National Semiconductor Strategy (NSS)

Three (3) phases

- Phase 1: **Building On Our Foundations** – Continuing to develop Malaysia's strengths in the chips industry
- Phase 2: **Moving To The Frontier** – Pursuing cutting edge technology and moving up the value chain
- Phase 3: **Innovating At The Frontier**

Five (5) targets

- Attract RM500 billion of investment
- Create 10 Malaysian companies in design and advanced packaging, and 100+ high revenue companies
- Become a global semiconductor R&D hub
- Train and upskill 60,000 high-skilled Malaysian engineers
- Allocate at least RM25 billion to implement NSS

5

The 13th Malaysia Plan (13MP) 2026-2030

Goals

- High and sustainable income
- Quality and inclusive life
- Sustainable environment

Nine focus areas under three MADANI economic pillars, **anchoring on 27 priorities, 122 strategies and 600 initiatives.**

A sum of RM611 billion investment is planned under the 13MP:

- RM430 billion from Federal government's development expenditure
- RM120 billion from GLCs and GLICs
- RM61 billion from the public-private partnerships (PPP)

6

Johor-Singapore Special Economic Zone (JS-SEZ)

Distinctive Value Proposition

- Strategic location and connectivity
- Attractive policies and incentives (e.g. special 5% corporate tax rate is available for up to 15 years and special 15% income tax rate to eligible knowledge workers for 10 years)
- Nine designated flagship zones with prioritised sectors
- Strong government support with dedicated funds from both Malaysia's and Singapore's governments, alongside Invest Malaysia Facilitation Centre Johor (IMFC-J) as a one-stop centre to streamline investment processes
- Competitive cost advantage

Target 50 projects within the first 5 years and a cumulative of 100 projects within first 10 years, aiming to create 20,000 skilled jobs.

7 aspirations of the MADANI Economy



Top 30 largest economy

2022: Ranked #36 2024: Ranked #37

(Source: World Bank)



Top 25 on the Corruption Perception Index

2022: Ranked #61 2023: Ranked #57

(Source: Transparency International)



Top 12 in global competitiveness

2023: Ranked #27 2025: Ranked #23

(Source: IMD)



**Towards fiscal sustainability,
targeting deficit of 3% of GDP, or better**

2022: -5.5% 2024: -4.1%

(Source: MOF)



Top 25 on the Human Development Index

2022: Ranked #67 2024: Ranked #67

(Source: United Nations Development Programme (UNDP))



Increase labour share of income to 45%

2022: 32.3% 2024: 33.6%

(Source: DOSM)

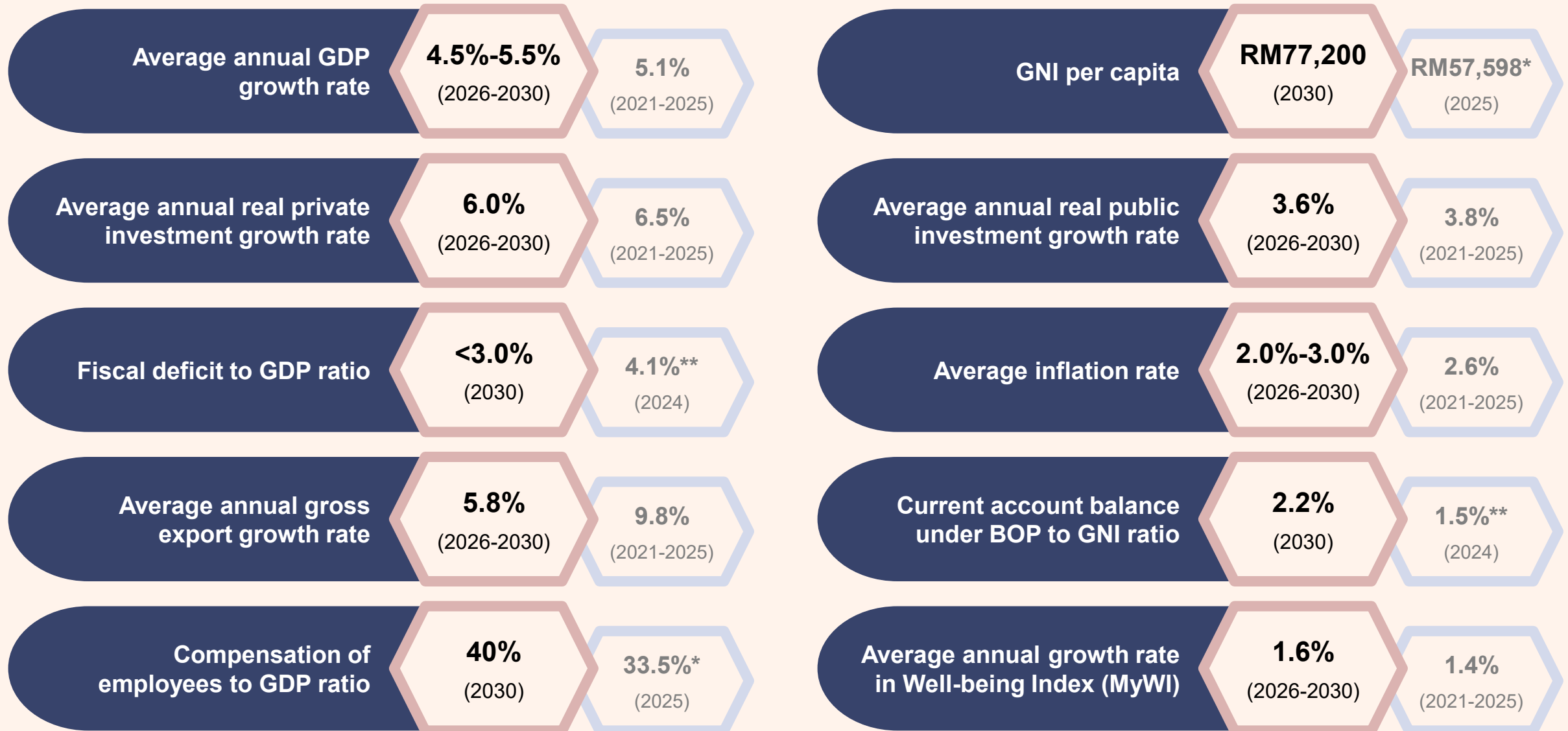


**Increase Female Labour Force Participation
Rate to 60%**

2022: 55.8% 2024: 56.5%

(Source: DOSM)

Key macroeconomic targets under 13MP vs. estimated performance under 12MP

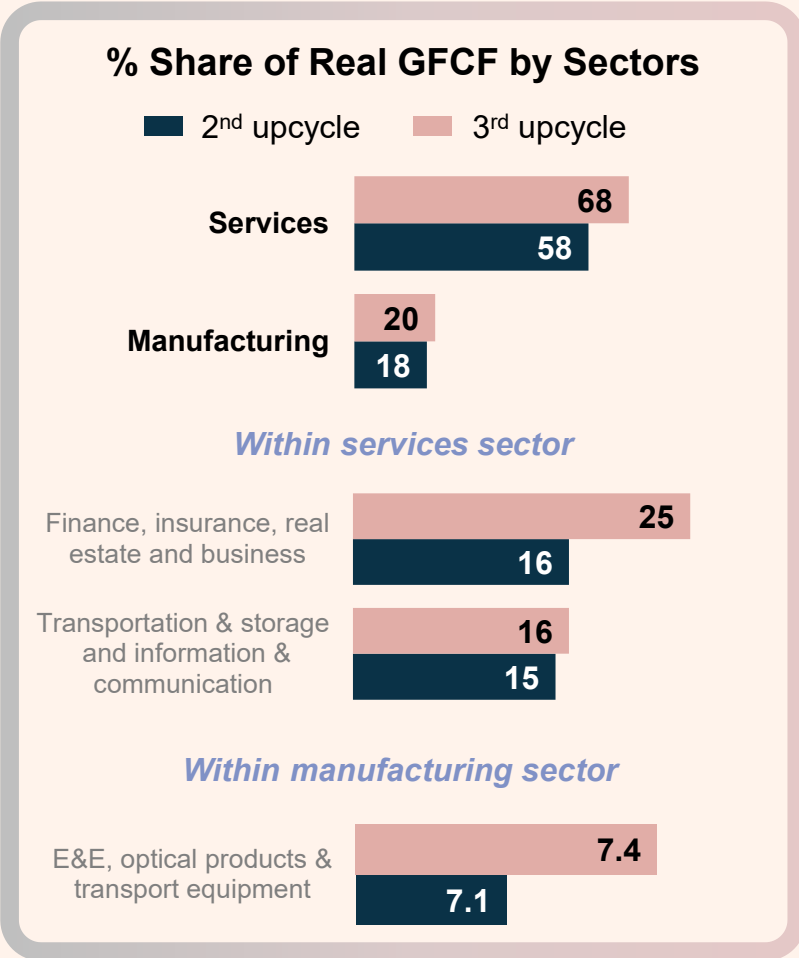


* 2025E was derived based on the 12MP estimates by Ministry of Economy under 13MP. ** No estimation made for 12MP or 2025 by Ministry of Economy under 13MP.

Malaysia's third investment upcycle characterised by high quality investments

1

Shift towards high value-added services & manufacturing activities



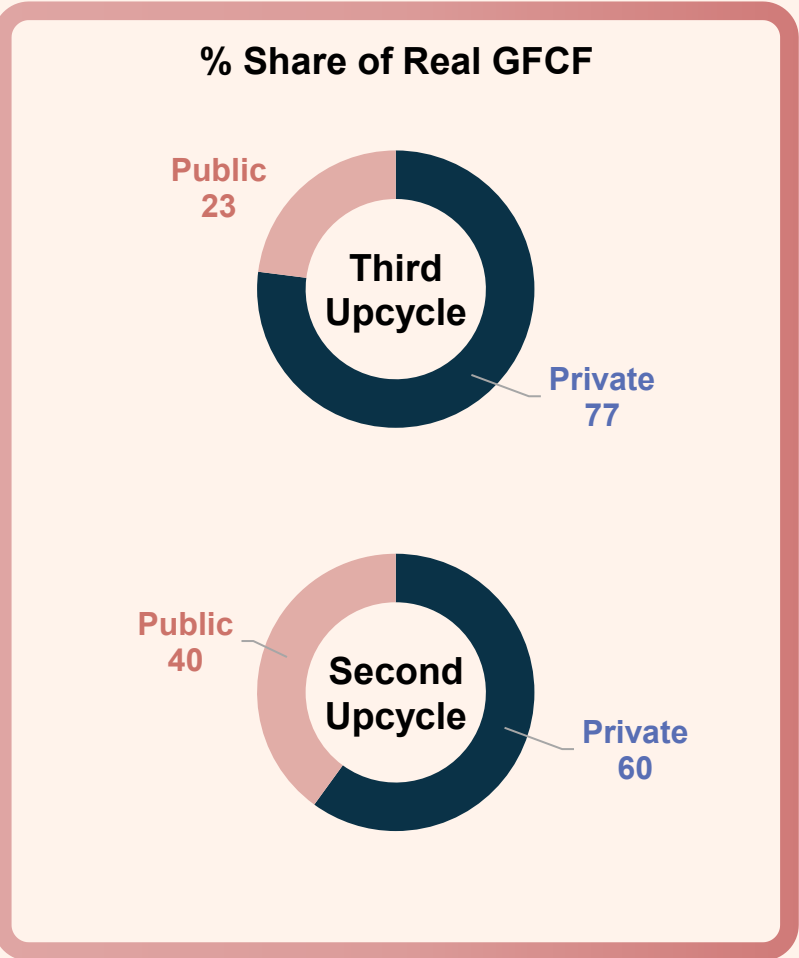
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Increased share of machinery & equipment investments



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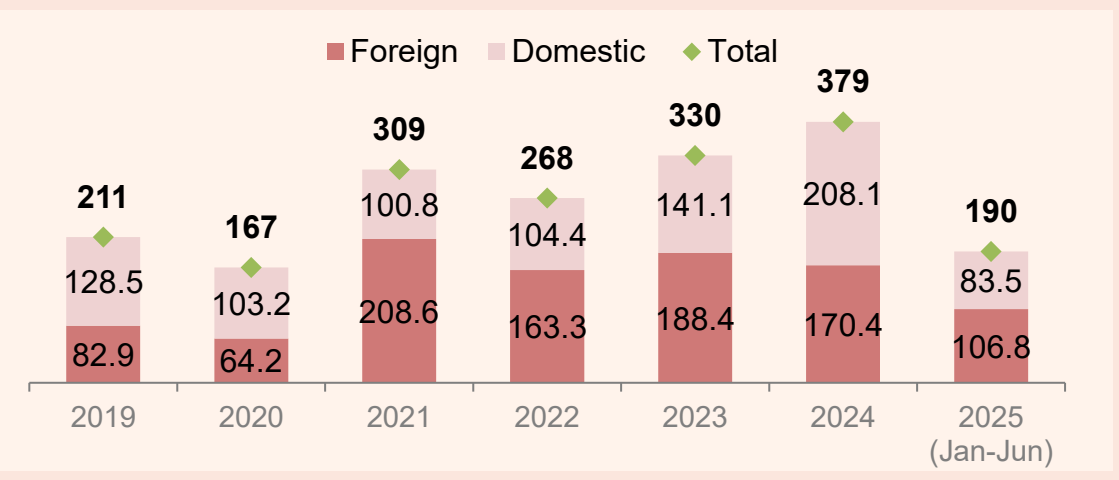
Greater role of private sector in driving investments



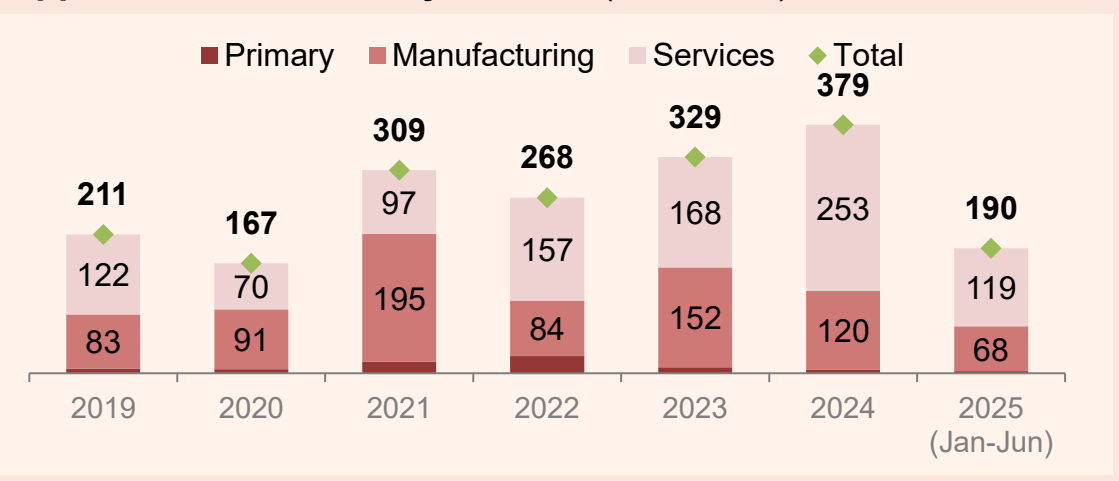
Note: Second upcycle refers to the 2011-15 period, while third upcycle refers to mid-2023 onwards. Where there are data constraints, comparisons are conducted using only 2023 data for the third cycle.
Source: DOSM; BNM; Haver

Investment is underpinned by the realisation of multi-years strong approvals

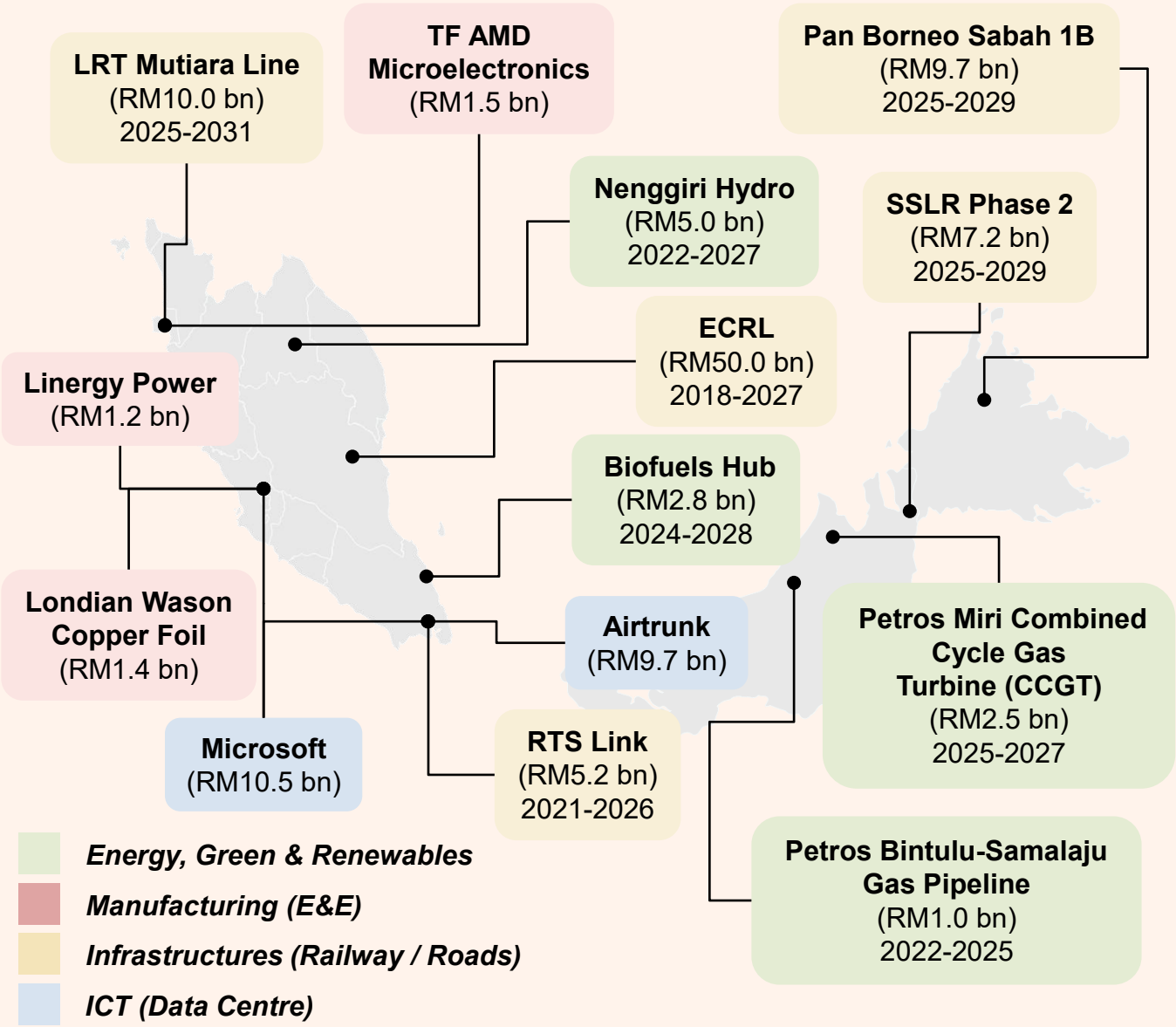
MIDA: Foreign vs Domestic Approved Investment (RM billion)



Approved Investment by Sectors (RM billion)



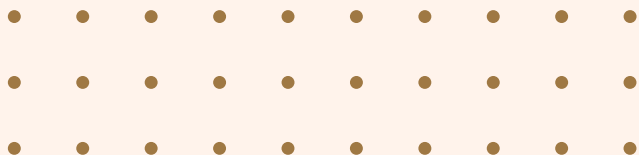
Source: MIDA; BNM





Conclusion

- The dynamics of **TRADE POLICIES, GEOECONOMIC TENSIONS, CAPITAL FLOWS, AND CURRENCY MOVEMENTS** remain key influences on economic and business growth.
- Government, companies, and households must **CHANGE HOW THEY THINK, ACT, AND PLAN.**
- The Government to calibrate policy responses aimed at **BUFFERING NEAR-TERM DOWNSIDE RISKS** while **SUPPORTING MEDIUM-TERM ECONOMIC RESILIENCE.**



THANK YOU

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