



ECONOMIC OUTLOOK

2024

E K O N O M I M A D A N I : M E M P E R K A S A R A K Y A T

Economic Outlook 2024

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PREFACE



MALAYSIA

The global economy continues to traverse through an environment filled with challenges since the COVID-19 pandemic. Deepened geopolitical tensions and persistent tightening of monetary policies to address inflation, have increased the risk of a worldwide slowdown. The circumstances are aggravated by uncertainties in major economies, mainly impacting developing nations as well as weakening trade dynamism against a backdrop of supply chain disruptions and ongoing trade tensions.

Malaysia is not immune from these global developments, given the degree of openness in our economy and financial system. The diversified structure of the Malaysian economy and our solid fundamentals built on the blood, sweat and tears of the rakyat over the years have bolstered the economy's resilience and positioned us on a steady growth path. These positive factors, supported by firm policies and action plans anchored on the framework of Ekonomi MADANI, as well as the continuous implementation of pragmatic measures and initiatives laid by the Government, will keep our economy strong and resilient.

While the external sector remains important, growth is increasingly driven by domestic demand. The nation's manageable inflation, favourable labour market conditions, healthy foreign reserves, current account surplus and high national savings, robust financial sector and well-developed capital market, continue to sustain the economic momentum. Amid the global economic slowdown, the Malaysian economy recorded a growth of 4.2% in the first half of 2023 and is expected to expand at approximately 4% in 2023.

The success in charting our economic growth and overcoming crises would not be possible without the sacrifice and dedication of the rakyat. The Government remains resolute to ensure all Malaysians are able to enjoy the fruits of the nation's wealth and prosperity through sustainable and inclusive growth. Recognising this, the framework of

“Ekonomi MADANI: Memperkasa Rakyat” was formulated with the utmost priority to serve the rakyat. The framework will serve as a foundation to the recently announced policies, including the National Energy Transition Roadmap, the New Industrial Master Plan 2030 and the Mid-Term Review of the Twelfth Malaysia Plan. In this regard, the Government has envisaged seven targets to be achieved by the country within the next ten years. These initiatives are anticipated to drive the nation’s economy, with a projected growth rate of 4% to 5% in 2024.

The wellbeing of the rakyat remains this Government’s utmost concern and priority. The prosperity of the nation must benefit all segments of society. Thus, it is vital to ensure that the economic pie distribution is fair and equitable, prioritising excellent healthcare services and quality education for all Malaysians. In the context of employment and wages, salaries must commensurate with workers’ productivity. In addition, providing better social protection and public amenities, including transport, water and electricity supply, as well as broadband services, will create more equitable opportunities to improve the rakyat’s quality of life. An agile public service delivery supported by the digitalisation agenda is imperative to drive economic transformation. The Government will also focus on progressively enhancing Malaysia’s fiscal sustainability by mobilising revenue as well as optimising expenditure to address leakages and wastages.

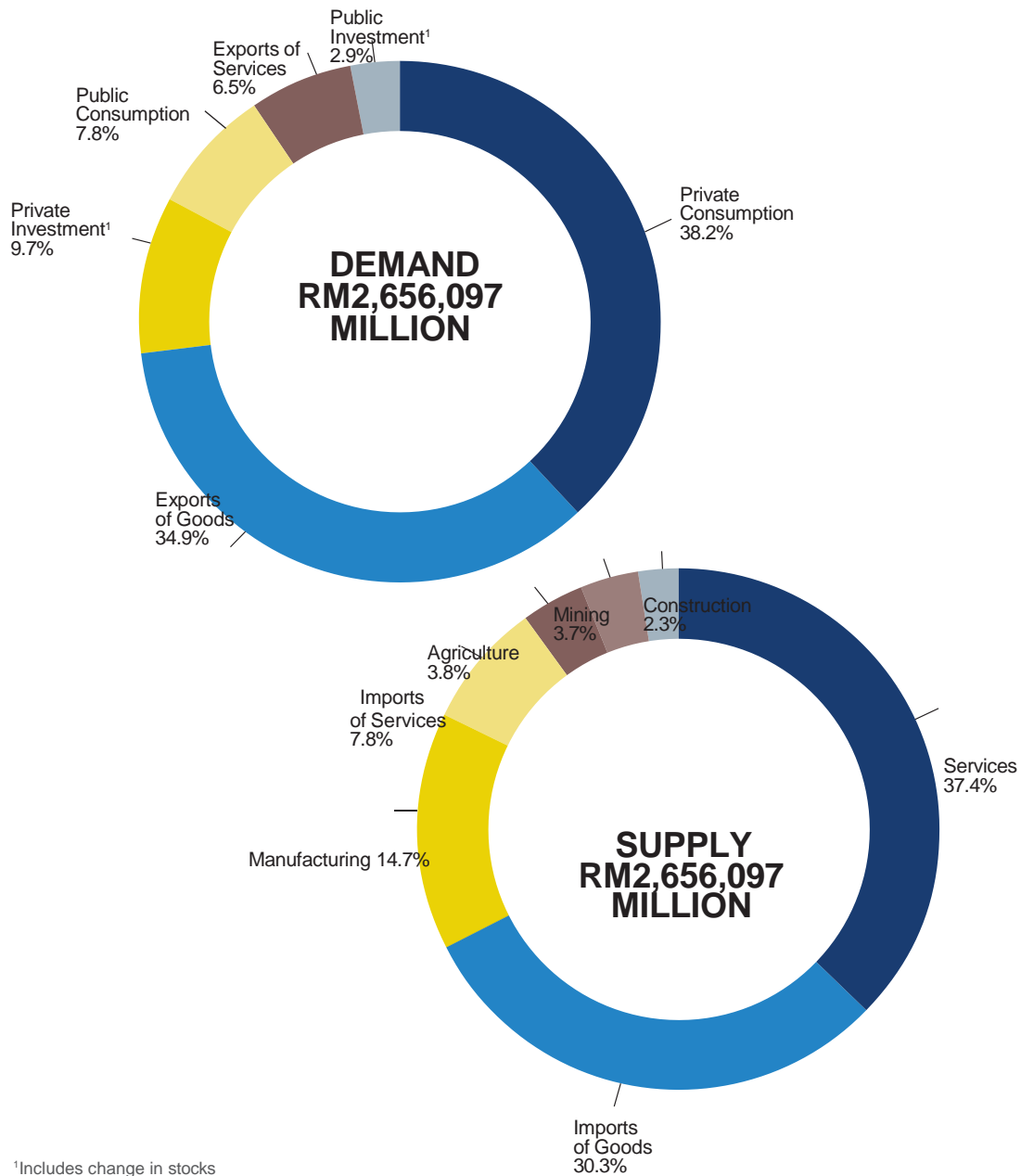
The year 2024 is envisaged to be a promising year for Malaysia. The execution of several policies announced recently, including the implementation of projects under the Mid-Term Review of the Twelfth Malaysia Plan, will solidify Malaysia’s efforts in becoming Asia’s most dynamic economy in the near future. While we may encounter challenges and structural changes, our resilience and capacity to innovate are formidable. It is a collective mission for all Malaysians to unite in harmony, embrace changes and prioritise sustainable growth strategies. Together, we shall chart a successful course ahead, that reaps equitable benefits for all and secures a brighter future for our beloved nation.



ANWAR IBRAHI
13 October 2023

THE ECONOMY 2024

in constant 2015 prices (share to total in %)



MALAYSIA: KEY DATA AND

AREA 2020 (square kilometres)						
Malaysia	Peninsular Malaysia		Sarawak	Sabah	Federal Territory ¹	
330,241	131,780		124,450	13,021	384	
	2022 ¹⁰		2023 ¹¹		2024 ¹²	
POPULATION ² (million)	32.7		33.4		33.7	
DOMESTIC PRODUCTION	RM million	change (%)	RM million	change (%)	RM million	change (%)
Gross Domestic Product (constant 2015 prices)	1,510,939	8.7	1,569,247	~ 4.0 ¹⁷	1,645,078	4.0 – 5.0
Agriculture	99,073	0.1	99,620	0.6	100,770	1.2
Mining and quarrying	96,199	2.6	95,448	-0.8	98,030	2.7
Manufacturing	364,131	8.1	369,359	1.4	384,727	4.2
Construction	53,441	5.0	56,824	6.3	60,688	6.8
Services	881,310	10.9	930,125	5.5	981,990	5.6
Import duties	16,785	7.3	17,868	6.5	18,873	5.6
Gross Domestic Product (current prices)	1,791,358	15.7	1,850,102	~ 3.5 ¹⁷	1,974,027	6.0 – 7.0
Final consumption expenditure: Public	208,887	6.1	213,063	2.0	221,165	3.8
Private	1,031,759	14.9	1,111,748	7.8	1,204,270	8.3
Gross fixed capital formation: Public ³	72,330	7.7	79,856	10.4	88,271	10.5
Private	253,939	9.8	269,856	6.3	290,016	7.5
Changes in inventories and valuables	94,811	–	46,912	–	31,317	–
Exports of goods and services	1,378,452	26.0	1,272,424	-7.7	1,345,773	5.8
Imports of goods and services	1,248,820	27.2	1,143,757	-8.4	1,206,785	5.5
NATIONAL INCOME AND EXPENDITURE						
Gross National Income (constant 2015 prices)	1,479,619	7.9	1,544,269	4.4	1,614,614	4.6
Gross National Income (current prices)	1,731,944	14.9	1,802,983	4.1	1,915,537	6.2
Gross National Savings (current prices)	476,178	18.3	458,596	-3.7	471,844	2.9
Per Capita Income (current prices, RM)	52,968	14.5	54,015	2.0	56,920	5.4
FEDERAL GOVERNMENT FINANCE	2022		2023 ¹³		2024 ¹⁴	
Revenue	294,357	25.9	303,200	3.0	307,600	1.5
Operating expenditure	292,693	26.4	300,140	2.5	303,800	1.2
Current balance	1,664		3,060		3,800	
Development expenditure (net)	70,167	10.9	96,300	37.2	89,200	-7.4
COVID-19 Fund ⁴	30,979	-17.9	–		–	
Overall balance	-99,482		-93,240		-85,400	
% of GDP	-5.6		-5.0		-4.3	
Domestic borrowings (net)	99,687		93,580		–	
Offshore borrowings (net)	-266		-300		–	
Change in assets ⁵	61		-40		–	

MALAYSIA: KEY DATA AND FORECAST (cont'd)

	2022		2023		2024	
	RM million	% GDP	RM million	% GDP	RM million	% GDP
Federal Government Debt⁶	1,079,591	60.3	1,147,132	62.0	–	–
Domestic debt	1,050,078	58.6	1,117,158	60.4	–	–
Treasury bills	31,500	1.8	34,500	1.9	–	–
Malaysian Government Investment Issues	471,300	26.3	512,800	27.7	–	–
Malaysian Government Securities	538,178	30.0	564,358	30.5	–	–
Government Housing Sukuk	9,100	0.5	5,500	0.3	–	–
Offshore borrowings	29,513	1.7	29,974	1.6	–	–
Market loans	25,543	1.5	26,298	1.4	–	–
Project loans	3,970	0.2	3,676	0.2	–	–
	2022¹⁰		2023¹¹		2024¹²	
BALANCE OF PAYMENTS (NET)	RM million		RM million		RM million	
Balance on current account	55,098		61,972		62,240	
Goods	186,029		170,171		174,876	
Services	-56,397		-41,504		-35,888	
Primary income	-59,414		-47,119		-58,490	
Secondary income	-15,120		-19,575		-18,258	
Balance on capital and financial accounts	11,902		–		–	
Net errors and omissions	-13,641		–		–	
Overall balance	53,359		–		–	
EXTERNAL TRADE	RM million	change (%)	RM million	change (%)	RM million	change (%)
Gross exports	1,550,009	24.9	1,429,547	-7.8	1,501,859	5.1
<i>of which:</i>						
Manufactured	1,304,668	22.1	1,235,167	-5.3	1,303,202	5.5
Agriculture	120,903	23.3	90,876	-24.8	92,405	1.7
Mining	117,346	68.2	95,609	-18.5	98,343	2.9
Gross imports	1,293,811	31.0	1,205,339	-6.8	1,264,533	4.9
<i>of which:</i>						
Intermediate goods	706,551	29.5	636,558	-9.9	669,696	5.2
Capital goods	120,231	15.8	113,335	-5.7	119,079	5.1
Consumption goods	104,017	24.0	96,462	-7.3	100,388	4.1
Total trade	2,843,821	27.6	2,634,886	-7.3	2,766,393	5.0
Trade balance	256,198	1.0	224,208	-12.5	237,326	5.9
PRICES	Index	change (%)	Index	change (%)	Index	change (%)
Consumer Price Index (2010 = 100)	127.2	3.3	–	2.5 - 3.0	–	2.1 – 3.6
Producer Price Index: Local Production (2010 = 100)	120.8	7.8	–	(2.5) – (0.5) ¹⁵	–	0.1 – 2.1
LABOUR	Thousands	change (%)	Thousands	change (%)	Thousands	change (%)
Labour force	16,022.1	1.4	16,358.6	2.1	16,669.4	1.9
Unemployment ⁷	630.4	(3.9)	574.4	(3.5)	569.5	(3.4)

MALAYSIA: KEY DATA AND FORECAST

	2022 End-July		2023 End-July	
FINANCIAL AND CAPITAL MARKETS	RM million	change (%)	RM million	change (%)
Money supply				
M1	602,157	9.3	594,211	-1.3
M2	2,214,012	5.4	2,291,248	3.5
M3	2,222,147	5.5	2,300,317	3.5
Banking system (including Islamic banks)				
Fund ⁸	2,234,007	3.9	2,313,168	3.5
Loans	1,835,565	5.5	1,897,756	3.4
Loan-to-fund ratio (%)	82.2		82.0	
Interest rates (average rates, %)	July		July	
3-month interbank	2.70		3.50	
Commercial banks				
Fixed deposits: 3-month	2.01		2.71	
12-month	2.20		2.89	
Savings deposit	0.69		0.96	
Weighted base rate (BR)	2.92		3.67	
Base lending rate (BLR)	5.97		6.68	
Treasury bills (3-month)	—		—	
Malaysian Government Securities ⁹				
1-year	3.00		3.24	
5-year	3.72		3.60	
	End-August		End-August	
Movement of ringgit	RM per unit of	change¹⁶ (%)	RM per unit of	change¹⁶ (%)
Special Drawing Rights (SDR)	5.8386	1.4	6.1499	-5.1
US dollar	4.4845	-7.0	4.6385	-3.3
Euro	4.4834	9.8	5.0410	-11.1
100 Japanese yen	3.2359	17.4	3.1731	2.0
Bursa Malaysia				
FBM KLCI	1,512.05		1,451.94	
Market capitalisation (RM billion)	1,706.31		1,776.33	

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

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

³ Includes investment of public corporations

⁴ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plans

⁵ (+) indicates drawdown of assets; (-) indicates accumulation of assets

⁶ For 2023, data is at end-August 2023

⁷ Figures in parentheses show the unemployment rate

⁸ 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)

⁹ Market indicative yield

¹⁰ Preliminary

¹¹ Estimate

¹² Forecast

¹³ Revised estimate

¹⁴ Budget estimate excluding Budget 2024 measures

¹⁵ Figures in parentheses indicates a negative value

¹⁶ Annual rate of appreciation (+) or depreciation (-) of the ringgit

¹⁷ Approximate

Note: Total may not add up due to rounding

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ACRONYMS AND ABBREVIATIONS

ACMF	ASEAN Capital Markets Forum	CBAM	Carbon Border Adjustment Mechanism
AFC	Asian Financial Crisis	CCA	Consumer Credit Act
AIBIM	Association of Islamic Banking and Financial Institutions Malaysia	CCPT	Climate Change and Principle-based Taxonomy
AiF	Academy in Factory	CCUS	carbon capture, utilisation and storage
AIRM	ASEAN Insurance Regulators Meeting	CE	compensation of employees
AKPK	Credit Counselling and Debt Management Agency	CET1	Common Equity Tier 1 Capital
ALMPs	Active Labour Market Policies	CMGP	Capital Market Graduate Programme
ALR	average lending rate	CMP3	Capital Market Masterplan 3
AMS	ASEAN Member States	COVID-19	Coronavirus Disease of 2019
ASEAN	Association of Southeast Asian Nations	CPI	Consumer Price Index
ASEAN-5	Association of Southeast Asian Nations - 5	CPO	crude palm oil
ASEAN Taxonomy	ASEAN Taxonomy for Sustainable Finance	CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
ATB	ASEAN Taxonomy Board	CSAA	Centralised Shariah Advisory Authorities
B40	bottom 40% of household income group	CSR	Central Spine Road
BCX	Bursa Carbon Exchange	CSR	corporate social responsibility
BM-i	Bursa Malaysia-i	DDI	domestic direct investment
BNM	Bank Negara Malaysia	DE	development expenditure
bps	basis points	DFIs	development financial institutions
BPM6	Balance of Payments and International Investment Position Manual Sixth Edition	DIA	direct investment abroad
BR1M	Bantuan Rakyat 1 Malaysia	DITO	Digital Insurer and Takaful Operators
BSAS	Bursa Suq Al-Sila'	DNSH	Do no significant harm
BSN	Bank Simpanan Nasional	DSR	debt service ratio
CBA	Central Bank Malaysia Act 2009	DTN	National Energy Policy
		E&E	electrical and electronic

ECF	equity crowdfunding	GNS	gross national savings
ECRL	East Coast Rail Link	GOS	gross operating surplus
Ekuinas	Ekuiti Nasional Berhad	GovTech	Government Technology
EMDEs	emerging market and developing economies	GPA	Government Procurement Act
Energy	Electricity, gas, steam, and air conditioning supply	HDI	Human Development Index
e-PATH	New E-Payment Platform	HGHV	high growth high value
EPF	Employees Provident Fund	i-MILIKI	Keluarga Malaysia Home Ownership Initiative
ESG	environmental, social and governance	IA	Investment account
ETFs	Exchange-traded Funds	ICD	Islamic Corporation for the Development of Private Sector
EU	European Union	ICM	Islamic Capital Market
EUDR	EU Deforestation-free Regulation	ICT	Information and Communication Technology
EV	electric vehicles	IFMC	Islamic Financial Market Subcommittee
FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index	IFSA	Islamic Financial Services Act 2013
FDI	foreign direct investment	IFSB	Islamic Financial Services Board
Fed	United States Federal Reserve	IILM	International Islamic Liquidity Management Corporation
FES	Foreign Exempt Scheme	IKHSAN	Inisiatif Operator Perkhidmatan
FF	Foundation Framework	ILMIA	Institute for Labour Market Information and Analysis
FRA	Fiscal Responsibility Act	ILO	International Labour Organization
FSBP	Financial Sector Blueprint 2022 – 2026	IMD	International Institute for Management Development
FTAs	free trade agreements	INSAN	Inisiatif Usahawan Makanan
GCI	Global Connectedness Index	INTAN	Inisiatif Usahawan Tani
GDP	gross domestic product	IPOs	Initial Public Offerings
GFCF	Gross fixed capital formation	IPR	Inisiatif Pendapatan Rakyat
GLCs	government-linked companies	ISIC	International Standard Industrial Classification
GLICs	government-linked investment companies	Khazanah	Khazanah Nasional Berhad
GNI	gross national income		

AcroNYms ANd AbbreviationS

KRI	Khazanah Research Institute	NACP	National Anti-Corruption Plan
LCR	Liquidity Coverage Ratio	NACSA	National Cyber Security Agency
LCTF	Low Carbon Transition Facility	NADMA	National Disaster Management Agency
LNG	liquefied natural gas	NETR	National Energy Transition Roadmap
M&E	machinery and other equipment	NGOs	non-governmental organisations
M40	middle 40% of household income group	NIA	National Investment Aspiration
MATRADE	Malaysia External Trade Development Corporation	NIMP 2030	New Industrial Master Plan 2030
MEF	Malaysian Employers Federation	NIP	New Investment Policy
MGII	Malaysian Government Investment Issues	NSNP	National Safety Net Programme
MGS	Malaysian Government Securities	NSRC	National Scam Response Centre
MHTC	Malaysia Healthcare Travel Council	OE	operating expenditure
MIDA	Malaysian Investment Development Authority	OECD	Organisation for Economic Cooperation and Development
MIFC	Malaysia International Islamic Financial Centre	OIC	Organisation of Islamic Cooperation
MLC	MIFC Leadership Council	OPEC+	The Organization of the Petroleum Exporting Countries and its allies
MoC	Management of Change	OPR	Overnight Policy Rate
MoU	Memorandum of Understanding	P2P	Peer-to-peer financing
MOHR	Ministry of Human Resources	PADU	Pangkalan Data Utama
MPC	Monetary Policy Committee	PEKA B40	Peduli Kesihatan Scheme
MSMEs	micro, small, and medium enterprises	PGG	Principles of Good Governance
MTR of the Twelfth Plan	Mid-Term Review of the Twelfth Malaysia Plan	Platform	Centralised Sustainability Platform
MyCIF	Malaysian Co-Investment Fund	PPI	Producer Price Index
MyICE	Malaysian Incentive Community Empowerment	PPR	Program Perumahan Rakyat
MyWI	Malaysian Well-being Index	PS	Plus Standard
		R&D	research and development
		R&D&C&I	research, development, commercialisation and innovation

RCEP	Regional Comprehensive Economic Partnership	SSL	self-sufficiency level
RE	renewable energy	SSR	self-sufficiency ratio
REITs	Real Estate Investment Trusts	STAR	Special Task Force on Agency Reform
RM	Ringgit Malaysia	STR	Sumbangan Tunai Rahmah
RWA	risk-weighted asset	SVB	Silicon Valley Bank
SARa	Rahmah Basic Contribution	TIV	total industry volume
SC	Securities Commission Malaysia	TSC	Technical Screening Criteria
SDGs	Sustainable Development Goals	Twelfth Plan	Twelfth Malaysia Plan, 2021 – 2025
SJKP	Syarikat Jaminan Kredit Perumahan	UEFA Euro 2024	2024 UEFA European Football Championship
SJPP	Syarikat Jaminan Pembiayaan Perniagaan	UK	United Kingdom
SESSS	Self-Employment Social Security Scheme	US	United States
SLC	ASEAN Senior Level Committee on Financial Integration	USD	US Dollar
SLDN	National Dual Training System	VBI	value-based Intermediation
SMEs	small and medium enterprises	VBIAF	Value-based Intermediation Financing and Investment Impact Assessment Framework
SOCsO	Social Security Organisation	WC-CMD	Working Committee on Capital Market Development
SPS	Skim Pekerjaan Sendiri	WCY	World Competitiveness Yearbook
SRI	Sustainable and Responsible Investment		

CHAPTER 1

Economic Management and Prospects

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CHAPTER 1

Economic Management and Prospects

Ekonomi MADANI: Towards a more Sustainable and Prosperous Malaysia

The Government has unveiled the Ekonomi MADANI: Memperkasa Rakyat framework with the vision of 'Building a Better Malaysia Together'. Harnessing the untapped potentials to achieve collective goals under this framework is a shared national aspiration. This comprehensive policy framework represents the unwavering commitment to ensure a sustainable and prosperous nation. The

framework lays the foundation for Malaysia to ascend on its development trajectory and to regain the nation's status as an Asian Tiger.

At its core, the framework concentrates on leveraging Malaysia's innate strengths to enhance the national competitiveness. Simultaneously, it places a profound emphasis on fiscal sustainability measures, good governance practices, and efficacious service delivery. Furthermore, this framework is responsive to the current challenges faced by the rakyat, particularly the escalating cost of living, while addressing pertinent structural issues related to wages and productivity.

INFORMATION box 1.1

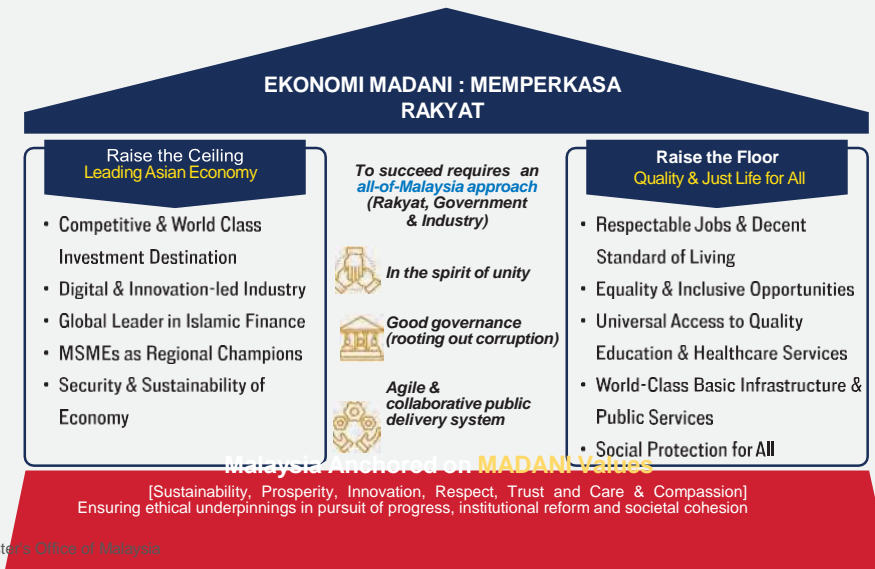
Ekonomi MADANI: Memperkasa Rakyat

Introduction

The Ekonomi MADANI: Memperkasa Rakyat framework was launched by YAB Dato' Seri Anwar Ibrahim on 27 July 2023. This framework focuses on two main objectives, namely restructuring the economy and improving the quality of life of all Malaysians. The overarching goal of the framework is to build a better and sustainable Malaysia. The framework is envisaged to be implemented through the whole-of-nation approach which requires the mobilisation of resources and collective efforts from various stakeholders including the government, private sector, government-linked companies (GLCs), non-governmental organisations (NGOs) and rakyat as a whole.

In the pursuit of this framework, the Government emphasises on enhancing two main thrusts, namely, "Raising the Ceiling" to strengthen the economy and grow the wealth of the nation; and secondly "Raising the Floor" to ensure quality and equitable benefits for all as shown in Figure 1.1.1. The framework consists of both short- and medium-term measures to drive the achievement of these two thrusts. The framework will serve as a foundation and complement recently announced policies, including the National Energy Transition Roadmap (NETR), the New Industrial Master Plan 2030 (NIMP 2030) and the Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan).

FIGURE 1.1.1. Ekonomi MADANI



Envisioned Targets

The framework is a holistic approach designed to address various challenges and concerns. The short-term measures aim to address pressing issues that directly affect both the rakyat and the economy, while the medium-term measures focus on raising the country's performance in various aspects.

Short-Term Targets

The framework sets short-term targets for the improvement of various ongoing initiatives to address pressing issues affecting the rakyat and businesses. These efforts include:

- Accelerating the implementation of projects, particularly those aimed at upgrading dilapidated schools and clinics. Various efforts have been undertaken, such as increasing allocations, simplifying procurement procedures, and delegating powers to the implementing authorities to expedite the execution of the projects; and
- Eradicating hardcore poor through the roll-out of Inisiatif Pendapatan Rakyat to provide opportunities to increase and diversify income that enables financial independence and resilience. The Payung RAHMAH Concept has also been introduced to ease the financial burden of the rakyat and continues to be strengthened in addressing the cost of living challenges.

Medium-Term Targets

On a larger scale, the Ekonomi MADANI framework outlines the country's economic direction with medium-term targets to raise the performance of the country in various aspects. The framework sets seven key performance indicators to be achieved by Malaysia within a period of 10 years, as shown in Figure 1.1.2.

FIGURE 1.1.2. Seven Key Performance



Source: Prime Minister's Office of Malaysia

Main Thrusts

The thrusts are structured to achieve the targets to build a better Malaysia, which is supported by Focus 1: Malaysia - Leading Asian Economy and Focus 2: Elevating Quality of Life for The Rakyat.

Focus 1: Malaysia - Leading Asian Economy

To position Malaysia as a leader in the Asian economy, the economic structure requires a transformation from a labour-oriented to an innovation-led economy driven by highly productive and internationally competitive firms. This effort will involve the revitalisation of the industrial sector, more efficient resource allocation and distribution of goods and services, to drive towards vibrant economic growth supported by more sustainable fiscal policy. In achieving this, the main initiatives are as follows:

i. A Regional (ASEAN) Agenda

For Malaysia to achieve an annual GDP growth between 5.5% to 6%, the country needs to foster greater economic integration with the neighbouring countries; nurture more highly competitive local companies to penetrate the ASEAN market; and facilitate trading activities, especially in facing the global supply chain issues. Furthermore, the country needs to increase its global competitiveness; focus on higher value-added activities or economic sophistication; and strengthen outcome-based tax incentives that support companies with high-impact activities.

ii. Malaysia as an Investment Destination

In promoting Malaysia as a prime investment destination, efforts need to be intensified in upgrading the industrial areas with more resilient and sustainable infrastructure. Likewise, greater emphasis must be placed on strengthening the investment promotion agencies and reviewing investment incentives to generate high-paying jobs and fully utilise local resources.

iii. *Internationalising Local Start-ups and Small and Medium Enterprises (SMEs)*

The GLCs are encouraged to continuously drive domestic direct investment (DDI) and support the development of local vendors in strategic sectors such as E&E, the digital economy and aerospace. This effort will push more start-ups and Bumiputera SMEs to venture into new growth areas. In addition, the Government also aspires to boost export growth as well as spawn more successful local unicorns and public-listed companies, among others, through the enhancement of the R&D&C&I ecosystem. In this respect, a conducive financing ecosystem and dynamic financial market will be needed to support these efforts.

iv. *Leader of the Global Islamic Economy*

As Malaysia solidifies its position as the leader of the global Islamic economy, the comprehensive financial ecosystem will be modernised, centering on the *Maqasid Shariah*¹ principles. In line with the Ekonomi MADANI framework, the Government will collaborate with Islamic financial industry players to offer more digitalised, innovative and diversified Islamic financial instruments by leveraging Islamic social finance such as *zakat*, *waqf* and *sadaqah*. A sustainable and effective Islamic finance that encompasses the *halal* and *tayyib*² principles will be aligned with the growing global environmental, social and governance (ESG) funds.

v. *Micro Entrepreneurs and the Informal Sector*

The development of micro-enterprises and the informal sector are essential to encourage wider participation of entrepreneurs while adding value to the economy. However, access to financing remains crucial to ensure the success of micro, small and medium enterprises (MSMEs) as well as the informal sector, particularly in the adoption of digitalisation and other emerging trends. Therefore, microfinance institutions and established start-ups will be the game changers to encourage both MSMEs and the informal sector to innovate through alternative financing such as equity crowdfunding (ECF).

vi. *Green Growth for Climate Resilience*

In the country's endeavour towards achieving net-zero aspiration by as early as 2050, low-carbon and climate-resilient elements will be emphasised in Malaysia's development planning to shape a more efficient and sustainable economic landscape. Under the NETR, the Government aims to accelerate the energy transition to ensure a continuous and sustainable supply of clean energy for all. This aspiration will include increasing renewable energy generation capacity, installation of solar panels on government buildings, as well as renewable energy trading policy through the electricity market system. The Government will also continue to spearhead efforts to pioneer the hydrogen economy and carbon capture, utilisation and storage (CCUS) while continuously providing incentives specifically to encourage such new green growth activities.

¹ *Maqasid Shariah* refers objective of Shariah to the preservation of religion, life, intellect, lineage and wealth (property).

² *Tayyib* refers to wholesome, pure, healthy and safe.

vii. *Land Use and Food Security*

Malaysia will reassess the approach towards land use to balance between developmental, agricultural and conservation needs. This is crucial in ensuring the optimisation of the land to address food security while conserving biodiversity assets. In this endeavour, the Government will further improve the self-sufficiency ratio (SSR) and enhance food security by optimising the use of existing agricultural land through technology adoption, improving irrigation infrastructure as well as providing financing facilities, particularly for modern agricultural technology applications. In addition, the creation of nature-based solutions through conservation and reforestation efforts will be intensified to improve environmental integrity.

Focus 2: Elevating Quality of Life for the Rakyat

Recognising the need to raise the standard of living for all Malaysians, the Ekonomi MADANI framework will emphasise on building a more equitable and prosperous society with a fair distribution of wealth. This aspiration will be achieved through the following strategies:

i. *Job Opportunities with Meaningful Wages*

In achieving a more balanced economic sharing, the Government will improve policies to increase wage growth, which includes reviewing the minimum wage and relevant laws to warrant a better working environment as well as exploring the implementation of a progressive wage model. These measures aim to increase the share of compensation of employees to 45% of GDP to be at par with developed countries. Furthermore, the Government will implement multi-tiered levy to reduce the dependency on low-skilled foreign workers while encouraging automation.

ii. *Equal Opportunity*

Malaysia will continue efforts to reduce inequality across gender, race and background to ensure inclusive growth. Priority is given to hardcore poor and marginalised groups by giving more assistance and equitable opportunities for education. Efforts will also be continued to intensify entrepreneurial training and strengthen financing programmes for specific groups, especially women and youth. Besides, a region-specific industrial policy will foster the niche areas within states to narrow regional development gaps. The world-class infrastructure in major cities will be further enhanced to increase urban liveability and sustainability as well as boost attractiveness as an investment hub. Legal and regulatory aspects as well as support programmes will be improved to increase women's participation in the labour market by strengthening the Care-Economy initiatives such as affordable childcare centres.

iii. *Social Protection for All*

The comprehensive social protection system will be enhanced through three broad areas, namely social insurance, social assistance and labour market intervention to safeguard the rakyat from unforeseen circumstances. These initiatives include gradually expanding the coverage of the Employees Provident Fund (EPF) and Social Security Organisation (SOCSO)

to the informal sector as well as enhancing cash assistance programmes and the Rahmah programme to provide a higher social protection floor. In addition to building retirement resilience, the Government also continues to intensify the labour market by raising wages through upskilling and reskilling programmes.

iv. *Healthcare Service Reforms*

The Government remains committed to improving the rakyat's overall wellbeing by providing universal access to quality healthcare services. In this respect, a whole-of-society primary healthcare approach will be adopted to create a more sustainable, resilient, and quality healthcare system. The rakyat will be further inculcated to embrace a self-reliant transition from the treatment of diseases to the disease prevention concept, in order to improve, protect and maintain their health. In this regard, the Government will commit to 5% of healthcare expenditure to GDP as stipulated in the Health White Paper.

v. *Educational and Human Resource Reforms*

Various efforts have been made to provide comprehensive education facilities and a conducive learning environment which is accessible to all. These efforts include expediting the implementation of school projects, improving conditions of dilapidated schools as well as broadening internet access through the JENDELA project. Furthermore, tertiary education and lifelong learning programmes, including TVET, will be reviewed to be more demand-driven in producing future-proof talent required by the industries.

vi. *Infrastructure and Public Transportation*

The Government will take immediate action to optimise all existing assets related to rural roads and urban public transportation systems to reduce traffic congestion, increase connectivity and enhance mobility. The management of land public transport will be consolidated to increase cost-effectiveness and improve last-mile connectivity. In addition, the air connectivity network as well as land transport infrastructure in major cities will also be improved.

vii. *Basic Amenities*

The Government remains steadfast in offering world-class universal basic infrastructure for the rakyat including access to the continual supply of quality water, electricity and internet. In addition, flood mitigation projects will be expedited to ensure local communities are cushioned from the severe impact of floods or any disruptions to access basic amenities.

viii. *Affordable Housing for All Malaysians*

The National Housing Policy (2018 – 2025) is formulated to ensure the adequacy of the housing supply, and fostering safe, healthy and harmonious living environment. In realising this policy, an action plan is being developed to ensure more meaningful parameters are set to strike a balance between median house prices and median income level. In addition, the provision of public housing will also be improved while the rental market will be revitalised to meet the demand. The Government will also facilitate the buyers to secure home financing by providing up to 120% credit guarantee under the Syarikat Jaminan Kredit Perumahan Berhad (SJKP).

Good Governance to Restore Confidence

Good governance and efficient public service delivery form the foundation to gain the trust of all stakeholders to support and undertake collective action towards the required transformation. Structural and institutional reforms of the Parliament, media and public services will strengthen governance and institutional capacities. An agile public service delivery supported by the digitalisation agenda is imperative to drive economic transformation while adapting to the evolving global realities.

The Government will also focus on progressively enhancing Malaysia's fiscal sustainability by implementing various revenue and expenditure strategies. A more sustainable, efficient and targeted subsidy mechanism is pertinent to address leakages and wastages.

Conclusion

The Ekonomi MADANI framework is envisioned to propel Malaysia's economic development. The framework, which is anchored on "Raising the Ceiling" and "Raising the Floor", aims to enhance the nation's economic prosperity and promote greater inclusivity in wealth distribution, thereby improving the living standards of the rakyat. This whole-of-nation approach is expected to uphold the spirit of unity and good governance, supported by an agile and collaborative delivery system to drive overall economic growth. Ultimately, the successful implementation of the Ekonomi MADANI framework will revive Malaysia as Asia's most important economic axis, restoring the nation's dignity and glory.

Outlook

Global Economy

As the world endures constant changes with varying paces of growth across the globe, the global economy is anticipated to exhibit moderate growth after experiencing a period of economic downturn. The growth pace is projected to persist across most regions in the upcoming years. Lingered uncertainties have prompted the IMF¹ to project the global growth outlook to 3% in 2023 and 2024 (2022: 3.5%). Nevertheless, it remains constrained due to heightened downside risks, particularly tightening of monetary policies to ease inflationary pressures, hence, impeding a robust global economic recovery. Meanwhile,

world trade growth is also expected to moderate to 2% in 2023 amid prolonged geopolitical tensions and to record 3.7% in 2024.

The evolving global landscape is poised to exert a significant influence on businesses of all sizes and affect the standard of living. In addition, escalating supply chain security concerns could prompt the imposition of trade and investment restrictions, potentially impacting the growth prospects of others.

While the global challenges stemming from the crisis still persist, it offers countries the opportunity to foster growth and innovation through the formulation of effective strategies aimed at achieving more sustainable and robust growth.

¹ Refers to World Economic Outlook report published in July 2023.

Domestic Economy

Despite escalating uncertainties in the global landscape, Malaysia's economy remains resilient. The GDP is forecast to expand by approximately 4% in 2023 and between 4% and 5% in 2024. The Government acknowledged the World Bank's forecast that Malaysia's growth will be 4.3% in 2024, which is slightly higher than its initial estimate. This is in line with Malaysia's 2024 growth projection, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030), and the Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan).

Furthermore, Malaysia's domestic demand in 2023 continues to be buoyed by expansion in consumption and investment spending. This is also supported by favourable labour market condition and easing inflationary pressures as well as vibrant tourism activities. The surge of private investment is attributed to the multi-year execution of infrastructure ventures and sustained capital investments in the services and manufacturing sectors. The robust activity in private sector expenditure is expected to offset the effects of moderate public spending in 2023.

In 2024, private sector expenditure remains as the main contributor in driving economic activities owing to stronger domestic demand. In addition, Government initiatives to support household spending through cash transfers to targeted groups and the growing social commerce trend are expected to boost private consumption. Meanwhile, private investment is poised to accelerate further driven by improved business environment in consonance with positive response towards Government's strategies and measures in attracting high-tech and high-value investments via the NETR and NIMP 2030.

On the supply side, services and manufacturing sectors continue to be the primary engines of growth in 2023. The services sector performance is driven by tourism subsectors, resulted from higher tourist arrivals and improved consumer spending. However, the manufacturing sector is expected to register a modest growth amid sluggish external demand. Likewise, agriculture sector is projected to expand moderately contributed by the oil palm, other agriculture and livestock subsectors, while the mining sector is anticipated to decline due to lower external demand for liquefied natural gas (LNG). On the other hand, the construction sector is expected to record better performance supported by the acceleration of ongoing infrastructure and utilities projects.

In 2024, the wholesale and retail trade subsector will remain as the key contributor to the services sector, underpinned by the expansion in retail segment through digital transactions. In addition, the domestic-oriented industries are backed by higher output in high growth high value (HGHV) industries which will drive the manufacturing sector, in tandem with the implementation of initiatives under the NETR, NIMP 2030 and MTR of the Twelfth Plan as well as Chemical Industry Roadmap 2030. Agriculture sector remains steady partly attributed by expected increase in oil palm production and crude palm oil (CPO) prices. The mining sector is forecast to recover mainly contributed by the new gas field projects such as Gansar, Jerun and Kasawari. Meanwhile, the construction sector continues to grow supported by growth in all subsectors, partly by the increasing demand in renewable and clean energy as well as decarbonisation, in line with the green economy agenda.

In 2023, exports have contracted in tandem with the global economic and trade slowdown, primarily influenced by China's slower-than-anticipated economic growth and moderate commodity prices. In contrast, the current account surplus is expected to expand,

driven by a narrowing deficit in the services and primary income accounts. However, the outlook for 2024 indicates a gradual upswing, attributed to improved global trade and prospects in the commodity sector.

Monetary and Financial Developments

The current monetary policy stance remains accommodative and supportive of the economy in tandem with the assessment of the inflation and growth prospects. The financial sector is envisaged to remain resilient and stable, driven by a robust banking system which continues to support financial intermediation activities, benefitting from positive growth projections and an improving labour market. Simultaneously, the capital market remains vibrant in fostering Malaysia's prosperity, inclusivity, and sustainability by leveraging thought leadership, intensifying innovation, and diversifying the market's range of products to remain competitive. Going forward, the Malaysia's Capital Market Masterplan 2021 – 2025 and Financial Sector Blueprint 2022 – 2026 will continue to serve as invaluable guiding documents, setting forth the visions and strategies for the development of the capital market and financial sector.

Updates on the Budget 2023

In line with the forward-looking vision under the Malaysia MADANI concept, the formulation of Budget 2023 was premised on the three pillars, namely inclusive and sustainable economic growth, institutional reform and good governance, as well as combatting inequality through social justice. In pursuit of this vision, a substantial total allocation of RM386.3 billion has been allocated in Budget 2023, with RM289.3 billion designated for operating expenditure (OE) and RM97 billion specifically channelled towards development expenditure (DE). As of July 2023, 49% of the

total allocation has been utilised, with RM166.7 billion spent for OE, while the remaining was for DE.

Pillar 1: Inclusive and Sustainable Economic Growth

Towards achieving an inclusive and sustainable economic growth, a series of measures have been laid to focus on sustainable fiscal conditions, rakyat's wellbeing, effective disaster risk management, and high-impact investments. Under the fiscal legislative reform, the enactment of the Public Finance and Fiscal Responsibility Act (FRA) this year will enhance the credibility of fiscal policy conduct towards achieving long-term public finance sustainability and macroeconomic stability. This act serves as a robust fiscal management framework, with an emphasis on good governance, accountability, and transparency in managing public finance.

Comprehensive measures were implemented to support businesses and the needs of the rakyat, with a special focus on micro, small, and medium enterprises (MSMEs) that were badly affected by the pandemic. As of July 2023, Bank Simpanan Nasional (BSN) extended a financing facility amounting to RM145.3 million, benefitting 4,747 entrepreneurs, including hawkers. Furthermore, through the TEKUN Nasional financing schemes, a substantial 80% of RM263.9 million was disbursed to empower 16,960 young entrepreneurs, primarily for the acquisition of assets and working capital. Additionally, small and medium enterprises (SMEs) could tap into a RM9.7 billion financing facility provided by BNM, along with a maximum guarantee facility of 90% from Syarikat Jaminan Pembiayaan Perniagaan (SJPP) for a total loan up to RM20 billion. As at end-July 2023, a total amount of RM5.7 billion was successfully guaranteed, directly benefitting over 7,000 SMEs. These comprehensive measures signify continuous efforts towards fortifying the economic backbone of the nation.

In bolstering the nation's responsiveness to natural disasters and calamities, the Government is committed to enhancing disaster risk reduction, management, and preparedness through a multifaceted approach of programmes and incentives. In pursuit of long-term flood mitigation goals, the year 2023 witnessed the initiation of various projects centred on flood management strategies, dual-purpose flood mitigation reservoirs, and integrated river basin management endeavours in Johor, Selangor, and Kelantan. Simultaneously, approximately RM1.5 billion was allocated to National Disaster Management Agency (NADMA), the armed forces, Fire and Rescue Department, as well as RELA to elevate the country's rescue teams' disaster response. Additionally, a total of RM1.6 million was channelled through the Malaysian Incentive Community Empowerment (MyICE) programme, in collaboration with relevant NGOs aimed at empowering 159 communities, as the first line of defence against natural disasters. These concerted efforts underscore a resolute commitment to safeguard lives and livelihoods during times of crisis.

Moreover, the Government has proactively promoted sustainability within the business community by supporting sustainable technology start-ups, facilitating the adoption of low carbon practices by SMEs, and fostering the growth of sustainable green economy. Notably, the Low Carbon Transition Facility (LCTF) initiated by BNM has proven to be instrumental in aiding local SMEs undertaking sustainable start-up ventures and implementing environmentally conscious practices. As of July 2023, 144 applications have been approved amounting to RM273.3 million.

Furthermore, recognising the potential of the Islamic economy, the Government is committed to leveraging its strengths by exploring innovative financial instruments including development of underutilised registered *waqf* lands. In this regard, a substantial allocation of RM200 million has been dedicated to develop

waqf land in Penang, with a projected gross development value exceeding RM1 billion. This investment underscores the Government's dedication to unlocking the untapped potential of the Islamic economy and promoting sustainable development through innovative and prudent financial strategies.

Pillar 2: Institutional Reforms and Good Governance to Restore Confidence

In a concerted effort to bolster the long-term sustainability of the nation and strengthen public confidence, solid institutional reforms and commitments to good governance are vital to elevate the efficiency and effectiveness of the public service delivery. The Budget 2023 has outlined a comprehensive set of measures on accelerating public infrastructure project implementation, empowering public-private partnership, prioritising the digital agenda as well as strengthening the role of government-linked companies (GLCs) and agencies. These strategic measures are envisioned to shape a dynamic and resilient foundation for the nation's growth trajectory, demonstrating a strong commitment to transparency and accountability in the pursuit of economic progress.

In expediting the execution of public infrastructure projects, significant improvements have been instituted to enhance the transparency of government procurement, including simplification of procedures and processes, particularly for smaller projects by introducing flexibility and exceptions to Treasury Instruction 182. The initiative empowers ministries and agencies at the state and district levels in Sabah and Sarawak, through the technical departments to implement projects with a threshold value of up to RM50 million. Meanwhile, RM2.6 billion has been disbursed as of August 2023 to rehabilitate dilapidated schools and clinics, maintain and upgrade federal roads, enhance

and construct new rural roads, and install street lights in high-risk areas. These projects underscore the Government's unwavering commitment to uplifting critical public infrastructure, thus bolstering community wellbeing and augmenting nationwide development.

The Budget 2023 places a significant focus on human capital, particularly the development of TVET graduates with skillset tailored to industry demands through collaboration of 50 companies primarily GLCs with TVET institutions. These institutions include community colleges, industrial training and national youth skills institutes. As of July 2023, 10 Management of Change (MoC) agreements have been signed that outline the agreed scopes of collaboration, covering transfer of knowledge, sharing of equipment, and development of curriculum. Furthermore, in order to bolster industrial cooperation, RM17 million has been spent for the National Dual Training System (SLDN), benefitting over 8,000 trainees. Concurrently, as at end-July 2023, RM2.6 million has been spent under the Academy in Factory (AiF) programme to train 20,000 trainees on the jobs. These programmes reflect the Government's dedication to enhancing the skillset and employability of TVET graduates, contributing to a dynamic and skilled workforce that are crucial for the nation's progress.

In the effort to encourage youth to enhance skills and promote higher wages in the private sector, RM55.3 million has been allocated for a partnership programme with industry players aiming to employ 17,000 TVET graduates. More than 6,500 TVET graduates have benefitted since its launch in May 2023. Furthermore, the Government remains dedicated to creating meaningful employment opportunities for vulnerable groups, such as gig workers, school leavers and unemployed graduates. As of July 2023, over 760,000 participants were enrolled in upskilling and reskilling training programmes, with funding from the Human Resource Development Fund amounting to RM900.8 million.

As Malaysia gears up for higher tourists arrival, the Government is intensifying efforts to fortify the tourism sector in conjunction with the Visit Malaysia promoting campaign. A notable allocation of RM65 million has been directed towards programmes and activities centred around promoting culture and heritage as well as enriching the tourist experience. Additionally, pivotal infrastructure projects are underway to mitigate traffic congestion in popular tourist destinations. These initiatives encompass the construction and enhancement of roads in high-traffic areas like Cameron Highlands and Melaka. Moreover, strategic projects include the development of new roads and bridges to connect Port Dickson and Sepang, as well as the enhancement of the North-South Expressway, with an initial focus on Johor for Phase 1. These infrastructure improvements underline the Government's dedication to providing a seamless and enjoyable experience for tourists, improving accessibility and connectivity across the nation's vibrant tourist spots.

In advancing the national digitalisation agenda, RM199 million has been channelled through the JENDELA initiative to boost internet penetration, aiming for full 4G coverage across all populated areas in Malaysia. Additionally, an expansion of fibre broadband accessibility is projected to reach 9 million premises by 2025. As of December 2022, 4G coverage has reached an impressive 96.9% of populated areas, benefitting approximately 7.7 million premises with access to fibre broadband. In the course of this initiative, Phase 2 of JENDELA will concentrate on reaching the remaining rural and remote areas, ensuring inclusivity in the digital landscape. Furthermore, by the end of 2022, the rollout of the 5G network has reached 47.1% of total populated areas, surpassing the initial target of 37.9%. This progress underscores the Government's dedication in providing widespread, high-quality digital connectivity to propel Malaysia into a technologically advanced future, fostering innovation and catalysing economic growth.

The Government has taken significant measures to bolster the role of the National Cyber Security Agency (NACSA) as the agency is tasked to spearhead efforts in enhancing the country's legal framework and coordinating initiatives to combat cyber security threats effectively. An allocation of RM10 million was dedicated to the development of the National Scam Response Centre (NSRC), which is scheduled to be fully operational by the end of 2023. For the period from October 2022 to June 2023, the NSRC managed to address more than 15,500 online fraudulent activities. Additionally, in strengthening the security of customers' online banking experiences, BNM has mandated a "kill switch" policy for all banking institutions. This strategic policy has been successfully implemented by several banks, reinforcing the security measures and raising customers' confidence in online banking transactions. These multipronged strategies underline the Government's commitment in fortifying cyber security and preserving the integrity of the nation's digital landscape.

The Government is committed to fuel innovation within start-up companies and bolster the local enterprise ecosystem. The government-linked investment companies (GLICs) and GLCs have emerged as pivotal players with significant venture capital investments. Khazanah, through Dana Impak has allocated RM1 billion, earmarked to support local start-up companies, demonstrating a clear commitment to nurturing innovation and entrepreneurship. Simultaneously, Ekuiti Nasional Berhad (Ekuinas) has diligently managed the Dana Asas, amounting to RM100 million to accelerate companies' growth and enhance Bumiputera equity. Furthermore, an additional RM40 million is offered to MSMEs through the Malaysian Co-Investment Fund (MyCIF) by the Securities Commission (SC) in the form of equity crowdfunding (ECF) and Peer-to-Peer Financing (P2P). These combined initiatives underscore a comprehensive approach by the Government and relevant bodies to actively promote a thriving start-up ecosystem, propelling innovation and economic growth in Malaysia.

Pillar 3: Combatting Inequality Through Social Justice

The Budget 2023 is focused towards pursuing institutional reforms and advocating social justice. Key initiatives are aimed at eradicating hardcore poverty, mitigating the effects of the rising cost of living, fostering harmony and unity within society, and ensuring the provision of high-quality basic amenities for all. Towards these, the Inisiatif Pendapatan Rakyat (IPR) programme is introduced to eradicate hardcore poverty and raise the income of the poor and vulnerable families. A sum of RM750 million has been allocated for this initiative through three sub-programmes, namely Inisiatif Usahawan Tani (INTAN), Inisiatif Usahawan Makanan (INSAN) and Inisiatif Operator Perkhidmatan (IKHSAN). As of July 2023, all initiatives have been implemented with a total disbursement of RM82 million that benefitted more than 3,000 recipients.

Furthermore, the Government has pledged to continue implementing a range of initiatives in the form of cash assistance and in-kind transfers to assist the vulnerable households. As of July 2023, RM10.4 billion of cash assistance has been transferred to 15.9 million recipients from the hardcore poor families, B40 households, youth and students in higher education institutions. This includes Sumbangan Tunai Rahmah (STR), Rahmah Basic Contribution (SARa) and eBeliaRahmah initiatives. In addition, to ease the financial strain on the M40 group, the income tax rate for resident individuals is reduced by 2% for the chargeable income range of RM35,000 to RM100,000. Meanwhile, the Government also introduced the Payung Rahmah initiative to alleviate the rising cost of living. This includes the Rahmah Menu, engaging over 15,000 eateries to provide affordable complete meals at RM5 as well as the Rahmah Sales Programme, with an allocation of RM100 million, offering essential goods at up to 30% lower prices than the local market.

The Community Drumming Programme continues to enable rural and remote area residents especially in Sabah and Sarawak to purchase seven essential items at government-set reduced prices. These items namely coarse refined white sugar, cooking oil, wheat flour, rice, liquefied petroleum gas, RON95 petrol, and diesel. On top of the subsidies provided to these items, the Government absorbs the transportation and distribution costs to ensure the price remains affordable for the residents.

In 2023, this programme was given an additional allocation of RM25 million compared to RM200 million in the previous year, with the scope expanded to 25 new zones including Paloh and Passin in Sarawak, Pasir Raja in Terengganu, and Kuala Krai in Kelantan.

Amid the harsh impact of the pandemic, the social protection system is enhanced to include self-employed individuals with social insurance coverage under the Self-Employment Social Security Scheme (SESSS). Under this initiative, the Government provided RM100 million to incentivise self-employed contributors, covering 80% of the contributions for Skim Pekerjaan Sendiri (SPS) Padanan Caruman and 100% for SPS MADANI. As at end-July 2023, RM38.6 million has been disbursed, benefitting more than 180,000 recipients. In addition, the Government continues to provide various social programmes which include for disabled workers, non-working disabled individuals, indigenous communities, SME women entrepreneurs, senior citizens, and private care institutions for senior citizens, children and persons with disabilities operated by NGOs with an allocation of about RM2 billion. As of July 2023, a sum of RM1.1 billion has been disbursed to these groups.

In providing accessible healthcare, the MADANI Medical Scheme was introduced in June 2023 with an allocation of RM100 million. This initiative facilitates acute primary care treatment for the B40 at private clinics and at the same time reduces congestion at the emergency department in public hospitals.

Additionally, the Peduli Kesehatan Scheme (PEKA B40) allocates RM80 million to offer extensive healthcare support. The scheme encompasses health screenings and incentives for completing cancer treatments, and transportation support to the public health facilities. As at end-July 2023, more than RM50 million has been disbursed for these programmes. Furthermore, tax relief threshold on medical expenses has been increased from RM8,000 to RM10,000 for the 2023 assessment year. The relief was extended to cover the cost of rehabilitation treatment for children with learning disabilities such as Down Syndrome, Autism, and Specific Learning Disabilities.

In the effort to bolster the agriculture sector and address the food security concern, RM1 billion is provided under the BNM's Agrofood Financing Scheme. As of July 2023, RM266.7 million has been disbursed to 372 recipients. Moreover, to further augment agricultural production, the Government has earmarked RM40 million to collaborate with several state governments to implement agro-food projects and support technology adoption. In addition, in order to assist paddy farmers in enhancing productivity, various subsidies and incentives totalling RM1.6 billion have been provided including seeds, fertilisers and prices.

In pursuing the development of Sabah and Sarawak, a total of RM6.5 billion and RM5.6 billion, respectively were assigned under the development allocation for 2023. Efforts are underway to accelerate the construction of public infrastructure projects in Sabah and Sarawak including the Sabah Pan-Borneo Highway and Sarawak-Sabah Link Road.

Moreover, public amenities in Sabah and Sarawak particularly in rural area have also been improved with the expansion of road and street lighting; improving water and electricity supply as well as increasing of healthcare facilities and schools. As of July 2023, a total of RM1.9 billion and RM2.2 billion has been spent on development in Sabah and Sarawak, respectively.

Economic Management

Having effectively managed the most severe impacts of the COVID-19 pandemic, Malaysia's economy is now confronted with persistent uncertainties stemming from prolonged geopolitical tensions, global inflationary pressures, monetary policy tightening and the increasingly adverse effects of climate change. In response to these multifaceted challenges, the Government's efforts are anchored towards prudent fiscal management, quality investment, digital economy and food security. Similarly, the Government is determined to rebuild investor confidence by undertaking institutional reforms, focusing on transitioning to green economy, promoting practices of good governance, streamlining public service delivery, and advocating wage growth. Efforts are also undertaken to protect the most vulnerable groups in the society by actively addressing the challenges posed by the rising cost of living, striving for balanced regional development, expanding the social protection system, and upgrading the quality of infrastructure.

Opportunities and Challenges

Sustainable Economic Growth

Fiscal Sustainability

Long-term fiscal sustainability is important for the Government to continue supporting inclusive and sustainable economic growth. The ongoing effort to improve fiscal position will focus on improving revenue mobilisation, eliminating spending leakages and wastages, managing debt effectively and increasing investor confidence in the long term. The upcoming FRA will further enhance and strengthen the governance and fiscal discipline in managing the nation's finances. While the economy is showing recovery momentum, external challenges, such as the global economic slowdown and persistent geopolitical tensions are expected to pose risk to the fiscal position, trade, investment, and economic

growth. Thus, a more sustainable fiscal position enables the Government to respond to changes in economic conditions and provide a buffer to the economy and the rakyat against adverse shocks.

Quality Investment

Creating a desirable investment ecosystem necessitates comprehensive policies to attract capital, stimulate innovation, and generate well-compensated employment. Enhancing the nation's capacity to harness quality investments particularly through R&D can nurture innovation and bolster trade activities. Additionally, it is important for the nation to adapt to the dynamics of the global economic and geopolitical shifts to enhance competitiveness as well as attract and sustain top-tier investments.

In 2023, Malaysia's ranking in the World Competitiveness Yearbook (WCY) by the International Institute for Management Development (IMD), improved to 27th from 32nd in 2022. Key strengths include cost competitiveness in terms of prices, robust infrastructure, and favourable tax policies. However, specific challenges pertaining to the need for a future-ready talent pool, investment-friendly ecosystem and comprehensive regulatory reforms at both national and sub-national levels have to be addressed to enhance the ease of doing business. This involves foreign direct investment (FDI) and domestic direct investment (DDI) that will elevate human capital quality, promote R&D, and drive digitalisation initiatives. As the world moves towards sustainability and decarbonisation, progress in the field of sustainable, low carbon and resilient investment have now become another focus area.

In addition to attracting investments from larger corporations, it is crucial to provide ample business and investment opportunities to MSMEs, which currently constitute approximately 97.4% of total establishments and contribute more than 38% to the GDP. Given the substantial role and potential to fortify the local economy, nurturing MSMEs

through high value-added activities and high-tech investments are essential. Encouraging closer linkages with both foreign and domestic investors will further bolster the growth and sustainability of MSMEs, ultimately enhancing the overall economic landscape.

Digital Economy

Digital economy is an important enabler to drive Malaysia towards equitable, inclusive, and sustainable growth. As envisaged in the MTR of the Twelfth Plan, the digital economy is expected to contribute at least 25.5% to the overall GDP by 2025 and position Malaysia as the regional leader by 2030. These targets will be supported by high internet penetration rate which currently recorded at 96.9% and faster internet connection with the average speed of more than 110 Mbps. In addition, a significant leap towards technological advancement in the public sector has also been achieved through the digitalisation of Federal Government online services.

However, challenges related to the digital divide persist due to limited broadband coverage and internet connectivity in underserved areas. Thus, it is crucial to bridge inequalities in the utilisation of digital product and service across different societal segments by facilitating wider access to financing for businesses and intensifying digital skills. Furthermore, there is a need to address regulatory concerns, especially regarding personal data protection and cyber security as a result of the current fragmented regulatory framework, which may impede the development of the digital economy. In this regard, a comprehensive solution to address these concerns is essential in ensuring an inclusive digital transformation for the country, thus harnessing the potential of the digital economy to achieve a sustainable nation.

Food Security

The agro-food subsector remains pivotal in ensuring food security to support domestic consumption. Despite the strides made in producing food, Malaysia is still relying on imports to meet domestic needs. For

instance, domestic rice production declined by 6.6% in 2022, with a concurrent increase in the imports of rice by 4.8%. This situation was exacerbated by a decrease in the self-sufficiency ratio (SSR) of rice to 62.6% in 2022 (2021: 65.2%). Additionally, the reduction in land designated for agriculture, particularly for paddy cultivation, further aggravated the food security and self-sufficiency challenges. Climate change, characterised by irregular weather patterns, amplifies the threats to crop yields and livestock production. To address these multifaceted issues, the measures outlined in MTR of the Twelfth Plan emphasise on the adoption of a comprehensive and timely strategy to address food security. These strategies also include enhancing agricultural practices, optimising sustainable land use, adopting climate-resilient strategies as well as harnessing technological advancements to secure a stable and self-sufficient food supply for the nation.

Institutional Reforms

Transition to Green Economy

Malaysia's transition to a green economy presents a host of intricate challenges due to its heavy reliance on fossil fuels, which exposes the nation to economic vulnerabilities as global demand shifts towards renewable energy sources. To navigate this transition effectively, it is imperative for the country to diversify its energy sources and invest in sustainable infrastructure, while ensuring a just transition for carbon-intensive industries and MSMEs. Additionally, as a mega-biodiverse nation bestowed with rich ecosystems, Malaysia faces the critical task of managing its land use effectively and sustainably preserving its natural heritage. Achieving a green economy in Malaysia requires determined efforts to overcome these formidable hurdles.

Success hinges on a strategic approach that harmonises economic development with environmental stewardship and social inclusivity, necessitating comprehensive policies, greater public awareness, and robust international collaborations in forging a sustainable future for the nation.

FEATURE ARTICLE 1.1

Just Transitions for a Sustainable Future

Introduction

Amid the pressing need globally to combat climate change and its widespread repercussions, the concept of “Just Transitions” has emerged as a key guiding principle for nations to facilitate the move towards a sustainable future. According to the United Nations, developing countries may require a greater focus on adaptation and resilience-building given higher rates of poverty and informality, greater vulnerability to shocks and greater reliance on agriculture and tourism, and in some cases fossil fuels. Addressing investment and technology gaps within the constraints of developing countries’ macroeconomic realities will be imperative. However, achieving a just and effective transition will require an even greater emphasis on social transformation and safety nets. This emphasis will be enshrined in a framework that leaves and pushes no one behind, and works through and across value chains to uphold human and labour rights. Furthermore, a greater understanding of the transnational impacts of Just Transition is essential, including the impacts on trade.

This concept underscores the essential interplay surrounding nation building, climate mitigation and adaptation as well as social justice. In the case of Malaysia, a nation blessed with social unity and wellbeing, ecological diversity and abundance as well as progressive economic and technological advancements, the concept of Just Transitions forge a pathway towards a sustainable future that leaves no one behind. Overall, the intricacies of Just Transitions emphasises the imperatives of harmonising climate action and social equity guided by its core principles. The transformative approach will address the impending challenges by reviewing policies and enhancing governance while capitalising emerging opportunities.

Understanding the Need for a Just Transition

The climatic events and geopolitical shifts have been forcing nations to respond diversely in order to manage resource availability and avoid falling into a recession. The threats of global warming continue to increase, thus adversely affecting the world’s climatic systems. This has led to the world experiencing extreme weather conditions which have contributed towards the increase of natural disaster incidents and severity, health risk, shortage of food and water supply as well as rising inflation. Global energy usage is increasing exponentially, and so are its prices. The ongoing Russia-Ukraine conflict continues to disrupt the flow of basic resources and supply chains globally. Human migration is increasing as many have to flee from the said challenges in search of a better living. In addition, the world is still recovering from the recent global pandemic, with many still on alert. Thus, energy, water, food and border security continuously become major concerns for nations as they move towards decarbonisation, resilient growth, and sustainable development.

As the world reacts to these challenges, unilateral actions are being undertaken, translating into increasing economic pressures globally. The European Union (EU) has just implemented new trade regulations, the Carbon Border Adjustment Mechanism (CBAM) and EU Deforestation-free Regulation (EUDR), which will affect many products and businesses coming into the EU.

Other countries are also looking into introducing similar regulations which further highlight the need for readiness by Malaysian industries to prepare for climate transition. Many multinational corporations' headquarters are bound by the home-country environmental, social and governance (ESG) laws and regulations, obligating compliance across the entire value chain. International investors are also increasingly looking to support strong ESG portfolios.

Due to these emerging trends, many nations are pushing to promote sustainable and ethical governance in policies and implementations. Delays in responding to these global developments will see nations be left behind and would incur significant economic costs. Therefore, an enabling environment is needed to expedite the shift from a fossil fuel-driven economy to one propelled by cleaner energy in a manner that fosters inclusive and enduring economic growth.

Scientific evidence unequivocally attributes the lion's share of historical responsibility to the developed world. While each country assumes a role in tackling climate change, developed countries are better equipped to aid global efforts aimed at mitigating climate change and adapting to its ramifications. Recent economic crises due to the COVID-19 pandemic and geopolitical tensions, accentuate the urgency for developed nations to support their less-developed counterparts in these endeavours. Such support is crucial in ensuring an equitable transition across countries, a principle stipulated under the Paris Agreement¹, which acknowledges the diverse responsibilities and capabilities concerning this shared challenge.

Malaysia's Perspective: Challenges and Opportunities

The impacts of climate change are no longer abstract and are vividly real, particularly for vulnerable communities across the world, including Malaysia. Rising sea levels, intensified monsoons, and erratic weather patterns disrupt livelihoods and degrade local ecosystems. In 2022, the nation was hit with severe floods, storms and landslides. Within this year, we are seeing temperatures soar, and as a result, energy and water use have also increased. These ramifications disproportionately burden those with limited resources and information access, which could result in socio-economic inequalities. Consequently, the imperative to address climate change converges with the urgency to ensure that the transition towards sustainability does not exacerbate these disparities.

Although it is vital to transition to a sustainable future, there are economic and social challenges that need to be addressed. Malaysia's just transition approach involves maximising the social and economic opportunities of climate action while minimising its impact and delicately managing any challenges. At its core, this concept champions social justice and wellbeing by ensuring all levels of the rakyat are supported through various policies and actions. In the effort of decarbonisation, there is a dire need to ensure a just transition for all by integrating the elements of climate mitigation and adaptation as well as resilience management. As Malaysia aspires to align its development with environmentally responsible practices, it must also account for the potential impacts on employment, communities, technological advancement and economic stability.

¹ The Paris Agreement is an international treaty under the UNFCCC adopted in 2015 that aims to combat climate change by limiting global warming to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius while promoting climate resilience and cooperation among nations.

Equally pivotal are environmental justice and equity, especially in balancing the complexity of reducing environmental impacts with mitigating adverse environmental consequences on society. The demand for energy, water and food further accentuates the significance of having a just transition. Vulnerable communities are often the most susceptible to disruptions of these vital resources. Deliberate planning and collective endeavours are pivotal in building resilience to benefit all segments of society, while ensuring continuous availability of these resources.

Technological advancements and innovations will offer some relief to these challenges. Clean energy technologies, sustainable agricultural practices, and circular economy ecosystems carve a path towards an economically viable future while mitigating environmental repercussions.

Opportunities for economic expansion and sustainable development are flourishing. Green jobs, investments in renewable energy, and judicious urban planning hold the potential to usher in economic prosperity while curbing carbon emissions and enhancing societal wellbeing. Hence, greening the economy will improve the ability to increase energy efficiency and reduce waste as well as manage natural resources sustainably, while generating quality green jobs that will contribute to poverty eradication and social inclusion.

Malaysia's Just Transition Journey

The journey towards a just transition draws strength from both global and local frameworks. International accords, most notably the Paris Agreement, set the stage for a united climate action. As a signatory, Malaysia has pledged to curtail carbon emissions and bolster resilience. These global commitments lay the groundwork upon which national and regional policies, supportive of a just transition, are constructed to undertake the multifaceted approaches in various fields.

As a fast growing, progressive and innovative nation, Malaysia has always been at the forefront of sustainability. At the national level, the Twelfth Malaysia Plan, 2021 – 2025 (Twelfth Plan) delineates a trajectory towards sustainable development, inclusive growth, and environmental safeguarding. This comprehensive policy framework incorporates the principles of a just transition by recognising the interdependence of economic, social, and environmental objectives. Every industry in all sectors across the value chains has a role to play in advancing a just transition. While a just transition is relevant for all sectors, the approach is unique to local circumstances and business activities.

In realising these endeavours, a collaborative effort involving many different ministries and agencies is pivotal in coordinating and implementing these initiatives. Malaysia will expedite the assimilation of sustainable practices by fostering collaborations between the federal and state governments including local authorities, as well as between the public and private sectors, with the participation of civil societies. With Malaysia's growing economy and population, coupled with increasing temperatures in the region, the energy sector will assume the most pivotal role in ensuring this just transition.

i. Charting Malaysia's Energy Future

The energy sector emerges as the epicenter of transformative shifts. Energy consumption is vital to economic growth, yet the historical global reliance on fossil fuels has forged the current state of climate change. The National Energy Policy 2022-2040 (DTN) and National Energy Transition

Roadmap (NETR) as well as various policies and economic instruments collectively propel Malaysia towards attaining its long-term renewable energy (RE) objectives, primarily through harnessing solar, hydro and biofuels. These policies will also encourage the usage of rooftop solar and large-scale solar farms, coupled with investments in battery storage systems and the growing hydrogen economy.

In Malaysia's efforts to ensure the fruits of economic growth are distributed equitably across regions and communities, special attention must be directed towards key industries poised to be adversely affected. Existing energy sector policies, like the DTN and NETR, highlights measures to sustain the oil and gas sector while reducing reliance on coal. This energy transitional process necessitates the need to support the sector's shift towards a lower-carbon growth model while concurrently minimising workforce implications through comprehensive and continuous upskilling and reskilling programmes within the energy industry ecosystem. However, it needs to be reminded that the impacts will extend beyond the oil and gas sector. Thus, it is imperative to prepare other industries for the impending low-carbon transition.

ii. Strengthening Malaysia's Business Ecosystem

As countries worldwide embark on decarbonisation amid a highly interconnected world, international pressures favouring robust climate action are beginning to influence Malaysia's domestic industries. The CBAM is an example of a unilateral regulatory instrument that will potentially impact Malaysia's trade balance by levying a carbon tax on EU-selected imports. Apart from the EU, several countries are already considering similar regulations, which would impose greater threats to Malaysia's exports.

Measures must be accelerated to strengthen Malaysia's industries and businesses to proactively prepare for the CBAM and other similar regulations, such as the EUDR, imposed by trading partners. These measures are outlined in the New Industrial Masterplan 2030 (NIMP 2030), targeted at advancing local economic complexity, encouraging innovation, enabling supply chain security, embracing technology and digital transformation as well as focusing on sustainable practices and green initiatives. Adhering to robust ESG principles and facilitating investments in the low-carbon economy will drive industries to curtail their carbon footprint, particularly in carbon-intensive sectors. This transition encourages job creation conducive to the decarbonisation of diverse industrial activities and supply chains, encompassing mainly energy, transportation, construction, and agriculture sectors.

iii. Conducive and Green Labour Market

Central to the success of a just transition are principles of fair labour policies and practices as well as quality work. However, sustainability policies and regulations may impose additional burden to the established industries and potentially displace jobs. As sectors evolve and industries transform, safeguarding the rights and wellbeing of workers becomes paramount. Integrating the needs of workers and industries into any transition planning will mitigate the uncertainties and facilitate a smoother pathway. This action encompasses the importance of investing in education, training and skill enhancement opportunities to prepare workers for the growing green industries, hence empowering them to flourish in a dynamic landscape. These workers would benefit from repurposing current expertise into cleaner energy options like solar or hydrogen, thus ensuring a continuity of their careers and livelihoods.

iv. A Robust Carbon Accounting Ecosystem

With the emerging pressures of international carbon regulations as well as increasing local disclosure requirements, there is a need to establish a robust and comprehensive carbon accounting ecosystem² to support domestic industries and businesses. In both situations, local businesses are required to calculate and report carbon emissions associated with the production process. This ecosystem provides businesses, regardless of scale, with the tools to evaluate and accurately report their greenhouse gas emissions which will promote greater accountability as businesses champion decarbonisation targets. The ecosystem requires concerted efforts from both the public and private sectors to boost businesses in this endeavour. Simultaneously, this exercise amplifies the supply and demand for domestically generated carbon offset and carbon credit activities, channeling additional funds towards low-carbon initiatives, encompassing energy sector decarbonisation as well as investments in nature-based solutions and conservation.

v. The Crucial Role of the Financial Sector

The financial sector emerges as a pivotal catalyst in facilitating the transition. Initiatives spearheaded by Bank Negara Malaysia (BNM), the Securities Commission and Bursa Malaysia has rolled out the Climate Change and Principle-based Taxonomy (CCPT), Sustainable and Responsible Investment (SRI) guidelines and disclosures that mitigate financial risks intertwined with climate change and sustainability. Concurrently, Malaysia's role as the leader in Islamic finance will further strengthen the nation's financing capabilities which amplifies support for sustainability and a just transition, especially through the country's complete and comprehensive Islamic finance ecosystem, anchored by the strategy to mainstream value-based finance. The Value-based Intermediation (VBI) initiative, SDG-aligned financing as well as the Value Based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Sectoral Guides, have been introduced to integrate ESG risk considerations in financing and investment decisions. This is supported by diverse market players, continuously working towards innovative financial instruments to deploy different forms of capital to support sustainability.

Today, Malaysia's Islamic financial institutions continue to deliver positive impact to the economy and society via value-based finance for productive purposes such as pioneering green and sustainable sukuk, *waqf* and *musharakah mutanaqisah* home financing³ as well as greening value chain finance programmes to assist SMEs in implementing impactful, long-term changes in greening their operations. BNM has also deployed blended finance and non-debt funding facilities to improve business saviness and financial resilience of SMEs to elevate their contribution to sustainable economic growth. Through a greater understanding of *Maqasid Shariah*, Islamic finance can be fortified to balance between the social and environmental needs with economic development.

² includes carbon calculators, verifiers, standards and guidelines, auditors, registry, etc.

³ A *musyarakah* may be entered into by two or more parties on a particular asset or venture which allows one of the partners to gradually acquire the shareholding of the other partner through an agreed redemption method during the tenure of the *musyarakah* contract. Such arrangement is commonly referred to as *musharakah mutanaqisah* (diminishing partnership).

vi. Societal Engagement: The All-Inclusive Approach

Malaysia's just transition journey will effectively address climate change through a holistic societal approach, entailing the active involvement of the rakyat. In turn, the Government through collaborative efforts with relevant stakeholders will ensure the needs of the rakyat are fulfilled amid the transition to low-carbon. Initiating awareness campaigns about climate change and its repercussions constitute the preliminary stride towards integrating the urgency for action within the public consciousness. On top of that, strengthening the social safety net with enhanced safeguards for the low- and middle-income categories can mitigate the financial and economic

risks associated with climate change and the low-carbon transition. This will therefore protect these groups from economic shocks and inflationary pressures that may materialise in the future. The introduction of carbon pricing instruments, complemented by the rationalisation of subsidies will generate funding that will be redirected towards strengthening the nation's energy, food and water security, hence bolstering Malaysians' livelihoods.

vii. Pioneering a Regional Just Transition

With Malaysia's strong foundation in economic growth, sustainability, Islamic financing and nature-based solutions, Malaysia possesses the potential to play a leadership role within the region as a climate pioneer. As fellow ASEAN nations embark on their individual low-carbon transitions, collaborative efforts in emissions reduction, renewable energy proliferation, and economic instruments can set the stage for regional climate endeavours. Further to the development of a standardised ASEAN-level climate taxonomy, the discourse on the establishment of a universally applicable carbon pricing mechanism will also galvanize the region's climate action efforts while preparing for the coming challenges.

Conclusion

Within the realm of climate action and equitable development, in line with the Ekonomi MADANI framework, a just transition approach will guide Malaysia moving forward. This approach holds the promise of harmonising these issues as the nation grapples with the entwined challenges of achieving a high-income nation status while managing its natural heritage as well as safeguarding the rakyat. It becomes imperative for individuals, governments, corporations and civil societies to unite in shaping Malaysia's development trajectory.

The urgency of the climate crisis demands resolute action, and a just transition provides a framework for action that traverses borders and sectors. It demands a collective commitment from local communities to global platforms, encapsulating a future where social fairness and environmental sustainability intertwine seamlessly. Guided by the principles of Just Transition and the Ekonomi MADANI framework, Malaysia charts a development trajectory leading to a sustainable future that is comprehensive and environmentally conscious, through the equilibrium between economic growth, climate mitigation and adaptation as well as social justice.

Good Governance

Good governance is crucial to instil confidence and trust among stakeholders, which reflects effective government administration. The WCY IMD 2023 report identifies areas that require improvement, particularly in enhancing government legislation related to businesses and societal frameworks. Thus, there is a need to enhance civil society and citizen involvement in policymaking. In addition, the Principles of Good Governance (PGG) for GLICs provides a framework that guides baseline governance and sustainability practices. This guideline represents an initiative aimed at elevating corporate governance, with a particular emphasis on ESG considerations.

Public Service Delivery

In ensuring public service delivery is efficient and effective, efforts have been focused on raising service quality through investments in human capital development and digitalisation. The achievement of these objectives demands a comprehensive approach, which requires improved governance, reduced bureaucracy, increased transparency, heightened accountability, enhanced capacity building, and a steadfast commitment in meeting the needs of the rakyat. In order to gear the transformation process towards digitalisation, the public sector must be agile and keep abreast to this trend. This will require a more strategic human capital recruitment process

while necessitating a plan for reskilling of the current workforce. Aligned with the Government's vision to rebuild a dynamic civil service, governance standards for leadership and decision-making need to be refined. Therefore, providing ample training and career growth opportunities is imperative for maintaining a competent workforce.

Wages

Malaysia has seen a significant economic growth and achieved upper middle-income economy status over the last 30 years.

However, the growth has yet to be translated into equitable income distribution for workers. Compensation of employees (CE) has remained low, reflecting a persistent structure of a low-wage labour market. Currently, CE hovers around 35% to GDP, compared to 40% targeted by 2025. The mean wage growth of 4.3%², only resulted in an average annual increment of RM106 for workers. This modest increment is not sufficient to support households, particularly the low-income earners to achieve a decent standard of living. The issue of low wages has led to limited local workforce engagement in lower occupation categories, increasing dependence on low-skilled foreign workers and hampering labour productivity.

Addressing the low-wage concern is crucial for Malaysia to unlock the full potential of its human capital and achieve balanced economic growth, which will benefit all segments of society and promote inclusive development.

² Refers to wage growth for Malaysian citizens only during the period from 2010 to 2021.

iNformation box 1.2

Wages as a Source of Growth*In collaboration with Khazanah Research Institute (KRI)***Introduction**

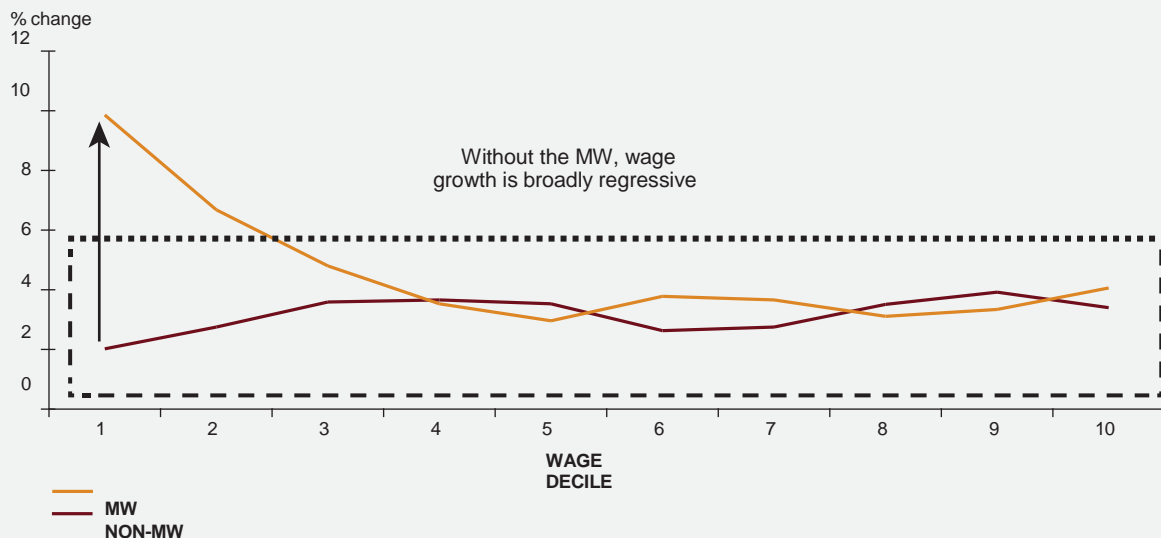
As Malaysia aspires to become a high-income nation, various measures have been undertaken to accelerate the shift to high technology and knowledge-intensive economy. The initiatives have borne fruits as evidenced by the encouraging economic growth trend recorded over the past few decades. Nonetheless, the absolute benefit of the growth has yet to be translated into fair income distribution, including the need to address the longstanding low labour income issues.

Malaysians are finding it increasingly difficult to cope with the rising costs due to structural wage stagnation, thereby placing an added burden on the Government to provide subsidies and cash transfers to alleviate pressures on the rakyat. The introduction of the minimum wage in 2013 was a significant progressive step, but more needs to be done if the Ekonomi MADANI framework's target of raising compensation of employees to 45% of GDP is to be realised.

Distribution of wages in Malaysia – wage growth and inequality from 2010 to 2019

A study by Khazanah Research Institute (KRI) in 2023 on wage growth from 2010 to 2019 produced three key findings. First, the Malaysian labour market is dependent on policy interventions such as the minimum wage to ensure equitable and inclusive wage growth. The study also finds that wage growth is suppressed and broadly regressive without policy measures. Figure 1.2.1 highlights the impact of the minimum wage on low wage earners by comparing wage growth rates across wage deciles between the years in which the minimum wage was introduced or increased (MW periods),

FIGURE 1.2.1. *Percentage Change in Real Monthly Individual Wage Growth by Wage Decile, 2010 – 2019*

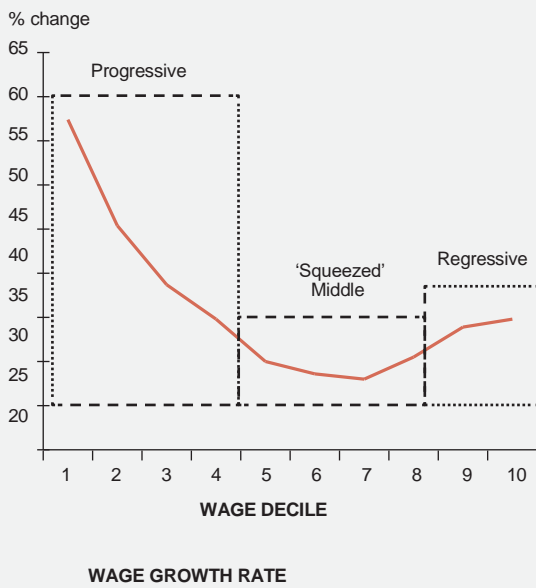


Source: Khazanah Research Institute and Department of Statistics, Malaysia

and the years before or without an increase in the minimum wage (non-MW periods). The analysis indicates that wage growth for the bottom 30% of wage earners was dependent on the minimum wage implementation. Without the Government's directive to employers, the wage level would have remained suppressed.

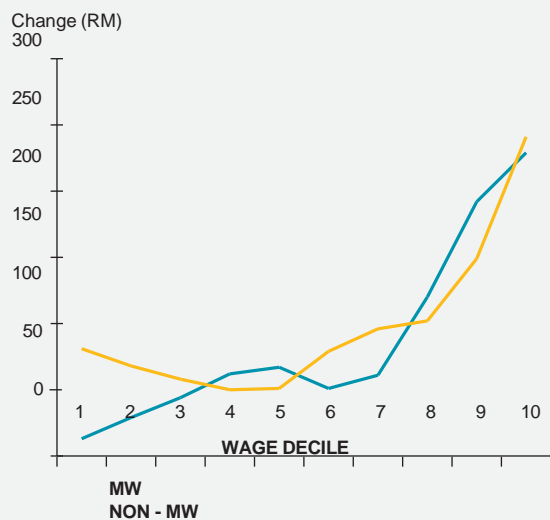
Second, the effects of the minimum wage are limited to the lowest wage earners, with the middle wage earners experiencing the lowest growth during the period, as depicted in Figure 1.2.2. In ringgit terms, the wage growth of the middle wage earners is even lower than the growth of the lowest 30% wage earner group, as shown in Figure 1.2.3.

FIGURE 1.2.2. *Percentage Change in Real Monthly Individual Wage Growth by Decile, 2010 – 2019*



Source: Khazanah Research Institute and Department of Statistics, Malaysia

FIGURE 1.2.3. *Absolute (RM) Change in Real Monthly Individual Wage by Decile, 2010 – 2019*

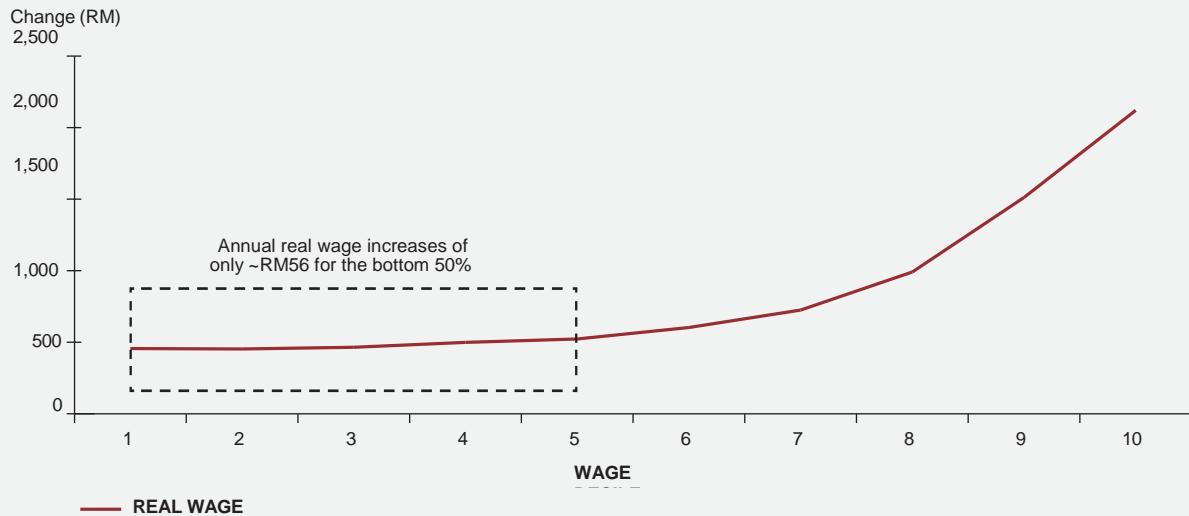


Source: Khazanah Research Institute and Department of Statistics, Malaysia

Third, wage stagnation¹ is found to be a central feature of the Malaysian labour market despite the effects of minimum wage. The bottom 50% of workers only experienced an increase of the real monthly wage by approximately RM500 during the 2010 – 2019 period, which translates to a rough increase of RM56 per year, as illustrated in Figure 1.2.4.

These findings provide a basis to comprehend the vulnerability of Malaysian households when confronted with the rising costs, as their wage increments have arguably been insufficient to provide a buffer against future shocks.

¹ The definition of wage stagnation varies by context but is most commonly defined as a situation whereby wage growth is slower or barely keeping pace with the rate of inflation or cost of living.

FIGURE 1.2.4. *Absolute (RM) Change in Real Monthly Individual Wage by Decile, 2010 – 2019*

Source: Khazanah Research Institute and Department of Statistics, Malaysia

Low starting salaries among graduates

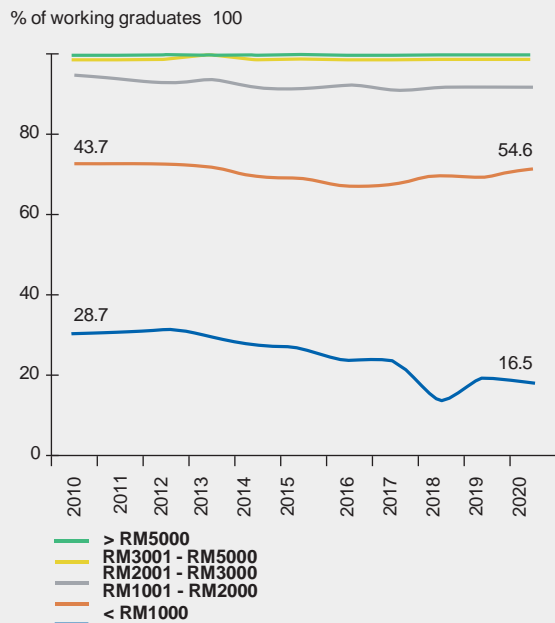
An individual's starting wage plays an important role in determining their overall wage trajectory (Guvenen et. al., 2019), and fresh graduates in Malaysia faced stagnant wage outcomes over the past decade (Rahim, M.A.R.A. and Suhaimi, S.A., 2022). Over 70% of working graduates earned below RM2,000 per month, and concerning, the percentage of those earning between RM1,000 and RM2,000 has increased from 43.7% in 2010 to 54.6% in 2020, as depicted in Figure 1.2.5.

Similarly, between 2019 and 2020, there was a decline in graduates earning above RM2,000 by 2.3%, while those earning below the minimum wage grew from 48.8% to 51.1%, as shown in Table 1.2.1. The scenario suggests that majority of tertiary-educated graduates entered the job market at below the living wage² as stipulated by Belanjawanku 2022/2023. With a relatively lower starting wage, the graduates could consequently suffer low increments and may take a longer time to reach a sufficient level.

The labour market's inability to pay the fresh graduates adequately, is nested within a larger structural challenge of job creation. The employment share of labour-intensive traditional services, such as wholesale and retail trade; accommodation, food and beverages; as well as administrative and support service activities, has grown over the past two decades (Tumin, S.A., 2021; Rahman, A.A. and Schmillen, 2020). The concentration of new jobs in these sectors has resulted in elevated skills-related underemployment³ rates among graduates, whereby the rate has increased from 24.5% in 2017 to 33.9% in 2021 (DOSM, 2022a).

² The Belanjawanku 2022/2023 report by Employees Provident Fund (EPF) estimated at RM2,600 for a single adult car owner residing in Klang Valley in 2022 – 2023.

³ Skills-related underemployment is defined as those with tertiary education but working in semi-skilled or low-skilled occupations.

FIGURE 1.2.5. *Percentage of Working Graduates by Monthly Income Range, 2010 - 2020***TABLE 1.2.1.** *Percentage of Working graduates by Monthly Income, 2019-2020*

iNcome RANGE	2019	2020
Less than RM1,500	48.8	51.1
RM1,500 - RM2,000	20.0	20.0
More than RM2,000	31.2	28.9
Total	100.0	100.0

Source: Khazanah Research Institute and Ministry of Higher Education, Malaysia

Consequences of low wages

While structural challenges are a source of the wage conundrum, dismal wage levels are themselves at the root of trends that feed back into Malaysia's structural problems. Two prominent trends that are linked to the lack of well-paying employment are brain drain and the increasing levels of non-standard employment such as gig work. Brain drain, though not rare from a global perspective, severely inhibits the economic and social potential of developing countries (Gibson and McKenzie, 2010).

Based on a study by the World Bank in 2010, about 54% of Malaysia's brain drain, were in Singapore. Meanwhile, a report by the Institute for Labour Market Information and Analysis (ILMIA), Ministry of Human Resources (MOHR) in 2019 reported that Malaysians who work in Singapore consist of two groups; those who live in Malaysia but work in Singapore (commuters) and those who live and work in Singapore (residents). Among the commuters, 58% of them worked in semi-skilled occupations and 10% in low-skilled occupations. On the other hand, 58% of the residents were typically tertiary-educated and primarily worked in skilled occupations which are managers, professionals, and associate technicians.

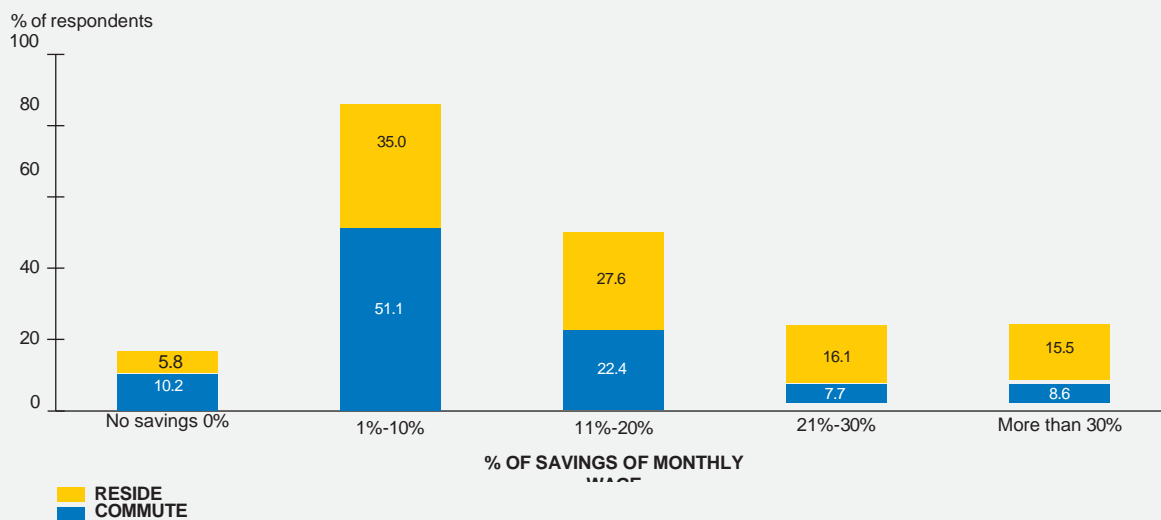
Higher salary is the predominant motivator in pulling Malaysians to work in Singapore. Findings from interview sessions conducted by ILMIA highlight that Malaysians were offered higher salaries and compensation for the same job. Meanwhile, the MEF Salary Survey for 2022 shows that a manager in the manufacturing industry receive a basic monthly salary of RM10,304, while a similar role in Singapore offers SGD7,532, which is equivalent to RM24,695⁴. Likewise, a clerk in the administration and support services would earn a monthly wage of RM2,065 as compared to

⁴ Referring to exchange rate of SGD1 = RM3.2787 as of 29 December 2022.

SGD2,000 in Singapore, while the accommodation and food and beverages subsector paying nearly five times more in Singapore (Malaysian Employers Federation, 2023; Ministry of Manpower, 2023; DOSM, 2022b). The wage discrepancies between Malaysia and Singapore is applicable to a wide range of occupations and industries.

On another aspect, Malaysians working in Singapore had been able to save a sizable share of their earnings with 51.1% of commuters managed to save around 1% - 10% of their monthly salaries, while nearly 60% of residents have been saving more than 10% (Figure 1.2.6). Meanwhile in Malaysia, Bank Negara Malaysia in 2023 reported that only 36% of Malaysian households would be able to sustain expenses for the next three to six months in the event of a loss of income. As a rule of thumb, Belanjawanku report has suggested the use of a 45/35/20 rule whereby 45% of an individual's budget should be allocated for necessities, 35% to commitments and 20% to savings. Stagnant wages make it increasingly difficult for individuals and households to save and cope with rising costs.

FIGURE 1.2.6. *Percentage of Savings of Monthly Wage by Residents and Commuters, 2018*



Source: Institute of Labour Market Information and Analysis and Ministry of Human Resources, Malaysia

Another consequence of the wage issue is the increasing number of SPM leavers opting for gig work such as p-hailing or e-hailing⁵ services, instead of continuing their education or developing core skills and capabilities in a career track. An estimated 26% of employed persons were involved in gig work in 2020 (Azahar, S., 2020), and preliminary estimates indicate that the gig sector can provide a monthly income that is competitive compared to the starting salaries of fresh graduates (Goh and Omar, 2019). Other contributing factors include the unavailability of job opportunities as well as the belief that furthering their studies does not guarantee quality jobs (Mutalib, H., 2022). However, the precarious nature of gig work poses a significant risk in the long term. The lack of regulatory oversight in ensuring decent work standards, and difficulties in extending social assistance to gig workers renders many of them 'invisible' and remain outside the formal system (Hamid, H.A. and Sazali, N.T., 2020). Furthermore, the expansion of gig work may not yield favourable returns to the economy if it translates to an increasing share of the workforce foregoing long-term investments in skills and capabilities.

⁵ P-hailing refers to food, drink, and parcel delivery by motorcycle. E-hailing is defined as a transport service offered by private vehicles through an online application.

Positive spillovers from higher wages

The issue of low wages in Malaysia is normally linked to the economy's productivity challenges, with the implied argument that employers should wait for productivity to rise before increasing the wages. This approach ignores the fact that providing higher wages is part of the solution to productivity challenge. If Malaysia aims to escape the low-wage, low-profit, and low-productivity trap, a cheap labour model of business and economic growth must be counteracted through a concerted effort to raise wages.

Rising wages have been part of the economic and industrial transitions of Asia's highly advanced economies (Wade, 2004) and nations need to embrace a vision of wage growth as being a source, rather than just a consequence, of economic growth. According to a study by KRI in 2019 on the consumption patterns of Malaysian households, it is found that only the top 30% of households demonstrated spending patterns that were reflective of "middle-class"⁶ aspirations, which is an indication that raising the wages of Malaysia's low- and middle-income earners holds the potential to increase the size of the domestic market and benefit local businesses. In 2022, The Centre for Future Labour Market Studies (EU-ERA) modelled the effects of higher wages on Malaysia's domestic economy through a Computable General Equilibrium⁷ model and found that wage growth could have positive effects on other macroeconomic indicators as illustrated in Table 1.2.2.

TABLE 1.2.2. *EU-ERA's Simulation of the Economic Impact of Higher Wages*

3%	4%	5%	INCREASE IN TOTAL WAGE
+5.6%	+6.0%	+6.5%	GDP (current price)
+4.2%	+4.8%	+5.4%	Labour productivity
-2.2%	-2.4%	-2.5%	Income inequality (Gini index)

Source: The Centre for Future Labour Market Studies (EU-ERA) and Ministry of Finance, Malaysia

Conclusion

Policy interventions are required to improve wage outcomes. Evidence-based analysis has indicated that the minimum wage is a crucial intervention in the labour market to raise wages of the low-income workers and reduce wage inequality. The primary lesson of the minimum wage is that progressive, consultative and decisive measures are required to improve the equitability and inclusiveness of the economy. Therefore, the focus of current policy efforts needs to ensure significant improvements in the median wage level in the coming years. If the minimum wage is effective in raising wages at the lower end of the distribution, then additional measures should be targeted towards the middle wage earners.

Such effort will require close collaboration between the Government, employers and labour unions to ensure sustainability and effectiveness. The Ekonomi MADANI framework stresses the need for a whole-of-nation approach with a focus on empowering the rakyat in the hopes of 'Building a Better Malaysia Together'. Therefore, employers and businesses, in particular, need to embrace wage growth as a source of business and economic transformation.

⁶ Middle-class is defined as households that are able to maintain or invest further in their upward mobility as well as protect themselves from risky scenarios.

⁷ Simulation results are derived based on CGE model. It produces a projection of economic, social and environmental indicators up to 2030. The model assumes that increases in wage rates induce additional consumption by households, therefore resulting in additional output and profit for firms.

Combatting Inequality

Cost of Living

The Government is dedicated to alleviate the burdens of the rakyat, particularly the vulnerable groups amid rising cost of living. According to the Asian Development Bank, the surge in the cost is forcing a significant portion of the population into economic hardship, necessitating concerted efforts

to enable the less fortunate to survive in the environment of elevated prices and economic uncertainties. The cost of living significantly impacts the affordability of Malaysian households, especially those in the urban areas, as many have tight financial commitments including loans. Addressing this issue is essential in ensuring financial stability and a decent quality of life for the rakyat.

Balanced Regional Development

Balancing regional development is essential for Malaysia to achieve equitable growth across states and regions. Despite of the Government's efforts in the past, disparities continued to persist, evidenced by regional inequalities, low urban resilience, obstacles to rural development, and underutilisation of opportunities in sub-regional cooperation. Such imbalances lead to issues including rural-urban migration, increased living costs, income inequality, and urban poverty. To achieve a balanced regional development, a comprehensive strategy is needed, encompassing targeted investments in underdeveloped regions, improved connectivity, support for local industries, and the creation of employment opportunities.

Social Protection System

The presence of various government agencies that look into social protection and the absence of an overarching policy

have hampered coordination efficiency. The situation is further aggravated by the differing objectives and monitoring methods used by these agencies, resulting in fragmentation and overlapping of programmes as well as higher implementation costs. Furthermore, numerous databases hinder data integration and system interoperability, thereby undermining effective targeting mechanisms. These problems have led to inclusion and exclusion errors, causing resource leakages and reducing assistance efficiency and coverage. In this respect, the COVID-19 pandemic has inadvertently pushed the need for a comprehensive social protection system without undermining fiscal sustainability. The establishment of the system, along with the harmonisation of the objectives and mechanisms among the responsible agencies will enhance efficiency, reduce costs, as well as provide better coverage and support for those in need.

Quality Infrastructure

Quality infrastructure provides the foundation for economic activities, essentially by increasing connectivity and accessibility of amenities and services to the rakyat. While a majority of the rakyat enjoy convenient access to basic amenities such as clean water, electricity, internet connectivity, and transportation networks, disparities persist due to varying development levels across the country. For instance, while most states have access to clean water, yet certain states such as Kelantan, Sabah, and Sarawak still require more coverage. Therefore, bridging these accessibility gaps is essential to ensure equitable development and enhance the quality of life for all Malaysians. Meanwhile, investing in high-quality infrastructure, particularly public transportation system can stimulate economic activities and attract investors to create job opportunities, while delivering improved public services.

Strategic Initiatives – Budget 2024

Ekonomi MADANI serves as the foundational framework towards building a better Malaysia together by re-establishing Malaysia as a leading economy in Asia and ensure a high quality and just life for the rakyat. The ambitions of Ekonomi MADANI have been subsequently reflected and elaborated in policy documents, namely the NETR, NIMP 2030 and MTR of the Twelfth Plan. Likewise, the Budget 2024 is geared towards articulating immediate initiatives and reforms for implementation in 2024, as initial steps towards realising the aspirations of Ekonomi MADANI.

In line with Ekonomi MADANI, the Budget 2024 has three focus areas, namely delivering reforms to enhance governance and public delivery system; transforming the economy and businesses, in addition to elevating the wellbeing of the rakyat.

Looking ahead towards 2024, Malaysia faces the challenge of both a less robust global economic outlook combined with Malaysia's fiscal constraints. Beginning 2024, fiscal reforms are necessary to provide the fiscal room to support economic growth and restructuring while also attending to the needs of the rakyat. Towards this, the Government has committed to the FRA, continues its commitment to gradually reduce the fiscal deficit and rationalise subsidies to be more targeted. Institutional reform will also be undertaken towards greater governance and enhancing the effectiveness of public delivery and implementation of Government initiatives.

The transformation of the economy envisioned under the Budget 2024 aims to initiate reforms to kickstart the implementation of the NETR, NIMP 2030 and MTR of the Twelfth Plan. Towards this, incentives and funding will be provided to promote greater economic

complexity, digitalisation, green growth and inclusive growth across the nation. Initiatives will also be undertaken to strengthen Malaysia as an internationally competitive investment destination and to enhance ease of doing business. Greater empowerment of SMEs will be emphasised through facilitating SME financing, competitiveness, human capital upskilling and export orientation. Malaysia will also aim to energise innovation in Islamic economy, particularly in Islamic Finance and halal products. In addition, the transformation of the economy will need to be supported by greater efforts to strengthening economic sustainability and security, particularly in food and energy.

Encapsulating Ekonomi MADANI's aims to "raise the floor", the Budget 2024 sets out initiatives to elevate the rakyat's quality of life in concomitance with "raising the ceiling" of Malaysia's economic potential. A higher quality of life encompasses the creation of meaningful jobs with decent wages, inclusivity and equal opportunity, universal access to education and healthcare, world-class basic utilities, and a more comprehensive social safety net for all Malaysians. This includes ensuring the lower income groups continue to be assisted with the challenges of cost of living, in conjunction with the transition towards targeted subsidies.

This holistic restructuring of Malaysia's economy as envisioned in the Ekonomi MADANI framework requires a whole-of-nation approach. The Government's approach will aspire to build greater partnerships with the industries and the rakyat towards realising Ekonomi MADANI. At the same time, collaborations will also be forged with state governments and NGOs to meet national development needs.

The Budget 2024 therefore marks the start of Malaysia's journey to rebuild a sustainable, inclusive, and buoyant economy as envisioned in the Ekonomi MADANI framework.

iNformation box 1.3

Mid-Term Review of the Twelfth Malaysia Plan*In collaboration with the Ministry of Economy***Introduction**

The Twelfth Malaysia Plan, 2021 – 2025 (the Twelfth Plan), is a medium-term plan with the objective of achieving 'A Prosperous, Inclusive, Sustainable Malaysia'. Since its implementation, Malaysia has registered commendable socioeconomic development, particularly in spurring economic recovery post-pandemic COVID-19 despite experiencing several global and domestic challenges. Nevertheless, continuous effort needs to be intensified to ensure the targeted outcomes of the Twelfth Plan are achieved. Thus, a review of targets, policies and strategies of the Twelfth Plan is imperative in ensuring Malaysia remains on the right growth trajectory.

The Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan) encompasses revised policies and strategies in line with the 'Ekonomi MADANI: Memperkasa Rakyat' (Ekonomi MADANI) framework to regain honour and dignity of the rakyat as well as transform Malaysia into a prosperous and high-income nation. Under the theme 'Sustainable, Prosperous and High-income Nation', the MTR of the Twelfth Plan introduces a total of 17 Big Bolds as strategic initiatives that serve as the main catalysts in accelerating efforts to reform the socioeconomic development in line with the Malaysia MADANI aspiration. The MTR of the Twelfth Plan is set to be the foundational document to steer and elevate the nation's development status as well as empower the rakyat.

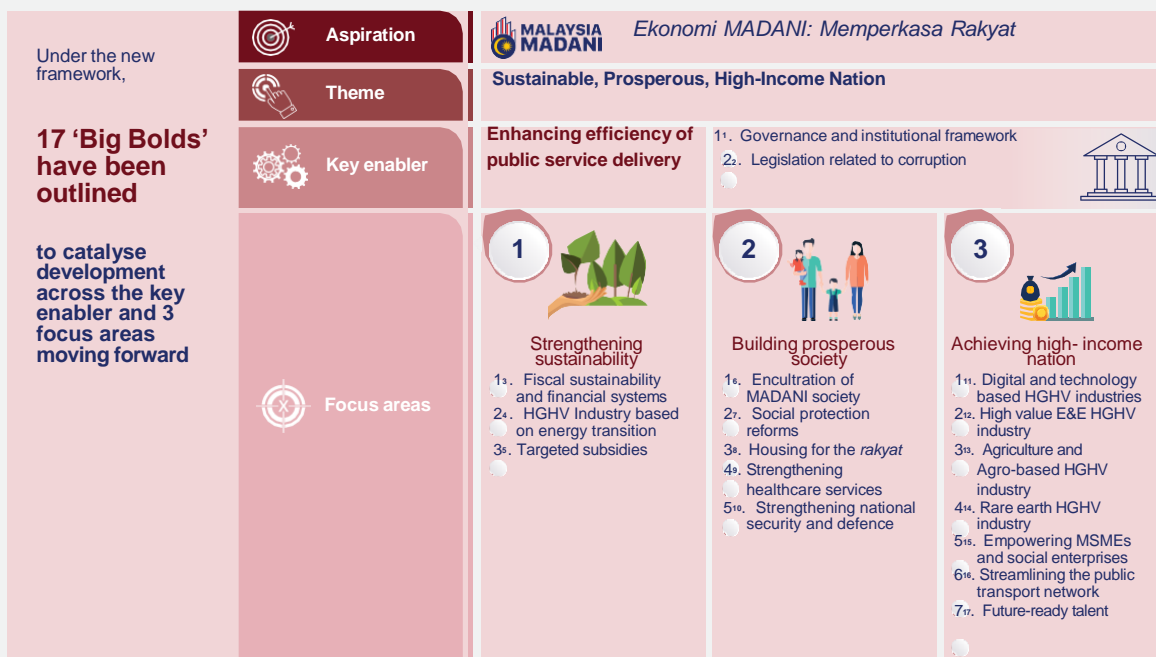
Progress of the Twelfth Malaysia Plan

Various measures have been implemented to propel Malaysia towards a more robust growth trajectory, yielding achievements across various key indicators. Among notable accomplishments include a 4.2% increase in GDP during the first half of 2023; a commendable labour market productivity growth of 3.7% annually during 2021 and 2022; a reduction in the unemployment rate to 3.5% in Q2 2023; and a decline in the inflation rate to 2% in August 2023, the lowest since September 2021. Furthermore, the gross national income (GNI) per capita rose significantly, reaching RM52,968 (USD12,035) in 2022 compared with RM42,838 (USD10,191) in 2020. Malaysia also ranked favourably in Human Development Index (HDI) 2022, standing at 62 out of 191 countries, while the Malaysian Well-being Index (MyWI) indicator recorded an annual increase of 1.3% in 2021. Additionally, the average monthly household income saw an encouraging improvement, reaching RM8,479 in 2022 from RM7,901 in 2019. These achievements demonstrate positive economic growth and development trends in Malaysia.

Framework of The Mid-Term Review

The central tenets of Malaysia MADANI's aspiration, coupled with the strategic framework of Ekonomi MADANI serve as the foundational pillars of the MTR of the Twelfth Plan that would eventually lead to a better quality of life for the rakyat. The overarching theme of the MTR of the Twelfth Plan is underpinned by the key enabler, which is enhancing efficiency of public service delivery with three main focus areas, namely strengthening sustainability, building a prosperous society and achieving high-income nation. The 17 Big Bolds will catalyse the socioeconomic development in the remaining period of 2023 – 2025 through a set of main strategies and initiatives¹ across the three main focus areas as highlighted in Figure 1.3.1.

¹ There are 71 key strategies and initiatives discussed in the main document of the MTR of the Twelfth Plan.

FIGURE 1.3.1. Framework of the Mid-Term Review of the Twelfth Malaysia Plan

Way Forward

Macroeconomic Prospect

Looking ahead to the remaining period of the Twelfth Plan, the economy is poised to grow ranging from 5% to 5.5% annually, driven primarily by domestic demand, with a notable contribution from private sector spending. In addition, there will be concentrated efforts to enhance labour productivity that is projected to increase by 3.8% annually. This anticipated improvement in the labour market is instrumental in achieving the targeted share of compensation of employees (CE) set at 40% of GDP by 2025. Furthermore, the GNI per capita is anticipated to reach RM61,000 (USD14,250) by 2025 while inflation rates are expected to remain within the range of 2.8% to 3.8%.

On the supply side of the economy, the services and manufacturing sectors will continue to serve as the principal sources of growth. Additionally, it is anticipated that robust growth in the civil engineering and residential building subsectors will play a pivotal role in supporting the recovery of the construction sector for the remaining period of the Twelfth Plan.

Enhancing Efficiency of Public Service Delivery

The Government will focus on enhancing value-based governance by improving accountability and transparency as well as strengthening and acculturating integrity in public service. These strategies will be supported by two Big Bolds, namely Governance and Institutional Framework as well as Legislation related to Corruption.

Digital transformation will be further accelerated by improving end-to-end online services and boosting data sharing arrangements, in line with the whole-of-nation approach. The modernisation of the public service will be continued through the Government Technology (GovTech) initiative. In

addition, *Pangkalan Data Utama* (PADU) will be developed as a data repository to support accurate and transparent distribution of targeted subsidies and assistances in addressing socioeconomic issues at individual household level, under the Big Bold Targeted Subsidies.

Institutional and business framework will continue to be strengthened by reviewing structure and function of ministries and agencies as well as enhancing ease of doing business. Further to this, the Government will prioritise on improving the effectiveness and efficiency of budget and project management for better service delivery through the Big Bold Fiscal Sustainability and Financial System.

Main Focus Areas

Three main focus areas outlined in the MTR of the Twelfth Plan are strengthening sustainability, building a prosperous society and achieving high-income nation.

Strengthening Sustainability

The MTR of the Twelfth Plan maintains a steadfast focus on bolstering sustainability through several key objectives encompassing the promotion of economic growth; the enhancement of fiscal sustainability; and the acceleration of the transition towards an economy that is resilient and future-ready. In accelerating the effort to drive economic growth, focus will be given on five high-potential sectors, namely renewable energy; technology and digital; E&E; agriculture and agro-based as well as rare earth industries. Furthermore, fiscal sustainability will be strengthened by reinforcing fiscal governance, broadening the revenue base, recalibrating subsidies, improving budget management, and enhancing the management of debt and liabilities.

In advancing sustainability, energy transition has become a significant avenue for Malaysia to unlock the green growth potential. This transition includes a transformation towards a high growth high value (HGHV) industry, with a particular emphasis on Energy Transition as one of the prominent initiatives to address the challenges of climate change and other environmental challenges. Furthermore, an efficient natural resource management will be further optimised with a priority on conserving natural ecosystems and strengthening water management practices to prevent the exploitation and loss of resources, thus ensuring maximum returns to the economy. Additionally, there will be a concentrated drive to expedite the implementation of SDGs and encourage the adoption of ESG practices. This will comprise policies and regulatory frameworks as well as support services to encourage businesses to adopt sustainable business practices.

Building a Prosperous Society

The efforts to build an inclusive and more resilient society will continue to be pursued during the remaining period of the Twelfth Plan. Meanwhile, in addressing and preventing poverty, efforts will be intensified towards increasing income and improving standard of living. The Government is determined to narrow the income disparity while addressing the regional development imbalance.

Big Bold Social Protection Reform aims to improve efficiency and effectiveness in assisting the poor and vulnerable. This reform, which is currently being studied will be implemented holistically at the Federal and state levels. The MTR of the Twelfth Plan also outlines strategies in maintaining peace and stability that include safeguarding national sovereignty as well as intensifying efforts in crime prevention and rehabilitation. These strategies will be supported through the implementation of the Big Bold Strengthening National Security and Defence.

Moreover, another Big Bold is on Strengthening Healthcare Services that will be implemented to enhance the wellbeing of the rakyat. Leasing of medical equipment will be introduced as a measure to ensure availability of the best state-of-the-art medical equipment to the rakyat. In addition to this, increasing the supply of and improving access to quality and affordable housing will be emphasised. Big Bold Housing for the Rakyat will be implemented by shifting the focus from ownership to shelter.

Achieving High-income Nation

A comprehensive set of measures will be implemented to fortify Malaysia's economic resilience towards attaining a high-income nation status. These measures will focus on bolstering the resilience of sectoral and strategic industries; enhancing competitiveness to foster sustainable growth; optimising the effectiveness of financial support mechanisms; and formulating strategic plans for industrial estates and food production areas. Additionally, steps will be taken to reduce barriers that hinder the scalability of micro, small and medium enterprises (MSMEs) by integrating them into domestic and global supply chains and fostering accelerated productivity growth among MSMEs.

Furthermore, the growth of Digital- and Technology-Based HGHV Industries will be prioritised, supported by the formulation of digitally inclusive policies and the development of a conducive infrastructure. Similar emphasis will also be placed on building resilient transport and logistics infrastructure. Moreover, a holistic development approach for the non-radioactive rare earth industry will be implemented, aligning it with the Big Bold Rare Earths HGHV Industry initiative, to maximise the industry's economic contribution. Concurrently, initiatives will be enhanced to promote technology adoption, digitalisation, talent acquisition, value chain augmentation, and governance enhancement, all geared towards driving competitiveness and ensuring sustainable growth.

As a strategy to expedite economic growth, several key enablers such as talent development, technology, research, development, commercialisation and innovation (R&D&C&I), digitalisation, and transport and logistics infrastructure will be fortified. Within this strategy, a progressive wage model will be introduced to stimulate wage growth and address the issue of CE as a share of GDP. An action plan will also be devised to ensure that the percentage of foreign workers does not exceed 15% of the total workforce. Ultimately, in ensuring a more holistic development, there will be concentrated efforts to promote regional balance and inclusivity. These efforts will include initiatives aimed at enhancing regional economic potential, accelerating sustainable urban and rural development, and optimising opportunities arising from subregional cooperation.

Conclusion

The MTR of the Twelfth Plan highlights the progress for 2021 – 2022, outlines issues and challenges that need to be addressed as well as paves the way for 2023 – 2025 towards a sustainable, prosperous and high-income nation. During the review period, economic growth was commendable amid the challenging environment. The implementation of all development initiatives needs to be accelerated in ensuring domestic and global challenges are managed effectively. The successful implementation of the 17 Big Bolds is imperative in driving the efforts towards attaining the set targets, in line with the 'Ekonomi MADANI: Memperkasa Rakyat' framework.

Focus 1: Restructuring the Economy to Boost Growth

The Budget 2024 builds the foundation for a sustainable development agenda that aligns with the NETR, NIMP 2030, and MTR of the Twelfth Plan, as guided by the Ekonomi MADANI framework. These policies, specifically the NIMP 2030, will support the Government's efforts to reform the industries by nurturing higher economic complexity and aggressively embracing technological innovation and product sophistication. In this regard, focus will be given to HGHV industries and several sectors such as aerospace, E&E, chemicals, pharmaceuticals, and clean energy to propel Malaysia towards technological advancements and competitiveness.

A favourable business environment is imperative to foster a more interconnected and vibrant domestic economy. These will be achieved by leveraging robust infrastructure, a large talent pool, abundant natural resources, as well as vast technological adoption, digitalisation and innovation. Acknowledging the contributions of MSMEs to the economy, a diverse array of programmes and projects is poised for implementation to bolster the competitiveness. However, limited access to financing and shortage of skilled workers persist as major impediments to business expansion. Thus, the Government remains committed to offer financing facilities and talent development programmes, which will be key components of the Budget 2024.

As Malaysia aims to rank among the top 30 economies in the world within the next decade, the nation must possess the traits of advanced and high-income economies that are characterised by innovation-led and knowledge-intensive economic activities, advanced technology, robust infrastructure, and skilled workforce. By prioritising these strategic imperatives, Malaysia is poised to boost its competitiveness, amplify productivity, and

foster prosperity through sustainable economic growth to position the country towards a thriving future globally.

Harnessing its strategic positioning in the dynamic Southeast Asian region, Malaysia maintains a steadfast commitment and stands ready to benefit from the expanding trade prospects within ASEAN to emerge as the key regional industrial hub. Therefore, the Government remains committed to boost both DDI and FDI to uphold Malaysia's status as the preferred investment destination. The strategy includes streamlining the investment promotion agencies, simplifying administrative procedures, and revising relevant laws and regulations to create a more investor-friendly environment. Additionally, the Government will formulate and refine industrial and investment policies tailored to regional needs and developmental stages in reducing development gaps and economic disparities.

Special attention will be given to attract investments in emerging sectors such as E&E, digital economy, and aerospace, with GLICs and GLCs driving the development of local vendors and DDI. In addition, the implementation of outcome-driven tax incentives will catalyse businesses towards impactful ventures and generate high-income employment opportunities. The Government has also embarked on several measures to promote Malaysia as the preferred investment destination, which include the establishment of special financial zones in Johor and the Klang Valley to attract global investors and knowledge workers. This effort encompasses the upgrading of existing industrial infrastructure to adopt eco-friendly practices while simultaneously intensifying human capital development to meet investors' demand. Collectively, this comprehensive ecosystem sets a solid benchmark to boost investor confidence, which in turn, will propel sustainable growth and solidify Malaysia's position as a key player in the regional and global economy.

Smart Industry, often referred to as Industry4WRD, is reshaping the landscape of manufacturing, distribution, and product innovation. The combination of digitalisation and mechanisation within smart industries holds immense potential and bodes well with the nation's vision of ascending to a high-income and knowledge-driven economy. Various initiatives are in place to expedite digital adoption and automation. The Government continues to support policies that promote manufacturing transformation, advance economic complexity and technological adoption, as well as prioritise economic security and inclusivity to ensure a digitally vibrant and sustainable nation. These strategic endeavours are poised to propel Malaysia forward, bolstering the nation's competitiveness on the global stage while preserving our commitment to sustainability and inclusivity.

In line with the commitment to technological advancement and innovation, the Government will cultivate a conducive and enabling environment aimed at encouraging industries to adopt cutting-edge technologies and innovative business models. This encompasses a multifaceted approach, which promotes investment in R&D, enhances digital infrastructure, and streamlines cyber security laws to ensure the security of smart industries. Moreover, educational and training programmes will be transformed to equip the workforce with the necessary digital skills and provide robust support mechanisms for businesses, particularly the SMEs. Likewise, the regulatory framework will continuously be reviewed to stay abreast with the rapid technological changes, while fostering collaboration among regulators, research institutions and industry players to stimulate seamless integration of new technologies across jurisdictions.

Malaysia takes pride in its leading role among Asian economies in the pursuit of green growth and climate resilience. Remarkable advancements were made in the adoption of sustainable practices across various sectors, encompassing substantial investments in renewable energy, the implementation of energy-efficient measures, extensive reforestation initiatives, and the promotion of eco-friendly urban planning. The Government is also committed in advancing the commercialisation of green hydrogen, in view of its potential as a competitive clean energy solution for Malaysia which aligns with the net-zero aspirations. In line with the long-term commitment to environmental sustainability, the Budget 2024 will continue to encourage businesses to embrace ESG principles, aiming at increasing the competitiveness to meet the global standards. These initiatives entail the establishment of pertinent policies and regulatory frameworks, as well as substantial funding directed towards promoting green growth and low-carbon transition. In addition, the provision of relevant data and reports is crucial in assessing and accounting the carbon emission level in accordance with international best practices. These concerted green efforts underscore the determination to champion sustainability agenda, positioning Malaysia as the frontier among the developing countries.

As aspired by the Ekonomi MADANI framework, efforts will be directed towards asserting Malaysia's position as the leader in driving innovations for the global Islamic economy. At present, the global halal market is estimated to reach a staggering USD7.7 trillion by 2025. This creates a golden opportunity for Malaysia to secure a more substantial share of the global halal market by enhancing the competitiveness of domestic halal industry. The strategy encompasses a comprehensive array of *halalan toyyiban* activities and Islamic financial

innovation, pursuant to the *Maqasid Shariah* principles. Thus, emphasis will be placed on streamlining the halal certification process, providing financial support mechanisms to boost innovation and productivity, and intensifying marketing strategies to penetrate both local and international markets. As Malaysia enjoys a mature Islamic finance ecosystem with dynamic players, innovative Shariah-compliant products and comprehensive enabling environment, efforts will be geared towards utilising the value-based finance to support the halal industry. This strategic cluster will not only bolster Malaysia's global leadership in Islamic finance and halal industries, but also reinforce its prominence of the halal ecosystem.

Optimal land use is central in safeguarding food security in Malaysia, which will influence production levels that contribute towards the sustainability of food supply. Given the significant impact of food prices amid the rising cost of living, the Government is committed to promote a higher SSR across a broader spectrum of food items. The initiatives include optimising the use of existing plantations, expanding food crop areas, and diversifying land use by repurposing idle land into productive farmland for food crops. Furthermore, the Government aims to bolster the resilience of the agro-food sector through the adoption of agricultural technology, with a specific focus on enhancing smallholder productivity. Thus, the Government will continue to provide financial support in incentivising farmers and investors to engage in food crop cultivation and adopting modern agricultural technology applications. These measures will reduce Malaysia's dependence on food imports and minimise reliance on migrant labour, bolstering self-reliance and reinforcing food security for the nation.

Focus 2: Raising the Rakyat's Standard of Living through Social Justice

In improving the wellbeing of the rakyat, the Government remains steadfast in its commitment to fortify and target social assistance programmes, particularly for the vulnerable groups. This entails enhancing existing initiatives such as cash transfers, in-kind assistance, subsidies as well as income protection and retirement programmes. Furthermore, social insurance programmes will undergo enhancements to expand coverage, guaranteeing that Malaysians accumulate sufficient retirement savings. Efforts will also be continued to strengthen labour market interventions through retraining programmes, hence safeguarding employment prospects for workers amid adverse circumstances. The overarching goal is to maintain an inclusive and equitable social protection system that shields the rakyat from the burdens of rising living costs and unforeseen hardships. These measures reflect the Government's commitment to deliver social protection more efficiently and cohesively, ensuring cost-effectiveness while minimising fragmentation and the likelihood of inclusion and exclusion errors.

Despite the formalisation of many informal sector participants during the COVID-19 pandemic, the Government is committed to enhance the wellbeing of informal sector workers particularly in the context of social insurance and protection. To achieve this goal, the Government will promote greater coverage of self-employed individuals, including gig workers in the informal sector, contributing to the Self-Employment Social Security Act 2017 [Act 789] and retirement schemes. This step will ensure these workers have a robust safety net and protection during unforeseen circumstances.

Additionally, to promote ease of doing business, regulations related to business and licensing approvals will be enhanced to encourage and streamline the formal sector business registrations and employment processes. This comprehensive approach aims to strengthen social security and promote a thriving formal sector for the benefit of all stakeholders.

The Government remains committed to provide equal opportunities for all segments of society, irrespective of gender, race, or income group. Recognising the importance of enhancing skills among specific groups, a particular focus will be given to women and youth to bolster the employability and income prospects. Measures will be undertaken to provide a more conducive working environment to further support women participation in economic activities and encourage mothers to return to work. This includes simplifying registration processes, establishing additional childcare facilities at workplace, and reinforcing flexible working arrangements. Furthermore, employment rules and regulations will be reviewed to protect and increase the wellbeing of women employees. In line with this effort, the Government aims to streamline workplace facilities and infrastructure to be more inclusive, sensitive to disabilities, and gender-responsive. Additionally, efforts will continue to be focused on the Bumiputera Empowerment Agenda while providing sufficient support to all ethnicities to promote the rakyat's upward mobility. These holistic measures reflect Malaysia's commitment in fostering a society where every individual can thrive and contribute to the nation's prosperity.

Education and training are central in building workforce readiness. Hence, the Government is committed to ensure universal access to high-quality education and training. The

teaching and learning delivery system will be reformed to ensure learners gain knowledge and skills that are aligned with employment needs. Furthermore, adequate funding will be provided to ensure continuous access to quality education. Basic education will be strengthened to improve child development from the early stage. School facilities and infrastructure will be upgraded, particularly in dilapidated schools. Internet connectivity will also be improved to facilitate online learning. Likewise, tertiary programme curriculum will be tailored to be more demand-driven through strategic collaborations with industry players, ensuring graduates are industry-ready. Additionally, lifelong learning programmes will be enhanced, providing upskilling and retraining initiatives to keep the workforce up-to-date with the rapidly evolving market demands, nurturing a highly skilled and adaptable workforce.

Increasing healthcare quality continues to be a priority, focusing on rendering quality healthcare services. Hence, facilities and equipment will be upgraded as well as ensuring an adequate number of healthcare professionals, particularly those in the rural areas, to create a conducive healthcare environment. Meanwhile, care services will also be enhanced as Malaysia is moving towards an ageing nation. The healthcare programmes for the elderly will be strengthened and healthcare services will be digitalised. Additionally, early detection initiatives and efficient responses to infectious disease outbreaks will be continued with the establishment of the National Disease Control Centre. Mental and emotional wellbeing awareness programmes will be sustained, and the community-based healthcare system will be empowered, ultimately improving the overall quality of life for Malaysians.

FEATURE ARTICLE 1.2

Towards Equitable Development: Targeted Social Assistance

Introduction

The aftermath of the COVID-19 pandemic has had a profound impact on the population, posing greater challenges to the recovery journey. This is especially true for individuals and families in poor and vulnerable households, as emphasised in the Malaysia Economic Monitor by the World Bank in February 2023. Several studies highlighted that pre-existing issues particularly on cost of living, low savings rate and low wages that were evident even before the pandemic, have been further exacerbated.

Consequently, these factors continue to impede the progress of household recovery efforts. Higher prices posed challenges to households with varying degrees of severity among different income groups. Lower-income households allocate a larger portion or 23.1%

of their monthly expenditure to food, in contrast to middle-income (17.1%) and higher-income households (11.2%) (DOSM, 2022). This discrepancy implies that when inflation primarily affects prices of food items, it will disproportionately affect the lower-income households making them more susceptible to the pressure of cost of living (BNM, 2018).

The cost of living has also contributed to the low savings rate further influencing the ability of households to withstand economic shocks. A survey conducted in 2022 revealed that 63% of respondents can only survive three months (RinggitPlus, 2022) or less with their savings, compared with 53% in 2019 (RinggitPlus, 2019). This suggests that the number of respondents with dire emergency savings has increased. When it comes to retirement savings, a substantial 51.5% (equivalent to 6.7 million) of Employees Provident Fund (EPF) members under the age of 55 presently maintain remarkably low savings, amounting to less than RM10,000 (BNM, 2023). This situation points to a further decline in the sufficiency of retirement savings since the pandemic.

Prior to the pandemic, it was noted that 70% of EPF members below the age of 54 have less than RM50,000 in savings, with the bottom 20% averaging a mere RM6,909 – a level of concern that was already noteworthy as EPF members at the age of 55 are required to have basic savings of at least RM240,000 (EPF, 2019).

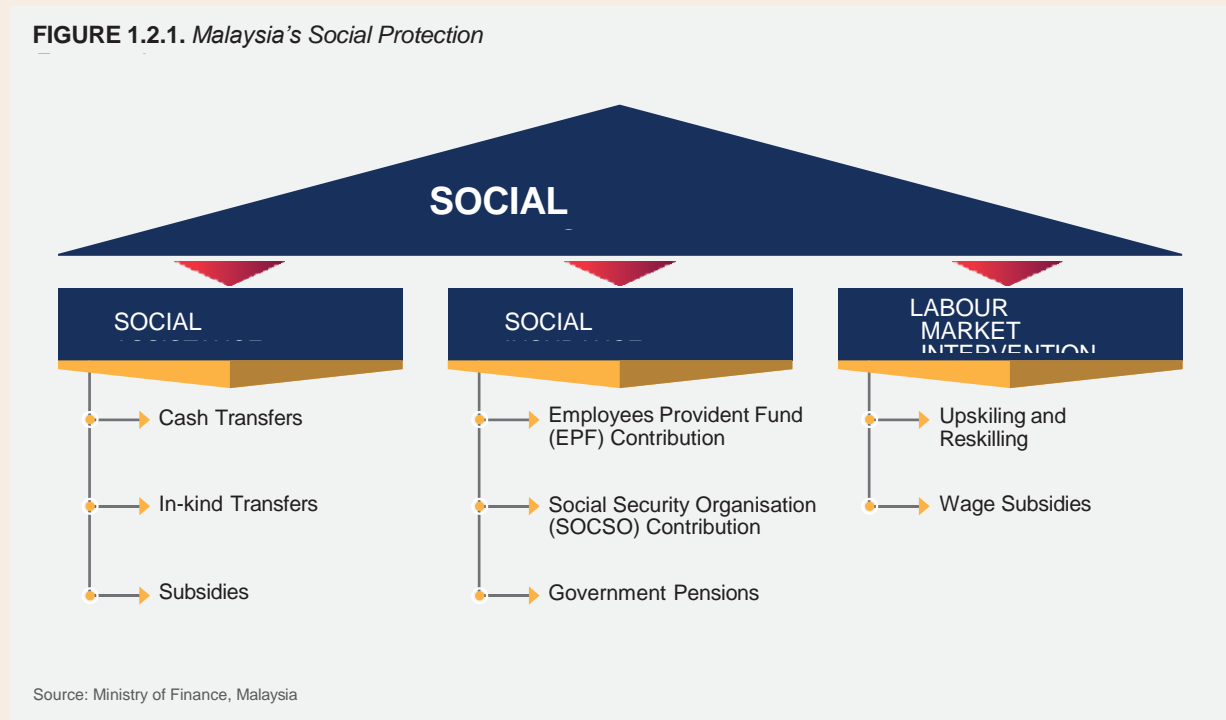
Further to this, wages in Malaysia remain low and sticky. The Department of Statistics Malaysia (DOSM) through Employee Wages Statistics (Formal Sector) Report revealed that in the first quarter 2023, 35% of workers earn less than RM2,000 a month. The report also showed that the median wage does not increase much across age groups, with those below 20 years old earning a median wage of RM1,500 a month and reaching RM3,500 between ages 45 and 49.

The confluence of issues above can pose an economic shock to vulnerable individuals and be detrimental for their overall wellbeing. To cushion these effects, social protection is needed to act as an economic stabiliser to safeguard the wellbeing of the rakyat. This paper will provide insights into the relationship between cash transfer-based social assistance and household resilience as an avenue to strengthen the social protection system. The following sections will share potential policy intervention to improve the wellbeing of the rakyat. By reviewing Malaysia's social assistance framework and drawing from global best practices, the Government will provide a potential roadmap for the development and implementation of a more targeted, comprehensive and sustainable social assistance policy.

What is social protection?

The International Labour Organization (ILO) defines social protection as the set of public measures that a society provides for its members to protect them against economic and social distress. The definition often varies from one country to another due to diverse range of initiatives falling under the umbrella of social protection. To make a distinction, the social protection system in Malaysia consists of three broad areas, namely social assistance, social insurance and labour market intervention as highlighted in Figure 1.2.1.

FIGURE 1.2.1. *Malaysia's Social Protection*



Social assistance is designed to transfer resources to the right segments of the population (either cash transfer or in-kind transfer) which can be universal, categorical or income-tested. Social assistance also consists of subsidies offered by the Government such as fuel and food subsidies. Social insurance falls within the realms of EPF and Social Security Organisation (SOCSO) contributions in which employees and employers make on a regular basis as well as Government pensions. On the other hand, labour market intervention are policies that facilitate full or productive employment through Active Labour Market Policies (ALMPs), labour exchanges and market demands. This includes upskilling and reskilling programmes as well as wage subsidies that encourage labour mobility.

These three components combined make up the social protection framework. If conducted in tandem with each other, the positive externalities are wide ranging which include poverty reduction, economic stability, human capital development and social mobility, among others.

When designing a robust social protection framework, governments must ensure long-term sustainability and continuity. Countries capable of formulating universal social protection rely on governments with substantial and sustainable income-generation capacity. For countries with limited fiscal space, the policy design must be balanced accordingly. The comparison of existing social protection modalities across countries as shown in Table 1.2.1.

TABLE 1.2.1. *Comparison of Social Protection Modalities*

MODEL	NORDic	ANGLO-Saxon	cONTiNENTAL/ BISMARckIAN	MEDiTERRANEAN/ SOUTH
Country	Northern Europe and the North Atlantic includes Denmark, Finland, Iceland, Norway and Sweden	The United Kingdom, the United States, Canada, New Zealand, Australia and Ireland	Germany, Austria, Switzerland and Czech Republic	Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia
Poverty Rate	Low	Low	Medium	High
Taxation Rate	High	Medium	Medium/High	Low
Key Features	Comprehensive assistance ⁶ coverage funded by the governments	Combination of targeted assistance and comprehensive assistance	Some social assistance programmes but heavily supported with social insurance and labour market intervention	Mostly catered by family unit welfare system however the government does have cash assistance for the elderly
Main Funding	Solely government	Combination of government and citizens (social insurance programmes)	Dependency on social insurance	Government, private sector and informal (family transfers)
Advantages	Thorough and progressive	Comprehensive given the low taxation rates	Favours the working group in particular	Catered more towards the elderly
Disadvantages	Implementation may be difficult for developing countries	Can lead to lack of financing in the long term	May cause dependency on social insurance	Does not factor in other vulnerable groups beyond old age

Source: Popova et al. (2013)

Although Malaysia's current approach mirrors the Anglo-Saxon model, its coverage is more limited compared to what the model offers. This highlights the need for a review of the social protection policy and in particular Malaysia's social assistance (cash transfer) programmes.

The State of Social Assistance in Malaysia

An analysis of Malaysia's social assistance programmes has demonstrated several gaps that stem from two issues. First is due to the fragmented nature of social assistance programmes involving 167 schemes that are currently being implemented by 17 ministries and agencies. This fragmentation has led to overlapping programmes causing both inclusion and exclusion errors.

According to a survey conducted in 2018 by UNICEF, it was found that 35% of families that received financial aid were not eligible (inclusion error) and more concerning, 34% of households did not receive financial aid despite being eligible (exclusion error) (UNICEF, 2018).

Second, Malaysia's social assistance programmes do not have legal commitments nor backed by strong financial resources resulting the programmes to be less sustainable in the long term. Apart from Sumbangan Tunai Rahmah (STR), most of the social assistance programmes are only targeted at the hardcore poor who are considered eligible based on the poverty line index. This may lead to some vulnerable households in the B40 groups being left behind.

For the year 2023, a total of RM63.8 billion (approximately 3% of GDP) is allocated for subsidies and social assistance. Almost 60% of the total allocation will be utilised for broad-based fuel and electricity subsidies, while the remaining is meant for social assistance mainly in the form of STR as well as assistance programmes for welfare and education. Although spending on subsidies and social assistance increases every year, its share to GDP for the period 2020 to 2022 is small, with an average of 2.2%. This figure is significantly smaller compared to OECD nations which typically spend 10% of GDP in 2022 (OECD, 2022) on cash benefits only.

The gaps in Malaysia's cash transfer-social assistance programme has also been highlighted in international indices such as the ILO's World Social Protection Report 2020 – 2022 (ILO, 2021) and Asian Development Banks' Social Protection Indicator (ADB, 2019). Malaysia received a social assistance score of 2.1¹ which lags significantly behind its ASEAN peers such as Singapore (100), Thailand (54.3), Viet Nam (24.6), The Philippines (22.4), and Indonesia (16.5). This score suggest that Malaysia has a coverage issue where certain segments of the vulnerable groups do not have adequate support in terms of cash transfer programmes.

Cash Transfers Still Remain Effective

Despite the current gaps in Malaysia's cash transfer programme, the effectiveness cannot be overlooked. A study conducted in 2017 on Malaysia's cash's transfer programme (ISIS, 2017) found that the Bantuan Rakyat 1 Malaysia (BR1M) has benefitted millions of recipients a year, helping to alleviate inequality by increasing the disposable income of B40 household groups and spurring local economic multipliers. Based on international standards, the scale of successful programme has generally been about 4% to 30% of household expenditure. While the amount of BR1M barely reaches the low end of the scale, it is more than enough to solidify its position in Malaysia's policy toolkit.

Globally, cash transfers continue to be an instrumental component of social assistance. Selected best practices are highlighted in the Table 1.2.2 which have been showcased by the World Bank, ILO, OECD and UNICEF as successful cash transfer programmes.

There are some key findings that can be observed based on the above programmes. Most importantly, social assistance have positive spillover effects beyond economic stability. Looking at the cases of Brazil and Mexico, the cash transfer programmes not only provided monetary support to low-income families, but its conditionality factor played a crucial role in enhancing years of education and health among children. The Australian and Kenyan experience highlights that categorical cash transfers can assist the most vulnerable groups throughout their life cycle

¹ Proportion of vulnerable persons receiving benefits: ratio of social assistance cash benefits recipients to the total number of vulnerable persons.

TABLE 1.2.2. *Global Best Practices*

NATION	AUSTRALIA	MEXICO	BRAZIL	THAILAND	KENYA
Name of Programme	Income Support Programme	Prospera	Bolsa Familia	Thailand's Child Support Grant	National Safety Net Programme (NSNP)
Target Group	Elderly, people with disability, children and caregivers	Children	Children	Children	Hardcore poor, children, people with disability and elderly
Innovative Approach	Categorical targeting the most vulnerable groups of the population	Conditionality based on school attendance and doctor check ups	Conditionality on school attendance and vaccination	Shift to universal targeting	Categorical targeting the most vulnerable groups of the population
Impact	Solidified the government's commitment to build a strong social security safety net that protects vulnerable Australians	Additional 12 months of schooling and decline of 11.8 percentage points in the incidence of anaemia among children under age two	Inequality has been cut by 17% in just five years and the poverty rate has fallen from 42.7% to 28.8%	Thailand is at an inflection point where the government can afford universal child allowance due to the birth rate decline. Opportunity cost for nurturing children	Cash transfers have positive impacts without creating dependency. Beneficiary households are less likely to be extremely poor as they use the aid for food and health expenditure
Cost of Programme (% of GDP)	8.2	0.4	0.4	0.2	0.3

Source: World Bank, ILO, OECD and UNICEF (2013, 2014, 2022)





where beneficiaries were shown to spend the aid on necessities such as food and health. Thailand's child allowance is a recent example of universality as they provide cash transfers for all children regardless of income to protect the future generation. The decision by Thailand's Government is supported by a growing body of evidence which found that cash transfers for children, even relatively small amounts, can improve child health, nutrition and development (National Library of Medicine, 2019).

Improving Malaysia's Cash Transfer Programme

Malaysia has made significant progress in its developmental journey since 1957. With the onset of the New Economic Policy followed by the National Development Policy, National Vision Policy, Malaysia's Shared Prosperity Vision of 2030 and most recently Malaysia MADANI, the country continues to make headways in achieving its goal of becoming a high-income and inclusive economy.

As the country develops and transitions, the social assistance programme should also evolve to reflect the development path of Malaysia. Such plans and efforts for more effective social assistance are highlighted in the Twelfth Malaysian Plan and are also aligned with the Sustainable Development Goals (SDGs). Specifically, they will contribute to achieving the target of SDG1 (no poverty), and SDG10 (reduced inequalities).

Malaysia's current cash transfer programme is focused more on charity-based models which can leave certain segments of the population without adequate coverage. For instance, although Malaysia provides child and elderly allowances, it only targets the hardcore poor population as shown in Figure 1.2.2.

	HARDCORE POOR	B40	M40	T20
 Children	✓	✗	✗	✗
 Pregnant Women	✗	✗	✗	✗
 People with Disability	✓	✓	✓	✓
 Elderly	✓	✗	✗	✗

It is imperative for Malaysia to transition from narrowly-targeted and stigmatising approaches to a more comprehensive developmental programme. In other words, instead of explicitly targeting poverty, focus will be given on addressing underlying vulnerabilities. In this regard, risks associated with the life cycle such as: childhood, maternity and old-age; coupled with the risks of disability can be targeted with a more holistic cash transfer programme. The shift into this developmental model can help reduce exclusion errors associated with poverty targeting whilst allowing for administrative simplicity and efficiency. The developmental model can also improve social contracts² as the Government can uphold its responsibility to safeguard the wellbeing and security of citizens since anyone can become vulnerable at any point of their life.

Moving forward, a potential developmental model comprised of a combination of income-tested as well as categorical base programmes can be an optimal solution in addressing vulnerable groups. An example of such a model is shown in Table 1.2.3.

² Building trust between Government and citizens. Social contract in a country impacts the design of social protection programmes and the awareness process.

TABLE 1.2.3. Example of Monthly Cash Transfer Programmes

PROPOSED PROGRAMME	TARGET GROUP	CONDITIONALITY
INCOME-TESTED		
Hardcore Poor Allowance	Households earning less than RM1,198 a month (hardcore poor)	Must submit a tax file and be verified by IRB
Low Income Allowance	All B40 households	
CATEGORICAL		
Child Allowance	All children below 6 and those enrolled in public schools only	Programme allowed to continue the following year based on vaccination and school enrolment.
Old Person Allowance	All elderly people aged 65 and above	None
Maternity Allowance	All pregnant women	None
People with Disability Allowance	Those registered under JKM	None

Source: Ministry of Finance, Malaysia

Transforming Social Assistance Delivery to Ensure No One is Left Behind

It is crucial for the Government to relook, reform and redesign the delivery of social assistance, particularly cash transfers to ensure inclusive and equitable protection. This includes introducing an overarching act to oversee social protection as a whole for social assistance, social insurance and labour market intervention. Without this act, accountability of social assistance programmes in particular, will continue to remain ambiguous and thus impacting effective implementation, including cash transfer programmes.

The implementation of cash transfer programmes can be centralised under a single existing agency to address fragmentation issues, reduce implementation costs and standardise eligibility criteria for income-tested aid. The proposed agency can also act as the primary access point to social assistance services where potential beneficiaries can apply via a simplified application process.

To ensure successful implementation, an autonomous data management approach is needed to automate, consolidate and integrate all data management tasks, which can reduce inadvertent errors. This necessitates the establishment of data classification framework to safeguard privacy within data sharing arrangements as well as to ensure data integrity and adherence to standard data formats.

Most importantly, in achieving inclusive and equitable protection for all, the key determinants are commitment, consistency and political will to conduct a rationalisation exercise. The Government is cognisant that rationalising subsidies in total at this juncture may have an adverse impact

on citizens by elevating their cost of living. However, to remain fiscally responsible, a staggered process should be adopted via a two-pronged approach by first reviewing and consolidating existing cash transfer programmes followed by subsidy rationalisation and widen the revenue base.

Conclusion

The shift to the developmental cash transfer programme will ensure support and assistance to vulnerable individuals and families according to their life cycles and household circumstances in line with the spirit of the Ekonomi MADANI framework. The programme will also provide a broad and long-term approach as compared to the existing programmes that primarily focus on meeting immediate basic needs. In addition, the programme can have a significant impact on social mobility, reducing income inequality, and fostering overall economic development. To begin this endeavour, we will require the commitment and consistency of a unified Malaysia to advocate for better social assistance. For without commitment, we will never start and without consistency we will never finish.

The Government is dedicated in ensuring that every segment of society benefits from the nation's economic prosperity, irrespective of gender, ethnicity, socio-economic status, or geographical location. Currently, there exists a disparity between the market price of houses and what is affordable by the rakyat. To enhance access to affordable housing, the Government will streamline and accelerate the development of affordable housing in strategic locations, including for Program Rumah Mesra Rakyat, Residensi Wilayah, and Program Perumahan Rakyat (PPR). Moreover, the progressive initiative will be continued under the National Housing Policy (2018 – 2025), which outlines specific parameters related to housing supply, particularly affordable housing. Hence, strategic collaborations with financial institutions will be strengthened to offer attractive, flexible, and innovative financing schemes. In addition, a review of existing housing financing programmes is required, ensuring sustainable housing solutions for low and middle-income households to attain affordable homes.

As Malaysia strives to attain high-income status, the efficiency of the transportation and logistics sectors is paramount to achieve increased productivity and growth through enhanced connectivity. Therefore, the

Government is committed to the development of sustainable, integrated, safe, reliable and affordable transportation and logistics infrastructure. These robust infrastructures not only facilitate seamless mobility but also promote clean, convenient, and efficient modes of transport and adaptive to climate change. In addition, availability of world class infrastructure such as airports, ports, highways and railways further reinforce Malaysia's attractiveness as a preferred investment destination. Thus, it is imperative that the quality of transportation and logistics infrastructure is elevated, as it lays the foundation for long-term economic growth and the wellbeing of the rakyat.

In line with the commitment to create a more liveable environment, the provision of basic amenities will be prioritised, aimed at providing high-quality, gender-sensitive, disability-friendly, and elderly-supportive infrastructure. This includes ensuring access to treated clean water and energy supply, particularly in rural areas of Kelantan, Sabah and Sarawak. To guarantee the safety and security of the public infrastructure, regular maintenance and upgrading will be undertaken. Additionally, efforts to expand affordable internet access will be pursued.

Efforts also will be intensified to attract high-quality investments that generate well-paying jobs. Strategies to expedite the automation and adoption of advanced technologies in production processes will be strengthened to boost productivity. Meanwhile, the review of the minimum wage is expected to uplift the livelihoods of low-paid workers, reflecting continuous commitment towards higher and fair compensation. Additionally, employers should view higher wages as catalysts for business productivity growth³, encouraging engagement of the locals in 3D jobs and reducing dependence on low-skilled foreign workers. These measures collectively aim to bolster earnings, thereby empowering the workforce and fostering social mobility.

Focus 3: Good Governance through Efficient Service Delivery

An effective governance ecosystem that is centred on efficiency, integrity, and transparency principles, demands unwavering commitment from all stakeholders. Thus, the initiatives under the Budget 2024 will concentrate on reforming the ecosystem such as fortifying parliamentary and legal institutions; digitalising government services; reinforcing social resilience; ensuring fiscal sustainability; enhancing legislations; and optimising public service delivery.

At the institutional level, the primary objective is to fortify democratic elements through systematic integration of public consultation processes, transparent channels of communication, and rigorous quality audits. These initiatives will raise awareness on new and existing policies as well as gain support from all stakeholders and public to be more engaged in policy formulation and implementation process. Furthermore, special attention will be given to protect and promote children's rights, aligning with the international commitments under the United

Nations' Convention on the Rights of the Child. Meanwhile, to bolster access to legal aid services, particularly in rural areas of Sabah and Sarawak, effort will be undertaken to raise the understanding of the rakyat on the country's legal and judicial institutions.

Recognising the vital role of social protection in bolstering community resilience, the Government is committed to augment the efficiency and effectiveness of various implementing agencies through the *Pangkalan Data Utama* (PADU) as the national repository of socioeconomic data. This strategy is crucial to support accurate and transparent distribution of socioeconomic assistance and targeted subsidies in eradicating poverty, thus enhance the social protection system within the society.

An effective fiscal policy requires a proactive and more holistic approach of fiscal management, encompassing prudent measures, credible institutional and governance structure, as well as transparent reporting. Therefore, the Government's fiscal policy is aimed at strengthening public finances and rebuilding fiscal buffers to supporting the economic growth. The Government will continue to pursuing fiscal reform initiatives by enacting the FRA, enhancing revenue mobilisation, broadening the tax base, optimising expenditures effectively, and formulating the Government Procurement Act (GPA), guided by the Medium-Term Fiscal Framework. These efforts are aimed at ensuring long-term fiscal sustainability and supporting the nation's development agenda.

Enhancing governance with strong ethical foundations, as well as fostering accountability, transparency and integrity among public servants, is vital in serving the interests of the nation. As outlined in the National Anti-Corruption Plan (NACP) 2019 – 2023, the Government will intensify efforts to combat corruption mainly by upholding the rule of law,

³ Analysis by EU-ERA in 2022 showed that increasing wages can create a positive cycle where higher wages lead to increased productivity. Every percentage increase in wages could expand labour productivity by 2.2% compared to every percentage increase in labour productivity will merely increase wages by 0.2%.

restructuring the public service administration, fostering the concept of good governance and integrity within the business environment.

In boosting the productivity and efficiency of public services, it is imperative to foster the culture of innovation, active public engagement, inter-agency collaboration, and effective leadership. Efforts will emphasise on streamlining the functions and roles of agencies, empowering governance, reducing bureaucracy, enforcing accountability, promoting transparency, and enhancing public trust. Furthermore, the Budget 2024 will empower the Special Task Force on Agency Reform (STAR) to continue its effort on improving efficiency of work processes and encouraging collaborative efforts among ministries and agencies.

The Government remains steadfast towards digital transformation through process re-engineering, as evidenced by the implementation of Government Technology (GovTech). Public services that are people-centric, readily available, efficient, transparent, and user-friendly are the driving force behind this strategic approach. The Government will focus on single digital identity initiative, which facilitate self-verification and identification via online services. This aspiration will fortify the Government's commitment to effective governance and prudent resource allocation.

Conclusion

The nation's strong economic fundamentals coupled with strategies and programmes as outlined in the Budget 2024, will continue to support the momentum of the economy to grow with the estimated range of 4% to 5% in 2024. Hence, the Ekonomi MADANI framework, which aimed at building a better Malaysia together, underscores the collective commitment and dedication from all stakeholders to ensure the successful realisation of the economic development goals and national aspirations. In this context, the Government will facilitate industry transformation and productivity growth through the formulation of evidence-based policies and the provision of a conducive business environment.

The Budget 2024 will prioritise initiatives that nurture future generation and improve standard of living. The Government will focus on efficiency in the implementation of initiatives and programmes through empowering good governance and fostering an agile public service delivery. Collectively, adopting a whole-of-nation approach will elevate the overall competitiveness and safeguard the nation's wealth, ultimately enhancing the wellbeing of the rakyat towards sustainable, prosperous, and high-income nation.

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CHAPTER 2

Macroeconomic Outlook

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CHAPTER 2

Macroeconomic Outlook

Overview

Persistent external uncertainties testing the resiliency of Malaysia's economy

Global growth is projected to moderate in 2023 and 2024 following slow growth in advanced economies; volatile financial market due to tightening monetary policy; prolonged geopolitical tensions; and increasing climatic changes. Nevertheless, inflation continues to soften as markets head towards supply chain stabilisation. In addition, world trade is projected to moderate in 2023 in line with weaker global demand. However, global trade is expected to increase in 2024 in tandem with improved trade activity in advanced economies, and emerging market and developing economies (EMDEs).

In the case of Malaysia, the economy continued to expand amid these persistent challenges in the external environment. During the first half of 2023, GDP posted a growth of 4.2% supported by resilient domestic demand, in particular private expenditure. The services sector, the largest contributor to the economy, continued to lead growth following higher tourist arrivals and improved consumer spending. The construction sector continued to expand in tandem with the acceleration of infrastructure projects and realisation of investment in non-residential and residential developments. These developments helped to cushion the negative impact from the external sector following slow external demand, particularly from Malaysia's major trading partners.

The increased external uncertainties will pose risks to the economic growth. Notwithstanding these challenges, the economy continues reaping the benefit from policies and initiatives undertaken over the years to enhance resilience and competitiveness. Overall, the economy is projected to expand moderately in the second half of the year as external demand is expected to remain low and high base effect

from the previous year. Nevertheless, domestic demand will continue to drive growth. Hence, the GDP is anticipated to register a growth of approximately 4% in 2023.

For 2024, the economy is projected to grow within the range of 4% to 5%. The growth is envisaged to be broad-based, led by the services sector as intermediate and final services groups are anticipated to rise further driven by sustained domestic consumption and improved export activities. The retail trade, accommodation and restaurants as well as communication segments are expected to increase in line with consumption trend, while the wholesale trade segment and transport and storage subsector will benefit from higher trade-related activities.

The manufacturing sector is expected to accelerate, accounted by improved export-oriented industries particularly the E&E products as external demand recovers, while the domestic-oriented industries are anticipated to remain favourable in line with robust domestic consumption and investment. The construction sector is expected to grow supported by an expansion across all subsectors. Prospects for the agriculture sector remain positive supported by higher production of crude palm oil (CPO), other agriculture and livestock. The mining sector is estimated to turn around owing to the recovery in production of natural gas, and crude oil and condensates.

On the demand side, growth will be buoyed by strong private sector expenditure and improving global demand. The encouraging performance of private sector is partly due to the Government's deliberate efforts to accelerate a more vibrant and dynamic private sector by providing a conducive business and investment environment, underpinned by the implementation of comprehensive Ekonomi MADANI framework as well as policies and blueprints such as the National Energy Transition Roadmap (NETR) and New Industrial

Master Plan 2030 (NIMP 2030). Meanwhile, consumer spending is envisaged to be robust supported by improved labour market conditions.

Furthermore, recovery in external demand is anticipated to boost exports performance, leading to a larger trade surplus. This surplus is attributed to higher export receipts from the goods account, which will cushion the net outflows from transport and other services accounts. Thus, the current account is projected to post a surplus of RM62.2 billion or 3.2% of gross national income (GNI).

On the income front, an encouraging economic growth projected in 2024 will stimulate higher income for the workforce. Strengthening existing initiatives by adopting advanced technology in production activities and enhancing productivity through continuous improvement in retraining and upskilling may also contribute in higher income for workers. Hence, the labour income share is expected to improve further in moving towards Ekonomi MADANI aspiration to achieve 45% share of GDP in long-term period.

Economy in 2023

Global Economy

Lacklustre global recovery

Global growth is projected to expand at 3% due to the slow post-pandemic global recovery, prolonged geopolitical tension and the increase in interest rates by various economies to manage inflation. The GDP growth in advanced economies is expected to moderate at 1.5% due to subdued manufacturing activities in advanced economies despite strong services sector. In this respect, the US's economy is anticipated to record 1.8%, underpinned by lower domestic consumption as well as further Fed rate hikes. The euro area is expected to grow marginally at 0.9%, following the effect of monetary policy tightening despite improvements in the services and tourism activities.

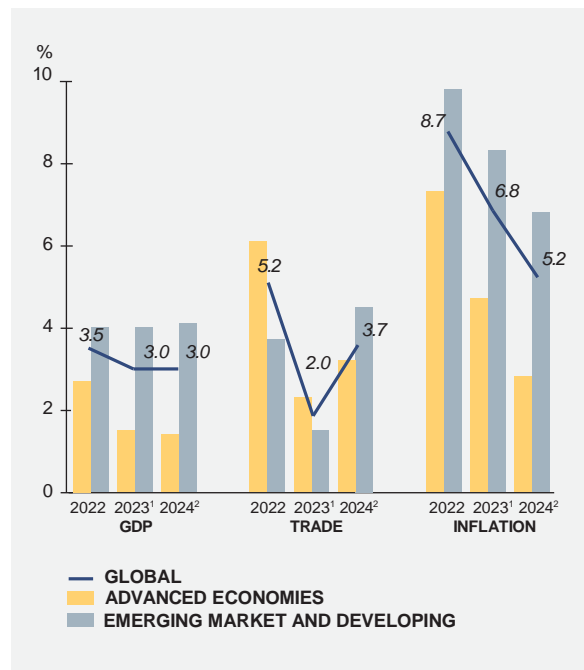
The EMDEs' economic growth is expected to register 4%, which is stronger than advanced economies. However, the growth rate among

EMDEs varies across regions. Despite subdued investment in the real estate sector, China's economy is anticipated to expand at 5.2%, contributed by higher net exports following relaxation of lockdown policies. Meanwhile, India's economy is projected to grow 6.1% buoyed by stronger domestic investment. Similarly, the GDP growth of ASEAN-5 is envisaged to expand at 4.6%.

World trade is expected to moderate further to 2%, reflecting the weaker path of global demand and the shift towards domestic services. Trade in advanced economies and EMDEs are expected to register a slower growth of 2.3% and 1.5%, respectively. Among others, the strengthening of the US dollar is projected to eventually slow trade activities, affecting EMDEs more adversely compared

to advanced economies. Meanwhile, **global inflation** is anticipated to record 6.8%, attributed to easing food and energy prices as well as weakening of global economic activities.

FIGURE 2.1. *Global Gross Domestic Product, Trade and Inflation Growth 2022 – 2024*
(% change)



¹ Estimate

² 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

This document was finalised before the publication of the World Economic Outlook, October 2023

Source: International Monetary Fund, World Economic Outlook Update (July 2023)

iNfOrMAtION box 2.1

ASEAN Taxonomy for Sustainable Finance: Building a Sustainable ASEAN**Introduction to ASEAN Taxonomy**

ASEAN recognises the importance of sustainable finance in the region and the necessity to create a credible and inclusive regional sustainable finance taxonomy. The taxonomy would serve as a standardised classification framework, providing clear guidelines and definitions for sustainable economic activities and financial instruments within the ASEAN region. The ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) aims to guide investors, issuers, regulators and other stakeholders in the ASEAN region to align their investment and activities with the region's sustainability goals taking into account the diversity of the region. This taxonomy is designed to be interoperable with existing regional and international sustainable finance taxonomies, promoting cross-border investments and global collaboration in addressing environmental and social challenges.

Development of the ASEAN Taxonomy for Sustainable Finance

Recognising the imperative need to establish a robust framework for sustainable finance, an ASEAN Taxonomy Board (ATB) was established in March 2021 with a mandate to develop, maintain, and promote an ASEAN Taxonomy. The ATB then developed ASEAN Taxonomy Version 1 in November 2021 followed by Version 2 in March 2023 to harmonise ASEAN financial system with sustainability principles. The ASEAN Taxonomy consists of two main elements:

- i. The Foundation Framework which is applicable to all ASEAN Member States (AMS) and allows a qualitative assessment of activities; and
- ii. The Plus Standard with metrics and thresholds to further qualify and benchmark eligible green activities and investments.

The environmental objectives of the ASEAN Taxonomy are universal and applicable to all AMS, in alignment with national environmental laws. These objectives include climate change and adaptation, protection of healthy ecosystems and biodiversity; promotion of resource resilience; and transition to circular economy. Meanwhile, the Plus Standard provides details on how to determine if an economic activity is in accordance with the ASEAN Taxonomy.

The ASEAN Taxonomy Board

ATB membership comprises representatives from the four ASEAN finance sectoral bodies i.e., the ASEAN Capital Markets Forum (ACMF), the ASEAN Senior Level Committee on Financial Integration (SLC), the Working Committee on Capital Market Development (WC-CMD) and the ASEAN Insurance Regulators Meeting (AIRM). Members of the Board comprise organisations from all 10 AMS, selected by their respective sectoral bodies. This ensures that every ASEAN country has a voice in developing the ASEAN Taxonomy. Malaysia is represented on the ATB by the Securities Commission Malaysia (SC) and Bank Negara Malaysia (BNM). In addition, SC chairs the ATB's Working Group on Market Financing and Resourcing while BNM, chairs the ATB's Working Group on Conceptual Framework and Principles.

ASEAN Taxonomy Version 1

The ASEAN Taxonomy Version 1 covers six economic focus sectors, which were identified based on their environmental and economic importance to ASEAN, aligned to the International Standard Industrial Classification (ISIC). These focus sectors are:

- i. Agriculture, forestry and fishing;
- ii. Electricity, gas, steam, and air conditioning supply (Energy);
- iii. Manufacturing;
- iv. Transportation and storage;
- v. Water supply, sewerage, water management and remediation activities; and
- vi. Construction and real estate activities.

In addition to these six focus sectors, the ATB also identified three enabling sectors, which play a crucial role in enhancing the performance of sectors and activities, and are essential for decarbonising the economy. Importantly they do not compromise the environmental objectives of the Taxonomy. These enabling sectors are:

- i. Information and Communication Technology (ICT);
- ii. Professional, scientific, and technical activities; and
- iii. Carbon Capture, Utilisation, and Storage (CCUS).

In Version 1, it was established that the four environmental objectives and two essential criteria of the ASEAN Taxonomy would apply to all AMS, players in the financial sector, as well as business enterprises. These environmental objectives were of equal importance and were designed to be interoperable with the six environmental objectives of the European Union (EU) Taxonomy. The ASEAN Taxonomy's environmental objectives and essential criteria consist of:

Environmental Objective

- Environmental Objective 1: Climate change mitigation;
- Environmental Objective 2: Climate change adaptation;
- Environmental Objective 3: Protection of healthy ecosystems and biodiversity; and
- Environmental Objective 4: Promote resource resilience and transition to a circular economy.

Essential Criteria

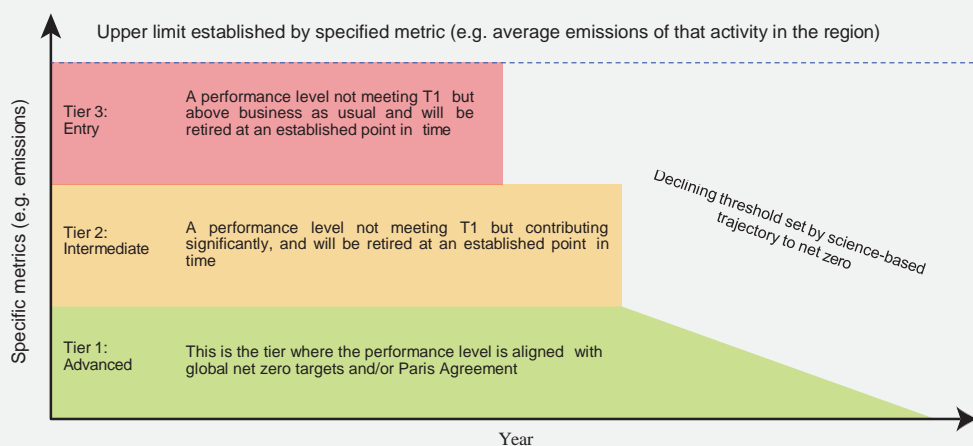
- Essential Criteria 1: Do no significant harm (DNSH); and
- Essential Criteria 2: Remedial measures to transition.

The ASEAN Taxonomy aims for maximum inclusivity, taking into account the different stages of economic development, financial sector maturity and infrastructure readiness among AMS. The Foundation Framework is applicable to all AMS, financial sector stakeholders and business

enterprises. It employs a qualitative, sector-agnostic criteria and decision flow in order to assess activities. Under the Foundation Framework, economic activities must fulfil at least one of the Taxonomy's environmental objectives and both essential criteria. Consequently, these activities can be classified as either Green, Amber or Red within the Foundation Framework.

The Plus Standard consists of Technical Screening Criteria (TSC) for activities within each focus sector. It serves as an additional guidance and scope for AMS to further qualify eligible activities and investments, aligning them with goals in-line with the Paris Agreement. This standard also sets activity-level criteria to assess an activity's contribution to the Taxonomy's environmental objectives. The Plus Standard takes a 'stacked approach' in developing activity-level thresholds. It incorporates different thresholds for multiple decarbonisation pathways for each activity, resulting in more than one threshold referenced at a single point in time, as shown in Figure 2.1.1. Under the Plus Standard, activities can be classified as either Green, Amber or Red based on their compliance.

FIGURE 2.1.1. *Plus Standard 'stacked approach' in developing activity-level thresholds*

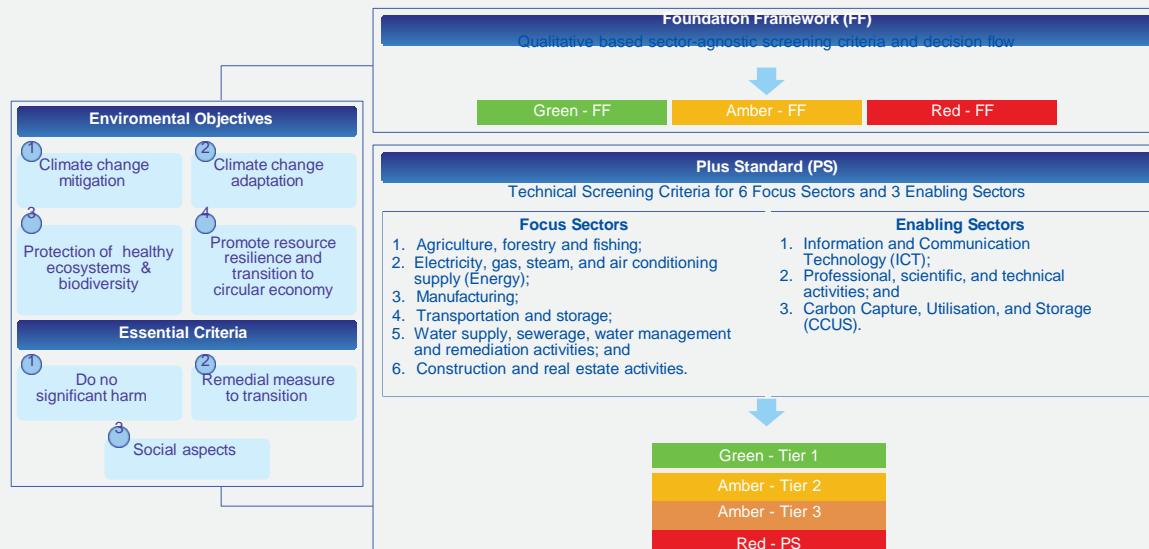


Source: Securities Commission Malaysia

Following a series of consultation with targeted stakeholders, Version 2 of the ASEAN Taxonomy was released in March 27, 2023. This version expands upon the conceptual thinking of the multi-tiered framework set out in Version 1. The ASEAN Taxonomy is meant to be interoperable with the EU Taxonomy and other national Taxonomies of AMS. In Version 2, Essential Criteria 3 was introduced to promote social aspects as illustrated in Figure 2.1.2. Social aspects focus on the following:

- i. Promotion and protection of human rights;
- ii. Prevention of forced labour and protection of children's rights; and
- iii. Impact on people living close to investments.

FIGURE 2.1.2. *The Design of the ASEAN Taxonomy Version 2*



Source: Securities Commission Malaysia

A unique feature introduced in Version 2 is the criteria governing the early retirement of coal-fired power plants, also known as coal phase-out. This feature emphasises a just transition to address the needs of affected communities and industries. By addressing the developmental needs of AMS, the ASEAN Taxonomy aims to mitigate potential social and economic disruptions that might arise during this transformative period. By classifying coal phase-out as a green activity and maintaining strict evaluation standards, the ASEAN Taxonomy incentivises and promotes a shift towards cleaner and more sustainable energy alternatives within the region. This approach serves as a progressive and proactive measure to combat climate change and enhance environmental protection in ASEAN.

Impact on ASEAN and Malaysia

The ASEAN Taxonomy has generated significant global interest, not only as the first regional transition taxonomy published globally, but also for its specific treatment of important aspects of transition such as coal phase-out. It also provides an important signal of the region's collective commitment towards a sustainable ASEAN and models an example of an inclusive yet credible classification system for sustainable activities that will help equalise climate outcomes across the AMS. Subsequently, ASEAN Taxonomy will be a key to attracting international investments and financial flows into sustainable projects in the region.

For Malaysia, the BNM and SC have been working closely to ensure the ASEAN Taxonomy is aligned with the Climate Change and Principle-based Taxonomy (CCPT) issued by BNM, and the Sustainable and Responsible Investment (SRI) Taxonomy issued by the SC. The implementation of CCPT and SRI in the Malaysian financial system as well as the adoption of the ASEAN Taxonomy will boost more investment flow and foreign funds into the country.

Moving Forward

Version 2 of the ASEAN Taxonomy is undergoing a stakeholder consultation process, following which the TSC for the Energy sector is expected to be finalised in early 2024. The ASEAN Taxonomy is a living document subject to frequent revisions to incorporate latest technological, scientific, and economic developments. In line with this approach, TSCs for the remaining five focus sectors and two enabling sectors are currently in development and will be introduced in phases.

Conclusion

The ASEAN Taxonomy represents the collective commitment and dedication of AMS in transitioning towards a sustainable region. It is designed to be an inclusive and credible classification system for sustainable activities and will be one of the game changers for attracting investments and financial flows into sustainable projects in the region.

The framework is designed to be credible and science-based, while being inclusive and catering to the different development stages of its member states. A regional green taxonomy that is aligned with international benchmarks would be useful for policymakers, financial market stakeholders and international investors in sustainable financing decisions. It underscores ASEAN's commitment to sustainability, ensuring that its journey towards a greener and more resilient future is supported by a robust framework accessible to all member states.

Domestic Economy

Sectoral

Services Sector

Tourism industry recovery, rejuvenates the sector

The **services** sector increased by 6% in the first half of 2023, mainly attributed to the wholesale and retail trade; transportation and storage; and food & beverages and accommodation subsectors. However, finance and insurance contracted during the period. The performance of the sector in the second half of the year is anticipated to rise by 5.1% driven by tourism- and travel-related subsectors following higher tourist arrivals and improved consumer spending. Overall, the sector is projected to grow by 5.5% in 2023, with nearly all subsectors recording positive growth, except for the finance and insurance subsector.

TABLE 2.1. *Gross Domestic Product by Sector, 2022 – 2024*
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2023 ¹	2022	2023 ¹	2024 ²
Services	59.3	10.9	5.5	5.6
Manufacturing	23.5	8.1	1.4	4.2
Agriculture	6.3	0.1	0.6	1.2
Mining	6.1	2.6	-0.8	2.7
Construction	3.6	5.0	6.3	6.8
GDP	100.0	8.7	~ 4.0³	4.0 – 5.0

¹ Estimate

² Forecast

³ Approximate

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

Source: Department of Statistics and Ministry of Finance, Malaysia

The wholesale and retail trade subsector grew by 7% in the first half of 2023, with robust performance observed, especially in retail trade and motor vehicle segments. The growth of the subsector was driven by the retail trade segment, propelled by higher consumer

TABLE 2.2. *Services Sector Performance, 2022 – 2024*
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2023 ¹	2022	2023 ¹	2024 ²
Wholesale and retail trade	30.1	13.5	5.8	5.6
Finance and insurance	11.3	0.8	-1.3	4.3
Information and communication	11.2	5.2	5.0	6.5
Real estate and business services	7.5	22.7	7.3	5.4
Transportation and storage	6.9	30.8	14.5	7.4
Food & beverages and accommodation	5.2	33.0	10.4	7.9
Utilities	4.5	3.4	3.3	5.3
Other services	7.7	9.3	6.4	5.0
Government services	15.6	5.0	4.9	4.7
Services	100.0	10.9	5.5	5.6

¹ Estimate

² Forecast

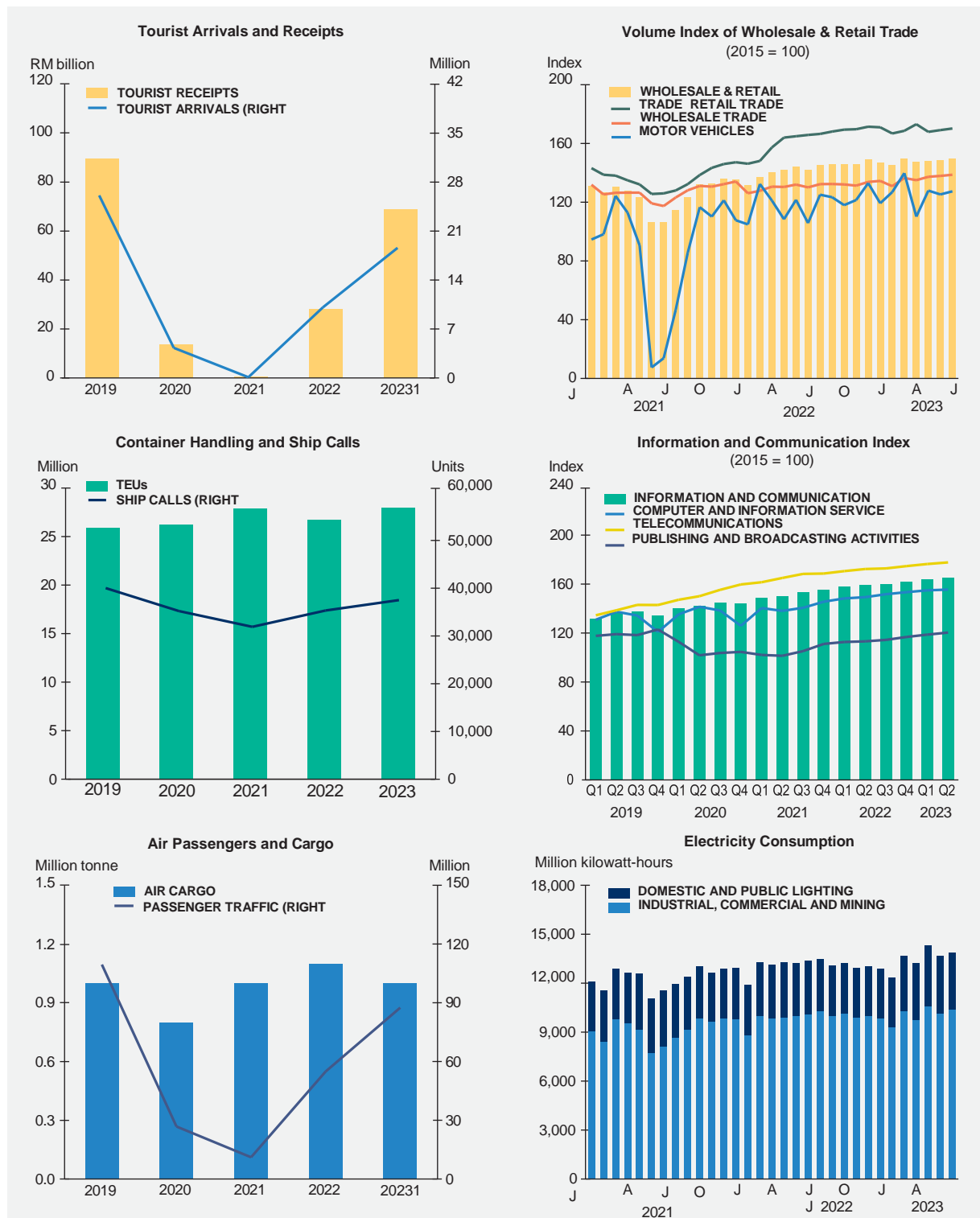
Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

spending in non-specialised stores. Meanwhile, the motor vehicles segment benefitted from an upward momentum in total industry volume (TIV) subsequent to the fulfilment of backlog bookings made during the sales tax exemption period in 2022 and new model launches.

The wholesale trade segment experienced moderate growth, in tandem with the gradual recovery in the global supply chain. The subsector is expected to expand by 4.8% in the second half of the year, following improvement in all segments, especially the retail trade, attributed to higher tourist expenditure, special appreciation in terms of aids for civil servants and pensioners as well as e-wallet credit incentives for targeted groups. The motor vehicles segment is also anticipated to grow supported by continuation of high order books for the whole year in line with the upward revision of TIV for vehicle sales in 2023 from 650,000 to 725,000 units. Subsequently, the subsector is projected to record a significant growth of 5.8% in 2023.

FIGURE 2.2. Selected Indicators for the Services Sector



¹ Estimate

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, Pulau Pinang and Tanjung Pelepas)

The transportation and storage subsector expanded by 15.2% in the first half of 2023, attributed to the increase in passenger traffic, particularly in land and air transport segments as well as supporting activities related to airports and highway operations. The land and air transport segments' growth were mainly driven by robust tourism-related activities following higher traffic volume in toll highways and airports, which increased by 7% to 456 million vehicles and 90.7% to 40.4 million passengers, respectively. In the second half of 2023, the subsector is expected to increase by 13.7% supported by the land transport segment, particularly road and rail transports on the back of state elections, festivities and school holidays. The performance of air cargo is anticipated to moderate due to softer performance in global trade, which is offset by the notable performance of air passenger traffic, in tandem with the additional number of flights to several main and new routes such as Istanbul, Okinawa and Tashkent. The water transport segment is forecast to grow at a slower rate, however it remains as a significant contributor to the growth of the subsector. Overall, the subsector is projected to rise by 14.5% in 2023.

The food & beverages and accommodation subsector is projected to record a significant growth of 10.4% in 2023 following the expansion in all segments. The subsector grew by 10.7% in the first half of 2023 supported by high hotel occupancy rates and patronage at eateries, mainly attributed to the increase of tourist arrivals to 9.2 million. The subsector is expected to increase by 10.1% in the second half of the year, on the back of vibrant tourism related activities. The favourable outlook is in line with the revised projection of 18.6 million tourist arrivals in 2023 by the Ministry of Tourism, Arts and Culture. The upsurge revision is echoed in the Global Muslim Travel Index 2023, of which Malaysia continues to maintain the top position as a Muslim travel destination for five consecutive years.

The real estate and business services subsector rose by 9.8% in the first half of 2023 supported by higher demand for professional services, particularly in engineering-, accounting- and architectural-related activities, as well as the increase in real estate agents and brokers activities. The subsector is expected to grow

by 5% in the second half of the year driven by the higher demand for professional services following the vigorous construction-related activities and consulting services by diverse industries. Likewise, the real estate segment

is also anticipated to boost the subsector with various Government's initiatives primarily for the households in the B40 and M40 income groups. These initiatives include the introduction of affordable housing ownership and renting under the MADANI Neighbourhood scheme, continuation of 100% stamp duty exemption for first-time homeowners on the purchase of properties valued at up to RM500,000 as well as enhancement of the loan scheme under the Syarikat Jaminan Kredit Perumahan Berhad by increasing financing guarantees up to 120% of the house price up to RM300,000. For the year, the subsector is expected to grow by 7.3%.

The information and communication subsector rose by 3.7% in the first half of 2023 and expected to grow by 6.2% in the second half of the year following attractive and affordable internet packages with devices, for high-speed connectivity such as 5G RAHMAH Package and RAHMAH Public Servant Postpaid Incentive. These packages, which are offered by major telecommunication companies are expected to further increase the internet subscription rate. Therefore, the subsector is projected to rise by 5% in 2023. Meanwhile, the utilities subsector rose by 2.3% in the first half of 2023 and is estimated to increase further by 4.3% in the second half of the year. For the year, the subsector is expected to expand by 3.3% supported by higher electricity consumption by commercial and residential segments in tandem with the hot weather from the El Niño phenomenon.

During the first half of 2023, the finance and insurance subsector contracted by 1.3% due to slow credit growth within the banking segment and a notable increase in claims, particularly from life insurance policyholders. In the second half of the year, the subsector is projected to continue a negative trajectory at 1.2% due to a surge in payouts for medical claims in the insurance segment. This, in turn, will weigh down the overall subsector's performance with a contraction of 1.3% in 2023.

The other services subsector grew by 6.8% in the first half of 2023 contributed by entertainment and recreational activities, in line with increasing momentum in domestic tourism. The subsector is expected to expand by 6% in the second half of the year, driven by sustained demand for private education as well as healthcare services following continuous effort to promote health tourism. Overall, the subsector is anticipated to grow by 6.4% in 2023. Meanwhile, the government services subsector recorded a growth of 5.3% in the first half of 2023 owing to additional salary increment of RM100 for public servants. The subsector is expected to expand by 4.5% in the second half and 4.9% for the whole year.

Manufacturing Sector

Growth driven by domestic-oriented industries

The **manufacturing** sector grew by 1.7% during the first half of 2023 underpinned by resilient domestic-oriented industries amid sluggish external demand. The domestic-oriented industries' steady growth of 4.4% was backed by increasing demand for consumer goods and construction-related segments.

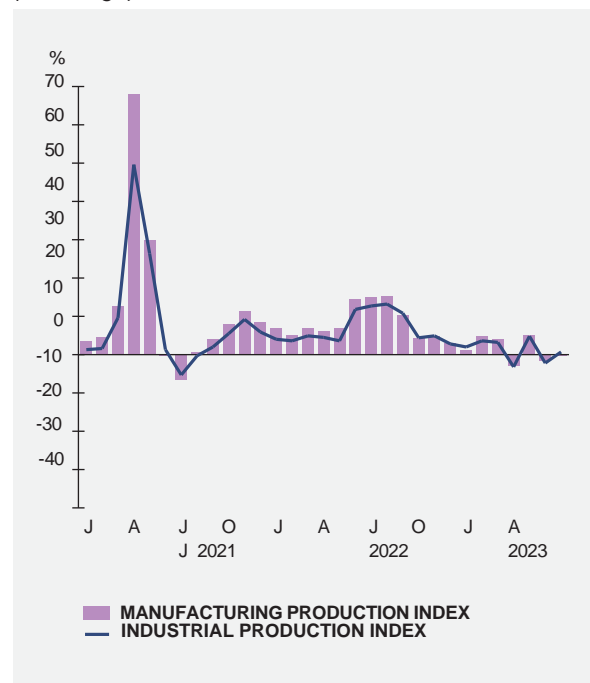
Meanwhile, export-oriented industries expanded marginally by 0.5% weighed down by the lower production of E&E due to cyclical downturn in global semiconductor industry.

The sector is forecast to grow by 1.2% in the second half of the year with domestic-oriented industries remain as the mainstay of

growth. All segments are projected to expand particularly food and beverages, as well as transport equipment. These segments will benefit from the strengthening of tourism activities and increasing demand for passenger cars and related motor parts and accessories. In addition, anticipated acceleration and realisation of projects in the construction sector will increase the demand for metal-related segments. Meanwhile, within the export-oriented industries, the E&E segment

is expected to pivot away from the downcycle trend, in line with gradual improvements in global demand especially for computing devices, electronics and semiconductors as well as growing domestic demand for industrial electronics, electric vehicles (EV) and medical technology devices. Furthermore, the demand for chemicals segment is expected to increase in line with the bottom out of E&E downcycle. Hence, the manufacturing sector is anticipated to register a modest growth of 1.4% in 2023.

FIGURE 2.3. *Output of Manufacturing Sector (% change)*



Source: Department of Statistics, Malaysia

TABLE 2.3. *Manufacturing Indices by Export- and Domestic-Oriented Industries, January – July 2022 and 2023*
(2015 = 100)

	INDEX		CHANGE (%)		SHARE (%)	
	2022	2023	2022	2023	2022	2023
Export-oriented industries	137.9	137.9	7.0	0.0	68.9	67.9
Manufacture of vegetable and animal oils and fats	88.6	93.4	-4.5	5.5	3.6	3.7
Manufacture of textiles	118.2	113.7	6.0	-3.8	0.7	0.7
Manufacture of wearing apparel	116.4	123.2	5.7	5.8	0.8	0.8
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	122.5	114.6	13.7	-6.5	1.9	1.8
Manufacture of coke and refined petroleum products	116.8	118.1	4.6	1.1	11.9	11.9
Manufacture of chemicals and chemical products	122.4	127.7	5.1	4.3	8.5	8.7
Manufacture of rubber products	196.1	177.2	-21.3	-9.6	4.7	4.2
Manufacture of plastics products	131.5	124.3	5.2	-5.5	3.2	3.0
Manufacture of computer, electronics and optical products	164.7	165.7	17.7	0.6	24.9	24.7
Manufacture of electrical equipment	147.0	147.3	12.6	0.2	3.5	3.5
Manufacture of machinery and equipment n.e.c.	146.2	147.4	5.9	0.8	3.4	3.4
Manufacture of furniture	136.9	125.0	14.5	-8.7	1.6	1.4
Domestic-oriented industries	127.4	133.3	12.9	4.6	31.1	32.1
Manufacture of food processing products	156.7	163.2	9.8	4.1	6.3	6.4
Manufacture of beverages	131.6	132.3	19.0	0.5	0.9	0.9
Manufacture of tobacco products	109.0	128.2	31.9	17.6	0.6	0.7
Manufacture of leather and related products	145.9	158.2	18.7	8.5	0.2	0.3
Manufacture of paper and paper products	137.6	142.1	9.4	3.3	1.7	1.8
Printing and reproduction of recorded media	119.0	125.6	7.0	5.5	1.2	1.3
Manufacture of basic pharmaceuticals, medicinal chemical and botanical products	162.5	165.6	7.6	1.9	0.7	0.7
Manufacture of other non-metallic mineral products	109.0	112.5	11.9	3.2	3.5	3.6
Manufacture of basic metals	118.5	122.1	10.5	3.1	3.0	3.1
Manufacture of fabricated metal products, except machinery and equipment	111.5	118.3	8.0	6.2	4.6	4.8
Manufacture of motor vehicles, trailers and semi-trailers	145.1	153.5	27.2	5.8	5.0	5.2
Manufacture of other transport equipment	97.8	101.3	7.8	3.6	1.3	1.3
Other manufacturing	116.7	119.8	13.4	2.6	0.9	1.0
Repair and installation of machinery and equipment	129.8	136.8	11.5	5.4	1.1	1.1
Manufacturing	134.4	136.3	8.8	1.4	100.0	100.0

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

Agriculture Sector

Anticipated to grow marginally

The **agriculture** sector declined by 0.1% in the first half of 2023 as all subsectors recorded lacklustre performance, except for other agriculture. The oil palm subsector, the major contributor in the agriculture sector, shrank during the period on the back of lower production of CPO from Peninsular Malaysia. This production was affected by slow manuring activities in the previous year, shorter working period following a series of festivities as well as hot weather condition. Likewise, the decrease in natural rubber output has led to a contraction in the rubber subsector. The rubber production from the smallholdings segment, which accounted about 86% of total production, waned by 9%, while output from the estates segment decreased by 2.7%. In addition, other subsectors recorded negative growth during the period, partly due to unfavourable weather condition.

For the second half of the year, the sector is forecast to expand by 1.1% mainly supported by the oil palm, other agriculture and livestock subsectors. The oil palm subsector is projected to increase on account of higher

fresh fruit bunches production, following peak harvest season and further improvement in labour supply. Other agriculture and livestock subsectors are forecast to record positive growth, underpinned by better production on the back of growing demand from domestic market. Overall, agriculture sector is estimated to grow marginally by 0.6% in 2023.

Mining Sector

Subdued growth outlook

The **mining** sector turned around to record 0.1% growth in the first half of 2023. This was supported by improved performance of crude oil and condensate as well as other mining & quarrying and supporting services subsectors. Meanwhile, natural gas subsector was subdued following interruption of operations in Peninsular Malaysia and plant shutdown in Sarawak. The mining sector's performance is anticipated to contract by 1.7% in the second half of the year, owing to lower production of crude oil and condensate as well as natural gas. The decline in production is due to plant maintenance shutdown at several oil and gas fields as well as lower external demand for liquefied natural gas (LNG) amid challenging global environment. Against this backdrop, growth in the mining sector is projected to contract by 0.8% in 2023.

With regard to oil prices, the Brent crude oil is anticipated to average around USD80 per barrel in 2023, partly due to dampening demand following weaker-than-expected recovery in China's economy and moderate global growth. However, proactive oil market management by OPEC+, as well as continued investments in the oil sector are envisaged to provide some support to prices.

Construction Sector

Steady growth across the sector

The **construction** sector improved steadily by 6.8% in the first half of 2023 mainly driven by the civil engineering and special construction activities subsectors. The civil engineering

TABLE 2.4. Value-added in the Agriculture Sector, 2022 – 2024
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2023 ²	2022	2023 ²	2024 ³
Oil palm	36.4	3.8	0.4	1.1
Other agriculture ¹	29.1	-3.2	3.4	3.5
Livestock	16.7	0.1	0.7	1.2
Fishing	11.4	2.5	-1.9	-1.2
Forestry and logging	4.8	-3.6	-5.5	-6.8
Rubber	1.6	-19.7	-10.1	0.6
Agriculture	100.0	0.1	0.6	1.2

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

subsector rebounded, supported by the acceleration of ongoing infrastructure and utilities projects, which include East Coast Rail Link (ECRL) and Large Scale Solar 4 projects. The non-residential buildings and residential buildings subsectors also registered positive growth in line with vibrant economic activities.

The sector is forecast to expand by 5.9% in the second half of the year supported by growth in all subsectors. The residential buildings subsector is anticipated to remain encouraging on the back of Government's initiatives such as i-MILIKI and Housing Credit Guarantee Scheme in assisting first-time home buyers, spurring demand for home ownership. Similarly, the non-residential buildings subsector is envisaged to increase, particularly with the realisation of approved private investments. The continuous implementation of strategic infrastructure and utilities projects will further support the civil engineering subsector. For the year, performance of the sector is expected to remain steady and grow by 6.3%.

Domestic Demand

Domestic activity remains the main driver of growth

Domestic demand continues to drive growth in an environment of increasing external uncertainties. In the first half of 2023, domestic demand registered a growth of 4.5% contributed by strong private and public expenditures. Domestic demand is expected to expand by 4.9% for the whole year, contributing 4.5 percentage point to GDP growth. Propelled by both consumption and investment spending, private and public sector expenditures are expected to expand by 5.3% and 2.8%, respectively, in 2023.

Private consumption, which recorded a growth of 5.1% in the first half of 2023, is expected to grow by 5.6% for the whole year. The lower growth as compared to 2022

TABLE 2.5. Gross Domestic Product by Aggregate Demand, 2022 – 2024
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2023 ²	2022	2023 ²	2024 ³
Domestic demand	94.0	9.2	4.9	5.3
Private expenditure	76.6	10.3	5.3	5.6
Consumption	61.2	11.2	5.6	5.7
Investment	15.4	7.2	4.3	5.4
Public expenditure	17.4	4.7	2.8	4.1
Consumption	12.9	4.5	1.0	2.6
Investment	4.6	5.3	8.2	8.3
External sector¹	5.3	-1.0	1.1	5.5
Exports	67.3	14.5	-6.2	4.1
Imports	62.0	15.9	-6.8	3.9
GDP	100.0	8.7	~ 4.0⁴	4.0 – 5.0

¹ Goods and non-factor services

² Estimate

³ Forecast

⁴ Approximate

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

Source: Department of Statistics and Ministry of Finance, Malaysia

is attributable to the lagged effect from the increased Overnight Policy Rate (OPR), dissipating effect from the Employees Provident Fund special withdrawal and lower corporate earnings of the export-oriented industries. Nonetheless, private spending is expected to remain resilient supported by continued improvement in the labour market, easing of inflationary pressures, and provision of cash assistance by the Government such as the special appreciation aid for civil servants and retirees as well as e-wallet credit for youths, students and Malaysians earning annual wages of RM100,000 and below. The growing trend of digital lifestyle which corresponded with a higher e-commerce income and the implementation of Payung Rahmah initiative are also expected to provide additional boost in consumer spending.

Private investment, which expanded by 4.9% in the first half of the year, is projected to grow by 4.3% in 2023 mainly supported by new and ongoing projects such as the construction of data centre facilities, as well

as commercial and industrial buildings. This is also backed by continuous implementations of measures under the Budget 2023. In addition, new policies guided by the Ekonomi MADANI framework, which include NETR and NIMP 2030, are expected to accelerate investment activity in uplifting Malaysia as a preferred investment destination. Furthermore, the realisation of approved investments by the Malaysian Investment Development Authority (MIDA) is expected to have a positive spill over impact on private investment in the near term.

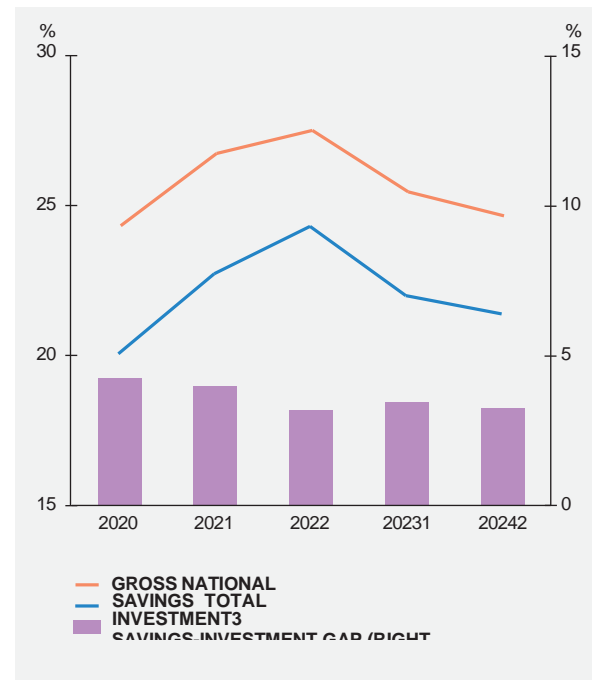
Public consumption registered a marginal growth of 0.8% in the first half of 2023 and is anticipated to record 1% for the whole year, supported by continued spending on emoluments. This is aligned with the continuous efforts by the Government to rationalise and optimise expenditure while upholding the quality of public service delivery. Furthermore, the Government continues to enhance value for money in the procurement of supplies and services, reflecting prudent spending.

Public investment registered 6.7% growth in the first half of 2023, mainly driven by public corporations' higher capital outlays. Overall, public investment is expected to expand by 8.2% in 2023, supported by capital expenditure by public corporations and acceleration of the Federal Government development expenditure (DE). Capital spending in the transport segment is projected to continuously expand the segment's operational capacity and improve service quality. This includes spending on the ongoing Pan Borneo Highway and ECRL.

The growth of GNI at current prices is estimated at 4.1% in 2023, in line with the moderating economic performance.

Meanwhile, the gross national savings (GNS) and total investment are anticipated to record 25.4% and 22% of GNI, respectively. The **savings-investment gap** is expected to register a surplus of RM62 billion or 3.4% of GNI, providing sufficient liquidity to finance domestic economic activities.

FIGURE 2.4. Savings – Investment Gap (% of GNI)



¹ Estimate

² Forecast

³ Including change in stocks

Source: Department of Statistics and Ministry of Finance, Malaysia

FEATURE ARTICLE 2.1

Towards an Investment-Driven Economy for a Sustainable Growth in Malaysia**Introduction**

Gross fixed capital formation¹ (GFCF), commonly referred to as investment, is one of the factors that contributes to Malaysia's economic growth. Historically, the average real GDP growth was recorded at 9.2%, while the share of GFCF to GDP was around 40% during the period of 1991 – 1997. However, after the Asian Financial Crisis (AFC) in 1997 – 1998, Malaysia experienced a lower growth trajectory. The average real GDP growth registered 4.3% in 1998 – 2022 with a lower share of GFCF to GDP of around 23%. To revitalise the economy, the Government introduced the Ekonomi MADANI framework in July 2023, which outlines among others, efforts to attract quality investment, with the aim to accelerate economic growth and improve the quality of life of the rakyat. In this regard, it is imperative to highlight the economic and investment trends in Malaysia and the driving policies aimed at attracting more high-value investments that will propel the nation's sustainable growth.

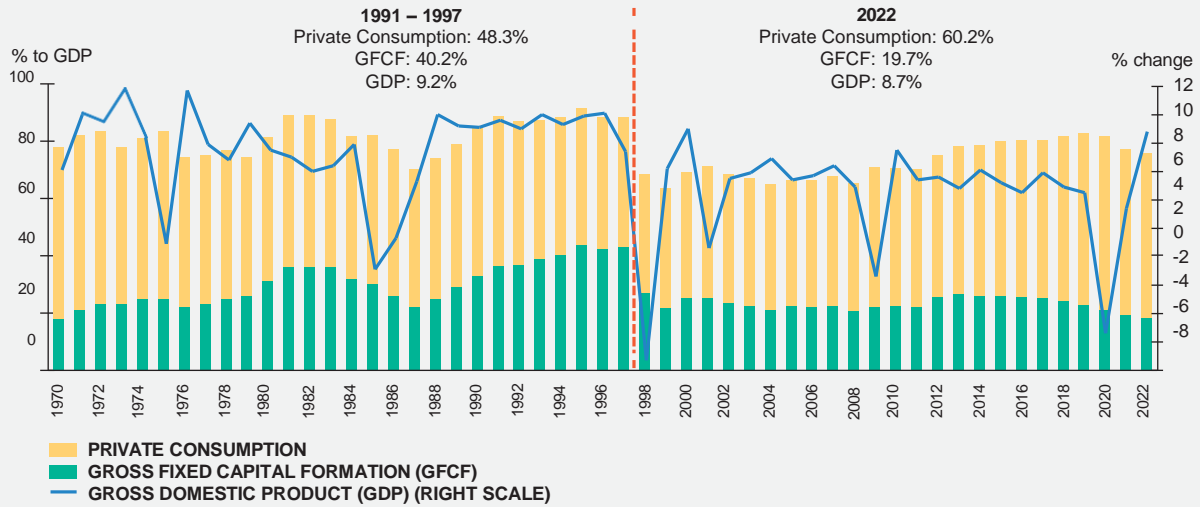
Malaysia's Economic and Investment Trends

The nation has successfully undergone a structural transformation, transitioning from an agriculture- and commodity-based economy to one that is driven by the services and manufacturing sectors. The development of the economy was mainly guided by long-term development policies namely the New Economic Policy (1971 – 1990) and the Vision 2020 (1991 – 2020). However, Malaysia was not spared from global economic crises. The AFC caused the economy to contract by 7.4% in 1998. In 2020, the global economy was hit by the unprecedented COVID-19 pandemic. The imposition of lockdowns worldwide including Malaysia to contain the pandemic has resulted in slower global economic and trade activities. Consequently, Malaysia's economy contracted by 5.5% in 2020.

Post-pandemic, the Government continues to prioritise on measures to protect lives, restore livelihoods and rebuild businesses. The nation had gradually recovered where real GDP grew by 3.3% in 2021 and expanded further to 8.7% in 2022. The growth was the fastest since 2000, mainly attributed to the robust private consumption which recorded a double-digit growth of 11.2%, more than the average of 7.5% during the period of 1991 – 1997. Similarly, the share of private consumption to GDP also increased to 60.2% in 2022 as compared with an average of 48.3% during the same period as shown in Figure 2.1.1. This indicates the economy is currently dependent on private consumption-driven growth. On the contrary, the GFCF growth moderated to 6.8% in 2022 as compared with an average of 15.4% in the 1991 – 1997 period. The share of GFCF to GDP was also lower at around 20% in 2022 as compared with an average of 40.2% during the same period.

¹ Gross fixed capital formation (GFCF) is also known as investment in fixed assets that used repeatedly in the process of production for more than one year (Department of Statistics, Malaysia, 2023).

FIGURE 2.1.1. Gross Domestic Product, Gross Fixed Capital Formation and Private Consumption in Malaysia at Constant Prices

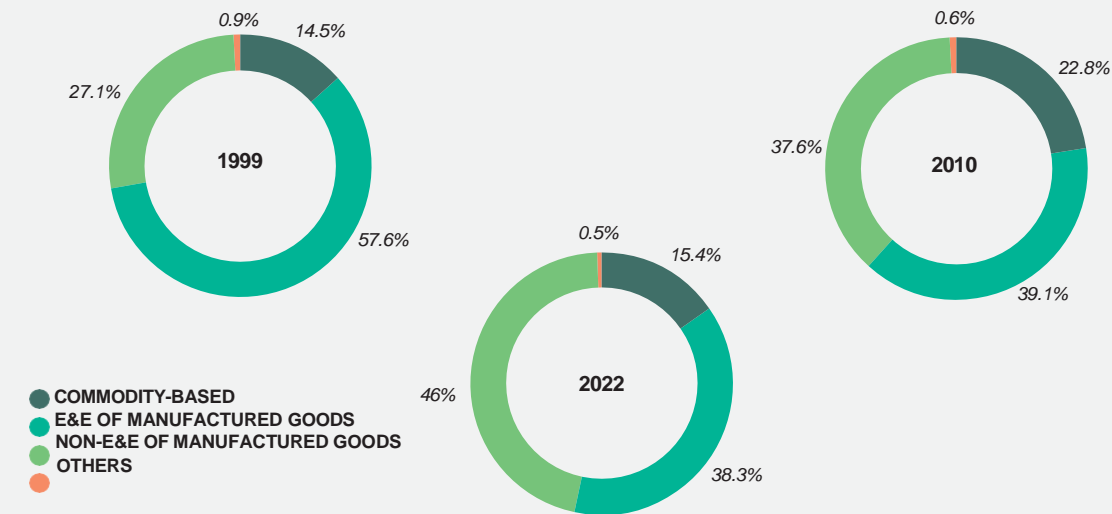


Source: Department of Statistics, Malaysia and World Development Indicators

Prior to the AFC, the significant increase in the share of investment to GDP coupled with higher exports performance, particularly E&E products, had contributed to the country's robust economic growth. The increase was in line with supportive Government policies that primarily revolved around substantial infrastructures and incentives to attract foreign direct investment (FDI) and accelerate industrialisation (Yusuf and Nabeshima, 2009). Various measures were introduced to incentivise domestic manufacturers to participate in the export market. Additionally, free trade zones were established to attract foreign investment and export-intensive industries (Khalafalla and Webb, 2001).

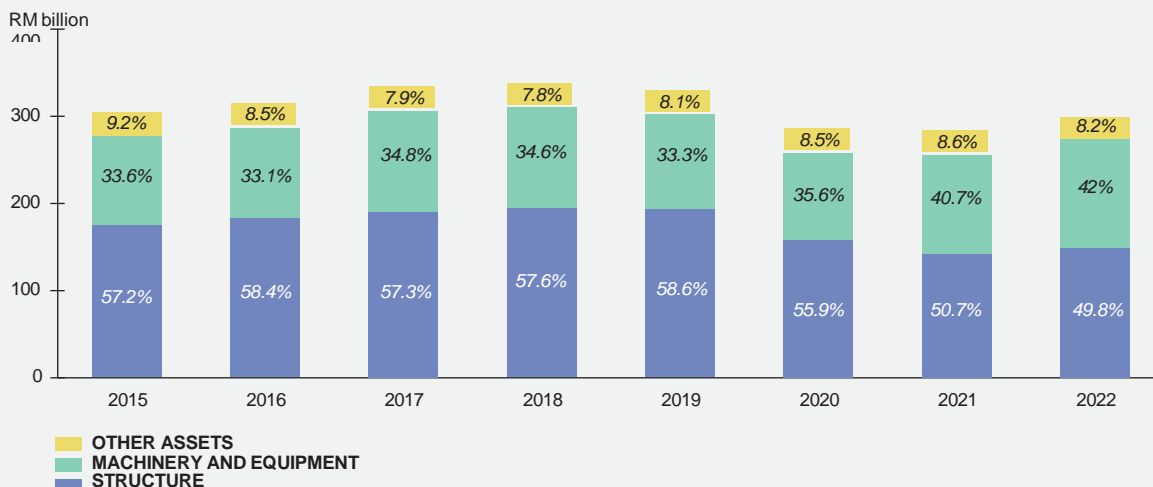
The E&E exports accounted for 57.6% of the total gross exports in 1999 as shown in Figure 2.1.2. However, since 2000, the downturn of the global electronic industry and the rise of China's economy have triggered changes in Malaysia's manufactured exports components (Abidin and Loke, 2008). Furthermore, the country also faced challenges in attracting FDI due to increased competition from neighbouring countries offering lower labour costs. Consequently, Malaysia's exports of E&E products recorded a lower share of 38.3% in 2022.

The exports of non-E&E products showed an increasing trend and recorded a share of 46% in 2022 as compared with 27.1% in 1999. This trend is in line with higher value-added downstream manufacturing activities, particularly in petroleum products; and chemicals and chemical products. However, as an open economy, a decrease in external demand affected Malaysia's economy to record a moderate growth of 2.9% in the second quarter of 2023 as compared with 5.6% in the first quarter of 2023, mainly due to lower non-E&E exports. Moving forward, the nation needs to accelerate investments in higher value-added manufacturing activities, and diversify the nation's export products supported by greater international trade facilitations to expand market access.

FIGURE 2.1.2. *Malaysia's Gross Exports (%)*

Note: Total may not add up due to rounding
 Source: Malaysia External Trade Development Corporation

In terms of GFCF by type of assets, investment in structure² continued to record a significant share, albeit at a declining trend since 2015 while investment in machinery and equipment³ (M&E) showed a growing trend as reflected in Figure 2.1.3. The increasing composition of M&E investment signifies greater adoption of new technology and digitalisation along the production process. This is in tandem with the provision of Government grants and incentives to promote the adoption of automation, Industry 4.0 technologies and digitalisation among businesses.

FIGURE 2.1.3. *Gross Fixed Capital Formation by Type of Assets in Malaysia at Constant Prices*

Source: Department of Statistics, Malaysia

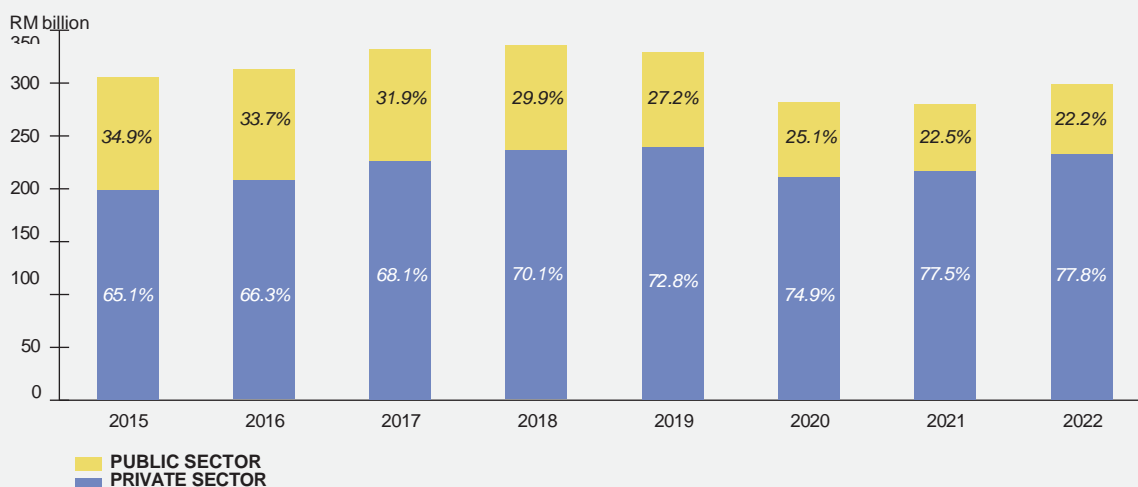
² Investment in structure comprises of residential buildings; non-residential buildings; other construction; and floating structure for oil and gas activities.

³ Investment in machinery and equipment comprises of transport equipment; other machinery & equipment; ICT equipment; and computer software & database.

The COVID-19 pandemic had an adverse impact on the GFCF in Malaysia, resulting in a decline for two consecutive years in 2020 and 2021. Although investment has rebounded in 2022, it has yet to reach its pre-pandemic level. The pandemic has heightened the need for digitalisation to ensure the continuity of economic activities. In recognising this, the Government launched the Malaysia Digital Economy Blueprint in 2021 outlining strategies to transform the country into a digitally-driven economy by 2030. According to the report on Usage of ICT and E-Commerce by Establishment, 93.8% of establishments used computers and electronic devices in 2021 as compared with 86.2% in 2019. Meanwhile, internet usage increased to 90.6% as compared with 85.2% in 2019. Furthermore, income via e-commerce transactions in Malaysia also grew by 23.9% to RM1,037.2 billion as compared with RM675.4 billion in 2019, mainly contributed by the manufacturing and services sectors at RM553.8 billion and RM473 billion, respectively.

Private investment, primarily concentrated in the services and manufacturing sectors, plays a catalytic role in generating economic growth in Malaysia. In 2022, private investment share to GFCF increased to around 78% as compared with 65.1% in 2015 as depicted in Figure 2.1.4, reflecting a private sector-led investment in Malaysia. The Government has taken several initiatives to further boost private investment, which include the announcement of the National Investment Aspirations (NIA) in April 2021 as a foundation for comprehensive reforms in investment policies. Three main objectives of the NIA are to catalyse investments to boost Malaysia's economic recovery post-pandemic; to secure Malaysia's global position in a post-COVID era; and to deliver on the promise of inclusive development. Furthermore, the New Investment Policy (NIP), which was launched in October 2022, aims at strengthening Malaysia's foundations for developing new and existing high-value growth ecosystems, and ensuring Malaysia remains as a competitive destination for high-value investments.

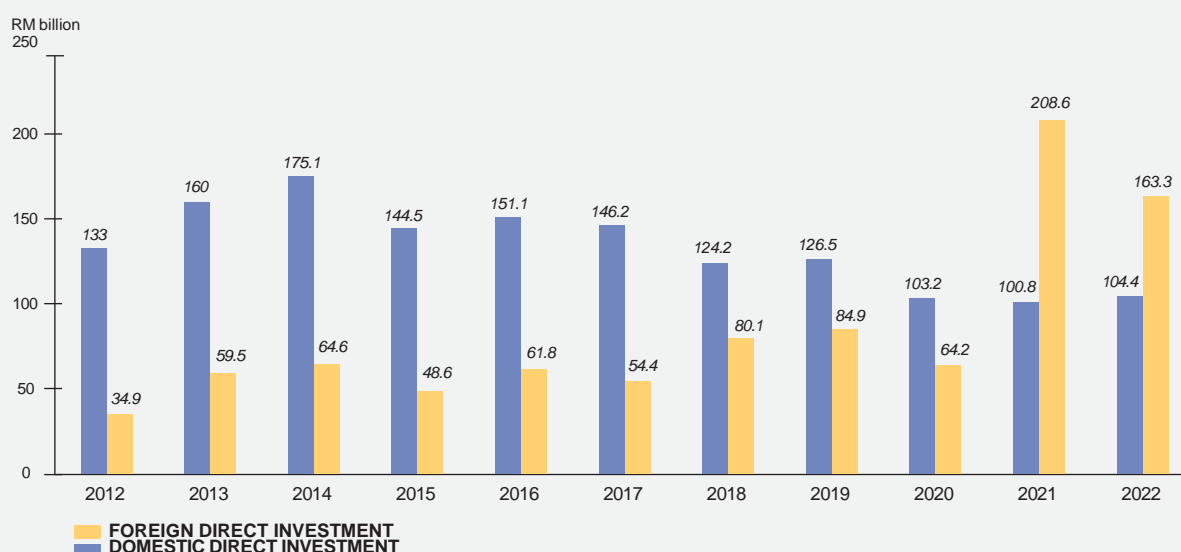
FIGURE 2.1.4. Gross Fixed Capital Formation by Sectors in Malaysia at Constant Prices



Source: Department of Statistics, Malaysia

During the period 2012 – 2020, domestic direct investment (DDI) contributed significantly to the total approved investment, accounting for 69.6% or RM1,263.8 billion as shown in Figure 2.1.5. However, post-pandemic, FDI has become the primary driver of the total approved investment. Nevertheless, the Government remains committed to promote DDI by fostering a robust domestic industrial ecosystem and integrating local companies into the supply chain alongside multinational corporations. The Government also continues to provide funding to assist small and medium enterprises (SMEs) in adopting Industry 4.0 technologies. The Government has also issued a guideline requiring federal statutory bodies and subsidiary companies to prioritise domestic investments to further boost the local equity market and strengthen the value of the ringgit. Furthermore, the Ekonomi MADANI framework emphasises on cooperation and strategic engagement by government-linked investment companies and government-linked companies to accelerate domestic investment and support the development of local vendors.

FIGURE 2.1.5. *Approved Investment in Malaysia*



Notwithstanding the ongoing economic recovery post-pandemic, several challenges persist in balancing between the private consumption and investment that necessitate a renewed focus on investment-related policies. Relying excessively on private consumption to drive economic growth is not sustainable, particularly when it is driven by fiscal injection and household savings. An empirical analysis involving 40 countries by Fukuda and Watanabe (2012) found that consumption is the main driver of economic growth in developing economies. Meanwhile, advanced economies rely on investment to fuel growth. Therefore, Malaysia needs to prioritise investment in innovative and advanced technology to achieve higher productivity and sustainable economic growth.

Therefore, the revival of private investment and FDI is crucial in driving towards higher productivity, hence allowing the country to break out of the middle-income trap (Menon, 2012). This is in line with the finding by Lean and Tan (2011) that FDI and economic growth are positively related. Inflows of FDI can encourage technological adoption and increase the production capacity of economic sectors by forming supply chain linkages with local firms, including micro, small, and medium enterprises (MSMEs). This, in turn, can lead to higher domestic investment and economic growth.

Based on an internal estimation by the Ministry of Finance, Malaysia using a Structural Vector Error Correction Model, private investment is an important factor in stimulating economic growth in the short run. Therefore, the Government has implemented a responsive fiscal and accommodative monetary policy to boost private investment. Meanwhile, in the long term, the Government is focusing on structural reform strategies to strengthen economic growth, which include fostering industries with high-growth value; enhancing technological advancement through innovation; expediting digitalisation; and developing a future-ready workforce. These strategies will further promote sustainable private investment for the future.

Government Policies to Attract Higher Investment for Sustainable Growth

Moving forward, the Ekonomi MADANI framework will serve as a foundation in revitalising the economy to ensure the accumulated wealth is benefitted equitably among the rakyat. In order to become a globally competitive investment destination, efforts will be intensified to strengthen investment promotion, enhance incentive measures to attract high-quality investments, upgrade existing infrastructure and develop human capital to meet investor needs. To date, several Government policies have been introduced to complement the framework such as the National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030) and Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan).

National Energy Transition Roadmap

The NETR will guide investments in six energy transition levers which include energy efficiency, renewable energy, hydrogen, bioenergy, green mobility as well as carbon capture, utilisation and storage (CCUS). Therefore, the whole-of-nation approach is needed to ensure the successful implementation of this initiative.

New Industrial Master Plan 2030

The NIMP 2030 encompasses six goals, namely increasing economic complexity; creating high-value job opportunities; extending domestic linkages; developing new and existing clusters; improving inclusivity; and enhancing ESG practices. The NIMP 2030 also identified several enablers which include mobilising the financing ecosystem; fostering talent development and attracting talents; developing a world-class investor ecosystem to facilitate ease of doing business; and introducing a whole-of-nation governance framework. To achieve the six goals, the NIMP 2030 will require an estimated total investment of RM95 billion during the seven-year implementation period led by the private sector. At the same time, the Government will also provide allocations to fund the NIMP 2030 action plans through the NIMP Industrial Development Fund and the NIMP Strategic Co-Investment Fund.

Mid-Term Review of the Twelfth Malaysia Plan

The MTR of the Twelfth Plan highlights 17 Big Bold catalytic strategies to reform the socioeconomic development towards achieving the aspiration of the Ekonomi MADANI framework. In this regard, focus will be given on accelerating the development of high growth high value (HGHV) industries, attracting quality investment in technology-based industries, as well as enhancing technological adoption and digitalisation. The private sector will also be encouraged to intensify green

investment in business operations and premises. Measures will also be undertaken to remove the barriers which hinder the expansion of MSMEs by facilitating their integration into domestic and global supply chains. The labour market reforms will be expedited through upskilling and reskilling programmes to produce industry-ready talent and retaining existing workforce.

Conclusion

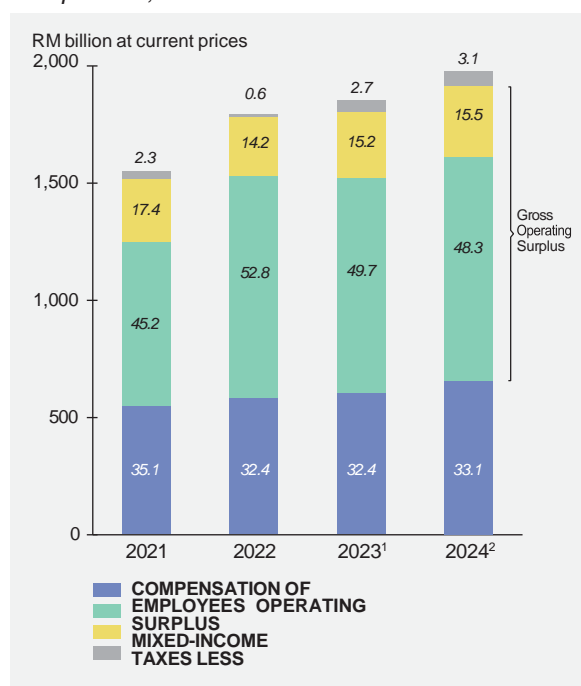
The rapid expansion of investment in Malaysia has extensively contributed to the changing structure of the economy from an agriculture- and commodity-based to an economy that is driven by the services and manufacturing sectors. Post-AFC, the nation experienced lower growth trajectory and lower investment. Without swift and effective reforms in investment-related policies, Malaysia is far from achieving its aspiration to be the top 30 largest economies. Therefore, strategies and measures under the NETR, NIMP 2030 and MTR of the Twelfth Plan as guided by the Ekonomi MADANI framework will propel quality investments in high-value-added industries, especially in the energy transition, digital and high-technology industries, ultimately creating more high-income employment opportunities for the rakyat towards sustainable economic growth.

Income

Attaining balanced income sharing remains challenging

Vibrant business and economic activities have contributed to a substantial creation of new jobs and income opportunities in the economy. As a result, the labour income improved by 6.5% to RM579.7 billion in 2022. Nevertheless, the share of **compensation of employees (CE)** to GDP continued to exhibit a downward trend to 32.4% as the nominal GDP recorded a faster growth of 15.7%. Though a similar trend was also observed in other countries, the decreasing trend implies that workers were still not benefitting sufficiently from the economic advancement through higher wages. This may continue to post a challenge in attaining the target of 40% by 2025. The share of CE is expected to sustain at 32.4% in 2023, an increase by 3.5% to RM599.9 billion in line with the expectation of continuous encouraging growth prospects. The share will be attributed mainly to income from the services (61.7%) and manufacturing (24.4%) sectors, particularly in electrical, electronic and optical products and tourism-related industries.

FIGURE 2.5. Gross Domestic Product by Income Components, 2021 – 2024



¹ Estimate

² Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

TABLE 2.6. *Gross Domestic Product by Income in Selected Countries, 2020 – 2022*

	COMPENSATION OF EMPLOYEES			GROSS OPERATING SURPLUS			TAXES LESS SUBSIDIES		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
	SHARE OF GDP (%)								
Malaysia	37.4	35.1	32.4	59.9	62.6	67.0	2.7	2.3	0.6
Philippines	34.8	36.7	36.4	58.6	55.7	55.8	6.6	7.6	7.8
Singapore	42.8	37.9	36.6	56.6	57.5	57.7	0.6	4.6	5.8
Republic of Korea	48.2	47.2	47.6	41.9	42.4	42.2	9.9	10.3	10.2
Australia	48.3	47.8	45.6	44.5	46.2	45.7	7.1	6.0	8.8
Netherlands	50.6	49.1	48.0	41.2	42.0	42.1	8.2	8.9	9.9
United Kingdom	55.9	54.7	52.9	37.3	35.5	35.1	6.8	9.9	12.0
Germany	54.4	53.2	52.3	37.6	38.9	38.5	8.0	7.9	9.2
United States	54.5	53.5	53.0	41.4	41.4	40.6	4.1	5.0	6.4

Source: Department of Statistics, Malaysia

Meanwhile, **gross operating surplus (GOS)** continued to be the major income component with its share to GDP amounting to 67%, following a significant increase of 23.9% in 2022. Capital owners, particularly in the mining and quarrying sector, continued to reap a 35.1% double-digit profit growth from business enhancement attributed to higher commodity prices. On the other hand, the mixed-income for the self-employed group persisted in a contraction trend at 5.3% as this group is still facing challenges to secure adequate income amid the transition phase towards endemicity. Nonetheless, mixed-income is expected to expand by 10.4% in 2023 as vigorous economic activities and increasing domestic demand will provide more employment and income prospects for the self-employed group. Overall, the share of GOS to GDP is projected to record 64.9% in 2023 with most of the profit will be owned by capital owners.

Net taxes on production and imports continued to decrease and contributed only 0.6% to GDP in 2022, the lowest share ever recorded in almost two decades, due to a large contraction of 69.2% recorded for net taxes.

The contraction was attributed to a surge of 134.4% in expenditure for subsidies and incentives in relation to income from taxes which merely increased by 23.8%. Most of the

expenditure was allocated for fuel subsidy to mitigate the rising cost of products and services. Nevertheless, income from taxes on production and imports is expected to improve in 2023, following a lower expenditure on subsidies and incentives. Hence, the overall share of net taxes on production and imports is expected to improve to 2.7% of GDP.

External Sector

Lacklustre performance dampened the outlook

Trade Performance

Total trade is expected to decline by 7.3% to RM2,634.9 billion in 2023 attributed to slower external demand from major trading partners as a result of moderating global trade. Similarly, **trade surplus** is estimated to decrease by 12.5% to RM224.2 billion.

Gross exports are projected to contract by 7.8% in 2023 due to sluggish external demand from major trading partners owing to slower-than-expected economic recovery, particularly in China as well as moderate commodity prices. Exports of manufactured goods are estimated to decline by 5.3% dragged by a 10.4% decrease in non-E&E products, which more than offset the marginal increase in

exports of E&E products. Exports of non-E&E products, particularly petroleum products and palm oil-based manufactured products are expected to shrink following weakening external demand and moderate commodity prices. Meanwhile, the marginal growth of 0.8% in E&E products is attributed to softening external demand for global electronics manufacturing components due to weakening economic conditions in China, the EU and the US. The E&E components with highest share include semiconductor, telecommunication equipment parts, and automatic data processing equipment.

Likewise, exports of agriculture goods are estimated to contract by 24.8%, weighed down by weak demand for palm oil and palm oil based agriculture products as well as natural rubber. Reduction in export earnings of palm oil is anticipated at 30.4% resulting from lower demand by major trading countries, particularly from China, India, the Netherlands, the Philippines and Türkiye. Furthermore, exports of mining goods are projected to contract by 18.5%, attributed to lower global demand for LNG and crude petroleum by 21.8% and 16.2%, respectively.

TABLE 2.7. *External Trade, 2022 – 2024*

	RM MILLION			CHANGE (%)		
	2022	2023 ¹	2024 ²	2022	2023 ¹	2024 ²
Total trade	2,843,821	2,634,886	2,766,393	27.6	-7.3	5.0
Gross exports	1,550,009	1,429,547	1,501,859	24.9	-7.8	5.1
<i>of which:</i>						
Manufactured	1,304,668	1,235,167	1,303,202	22.1	-5.3	5.5
Agriculture	120,903	90,876	92,405	23.3	-24.8	1.7
Mining	117,346	95,609	98,343	68.2	-18.5	2.9
Gross imports	1,293,811	1,205,339	1,264,533	31.0	-6.8	4.9
<i>of which:</i>						
Capital goods	120,231	113,335	119,079	15.8	-5.7	5.1
Intermediate goods	706,551	636,558	669,696	29.5	-9.9	5.2
Consumption goods	104,017	96,462	100,388	24.0	-7.3	4.1
Trade balance	256,198	224,208	237,326	1.0	-12.5	5.9

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 2.8. *Gross Exports, January – August 2022 and 2023*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2022	2023	2022	2023	2022	2023
Manufactured	850,880	800,624	26.4	-5.9	84.0	85.6
Agriculture	81,941	60,810	41.0	-25.8	8.1	6.5
Mining	75,147	68,272	70.7	-9.1	7.4	7.3
Others ¹	4,514	5,510	49.0	22.1	0.4	0.6
Gross exports	1,012,482	935,217	30.0	-7.6	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

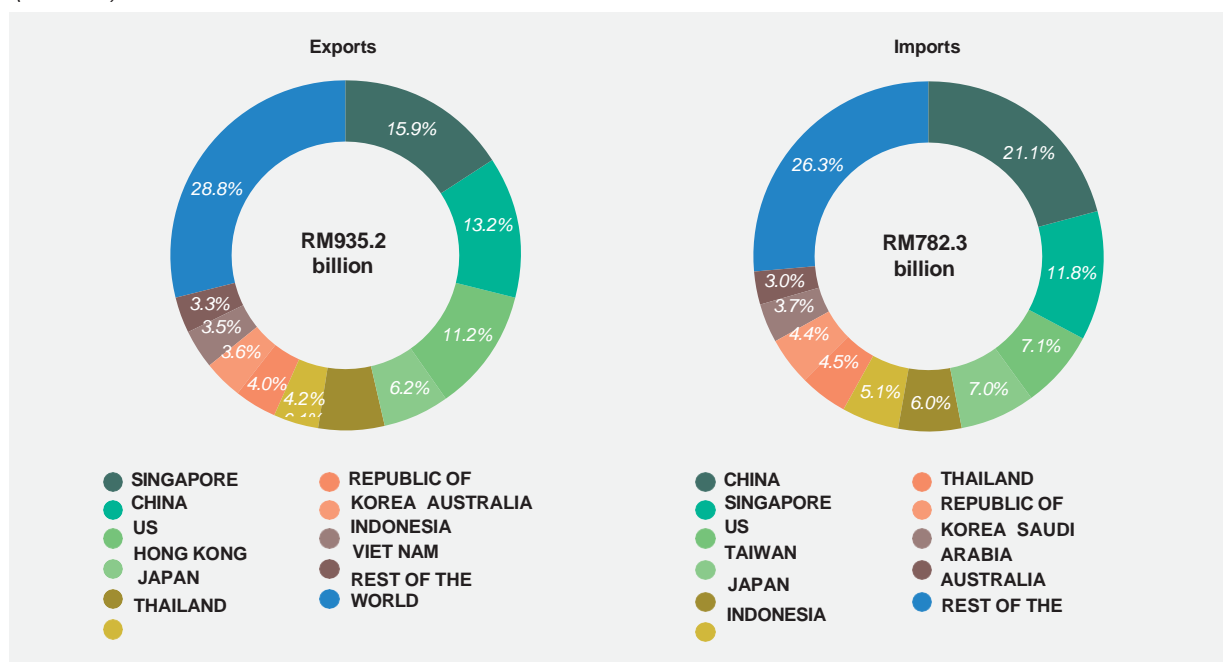
Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

TABLE 2.9. *Exports of Manufactured Goods, January – August 2022 and 2023*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2022	2023	2022	2023	2022	2023
E&E	380,126	380,685	34.4	0.1	44.7	47.5
Non-E&E	470,754	419,939	20.5	-10.8	55.3	52.5
Petroleum products	101,772	96,500	69.7	-5.2	12.0	12.1
Chemicals & chemical products	53,071	46,965	18.7	-11.5	6.2	5.9
Manufactures of metal	44,803	37,579	24.9	-16.1	5.3	4.7
Machinery, equipment & parts	40,009	36,461	27.6	-8.9	4.7	4.6
Optical & scientific equipment	36,196	35,564	22.1	-1.7	4.3	4.4
Palm oil-based manufactured products	28,941	20,849	45.0	-28.0	3.4	2.6
Rubber products	21,075	13,983	-58.3	-33.6	2.5	1.7
Processed food	18,341	19,067	18.3	4.0	2.2	2.4
Iron & steel products	23,227	20,127	34.0	-13.3	2.7	2.5
Transport equipment	11,068	11,172	9.7	0.9	1.3	1.4
Textiles, apparels & footwear	11,775	10,548	16.3	-10.4	1.4	1.3
Manufactures of plastics	11,631	10,458	12.5	-10.1	1.4	1.3
Wood products	12,689	9,455	22.9	-25.5	1.5	1.2
Non-metallic mineral products	7,850	8,097	15.7	3.1	0.9	1.0
Jewellery	4,682	4,988	34.1	6.5	0.6	0.6
Paper & pulp products	6,327	7,238	16.7	14.4	0.7	0.9
Beverages & tobacco	1,710	2,038	8.6	19.2	0.2	0.3
Other manufactures	35,588	28,849	29.3	-18.9	4.2	3.6
Exports of manufactured goods	850,880	800,624	26.4	-5.9	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 2.6. *Top 10 Trading Partners, January – August 2023 (% share)*

Note: Total may not add up due to rounding

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

Gross imports are projected to slip by 6.8% in 2023 dragged down by major categories, namely intermediate, capital and consumption goods, partly due to the depreciation of ringgit. Imports of intermediate goods, which constitute the largest share of 52.8%, are expected to decrease by 9.9% as a result of a

slowdown in manufactured exports. Similarly, capital goods and consumption goods are estimated to contract by 5.7% and 7.3%, respectively. Of the total imports, capital goods form a share of 9.4% while consumption goods constitute 8%.

TABLE 2.10. *Gross Imports by End Use, January – August 2022 and 2023*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2022	2023	2022	2023	2022	2023
Capital goods	77,275	78,169	15.7	1.2	9.0	10.0
Capital good (except transport equipment)	68,861	70,586	9.2	2.5	8.0	9.0
Transport equipment (industrial)	8,414	7,583	125.7	-9.9	-1.0	1.0
Intermediate goods	473,467	399,416	35.9	-15.6	55.3	51.1
Food and beverages, primary and processed, mainly for industries	23,529	20,142	33.4	-14.4	2.7	2.6
Fuel and lubricants, primary, processed and others	72,698	68,452	129.9	-5.8	8.5	8.8
Industrial supplies, primary, processed and n.e.s. ¹	213,359	183,184	20.9	-14.1	24.9	23.4
Parts and accessories of capital goods and transport equipment	163,881	127,638	33.5	-22.1	19.1	16.3
Consumption goods	67,897	67,021	25.0	-1.3	7.9	8.6
Food and beverages, primary and processed, mainly for household	29,778	31,031	24.8	4.2	3.5	4.0
Transport equipment (non-industrial)	1,160	999	5.8	-13.9	0.1	0.1
Other consumer goods	36,959	34,991	25.8	-5.3	4.3	4.5
Durables	9,203	8,881	16.5	-3.5	1.1	1.1
Semi-durables	11,443	11,255	36.6	-1.6	1.3	1.4
Non-durables	16,313	14,854	24.5	-8.9	1.9	1.9
Others	26,763	27,037	70.8	1.0	3.1	3.5
Re-exports	210,964	210,650	47.3	-0.1	24.6	26.9
Gross imports	856,366	782,293	36.3	-8.6	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

The current account surplus of the **balance of payments** widened to RM13.4 billion or 1.6% of GNI in the first half of 2023. This is attributed to a smaller deficit in the services and income accounts while the goods account continuing to register a surplus albeit narrowing. The performance is expected to continue in the second half of the year with the current account surplus is forecast to expand to RM48.6 billion or 5.2% of GNI following smaller deficit in the services and income accounts albeit narrowing surplus in the goods account. Overall, a wider current account surplus of RM62 billion or 3.4% of GNI is expected to be recorded in 2023.

The goods account is forecast to register a lower surplus of RM170.2 billion in 2023, weighed down by decreasing exports of manufactured, agriculture and mining goods. Meanwhile, the services account is expected to record a smaller deficit of RM41.5 billion, following a turnaround in the travel account and narrowing deficit in the transport account albeit wider deficit in other services accounts.

The gradual return to normalcy in many nations post COVID-19 pandemic, including the reopening of China's borders, is projected to have a positive impact on tourism in Malaysia. Consequently, the travel account is expected to register a surplus of RM14.5 billion. The positive impact in the air travel industry will be mainly contributed by the increase in flight frequencies and resumption of direct flight operations. These, in turn, will contribute to domestic companies' higher earnings following competitive air fares and freight charges as well as fees generated from airport and port activities. In addition, the surge in

tourist arrivals is anticipated to contribute to a smaller deficit of RM28.7 billion in the transport account. On the other hand, other services account is expected to register a wider deficit of RM27.3 billion following increasing payments for construction, maintenance and repair services as well as financial services.

The primary income account is projected to register a narrower deficit of RM47.1 billion in 2023 owing to a smaller deficit in investment income account albeit higher deficit in compensation of employees. The narrowing deficit in investment income account to RM37.8 billion is attributed to higher investment income earnings, mainly other investment account albeit lower investment income payments, particularly in the direct investment account. Correspondingly, compensation of employees is anticipated to record a wider deficit of RM9.3 billion attributed to a gradual increase in wages. This is also partly due to an increase in the number of foreign professionals in Malaysia following ongoing infrastructure and utilities projects.

Earnings in the secondary income account for the whole year are anticipated to increase to RM35.3 billion following higher remittances by Malaysians working abroad. Nonetheless, payments in the secondary income account are expected to increase to RM54.9 billion, leading to a higher deficit of RM19.6 billion. The increase in payments is due to larger remittances by foreign workers from Bangladesh, India, Indonesia, Nepal and the Philippines following continuous expansion in economic activities and the upward revision of minimum wage.

TABLE 2.11. *Current Account of the Balance of Payments, 2022 – 2024*
(RM million)

	2022			2023 ¹			2024 ²		
	RECEIPTS	PAYMENTS	NET	RECEIPTS	PAYMENTS	NET	RECEIPTS	PAYMENTS	NET
Balance on goods and services	1,378,452	1,248,820	129,632	1,272,424	1,143,757	128,667	1,345,773	1,206,785	138,988
Goods	1,238,180	1,052,151	186,029	1,078,138	907,968	170,171	1,134,967	960,092	174,876
Services	140,272	196,670	-56,397	194,285	235,789	-41,504	210,806	246,693	-35,888
Transport	25,604	59,649	-34,045	32,298	60,983	-28,685	34,220	62,129	-27,908
Travel	28,370	29,526	-1,156	63,989	49,539	14,450	76,550	53,815	22,735
Other services	86,299	107,495	-21,196	97,998	125,268	-27,269	100,035	130,750	-30,715
Primary income	88,704	148,118	-59,414	93,005	140,124	-47,119	97,067	155,557	-58,490
Compensation of employees	7,124	14,359	-7,235	8,306	17,642	-9,336	8,736	18,968	-10,232
Investment income	81,580	133,759	-52,179	84,699	122,482	-37,783	88,331	136,589	-48,258
Secondary income	22,765	37,885	-15,120	35,334	54,909	-19,575	37,546	55,804	-18,258
Balance on current account	1,489,921	1,434,823	55,098	1,400,763	1,338,791	61,972	1,480,386	1,418,146	62,240
% of GNI			3.2			3.4			3.2

¹ Estimate

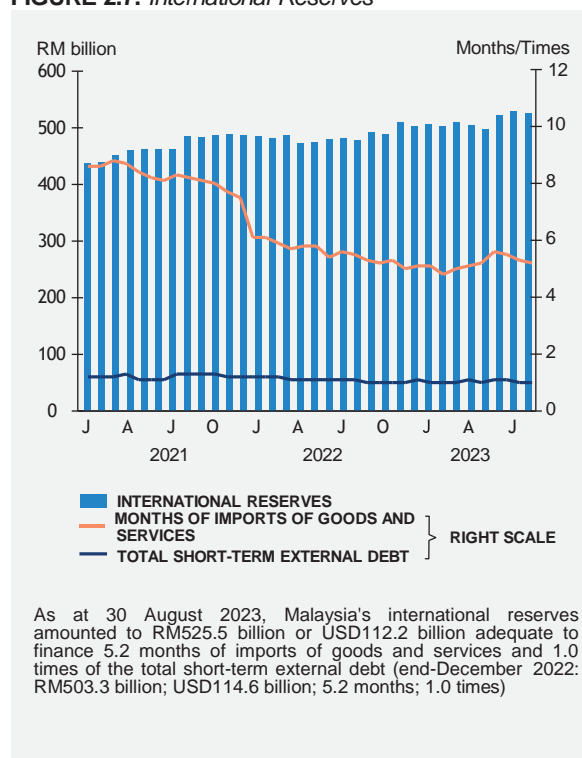
² Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

In the first half of 2023, the financial account registered a net outflow of RM13.9 billion, resulting from a significant drop of net inflows in direct investment and other investment accounts, coupled with wider net outflows in the portfolio investment and financial derivatives accounts. FDI registered a net inflow of RM15.1 billion, channelled mainly to the financial and insurance/takaful activities; information and communication sector; as well as professional, scientific and technical activities. Net outflows of direct investment abroad by Malaysian companies narrowed to RM9.1 billion. The outflows were mainly directed into financial and insurance/takaful activities; electricity, gas, steam and air conditioning supply; as well as transportation and storage sectors.

FIGURE 2.7. *International Reserves*



Source: Bank Negara Malaysia

FEATURE ARTICLE 2.2

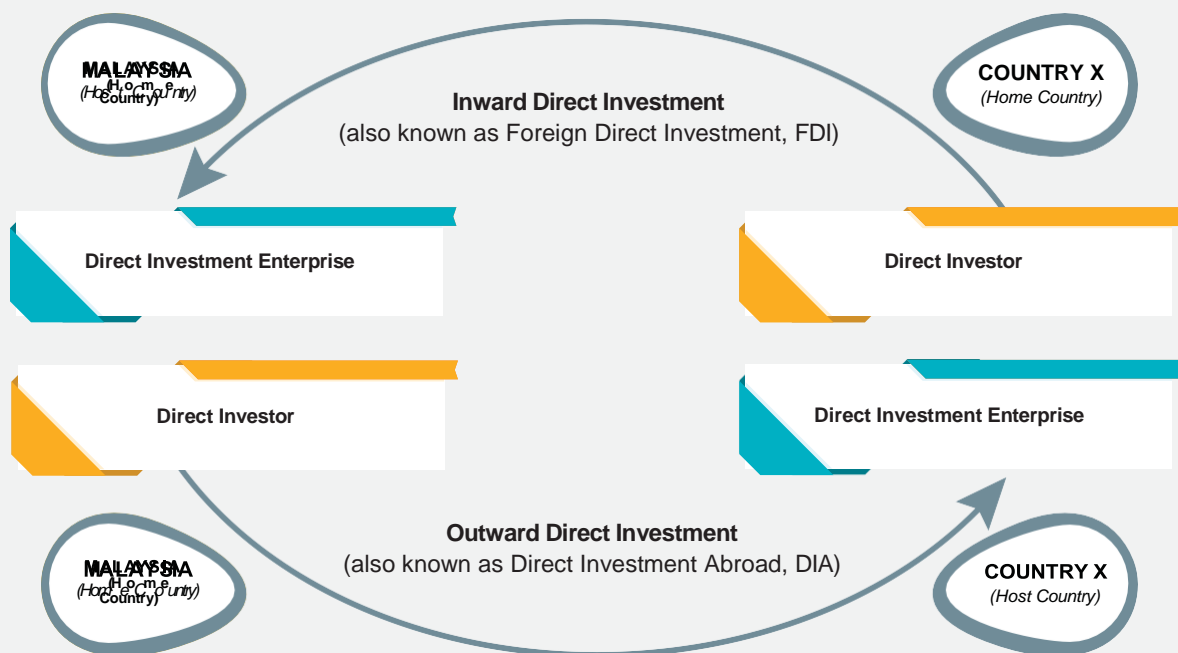
Navigating High-Impact Economic Growth through Direct Investment

Introduction

Direct investment has a pivotal role in facilitating economic growth as it boosts job creation and productivity as well as improves competitiveness. It provides both direct and indirect contributions to economic activity in terms of GDP. The objective of direct investment is to establish a lasting interest that implies a long-term relationship between the direct investor¹ and the direct investment enterprise² in another economy. Direct investment is a key element in international economic integration and an important channel for the transfer of technology.

According to directional principle basis, direct investment is shown as either inward or outward in the host economies that refer to the countries in which they are resident, as depicted in Figure 2.2.1. Inward direct investment (hereafter known as FDI) encompasses all liabilities and assets between resident enterprises and the foreign investors. FDI is commonly used to describe investment flows into a specific country and highlighting the inflow of capital and expertise from foreign investors.

FIGURE 2.2.1. Inward and Outward Direct Investment



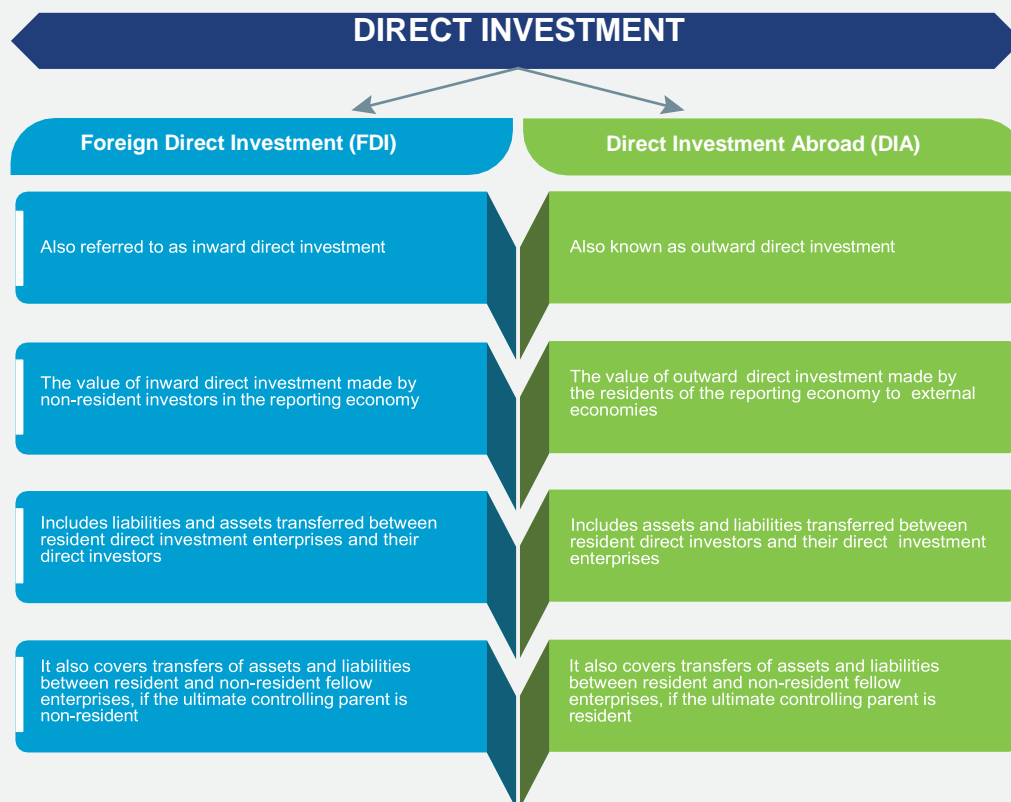
Source: OECD Benchmark Definition of Foreign Direct Investment, Fourth Edition, 2008, Balance of Payments and International Investment Position Manual Sixth Edition (BPM6), 2009 and Ministry of Finance, Malaysia

¹ A direct investor is an entity (an institutional unit) resident in one economy that has acquired, either directly or indirectly, at least 10% of the voting power of a corporation (enterprise), or equivalent for an unincorporated enterprise, resident in another economy.

² A direct investment enterprise is an enterprise resident in one economy and in which an investor resident in another economy owns, either directly or indirectly, 10% or more of its voting power if it is incorporated or the equivalent for an unincorporated enterprise.

Otherwise, outward direct investment, also known as direct investment abroad (DIA), covers assets and liabilities between resident direct investors and direct investment enterprises. DIA emphasises the outward investment by residents or entities of a country and highlighting their engagement in foreign markets and assets. The summarised characteristics of FDI and DIA are shown in Figure 2.2.2. Both FDI and DIA involve cross-border investment activities with different focus and perspective.

FIGURE 2.2.2. *Characteristics of Foreign Direct Investment and Direct Investment Abroad*



Source: OECD Benchmark Definition of Foreign Direct Investment, Fourth Edition, 2008, Balance of Payments and International Investment Position Manual Sixth Edition (BPM6), 2009 and Ministry of Finance, Malaysia

Malaysia's Investment at a Glance

In accordance with the guidelines provided in the Balance of Payments and International Position Manual by International Monetary Fund (IMF), the transactions for direct investment are recorded in the financial account of the balance of payments. These entries are then translated into a calculation of the GDP and gross national income (GNI). The performance of Malaysia's direct investment recorded net outflows from 2008 to 2015, while from 2016 to 2022, it registered net inflows contributed by higher FDI inflows.

Located in the central region of the ASEAN and on the Asia Pacific Rim, Malaysia remains an attractive destination for investors due to its favourable investment climate, well-developed infrastructure and telecommunications, robust financial and banking services, strong legal framework, skilled labour force as well as diversified market opportunities supported by the

16 ratified free trade agreements (FTAs). Malaysia maintained its strong position globally, ranking the second-highest in Southeast Asia and 14th out of 171 countries in the DHL Global Connectedness Index (GCI) report in 2023 and 27th in the IMD World Competitiveness 2023.

Regardless of global headwinds following the COVID-19 pandemic, the rankings by various agencies further reinforced Malaysia's position as a competitive and attractive investment destination.

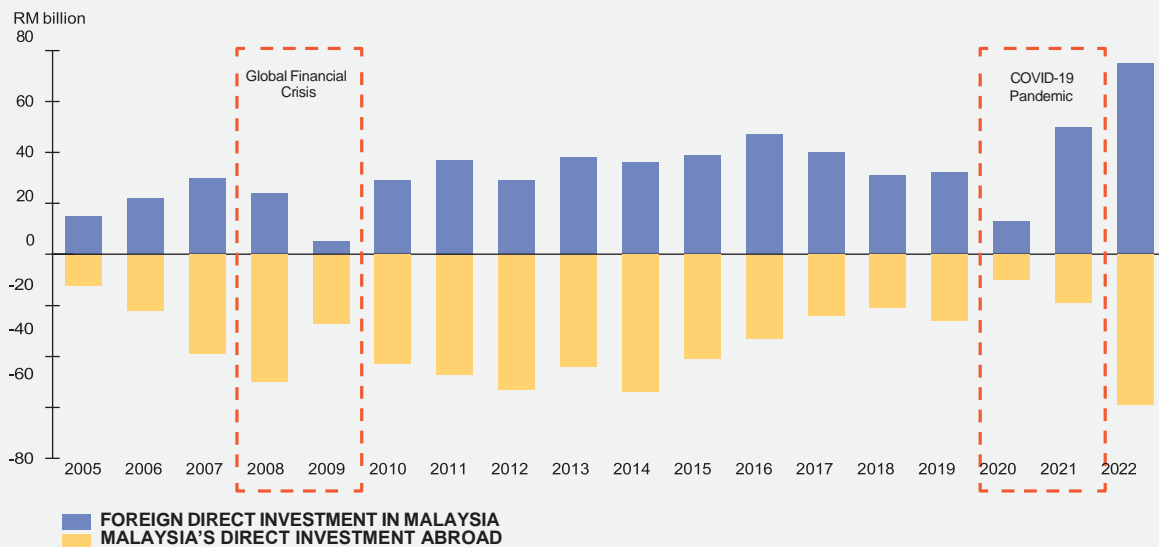
Notwithstanding, the uncertainty in global outlook, financial sector turmoil, high inflation and lingering geopolitical tensions pose as potential challenges to Malaysia. The IMF has forecast the global growth to moderate from 3.5% in 2022 to 3% in 2023 and 2024, while the World Bank projected the global growth to decelerate from 3.1% in 2022 to 2.1% in 2023. The slower-than-expected global growth is affecting the investment landscape holistically as investors become more selective and cautious in business decisions.

Foreign Direct Investment in Malaysia

Many developing countries favour FDI over other forms of capital flows attributed to its resilience towards economic uncertainties. Being a highly open economy, Malaysia is not spared from the impact of challenges arising from various crises. Nevertheless, FDI in Malaysia has proven to be resilient and continued to record net inflows even during the Global Financial Crisis of 2008 – 2009 and the recent COVID-19 pandemic.

Despite recording negative growth during these crises, Malaysia is still able to record net inflows of RM5.1 billion in 2009 and RM13.3 billion in 2020, as depicted in Figure 2.2.3. The net inflows of FDI surged more than threefold in 2021 to RM50.4 billion and registered a historic peak of RM74.6 billion in 2022. The increment was driven by effective policies in placing greater emphasis in promoting FDI, strong economic recovery and spillover benefit arising from trade diversion. This is attributed to the relocation of MNCs to circumvent the high tariffs as well as a steady growth of high-quality investment, particularly in the manufacturing sector.

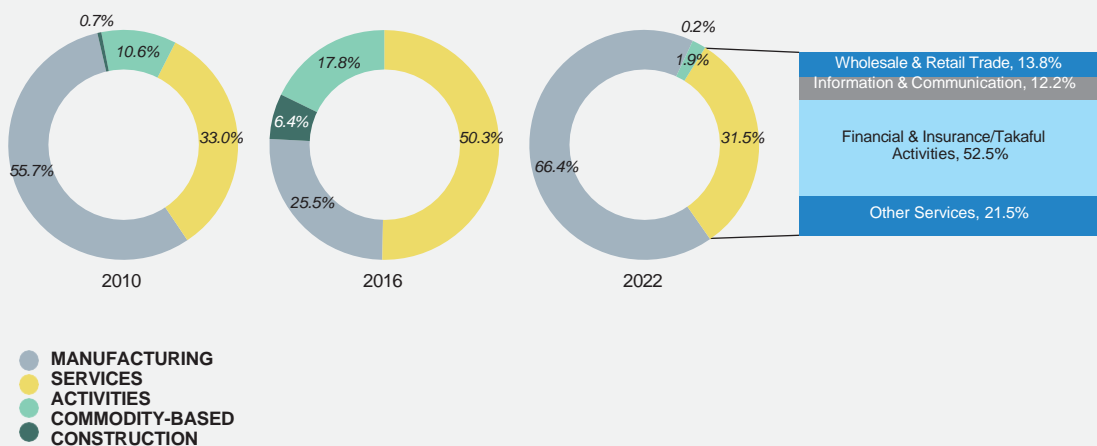
FIGURE 2.2.3. Performance of Foreign Direct Investment in Malaysia and Malaysia's Direct Investment Abroad



FDI can bring many advantages to the host country, particularly in the transfer of advanced technologies, managerial expertise, and best practices from foreign investors. In addition, FDI provides employment opportunities for the local workforce. More than 700,000 employment opportunities or 44.7% of total employment in 2000 to 2022, generated through investment projects under MIDA, were sourced from foreign-owned projects. Of these job creations, about 82% were for locals, mostly in the manufacturing sector (MIDA, 2023). The transfer of knowledge can elevate local industries' technological capabilities, thus increasing local companies' competitiveness on a global scale. Employees' skill development will also be enhanced through on-the-job training, professional development opportunities, and exposure to international work practices, provided by foreign companies. The FDI could also offer access to global distribution networks and contribute to export expansion by utilising local contents and resources as well as producing goods locally to fulfil international demand.

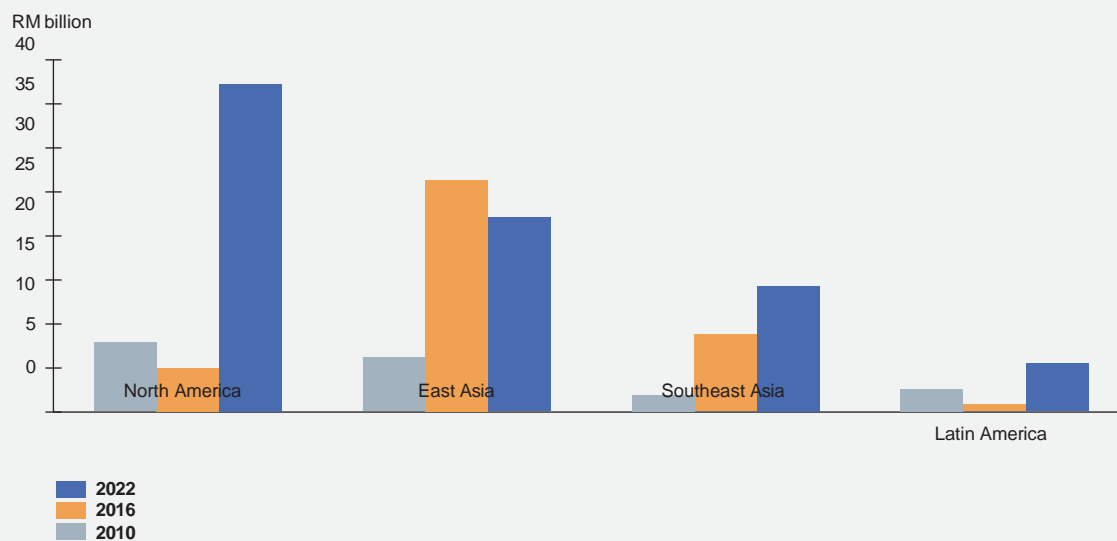
Malaysia has diversified the economy to move up the value chain and reduce dependency on commodities. On a sectoral basis, the focus of FDI has shifted from commodity-based to manufacturing- and services-based sectors, as depicted in Figure 2.2.4. In 2010, the bulk of the FDIs were channelled to the manufacturing sector with 56.7%, followed by the services (33.6%) and commodity-based (11%) sectors. Contribution of the manufacturing and services sectors became more significant in 2022, totalling more than 97% of total FDIs resulting from the strategic change in policy direction towards higher value-added activities and quality investment in these sectors. The evolution in the manufacturing sector from a conventional industrial production process to an inclusive concept also helped in the expansion. Greater emphasis is also given to the development of the services sector as the main engine of growth to propel and sustain the economy.

FIGURE 2.2.4. Performance of Foreign Direct Investment in Malaysia by Sectors (%)



Source: Bank Negara Malaysia and Department of Statistics, Malaysia

In terms of the flow of FDI in Malaysia by continent, East Asian countries, particularly Japan and Hong Kong, have invested the most, constituting about 35% of total net FDI from 2010 to 2022 amounting to RM497 billion. In 2022, North America contributed the most FDI with a share of 49.8%, followed by East Asia (29.5%) and Southeast Asia (19%), as shown in Figure 2.2.5. Among the ASEAN peers, Singapore received the highest FDIs of USD1,016 billion for the period of 2010 to 2022, followed by Indonesia (USD239.7 billion), Viet Nam (USD161.5 billion) and Malaysia (USD132.2 billion).

FIGURE 2.2.5. Foreign Direct Investment in Malaysia by Major Block of Countries

Source: Bank Negara Malaysia and Department of Statistics, Malaysia

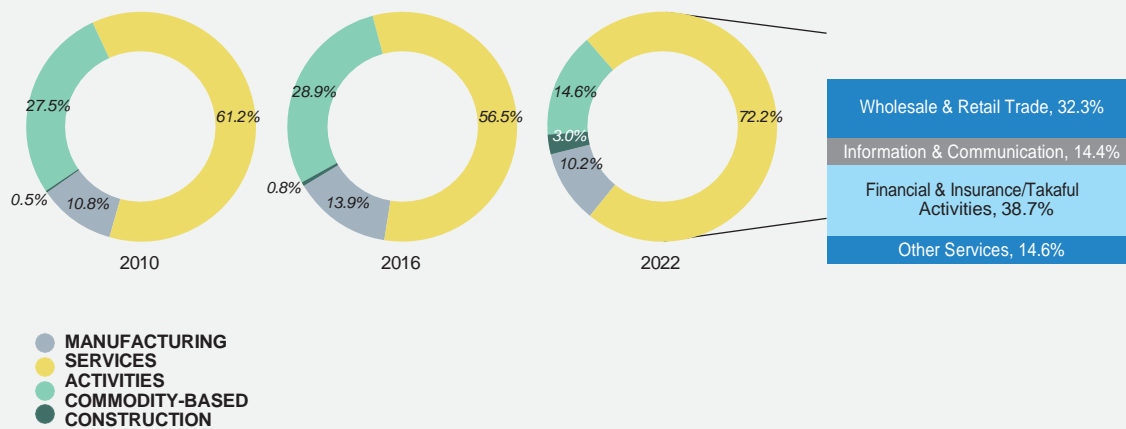
Although FDIs offer various advantages to the nation, there are still potential risks that requires Malaysia to exercise caution. These include, among others, overreliance on foreign companies could reduce the sovereign control over strategic sectors. Moreover, profits generated by foreign companies could be repatriated to home countries, thus reducing the economic benefit retained in Malaysia. Another major concern is the uneven playing field between foreign and local businesses that could threaten the development and survival of domestic enterprises.

Malaysia's Direct Investment Abroad

Outward direct investment or DIA offers several benefits to investors, including diversification to reduce dependency on a single market and minimise risks associated with economic downturns in the home economy. In addition, companies gain potential benefits from abundant foreign resources such as raw materials, industry experts, advanced technologies as well as market access in the respective region. Investing abroad also exposes companies to international business practices, fostering innovation and increasing global competitiveness.

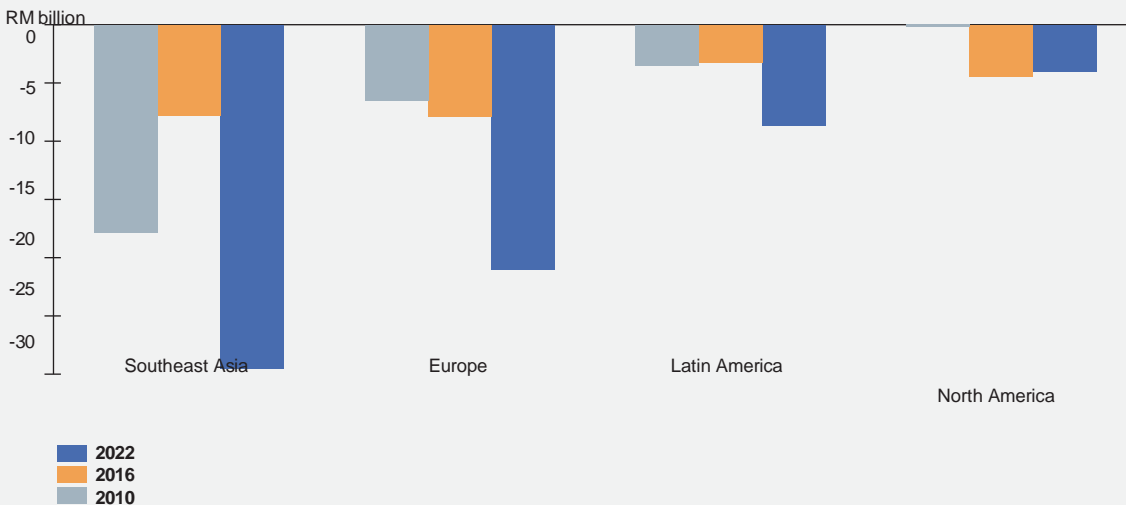
A notable amount of DIA registered during the pre-pandemic period proved that Malaysian companies are globally competitive with an annual average of RM35.7 billion recorded from 2005 to 2019. However, the depreciation of ringgit posed a challenge to Malaysian companies investing abroad. The unfavourable global economic environment and geopolitical tensions have also impacted the investment landscape globally. These challenges have affected the performance of DIA which trended downward from 2015 to 2018 and dropped sharply in 2020 due to COVID-19 pandemic. Nevertheless, the trend rebounded in 2021 and 2022 following the resumption of economic activities post-pandemic.

From the sectoral perspective, DIA are primarily focused on the services sector, particularly financial and insurance/takaful activities. Investment contribution in the services sector expanded from 61% in 2010 to 72% in 2022, partly attributed to a surge in wholesale and retail trade sector. Meanwhile, the contribution of the commodity-based sector dropped from 27.5% in 2010 to 14.6% in 2022, in tandem with reduced dependency on low value-added activities as well as the evolution in global megatrends, as shown in Figure 2.2.6.

FIGURE 2.2.6. Malaysia's Direct Investment Abroad by Sectors (%)

Source: Bank Negara Malaysia and Department of Statistics, Malaysia

Southeast Asia remains the preferred investment destination for Malaysian companies, which accounted for 44% of total DIA in 2010 and expanded to 50% in 2022, as depicted in Figure 2.2.7. Meanwhile, Malaysian companies' investment in Europe has gained traction with a significant increase in share of DIA from 16% in 2010 to 36% in 2022. Similarly, there was an increase in the North American market contribution from 0.5% in 2010 to 6.9% in 2022. Both markets attraction can be attributed to their attractive investment returns.

FIGURE 2.2.7. Malaysia's Direct Investment Abroad by Major Block of Countries

Source: Bank Negara Malaysia and Department of Statistics, Malaysia

However, it is important to note the challenges of DIA to Malaysian companies, such as regulatory differences, which could lead to complexities and potential legal issues for companies operating in multiple jurisdictions. In addition, investment abroad is at risk of currency volatility, thus impacting profits and cash flows. The companies are also vulnerable to geopolitical risks, including changes in government policies, trade tensions and political instability.

Moving Forward

As envisaged under the Ekonomi MADANI framework, Malaysia aims to be a leader at the global front, hence efforts shall be focused on increasing its competitiveness and promoting the nation as a prime investment destination. In this regard, a comprehensive investment policy with concerted efforts between government agencies and private sectors will be intensified. At the same time, Malaysian companies should also actively explore new emerging markets and venture into greenfield investments such as ESG-related investment.

Recognising the significant contribution of investment to the economic development, the National Investment Aspirations (NIA) was introduced in 2022 as a key guiding principle for the Malaysia's New Investment Policy (NIP), 2022 – 2027. The New Industrial Master Plan 2030 (NIMP 2030) was recently launched to further boost high quality FDI and DIA. Five key pillars have been outlined in these policy documents to reinvigorate the investment ecosystem, underpinned by the need to enhance the ESG practices across the economy. The key pillars are to increase economic complexity; create high-value job opportunities; extend domestic linkages; develop new and existing clusters; and improve inclusivity.

Conclusion

FDI and DIA play a significant role in shaping Malaysia's economic landscape. FDI has been a driving force behind Malaysia's economic growth and industrialisation. DIA, on the other hand, reflects the expansion of Malaysian businesses globally. Thus, it is crucial for Malaysia to adopt balanced and strategic approaches to FDI and DIA that encourage high-quality and high-value investments, while simultaneously, transfer valuable knowledge and resources to further accelerate economic growth and expedite the transition into an advanced economy.

Prices

Headline inflation continues to moderate

The **Consumer Price Index (CPI)** grew by 2.8% from January to August 2023, attributed to moderating trend in global commodity prices; easing supply-related disruptions; existing price controls and provision of subsidies for selected items; as well as the lagged impact from the normalisation of OPR. Inflation is expected to moderate in the remaining months, while core inflation is expected to remain elevated

relative to the long-term average. For the year, inflation is estimated to range between 2.5% to 3%.

The **Producer Price Index (PPI)** by local production decreased by 2.4% during the first eight months of 2023, attributed to moderate global commodity prices, particularly crude oil. Within specific sectors, the contraction in PPI was predominantly driven by a significant decrease in agriculture, forestry and fishing (19.4%) as well as mining (8.4%) sectors. The PPI is expected to contract between -2.5% to -0.5% in 2023, given lower global input cost.

TABLE 2.12. *Consumer Price Index, January – August 2022 and 2023 (2010 = 100)*

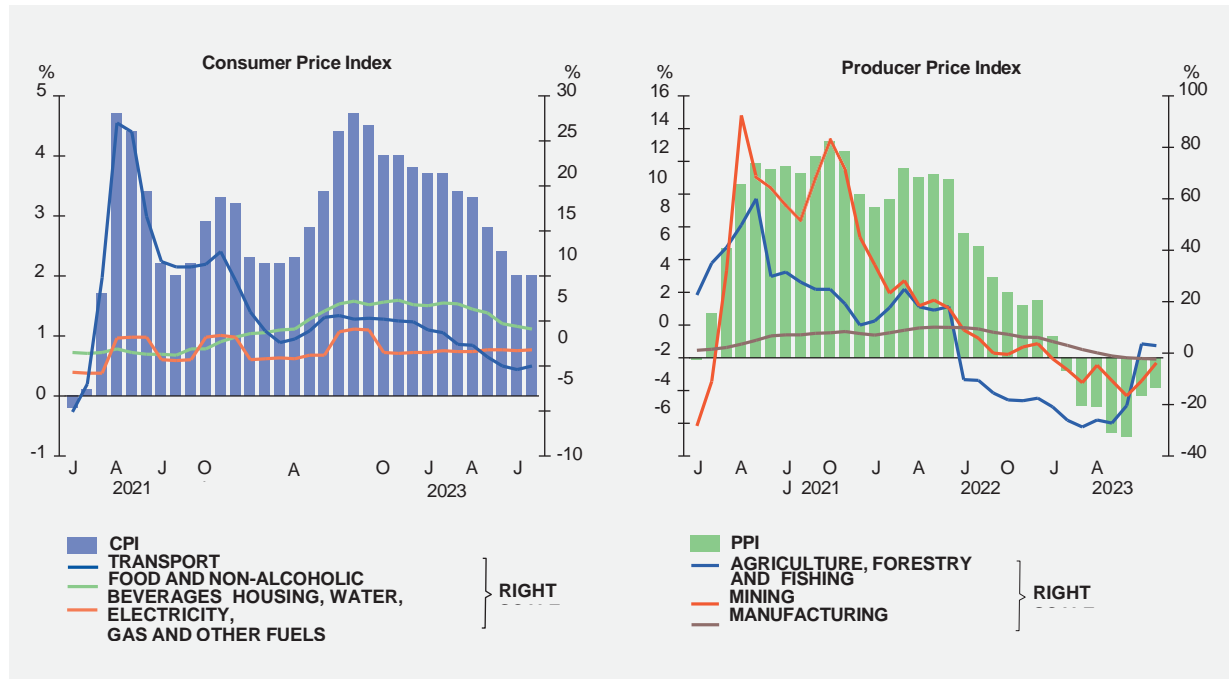
	WEIGHT ¹	CHANGE (%)		CONTRIBUTION TO CPI GROWTH (PERCENTAGE POINTS)	
		2022	2023	2022	2023
CPI	100.0	3.1	2.8	3.10	2.80
Food and non-alcoholic beverages	29.5	5.1	5.7	1.50	1.69
Alcoholic beverages and tobacco	2.4	0.5	0.6	0.01	0.02
Clothing and footwear	3.2	0.0	0.3	0.00	0.01
Housing, water, electricity, gas and other fuels	23.8	1.7	1.7	0.40	0.41
Furnishings, household equipment and routine household maintenance	4.1	3.3	2.7	0.14	0.11
Health	1.9	0.5	2.0	0.01	0.04
Transport	14.6	4.5	1.6	0.66	0.23
Communication	4.8	0.0	-2.6	0.00	-0.12
Recreation services and culture	4.8	1.8	1.7	0.09	0.08
Education	1.3	1.0	1.8	0.01	0.02
Restaurants and hotels	2.9	4.0	6.2	0.12	0.18
Miscellaneous goods and services	6.7	1.8	2.4	0.12	0.16

¹ Based on Household Income and Expenditure Survey 2016 Note:
Total may not add up due to rounding
Source: Department of Statistics, Malaysia

TABLE 2.13. *Producer Price Index, January – August 2022 and 2023 (2010 = 100)*

	WEIGHT ¹	CHANGE (%)		CONTRIBUTION TO PPI GROWTH (PERCENTAGE POINTS)	
		2022	2023	2022	2023
PPI	100.000	9.7	-2.4	9.700	-2.400
Agriculture, forestry and fishing	6.730	11.0	-19.4	0.740	-1.306
Mining	7.927	18.8	-8.4	1.490	-0.666
Manufacturing	81.571	9.2	0.2	7.505	0.163
Electricity and gas supply	3.442	0.4	0.8	0.014	0.028
Water supply	0.330	1.8	3.2	0.006	0.011
Producer Price Index by stage of processing	100.000	9.7	-2.4	9.700	-2.400
Crude materials for further processing	16.410	13.7	-14.8	2.248	-2.429
Intermediate materials, supplies and components	56.119	12.2	-0.2	6.847	-0.112
Finished goods	27.471	1.1	3.6	0.302	0.989

¹ Based on Economic Census 2016
Note: Total may not add up due to rounding
Source: Department of Statistics, Malaysia

FIGURE 2.8. Consumer Price Index and Producer Price Index Trends (% change)

Source: Department of Statistics, Malaysia

Labour Market

Strong improvement in labour market

Recovery in the labour market remained strong in the first half of 2023 in tandem with stable economic growth driven by the encouraging domestic demand. Thus, aggregate demand for labour increased, creating more job opportunities in the market. The labour force increased by 2.7% to record 16.3 million persons, resulting in a significant rise in the labour force participation rate to 69.9%. Similarly, total **employment** also registered a higher growth of 3.4% to record 15.7 million employed persons. These improvements have led to a substantial reduction in the unemployed persons to 569,400, with the **unemployment rate** of 3.5%, indicating the trend of the labour market is returning to the pre-pandemic level. The services (65.3%) and manufacturing (16.8%) sectors remained as the main source of employment opportunities in the economy.

Other labour market indicators also continued to progress positively during the same period. **Job placements** increased by 58% to over 72,000 signifying more job seekers managed to secure new jobs while the

number of **retrenchments** remained low at 21,371 persons as businesses are retaining adequate talents to support encouraging business operations. Meanwhile, the number of **vacancies** registered as at end-June 2023 were over 164,000 positions, mostly in semi- and low-skilled occupations. However, the number of **job seekers** declined by 18% to record around 52,000 persons. This may indicate that more people are more interested in self-employment as the main source of income as opposed to standard paid employment.

The labour market is expected to sustain the improving growth momentum in the second half of 2023, backed by continuous enhancements in the domestic economy. Thus, the overall unemployment rate in 2023 is expected to record around 3.5% while employment increasing by 2.6% to register 15.8 million persons. The services sector remains as the major source of employment with a share of 65.1%, mainly in the wholesale retail and trade, as well as accommodation and food and beverages subsectors. The manufacturing sector is expected to provide 16.7% of total employment, particularly in the E&E as well as food and beverages industries, while the agriculture sector accounting for 10%, especially in the oil palm industry.

TABLE 2.14. *Labour Market Indicators*

	('000)			CHANGE (%)		
	H1 ¹	2023 ²	2024 ³	H1 ¹	2023 ²	2024 ³
Labour force	16,312.3	16,358.6	16,669.4	2.7	2.1	1.9
Employment	15,743.0	15,784.2	16,099.9	3.4	2.6	2.0
Unemployment	569.4	574.4	569.5	(3.5)	(3.5)	(3.4)

¹ January to June 2023² Estimate³ Forecast

Note: Figures in parentheses refer to unemployment rate

Source: Department of Statistics and Ministry of Finance, Malaysia

TABLE 2.15. *Employed Persons by Sector*

	('000)			SHARE (%)		
	H1 ²	2023 ³	2024 ⁴	H1 ²	2023 ³	2024 ⁴
Agriculture, forestry and fishing	1,555.8	1,574.7	1,603.0	9.9	10.0	10.0
Mining and quarrying	84.9	84.9	85.5	0.5	0.5	0.5
Manufacturing	2,644.1	2,642.5	2,690.9	16.8	16.7	16.7
Construction	1,185.3	1,196.8	1,212.4	7.5	7.6	7.5
Services	10,272.8	10,283.3	10,506.4	65.3	65.1	65.3
Total¹	15,743.0	15,784.2	16,099.9	100.0	100.0	100.0

¹ Total includes 'Activities of extraterritorial organisations and bodies'² January to June 2023³ Estimate⁴ Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

As at end-August 2023, the number of registered low-skilled **foreign workers** increased by 43.1% to 1.8 million persons compared to 1.2 million persons in the same period last year partly attributed to the temporary implementation of a relaxation programme during the first quarter of the year. The programme aimed to expedite the approval process of low-skilled foreign workers recruitment into Malaysia in meeting the labour requirement from all economic sectors, particularly in plantation and construction sectors. The total foreign workers were sourced mainly from Bangladesh (32.1%), Indonesia (24.7%) and Nepal (19.6%). The manufacturing sector employed the highest number of foreign workers with a share of 35.1%, followed by construction (22.3%) and

services (16.4%) sectors. Nevertheless, the hiring of low-skilled foreign workers was kept within the threshold of below 15% from the total employment in line with current policy to reduce economic reliance on migrant workers. Likewise, the number of **expatriates** increased by 20.7% to register 106,788 persons, which is partly due to the relaxation of migrant workers mobility. Majority of expatriates were from China (22%), India (19.8%) and Japan (7.5%). Expatriates were mainly employed in the services (51.3%), information technology (37.1%) and construction (7.6%) sectors.

Labour productivity improved by 1.2% to RM47,124 in the first half of 2023, cushioned by productivity improvements in the construction and services sectors, particularly

in transportation and storage as well as real estate and business services subsectors, despite marginal contractions in agriculture, manufacturing and mining sectors. Overall, labour productivity is expected to improve by 1.4% to RM97,200 in 2023, following continuous productivity gains expected in construction (6.3%) and services (2.2%) sectors.

In 2022, the average monthly **salaries and wages** received by paid employees¹ increased by 5.8% to RM3,212 per employee. The increment was partly due to the revision of the monthly minimum wage from RM1,200 to RM1,500, which came into effect on 1 May 2022. All industries recorded a positive wage growth, particularly in tourism-related industries as well as other service activities. Further improvement in productivity and employment opportunities is expected to increase the overall salaries and wages by 4.4% to RM3,355 in 2023.

Outlook For 2024

Global Outlook

Modest growth prospect

The **global economy** is projected to grow by 3% as a result of moderate growth in both advanced economies and EMDEs. Advanced economies' growth is expected to moderate further to 1.4%, which will continue to weigh down the global growth. The US's GDP is anticipated to grow at a slower pace by 1% amid continuous monetary policy tightening. Meanwhile, growth in the euro area is expected to expand slightly to 1.5% supported by stronger services and tourism activities.

The EMDEs' growth is projected to expand by 4.1% with China's economy is forecast to moderate to 4.5%, underpinned by continuous lower investment and bearish labour market. Meanwhile, the economy of India is expected

to grow by 6.3%, mainly contributed by continuous domestic investment. The ASEAN-5's growth is forecast to moderate to 4.5%.

Global trade is projected to improve to 3.7% following uptrend trade activities in advanced economies and EMDEs, which are expected to grow by 3.2% and 4.5%, respectively. Both exports and imports in advanced economies are expected to grow by 3.1% and 2.7%, respectively. Likewise, exports grow by 4.3% and imports by 5.1% for EMDEs.

Underpinned by the expected further tightening of monetary policies, **global inflation** is forecast at 5.2%, with advanced economies projected at 2.8% and EMDEs at 6.8%. These are also supported by improvements in global supply chain as well as easing of energy and food prices.

Domestic Outlook

Sectoral

Services Sector

Spearheading growth for resilient economy

The **services** sector is forecast to increase by 5.6% in 2024 driven by expansion in all subsectors. In addition, vibrant tourism-related activities as well as continuous consumer spending are expected to further spur the growth of the sector.

The wholesale and retail trade subsector will remain as the key contributor to the services sector with the expected growth of 5.6%.

The growth will be driven by the expansion in retail segment through wider automation, e-commerce and omnichannel shopping experience, which enable seamless physical and online interactions. The motor vehicles segment is also anticipated to expand with the introduction of environmentally-friendly models

¹ Refer to Malaysian citizens.

featuring advanced technology, particularly EV and hybrid vehicles within the lower price range.

The real estate and business services subsector is poised to grow by 5.4% attributed to sustained demand for professional services, particularly in the field of engineering following vigorous construction activities.

In addition, the real estate segment is projected to improve owing to the increase in non-residential and residential property transactions. Meanwhile, the information and communication subsector is expected to expand by 6.5%, primarily underpinned by telecommunication segment following fast rollout of 5G coverage and the adoption of a dual network model. The performance of the subsector will also benefit from the increasing demand for high-speed connectivity, particularly through the adoption of satellite internet technology in rural and remote areas. Likewise, the digital-based services are anticipated to spur the subsector's growth following streaming coverage of major events such as the 2024 UEFA European Football Championship (UEFA Euro 2024) and the 2024 Olympic Games; adoption of cloud solutions and services; and the uptick in social commerce activities.

The transportation and storage subsector is forecast to grow by 7.4%, supported by all segments following the expansion in rail, highway, port and airport activities as well as buoyant external demand. The land transport segment is anticipated to increase propelled by improvement in frequencies of rail services as well as higher traffic volume at all main highways. Likewise, the air transport segment is projected to rise following higher passenger traffic induced by competitive airfares as airlines increasing their capacity and flight frequencies. Meanwhile, the water transport segment is expected to remain steady backed by the expansion in cargo and container handling capacity. Furthermore, the commencement of Malaysia Maritime Single Window, a unified digital platform by the end of 2023 is expected to enhance port's

competitiveness and further facilitate shipping services. The platform serves as a one-stop portal for single submission of documents related to maritime regulatory and port services.

The food & beverages and accommodation subsector is poised to grow by 7.9%, attributed to the steady rise in tourist arrivals that will drive the hospitality industry, surpassing the pre-pandemic level. The tourism industry will benefit from the provision and upgrading of tourism facilities as well as the adoption of digital platforms for promotional activities. In addition, 2024 visit state year programmes

in Melaka, Perak and Perlis are expected to contribute to the subsector's growth.

The finance and insurance subsector is projected to rebound by 4.3%, driven by resilient economic and investment activities and greater clarity in economic policy and direction, following the implementation of NETR, NIMP 2030 and Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan). These endeavours, as well as the increasing digitalisation of financial services, will induce the demand for financing, mortgages and loan facilities. The insurance segment is projected to rebound, supported by strong capital and adequate liquidity. Nonetheless, net claims are expected to remain elevated due to rising medical costs and sustained demand for medical treatment services.

The utilities subsector is forecast to rise by 5.3%, driven by the increasing demand for electricity usage, particularly industrial, commercial and domestic segments. Energy consumption in the industrial segment is expected to moderate as compared to commercial and domestic segments due to energy efficiency initiatives and the increase in self-generating energy sources in the industrial segment, including rooftop solar. Nevertheless, the increasing demand for vehicle charging infrastructure, targeted at 10,000 EV charging bays by 2025 supported by the expectation of high EV sales, will boost electricity consumption.

The other services subsector is projected to rise by 5%, driven by private health and education segments. The Malaysia Healthcare Travel Council (MHTC) will engage in reinvigorating the Malaysian healthcare industry in an effort to establish a larger market base, especially in targeted markets such as China, India and Indonesia. In 2024, MHTC estimates that the healthcare tourism industry's revenue trajectory will be restored to its pre-pandemic level at RM1.7 billion.

Meanwhile, Malaysia will continue to draw in students from abroad through continuous promotional efforts by the Education Malaysia offices and the Education Malaysia Global Services, along with local universities. These include implementing high-impact programmes to promote the Education Malaysia brand overseas, namely Edutourism; Meet and Greet with International Students in Malaysia; and the International Higher Education Seminar. Correspondingly, the government services subsector is forecast to record a growth of 4.7% in 2024.

Manufacturing Sector

Export-oriented industries gain traction

The **manufacturing** sector is forecast to expand by 4.2% in 2024 driven by better performance in both export- and domestic- oriented industries. The export-oriented industries are expected to benefit from the recovery of external demand with E&E segment projected to surge, primarily driven by memory products. This is in line with the rebound in demand for technologically advanced products. Similarly, domestic-oriented industries are anticipated to grow steadily backed by higher output in transport- and construction-related segments, in tandem with better consumer spending and business activities. In addition, the implementation of initiatives under the Chemical Industry Roadmap 2030, NETR and NIMP 2030 will further strengthen the sector's growth.

Agriculture Sector

Expansionary trend continues

The **agriculture** sector is expected to grow by 1.2% in 2024 driven by expansion in most subsectors, particularly oil palm, other agriculture and livestock. With the anticipation of minimal impact from the El Niño phenomenon and labour conditions returning to pre-pandemic level, the oil palm production is projected to increase, contributing to the subsector's growth. Furthermore, increased matured area especially in Peninsular Malaysia and higher oil extraction rate arising from more frequent harvesting rounds are also expected to support the subsector's growth. The CPO price is forecast to average within the range of RM4,000 and RM4,500 per tonne in 2024 (2023: RM3,500 – RM4,000 per tonne), partly attributed to anticipation of low output from other vegetable oils and higher demand for CPO from major importing countries. The other agriculture and livestock subsectors are anticipated to expand further, driven by concerted efforts to strengthen food security and modernise the agriculture sector. In addition, the rubber subsector is expected to gain traction on account of better labour supply as well as more tapping activities by smallholders following Government's initiatives to increase income.

Mining Sector

Poised for expansion

The **mining** sector is forecast to rebound by 2.7% in 2024 driven by remarkable performance in natural gas as well as crude oil and condensate subsectors. Anticipation of first natural gas production from new gas field development projects such as Gansar, Jerun and Kasawari as well as higher production from the existing gas fields are estimated to boost the growth of the natural gas subsector. In addition, the mining sector is also expected to benefit from higher production of crude oil and condensate, especially in Peninsular

Malaysia and Sarawak. In terms of prices, the Brent crude oil is projected to average at USD85 per barrel on anticipation of higher demand given the positive global outlook for the year. However, changes in world production and consumption could significantly alter the oil prices forecast.

Construction Sector

Growth remains robust

The **construction** sector is forecast to increase by 6.8% in 2024 following better performance in all subsectors. Civil engineering subsector continues to be bolstered by strategic infrastructure and utilities projects which include ongoing projects such as the Central Spine Road (CSR), the Pan Borneo Sabah Highway and acceleration of projects under the Twelfth Malaysia Plan, 2021 – 2025 (Twelfth Plan). Furthermore, a new solar power plant project under the Corporate Green Power Programme will support the subsector's growth. The implementation of NIMP 2030 is expected to further strengthen the performance of non-residential buildings subsector as the Plan will provide a platform to attract more investments into the country. In addition, the residential buildings subsector is projected to improve further in line with the Government's effort to increase more affordable houses as outlined under the MTR of the Twelfth Plan and the MADANI Neighbourhood scheme, as well as new launching by the private sector.

Domestic Demand

Continuous expansion in private sector expenditure

Domestic demand is forecast to expand by 5.3% in 2024. Private sector expenditure continues to lead economic activities with a growth of 5.6%, contributing 4.3 percentage points to GDP growth. Meanwhile, public sector expenditure is estimated to increase by 4.1% with a contribution of 0.7 percentage points to GDP growth.

Private consumption is expected to increase by 5.7% owing to continued improvement in the labour market as well as stronger domestic economic and social activities. In addition, Government initiatives, including cash transfers to targeted groups are envisaged to support household spending. Major events such as the UEFA Euro 2024 and the 2024 Olympic Games; as well as the growing social commerce trend are also expected to boost private consumption in 2024.

Private investment is likely to register a growth of 5.4%, in tandem with more favourable business sentiments and improved external environment. As such, the private sector is expected to intensify its efforts to inject additional capital outlays in the economy. In addition, private investment will continue to benefit from the realisation of approved investments by MIDA, mainly in the E&E, transport equipment, as well as information and communications subsectors. It is also envisaged that investors will respond positively to the Government's strategies and measures in attracting high-tech and high-value investments such as those outlined under the NETR and NIMP 2030.

Public investment is projected to increase by 8.3% in 2024, supported by higher Federal Government's DE and non-financial public corporations expenditure. In addition, DE allocation will be channelled mainly to social and economic sectors in tandem with objectives outlined in the MTR of the Twelfth Plan. The continuation of transport-related projects such as CSR, ECRL and Rapid Transit System Link as well as acceleration of refurbishments of dilapidated schools and clinics in rural areas will also generate the momentum for the public investment growth trajectory. Strategic projects that are expected to commence in 2024 include the flood mitigation projects as well as expansion of Samajaya High-Tech Park in Sarawak and Tok Bali Industrial Park in Kelantan. Meanwhile, **public consumption** is expected to grow by 2.6%, driven by higher spending in supplies

and services to improve the public service delivery, coupled with the effort to spend more effectively and efficiently.

In line with the expansion in domestic economic activities, the GNI at current prices is expected to increase by 6.2% in 2024.

Similarly, the GNS is anticipated to expand by 2.9% to RM471.8 billion, with total investment envisaged to increase by 3.3% to RM409.6 billion. The share of GNS is projected to remain significant at 24.6% of GNI. The **savings-investment gap** is expected to remain in surplus at RM62.2 billion or 3.2% of GNI. This provides sufficient liquidity in the financial system, which can be mobilised to finance long-term investments in the country.

Income

The need for structural reform to support higher income

An encouraging economic growth anticipated in 2024 will stimulate higher income prospects for the workforce. Existing initiatives will be intensified by adopting advanced technology in production activities, improving productivity through retraining and upskilling as well as reducing reliance on low-skilled foreign workers. Hence, the share of CE of GDP is projected to improve to 33.1% in 2024. Nevertheless, the share is still relatively low compared to other advanced economies and the CE target of 40% in 2025. Thus, transformation from a low-wage labour market structure to a decent wage standard is vital in achieving a more equitable distribution of economic growth between employees and capital owners. Employers must also consider paying higher wages as a source of growth, which would not only alleviate the prolonged structural issues in the labour market, but could also contribute to a higher business growth.

The share of GOS of GDP is forecast to decline to 63.8% in 2024, with capital owners continue to receive a sizable share of GOS. Meanwhile,

mixed-income for the self-employed or independent entrepreneurs is expected to improve by 8.9% as the rising demand for gig works will create more earning prospects for this group. Efforts to enhance social protection among all self-employed workers, including those in the informal sector may also attract more participation from youth to choose self-employment as the main source of income. As a result, the share of mixed-income to GDP is projected to rise to 15.5%.

The indirect tax and non-tax revenue on production and imports is projected to expand further at 4.5% in 2024 in tandem with the continued efforts to increase revenue collection and strategies to implement a wider tax base. Meanwhile, expenditure for subsidies and incentives is expected to decrease by 24.8% in line with the Government's move to rationalise subsidies and implement a more targeted assistance. Thus, income from net taxes on production and imports is projected to contribute 3.1% to GDP.

External Sector

Recovery in external demand to invigorate trade

In 2024, **gross exports** are anticipated to grow by 5.1% across all sectors, supported by better performance in global trade and improved prospects in commodity sector. Furthermore, the growth is partly attributed to the ratification of trade agreements, namely the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), that will enable Malaysian products to further penetrate into wider markets.

Exports of manufactured goods are projected to rebound by 5.5% resulting from rising demand for both E&E and non-E&E products, constituting 48.1% and 51.9%, respectively. The E&E products are forecast to grow by 4.9% bolstered by the steady demand for semiconductor, following the upcycle trend in E&E. The projected growth is also in tandem

with the implementation of the NIMP 2030 that will propel high-impact sectors such as E&E and aerospace. Similarly, exports of non-E&E are estimated to expand by 6.1% following increasing demand, particularly for petroleum products, chemicals and chemical products as well as manufactures of metal.

Exports of agriculture goods are forecast to expand by 1.7%, supported by a higher demand for palm oil and palm oil based agriculture products amid anticipated minimal impact from the El Niño phenomenon.

Furthermore, export earnings from mining goods are estimated to increase by 2.9% contributed by stronger demand from major markets, particularly for LNG (3.2%) and crude petroleum (2.8%), as well as favourable global energy prices.

Gross imports are expected to increase by 4.9% in 2024 buoyed by higher demand for intermediate, capital and consumption goods. Imports of intermediate goods are anticipated to grow by 5.2%, mainly attributed to the expansion in construction sector fuelled by strategic infrastructure and utilities projects as well as acceleration in the implementation of projects under the Twelfth Plan. Furthermore, imports of capital goods are projected to expand by 5.1% in tandem with favourable investment activities. In addition, imports of consumption goods are anticipated to rise by 4.1%, driven by food and beverages.

The **current account balance** is expected to register a surplus of RM62.2 billion or 3.2% of GNI in 2024, on the back of continuous improvement in economic activities. The goods account is projected to record a surplus of RM174.9 billion following better growth prospect in major trading partners. Higher earnings in the transport, travel and other services accounts are anticipated to narrow the deficit in services account to RM35.9 billion. Receipts from transport account are projected to rise to RM34.2 billion, bolstered by higher earnings from air travel and cargo handling services provided by domestic companies. However, the continued reliance on foreign transport services is anticipated to result in an increase

in payments for transport account, reaching RM62.1 billion, amid robust trade activities.

Earnings in the travel account is expected to improve to RM76.6 billion attributed to thriving tourism activities in 2024 following higher tourist arrivals and per capita spending. Similarly, payments in travel account are anticipated to increase to RM53.8 billion due to residents' spending abroad for business, education and pilgrimage travelling activities. Meanwhile, with the ongoing implementation of strategic projects and stronger economic activities following expansion in the services, manufacturing and construction sectors, the other services account is expected to register a wider deficit of RM30.7 billion due to higher payments.

The primary income account is projected to record a wider deficit of RM58.5 billion owing to higher payments by foreign investors in tandem with the ongoing investment activities. Additionally, the continuous adoption of advanced technology, including artificial intelligence, cloud computing, digitalisation and automation is expected to increase the compensation for foreign professionals, thus contributing to the higher deficit. Similarly, the secondary income account is anticipated to register net outflows of RM18.3 billion mainly due to higher remittances by foreign workers.

Prices

Projected to remain manageable

The inflation rate is forecast to range between 2.1% to 3.6% in 2024, partly attributed to a gradual shift towards targeted subsidy mechanism in ensuring a more equitable distribution of resources. Additionally, potential risks to the inflation outlook remain subject to the fluctuations in exchange rates and supply-related factors, such as global commodity prices, geopolitical uncertainties and climatic conditions. Meanwhile, the PPI is expected to be higher in 2024 between 0.1% to 2.1% in tandem with diminishing base effect and better production activities.

Labour Market

A more promising employment prospect

Anticipation of better economic growth prospects in 2024, attributed to a stable domestic and external economy, will stimulate stronger labour demand and spur a more solid growth in employment opportunities.

Efforts to uplift the wellbeing of the workforce and attract higher participation into the labour market, as outlined in the Ekonomi MADANI framework, will be carried out. These include strengthening skills training programmes to be more demand-driven, providing a more conducive working environment for women and expanding the social protection coverage for all workers. As a result, the unemployment rate in 2024 is anticipated to return to the pre-pandemic level at 3.4%. The total employment is projected to expand by 2% to reach 16.1 million persons with more than 80% of employment opportunities continue to be provided by the services and manufacturing sectors.

The number of low-skilled foreign workers and expatriates is expected to increase in 2024 as a result of strategies to facilitate the supply of sufficient workers in meeting industries' requirement. Nevertheless, the Government will continue to encourage productivity improvements through automation and digitalisation, mainly in labour-intensive industries. Efforts will also be taken to expedite the implementation of a multi-tiered levy system as well as encourage employers to give more employment opportunities for locals to reduce the reliance on migrant workers.

Labour productivity is projected to expand further by 2.9% to RM99,900 in 2024, mainly contributed by the services sector, following robust activities in tourism-related industries.

Strengthening the implementation of talent skills enhancement programmes and strategies to shift industrial structure towards technology-driven will also contribute to the improvement in labour productivity.

Similarly, average monthly salaries and wages are anticipated to grow by 4.7% to RM3,514 in 2024, in line with the progression in labour productivity and favourable economic growth. Initiatives to transform the wage ecosystem and foster employers to perceive higher wages as a source of growth will also contribute to higher salaries and wages. Strategies outlined in the MTR of the Twelfth Plan and NIMP

2030 to create high-value job opportunities and accelerate industries' technology adoption will contribute to higher CE in 2024, thus positioning the economy on track to realising the target of CE at 45% of GDP in the long-term.

Conclusion

The global economy is anticipated to moderate in 2023 and 2024 due to various downside risks, including weaker-than-expected global demand; tighter global financial conditions; worsening trade tensions between major economies; mounting geopolitical uncertainty; and a further rise in protectionist measures.

World trade is projected to moderate in 2023 in line with weaker global demand. However, world trade is expected to strengthen in 2024 in tandem with improved trade activities. As an open economy, Malaysia is not spared from external developments. Thus, the GDP is expected to moderate in 2023. Nonetheless, the economy is expected to strengthen in 2024 supported by expansion in all sectors and better prospect in global trade.

Efforts will be intensified to strengthen Malaysia's agility in keeping pace with the fast-changing environment, which requires a paradigm shift and innovation culture to enhance economic growth. The continuation of strategic projects, digitalisation, improved productivity and advanced manufacturing will further stimulate the growth of the economy in the medium term. All economic sectors are expected to benefit from the recent policies such as NETR, NIMP 2030 and MTR of the Twelfth Plan, which are in tandem with the Ekonomi MADANI framework. Looking ahead, effective implementation of these policies will further enhance economic growth and resilience as Malaysia navigates through the challenging global landscape.

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CHAPTER 3

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CHAPTER 3

Monetary and Financial Developments

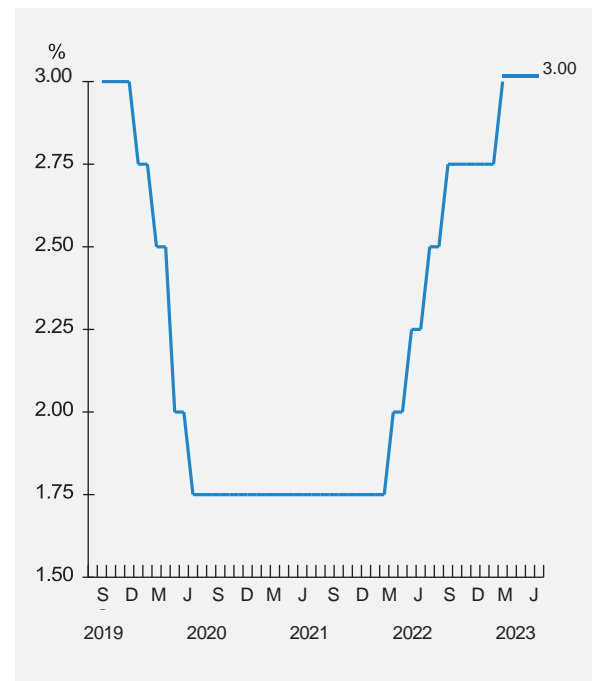
Overview

Financial market resilience amid external turbulence

Monetary and financial conditions remain supportive of financial intermediation activities with demand for financing continues to be sustained, supported by steady economic growth and improved labour market conditions. Banks' lending capacity remains sound backed by strong capital and liquidity buffers. The capital market exhibits resilience underpinned by a deep and broad market, and initiatives undertaken to enhance its efficiency and competitiveness. Monetary policy has been normalised to its pre-pandemic level. At the Overnight Policy Rate (OPR) of 3.00%, the policy remains supportive of sustainable economic growth while ensuring an environment of price stability. Nevertheless, the domestic financial market performance is confronted by challenges, mainly emanating from external factors. These factors include the pace of monetary policy tightening by global central banks, the banking distress in the US and Europe, the US debt ceiling debacle, geopolitical tensions and China's flagging economic recovery.

increment was commensurate with the health of the economy and signified the withdrawal of monetary stimulus provided during the COVID-19 crisis to support economic recovery. The OPR was subsequently maintained at 3.00% until September.

FIGURE 3.1. Overnight Policy Rate Level (%)



Source: Bank Negara Malaysia

Monetary Developments

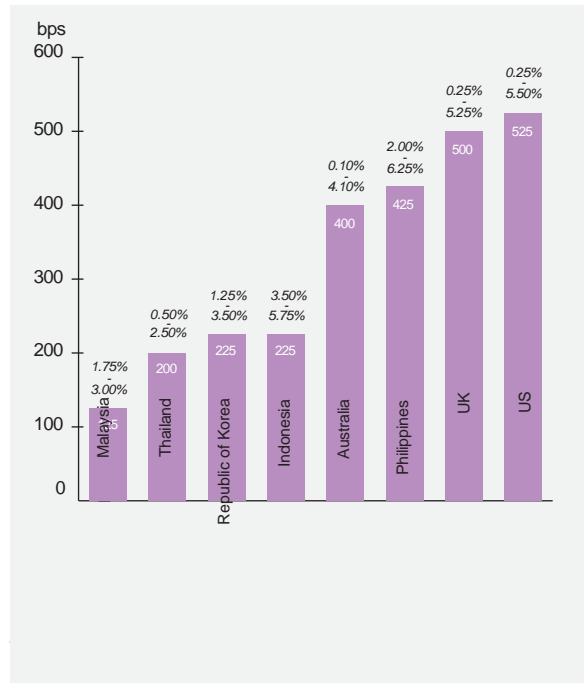
Policy rate returns to the pre-pandemic level

Monetary policy resumed its normalisation path in 2023 amid resilient domestic growth. The OPR was adjusted in May with an increment of 25 basis points (bps), bringing the OPR to its pre-pandemic level of 3.00%. This

At the global level, the policy normalisation exercise which commenced in 2022 witnessed central banks tightening monetary policies at varying paces. Bank Negara Malaysia (BNM) took a more prudent approach in normalising monetary policy, which was done gradually and at a measured pace compared to other major and regional central banks which increased their policy rates quickly and by larger magnitudes to manage soaring inflation.

From January 2022 to September 2023, total increase of policy rate in Malaysia was relatively low at 125 bps compared with other major economies, particularly the US (525 bps) and the UK (500 bps), as well as regional economies such as the Philippines (425 bps) and Indonesia (225 bps).

FIGURE 3.2. Comparison of Interest Rates among Central Banks, January 2022 – September 2023 (basis points, bps)



steady for the first four months of 2023 prior to the upward adjustment of the OPR in May. In tandem with the increase, the weighted average lending rate (ALR) trended higher by 21 bps to 5.07% as at end-July.

Higher OPR also led to an increase in the average saving deposit rate, which increased by 9 bps to 0.96% during the same period. Similarly, returns to depositors increased by between 20 to 29 bps, with average nominal fixed deposit rates ranging from 2.71% to 2.94% across all tenures of 1-month to 12-month.

Monetary policy will continue to be guided by the mandate of achieving price stability and sustainable economic growth in the long term. In carrying out this mandate, the Monetary Policy Committee (MPC) remains vigilant to ongoing developments and how evolving domestic and global conditions will impact the overall outlook of domestic inflation and growth.

Performance of Ringgit

External factors suppressing the ringgit

The movement of the ringgit in the first eight months of 2023 was mainly driven by global factors, particularly development in the US and weaker-than-expected recovery of China's economy. The ringgit began the year on a strong note, appreciating by 3.2% to close at RM4.2677 against the US dollar as at end-January. The strong performance was buoyed by expectations that the US Federal Reserve (Fed) will reach its terminal interest rate soon and optimism surrounding China's reopening.

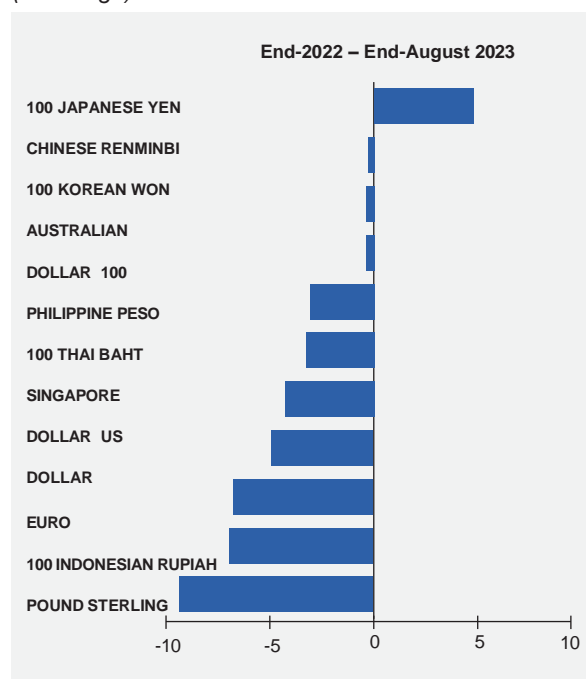
Nevertheless, the ringgit began to experience a series of depreciations from the middle of February until August. The depreciation was attributed to the change in narrative towards a hawkish tone regarding US policy rate increases during this period. The ringgit was also compounded by the slowdown of China's economic recovery where the People's Bank of China announced surprise rate cuts in June and August, which weakened the renminbi and this continued to affect sentiments surrounding the ringgit.

During the same period, foreign exchange markets were also affected by the collapse of Silicon Valley Bank (SVB) and the US debt ceiling crisis. Despite these incidents, the US dollar remained favourable among investors as a safe-haven currency. Furthermore, the rapid

and large adjustments in US interest rates by 100 bps and expectations of future policy rate increases provided additional support to the US dollar. Thus, the ringgit depreciated by 4.9% to close at RM4.6385 against the US dollar as at end-August, in tandem with other major and regional currencies which also declined against the greenback.

Moving forward, in addition to Malaysia's good economic fundamentals, expectations of the US Fed reaching the end of its hiking cycle and China's economic recovery may provide support for the ringgit. Since Malaysia adopts a flexible exchange rate regime, the value of the local currency will continue to be market-determined, and its performance will be influenced by global and domestic developments.

FIGURE 3.3. *Performance of Ringgit against Selected Currencies (% change)*



Source: Bank Negara Malaysia

Banking Sector Performance

Banking sector remains sound amid a more challenging operating environment

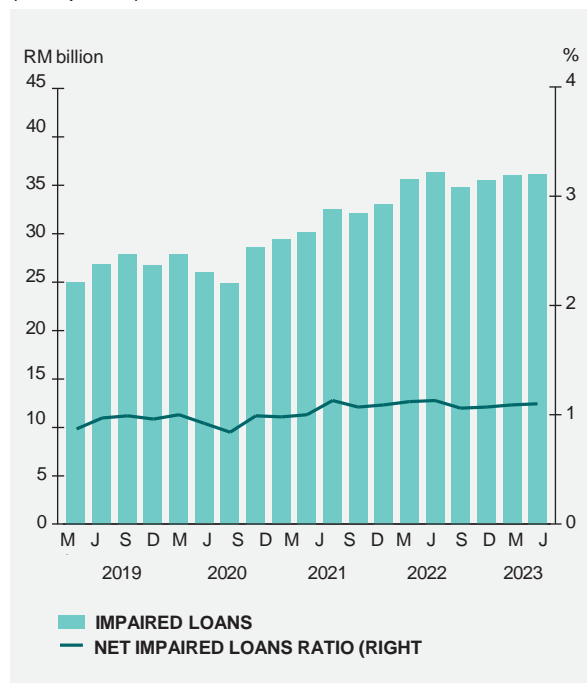
The capital position of the banking system remains strong to withstand potential shocks in the economy and provide sufficient credit to support economic activities. The excess capital buffers¹ stood at RM142.3 billion as at end-July 2023 while the Common Equity Tier 1 Capital (CET1), Tier 1 Capital, and Total Capital ratios remain stable at 15.1%, 15.6% and 18.8%, respectively, well above the Basel III minimum regulatory levels². Similarly, banks continued to maintain sufficient liquidity with a healthy Liquidity Coverage Ratio (LCR) of 154.8% and supportive of credit intermediation activities with a stable aggregate loan-to-fund ratio of 82%.

The banks continued to set aside adequate provisions against potential credit losses, with total provisions including regulatory reserves of RM33.2 billion as at end-July. Similarly, the loan loss coverage ratio (including regulatory reserves) remained at a prudent level of 115.8% of impaired loans, with total provisions accounting for 1.6% of total loans within the same period. This was further supported by the assets quality of the banking system, which remained intact, where the net impaired loan ratio was steady at 1.1%. The slight increase in impairments remains manageable amid the environment of uneven recovery, high input costs and rising cost of living.

¹ Excess total capital buffer refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5% of risk-weighted assets – RWA) and bank-specific higher minimum requirements.

² The Basel III minimum regulatory levels of CET1 Capital (4.5%), Tier 1 Capital (6%), and Total Capital ratios (8%), respectively, of RWA.

FIGURE 3.4. *Banking System: Impaired Loans and Net Impaired Loans Ratio (End-period)*



The banking sector maintained prudent lending activities amid tighter financial conditions during the first seven months of 2023. As at end-July 2023, the growth in total loan outstanding moderated by 4.2% to RM2,056.3 billion mainly due to the slower growth in the business segment. Meanwhile, financing activities in the banking system in all categories for both business and household segments such as loan applications, approvals, and disbursements expanded at a slower pace of 3.6%, 7%, and 5.2%, respectively.

In the business segment, loan applications and approvals expanded by 6.8% to RM310.3 billion and 12.4% to RM183.5 billion, respectively, following the expansion in economic activity. However, the total loan outstanding slowed by 0.2% to RM700.1 billion due to slower growth in working capital loans. Likewise, loan disbursements moderated by 0.5%, reflecting lower growth mainly in the commodity-related

segments and the high base effect in the second quarter of 2022. Financing to SMEs remained strong with the availability of various financing offered by the banking system, amounting to RM347.3 billion or 49.6% of total loans outstanding in the business segment.

TABLE 3.1. *Banking System: Loan Indicators¹, January – July 2022 and 2023*

	RM BILLION		CHANGE (%)	
	2022	2023	2022	2023
Total²				
Loans applications	769.5	797.5	20.1	3.6
Loans approvals	386.4	413.6	26.7	7.0
Loans disbursements	1,319.2	1,388.0	15.5	5.2
Loans repayments	1,311.9	1,396.0	13.2	6.4
Loans outstanding ^{2,3}	1,973.8	2,056.3	5.9	4.2
<i>of which:</i>				
Business Sector				
Loans applications	290.7	310.3	17.6	6.8
Loans approvals	163.2	183.5	18.0	12.4
Loans disbursements	928.1	933.0	15.9	0.5
Loans repayments	929.4	944.5	15.3	1.6
Loans outstanding ³	698.4	700.1	5.4	0.2
<i>of which:</i>				
SMEs				
Loans applications	156.7	180.7	8.7	15.4
Loans approvals	80.1	95.0	9.2	18.5
Loans disbursements	277.9	291.7	32.7	5.0
Loans repayments	273.6	283.9	31.0	3.8
Loans outstanding ³	325.7	347.3	6.3	6.6
Households				
Loans applications	454.2	466.0	20.5	2.6
Loans approvals	201.5	212.7	30.5	5.5
Loans disbursements	237.1	266.4	23.7	12.4
Loans repayments	231.1	265.8	11.9	15.0
Loans outstanding ³	1,163.1	1,226.0	6.2	5.4

¹ Loans for all segments include data from the banking system and development financial institutions (DFIs)

² Refer to the sum of outstanding business and household loans, and excludes loans to Government, financial institutions, non-bank financial institutions and other entities

³ As at end-period

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

In the household segment, total loans outstanding grew by 5.4% as at end-July. Household borrowings were mostly supported by continued demand for consumption-related credit, mainly for the purchase of residential properties and passenger cars.

Loan applications and approvals moderated to 2.6% and 5.5%, respectively. Nonetheless, the volume of loan repayments of the segment continued to record double-digit growth, increasing further by 15% in the first seven months of 2023 supported by improvements in employment and income growth. The strong performance was also backed by ongoing support from the banking system, which provided assistance such as rescheduling and restructuring of loans, and advisory support by Credit Counselling and Debt Management Agency (AKPK) to borrowers who face difficulties in meeting their repayment obligations.

Moving forward, the Second Financial Inclusion Framework (2023 – 2026), a four-year strategic roadmap launched in June 2023 will further advance financial inclusion by elevating the people's financial well-being and standard of living. This Framework complements the Financial Sector Blueprint 2022 – 2026 (FSBP) and takes into consideration new emerging growth angles in financial services and the aspirations of SDG and ESG propositions.

Household debt grew at a moderate pace of 5.1% as at June 2023, primarily driven by the purchase of residential properties facilitated by homeownership incentive programmes and the purchase of motor vehicles following the extension of the Sales Tax exemption³ and new vehicle registration period. Despite the moderate pace of household debt growth, the debt-to-GDP ratio increased to 81.9% as at June due to the modest expansion in nominal GDP over the same period. The bulk of household

TABLE 3.2. Banking System: Loans Outstanding by Sector,
End-July 2022 and 2023

	RM BILLION		SHARE (%)	
	2022	2023	2022	2023
Businesses	698.4	700.1	35.4	34.0
Non-SMEs ¹	369.4	350.3	18.7	17.0
SMEs	325.7	347.3	16.5	16.9
<i>Selected sectors</i>				
Primary agriculture	32.5	31.7	4.6	4.5
Mining and quarrying	10.6	9.2	1.5	1.3
Manufacturing	131.1	126.6	18.8	18.1
Construction	89.1	89.7	12.8	12.8
Electricity, gas and water supply	23.3	21.2	3.3	3.0
Wholesale and retail trade	141.0	145.0	20.2	20.7
Hotels and restaurants	19.6	19.4	2.8	2.8
Transport and storage	29.0	30.9	4.2	4.4
Information and communication	19.5	22.0	2.8	3.1
Finance, insurance and business activities	170.0	171.2	24.3	24.5
Households	1,163.1	1,226.0	58.9	59.6
<i>of which:</i>				
Purchase of residential properties	705.8	755.2	60.7	61.6
Purchase of non-residential properties	80.3	80.8	6.9	6.6
Purchase of passenger cars	162.1	175.4	13.9	14.3
Credit cards	35.5	40.3	3.1	3.3
Personal use	106.7	110.6	9.2	9.0
Purchase of securities	72.3	63.3	6.2	5.2
Others	0.3	0.3	0.0	0.0
Other sectors	112.3	130.3	5.7	6.3
Total²	1,973.8	2,056.3	100.0	100.0

¹ Non-SMEs refer to large corporations, including foreign entities, other domestic entities, Government and others

² Refer to the sum of outstanding business and household loans, and excludes loans to Government, financial institutions, non-bank financial institutions and other entities

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

³ The Sales Tax exemption was extended until June 2022, while new vehicle registration until March 2023.

debt is intended for wealth accumulation which constituted 60.3% for residential properties, non-residential properties (5.5%), and investment in securities (4.5%).

Household financial resilience was supported by healthy debt servicing capacity and strong financial buffers. The debt service ratios (DSRs) for outstanding and newly-approved loans remained sound owing to prudent debt underwriting standards. Overall, the household financial assets⁴ totalled RM3,036 billion as at end-June and exceeded total household debt by 2.05 times. With improvements in income and employment conditions, most borrowers have exited the repayment assistance programme and resumed loan payments. These developments will augur well for household financial position.

The Ministry of Finance together with BNM and Securities Commission Malaysia (SC) are in the process of formulating the Consumer Credit Act (CCA) which will strengthen protection for credit consumers in Malaysia by providing a comprehensive regulatory framework for credit business and credit service business, ensuring proper conduct of entities carrying out such businesses and promoting a fair, efficient and transparent credit industry.

Through CCA, non-bank credit providers and credit service providers offering credit products or credit services such as Buy-Now-Pay-Later, leasing and factoring companies, debt collection agencies, impaired loan buyers and debt counselling and management agencies will be subjected to authorisation, governance and proper conduct requirements. Regulated entities are expected to adhere to among others responsible lending practices, transparency and disclosure information and fair treatment of credit consumers. These will strengthen consumer protection in Malaysia and heighten the level of professionalism within the industry.

Capital Market Performance

Fundraising activities remain steadfast

Gross funds raised in the capital market during the first seven months of 2023 rose by 11.4% to RM184.1 billion. The commendable performance was attributed to increased fundraising activities by the public and private sectors, which grew by 10.8% and 12.4% to RM114 billion and RM70.1 billion, respectively.

The private sector's gross funds raised through new corporate bonds grew by 11.8% to RM67.1 billion despite the tighter financing environment. The funds were primarily raised via medium-term notes valued at RM65.3 billion, followed by straight bonds (RM1,005.8 million) and Islamic bonds (RM865.6 million). Most of the funds were raised by finance, insurance, real estate, and business services accounting for 55.6%; electricity, gas and water (21.8%); and construction (9.3%) sectors. These funds were primarily used to finance working capital, new projects and refinancing.

Meanwhile, funds raised via the domestic equity market during the same period recorded RM2.9 billion, with the growth driven by IPOs. The new issuances under both Main and ACE markets comprise of consumer and industrial products and services, construction, technology, property and healthcare counters.

The increasing number of businesses planning to list in the near term will enhance investment opportunities and boost domestic equity market vibrancy.

For the public sector, Malaysian Government Securities (MGS) issuances increased by 8.3% to RM57.4 billion, while Malaysian Government Investment Issues (MGII) increased by 13.5% to RM56.6 billion. The issuances take into consideration of the Government's financial requirement and maturity profile. Meanwhile,

⁴ Assets held by households including deposits, investments in unit trust and equities, insurance/takaful policies and Employee Provident Fund (EPF).

foreign holdings of MGS and MGII outstanding stood at 36.6% and 10.2%, respectively, as at end-July. Malaysia's debt market continued to be supported by diverse group of institutional and foreign investors, complemented by the deep and liquid secondary bond market.

TABLE 3.3. Funds Raised in the Capital Market, January – July 2022 and 2023

	RM MILLION	
	2022	2023
Public Sector		
Government securities		
Malaysian Government Securities	53,010.8	57,402.9
Malaysian Government Investment Issues	49,912.6	56,633.9
New issues of debt securities	102,923.4	114,036.8
Less: Redemptions	47,478.8	58,370.0
Net funds raised by the public sector	55,444.6	55,666.8
Private Sector		
Shares/Warrants		
Initial Public Offers	2,265.7	2,912.3
Rights Issues	-	-
Warrants	-	-
New issues of shares/warrants	2,265.7	2,912.3
Debt securities²		
Straight bonds	222.3	1,005.8
Convertible bonds	-	-
Islamic bonds	453.1	865.6
Medium-term notes	59,382.9	65,267.3
New issues of debt securities	60,058.3	67,138.7
Less: Redemptions	52,839.3	45,894.4
Net issues of debt securities	7,219.0	21,244.3
Net funds raised by the private sector	9,484.7	24,156.6
Total net funds raised	64,929.3	79,823.5

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 in conventional and Islamic principles Note: Total may not add up due to rounding
Source: Bank Negara Malaysia

The increase in gross funds raised in the capital market by the public and private sectors was primarily supported by economic recovery initiatives to boost economic growth. With the implementation of various measures such as tax reform, access to credit, and additional stimulus packages, the public and private sectors have more opportunities to raise capital. Additionally, foreign and domestic direct investments have increased significantly, thus unlocking more capital and creating more opportunities for investors to invest in a wide range of projects.

TABLE 3.4. New Issuance of Corporate Bonds by Sector, January – July 2022 and 2023

	RM MILLION		SHARE (%)	
	2022	2023	2022	2023
Agriculture, forestry and fishing	2,119.6	348.0	3.5	0.5
Manufacturing	5,102.0	836.0	8.5	1.2
Construction	4,428.6	6,250.4	7.4	9.3
Electricity, gas and water	9,520.3	14,632.2	15.9	21.8
Transport, storage and communication	2,100.0	2,785.5	3.5	4.1
Finance, insurance, real estate and business services	31,747.3	37,358.2	52.9	55.6
Government and other services	4,270.5	4,535.8	7.1	6.8
Wholesale and retail trade, restaurant and hotels	270.0	392.5	0.4	0.6
Mining and quarrying	500.0	0.0	0.8	0.0
Total	60,058.3	67,138.7	100.0	100.0

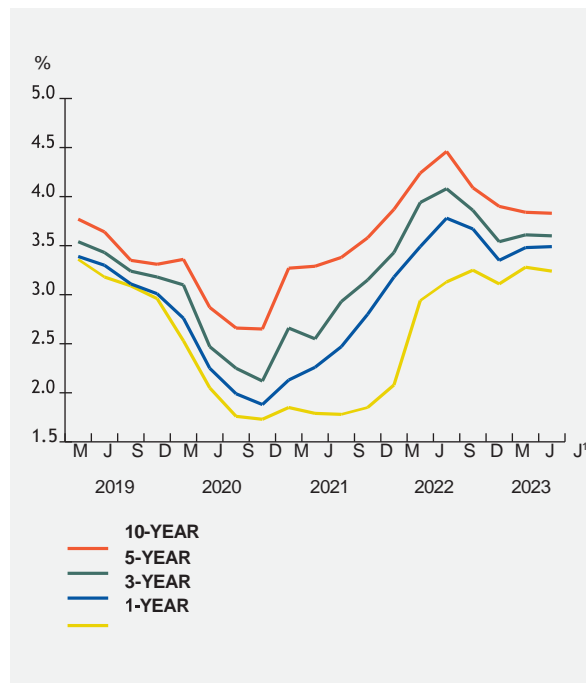
Note: Includes corporate bonds issued by Cagamas and non-resident corporations
Total may not add up due to rounding Source: Bank Negara Malaysia

During the first seven months of 2023, MGS and corporate bond yields broadly declined across all tenures. The yields on 1-year, 3-year, 5-year, and 10-year MGS decreased by 2 bps, 18 bps, 26 bps, and 26 bps, respectively.

The decline in benchmark yields was mainly

driven by market expectations of the policy rate reaching its peak. This trend was also influenced by global macro developments, including easing inflationary expectations in the US, as well as the subdued global banking turmoil. As at end-July, the 1-year, 3-year, 5-year and 10-year MGS yields closed at 3.24%, 3.49%, 3.60% and 3.83%, respectively.

FIGURE 3.5. *Malaysian Government Securities Indicative Yields (End-period)*



Meanwhile, the corporate bond yields on the 5-year AAA-rated, AA-rated and A-rated securities decreased by 42 bps, 42 bps and 10 bps, respectively. However, BBB-rated corporate bond yield increased by 21 bps during the same period and closed at 7.01%. Nonetheless, Malaysia's BBB-rated corporate bond yield trended slightly higher driven by investors seeking corporate bonds with relatively safer credit ratings in light of risk-off sentiment following US banking distress. Overall, the yield trend in the corporate debt market generally points towards the expectation of

FIGURE 3.6. *Share of Foreign Holdings in Total Malaysian Government Securities Outstanding (End-period)*

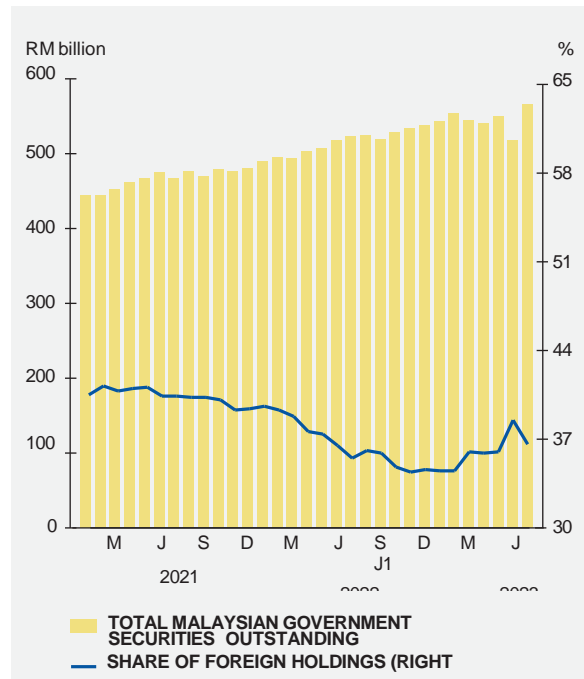
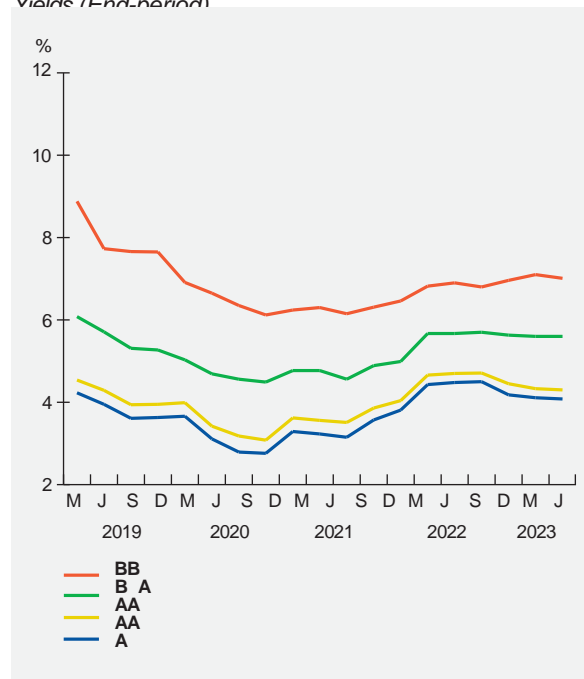


FIGURE 3.7. *5-Year Corporate Bond Yields (End-period)*



lower interest rates, signalling lower borrowing costs, which will be an advantage to many businesses.

It is envisaged that local sukuk and bonds will play a vital role as the financing instruments for programmes and projects featured in the National Energy Transition Roadmap (NETR), the New Industrial Master Plan 2030 (NIMP 2030) and the Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan).

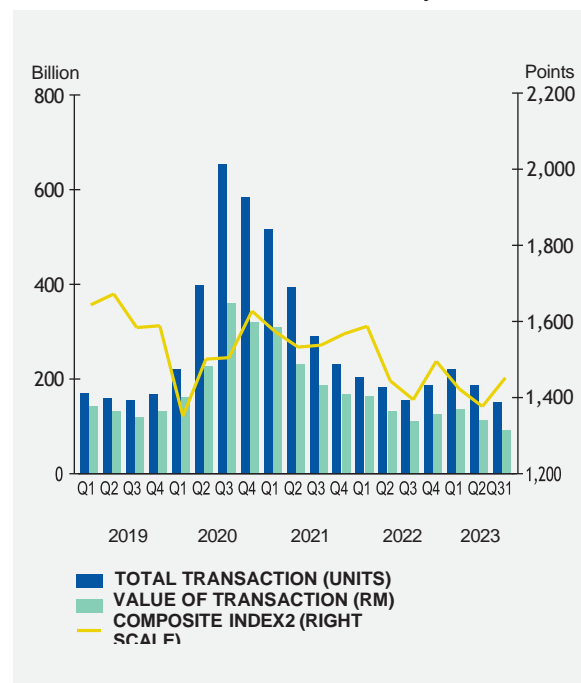
Overall, the outlook for MGS, MGII as well as corporate bonds and sukuk remains positive, buoyed by expectations of sustained economic growth, manageable inflation levels, and the anticipated conclusion of BNM's rate hiking cycle this year. Nonetheless, external factors such as the US Fed rate hike uncertainties, the banking sector turmoil and geopolitical tensions could pose as short-term market volatility risks.

The local equity market continued to be affected by external challenges during the first eight months of 2023. In early 2023, the US Fed hinted of possible small interest rate hikes due to easing inflationary pressures.

Meanwhile, China reopened its borders, giving hope of a positive global economic spillover. These factors improved risk sentiments but were not sufficient to propel the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) to close the month at a higher level with the Index declining by 0.7% to 1,485.50 points as at end-January (end-December 2022: 1,495.49 points). The lacklustre performance can be attributed to various factors including uncertainties surrounding global economic growth which affected investor sentiment.

The FBM KLCI decreased by 6.8% (year-to-date) to close at 1,393.83 points on 14 March, which was below the psychological level of 1,400 points, as market sentiment was affected by the banking sector turmoil in the US and

FIGURE 3.8. Performance of Bursa Malaysia



¹ End-August 2023

² As at end-period

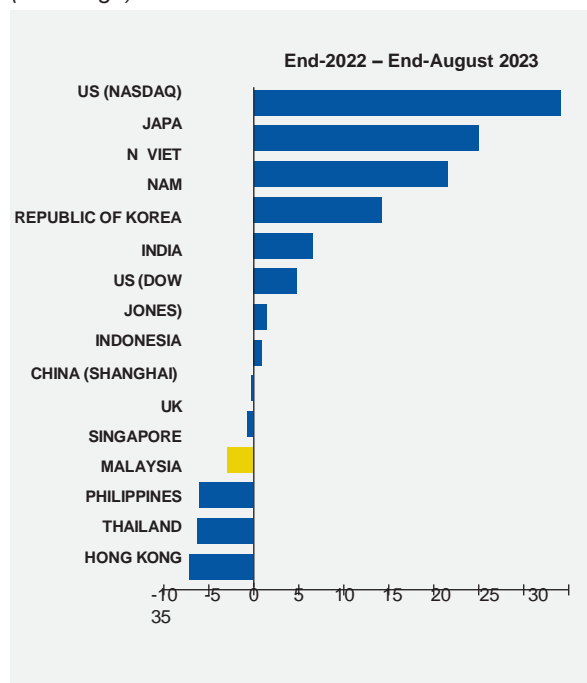
Source: Bursa Malaysia

Switzerland. Although early interventions by the authorities managed to prevent the incident from spreading to other financial institutions, investors were still cautious of the potential contagion effect within the sector. In May, the OPR was increased coincident with the US Fed's decision. Meanwhile, fears over the lingering US banking crisis, US debt ceiling negotiations and Malaysia's six-state election led to more defensive investment approach and profit-taking activities. In addition, slower economic activity in Europe and weak domestic corporate earnings compounded these fears. Consequently, the FBM KLCI closed lower at 1,387.12 points at the end of May.

Effective 13 July, the Government reduced the stamp duty rate on shares traded on Bursa Malaysia from 0.15% to 0.10% as one of the measures to reinvigorate the domestic capital market. The measure aims at increasing trading volumes and liquidity among retail

investors, motivating SMEs to pursue IPOs due to the expedited listing process while encouraging foreign investors to participate in Malaysia's stock market. Consequently, the FBM KLCI recovered, to close higher at 1,459.43 points as at end-July, buoyed by strong foreign buying interest and backing from local institutions as well as higher bargain-hunting activities. The recovery was further supported by the launching of the Ekonomi MADANI framework. The market sentiment continued to improve, supported by foreign buying interest and impending policy announcements with the index rising to close at 1,462.03 points on 9 August. Subsequently, with improved local job openings data and stimulus measures announced by China, the FBM KLCI ended the month to close at 1,451.94 points. Likewise, the accumulated net equity inflows for July and August recorded RM1,555 million.

FIGURE 3.9. Performance of Selected Stock Markets (% change)



Source: Bloomberg

TABLE 3.5. Bursa Malaysia: Selected Indicators, End-August 2022 and 2023

	2022	2023
Indices		
FBM KLCI	1,512.05	1,451.94
FBM EMAS	10,697.65	10,740.70
FBM 100	10,449.43	10,412.03
FBM SCAP	14,380.26	16,072.89
FBM ACE	4,910.44	5,217.97
Total turnover¹		
Volume (million units)	489,373.45	559,605.08
Value (RM million)	363,183.71	340,020.02
Average daily turnover¹		
Volume (million units)	3,020.82	3,475.81
Value (RM million)	2,241.87	2,111.93
Market capitalisation (RM billion)	1,706.31	1,776.33
Total number of listed companies		
Main Market	764	773
ACE Market	156	167
LEAP Market	46	48
Market liquidity		
Turnover value/market capitalisation (%)	21.3	19.1
Market concentration		
10 highest capitalised stocks/market capitalisation (%)	34.1	33.0

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

iNformation box 3.1

Key Capital Market Measures

Several key measures were undertaken by the Securities Commission Malaysia (SC) and Bursa Malaysia in the first eight months of 2023 to enhance the liquidity and efficiency of Malaysia's capital market.

The measures are as follows:



Islamic Banking and Capital Market Performance

Islamic banking and capital market thrive amid resilient economic growth

Islamic banking continues to support economic and social needs in line with principles of value-based finance via diverse and innovative Shariah-compliant solutions. As at end-July 2023, the total assets of Islamic banking⁵ expanded by 8.1% to RM1,293.2 billion, accounting for 36.4% of the market share. Meanwhile, the total Islamic financing outstanding grew by 9.1% to RM844.1 billion as at end-July which outpaced the growth trend in the conventional banking sector. The demand for household financing remained strong, accounting for the largest share of 63.1% of the total financing, mainly for residential properties and passenger cars.

The outlook for Islamic banking remains promising, supported by a mature ecosystem that promotes social and financial inclusion. This ecosystem encapsulates regulations enacted by the Islamic Financial Services Act 2013 [Act 759], diversified and innovative products and services, resilient industry players, progressive digitalisation strategy as well as strong foundation in value-based intermediation (VBI) financing. In addition, Malaysia's strong commitment to the social finance agenda is reflected in the anticipated 3rd cohort of the Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Sectoral Guides⁶ to be released by the year-end that integrates ESG risk considerations in financing and investment decisions. The integration of VBI and social finance will further position the nation as

a frontier in addressing sustainability goals through Shariah-compliant financing that balances social and environmental needs with economic development.

TABLE 3.6. *Islamic Banking: Key Indicators¹, End-July 2022 and 2023*

	RM BILLION		CHANGE (%)	
	2022	2023	2022	2023
Assets	995.1	1,081.4	6.3	8.7
Financing	774.1	844.1	12.0	9.1
Primary agriculture	16.2	20.9	-2.6	23.1
Mining and quarrying	3.0	3.2	-35.3	-29.1
Manufacturing	36.0	33.7	4.6	-4.0
Electricity, gas and water supply	11.8	8.5	94.1	3.6
Wholesale and retail trade, restaurants and hotels	42.7	54.0	18.2	17.8
Construction	43.3	44.6	34.3	-3.5
Real estate	31.8	35.3	1.5	10.3
Transport, storage and communication	22.7	27.5	24.3	21.0
Finance, insurance and business activities	46.4	35.9	21.5	11.7
Education, health and others	16.3	8.4	-41.4	14.2
Households	491.3	532.7	11.8	9.0
Others	12.4	39.3	118.4	17.5
Liabilities	923.8	1,001.0	6.4	8.4
Deposits and Investment Account	869.3	934.8	8.8	7.5
Investment	0.3	0.3	-22.1	-11.7
Savings	75.1	71.6	5.5	-4.6
Demand	134.9	132.7	16.3	-1.6
Investment account	133.5	142.9	17.6	7.1
Others	525.5	587.3	5.5	11.8

¹ Excluding DFIs

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

⁵ Includes DFIs.

⁶ This framework is a continuation from the 1st and 2nd cohort Sectoral Guides issued in 2021 and 2022 covering palm oil, renewable energy, energy efficiency, oil & gas, construction and infrastructure and manufacturing sectors. The 3rd cohort covers agriculture, mining & quarrying, road transportation and waste management.

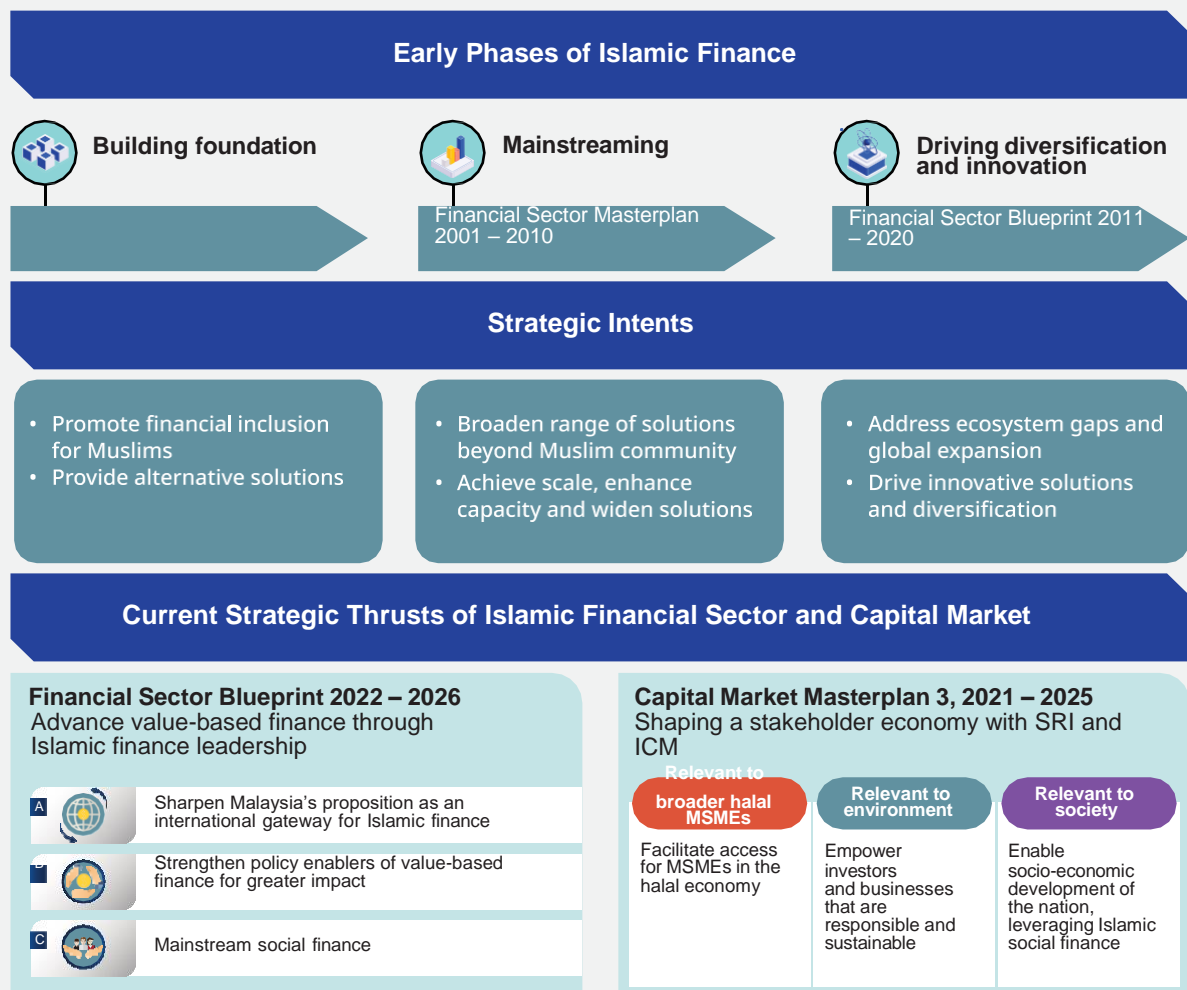
iNformation box 3.2

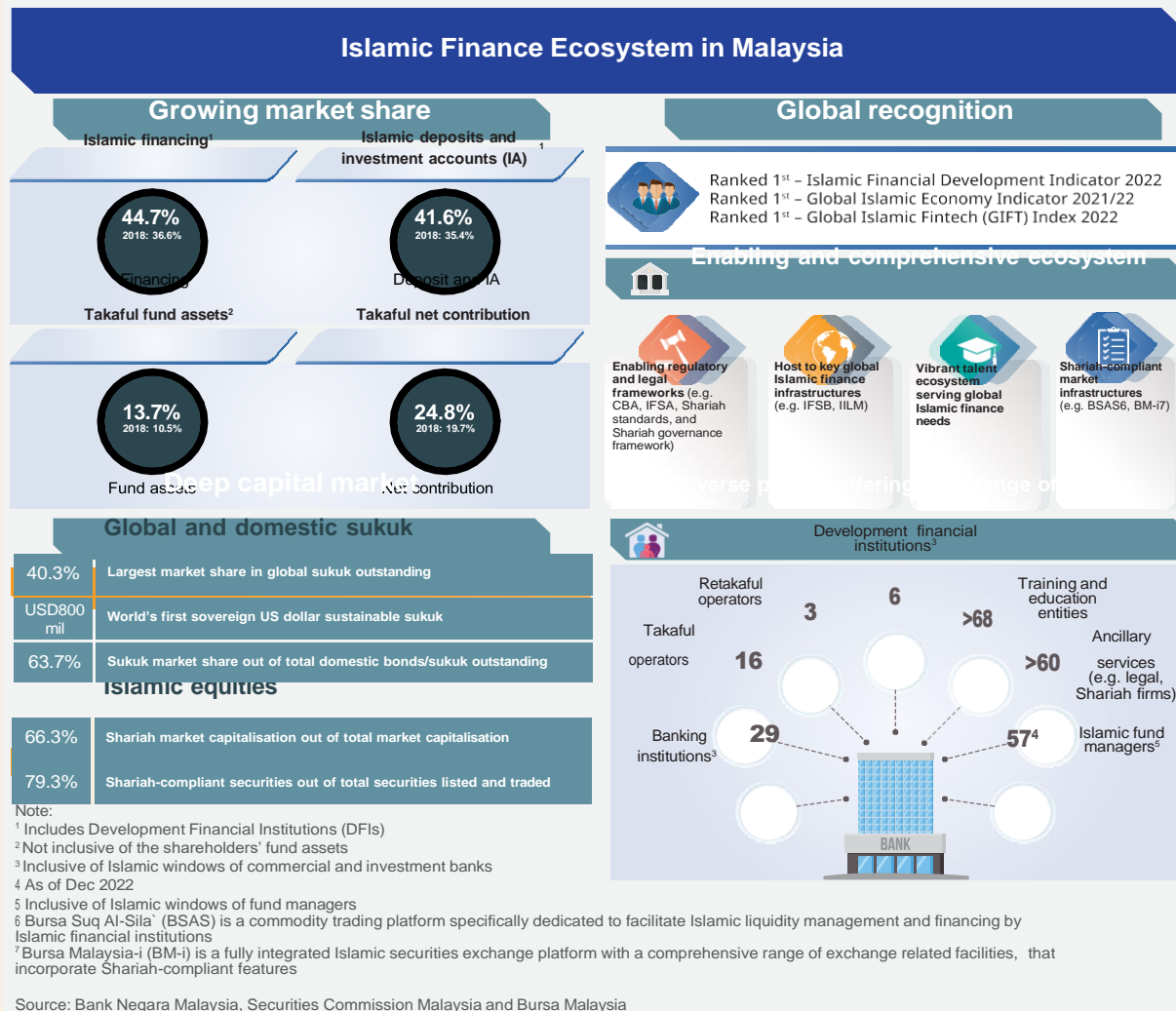
An update: Bolstering Islamic Finance in Malaysia

The Evolution of Islamic Finance in Malaysia

Islamic finance has progressed significantly in Malaysia over the last four decades. It has undergone three broad phases of development and evolved into one of the most developed Islamic finance ecosystems globally as depicted in Figure 3.2.1. The solidification of the industry is the culmination of efforts from the Government, financial regulators, and industry players, which have continued to pursue a multi-pronged approach towards sustaining and sharpening Malaysia's proposition as a global leader in Islamic finance. These efforts include providing a conducive and enabling legal and regulatory environment; advancing structural reforms that address market frictions and industry competitiveness; as well as enhancing the dynamism of institutions and talent.

FIGURE 3.2.1. Phases of Development and Current Ecosystem in Islamic



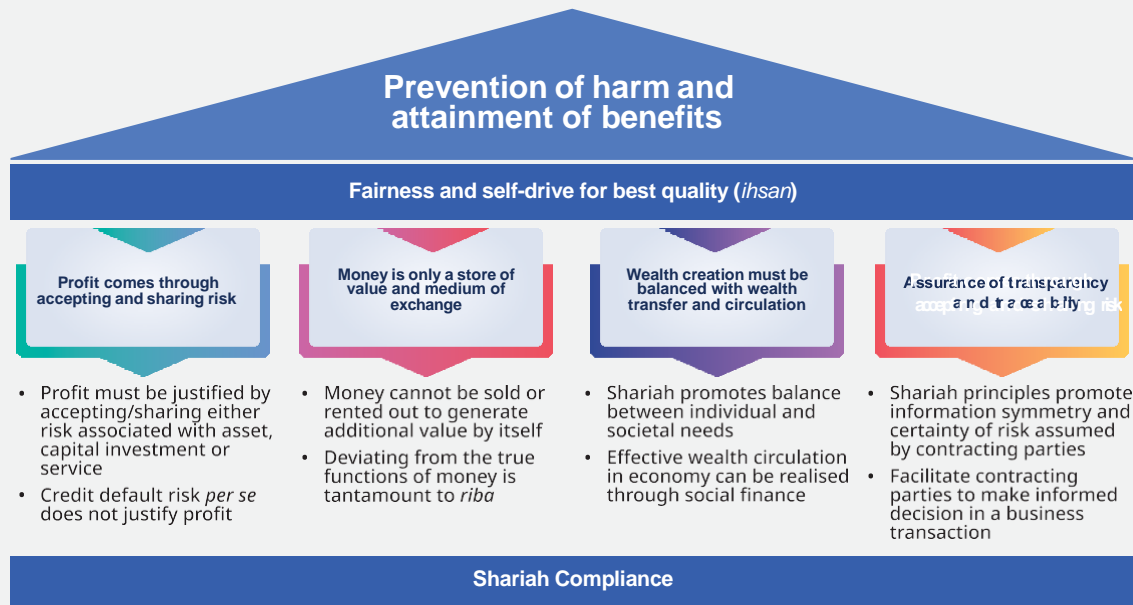


Source: Bank Negara Malaysia, Securities Commission Malaysia and Bursa Malaysia

Strengthening the value and impact of Islamic finance

Under the framework of Ekonomi MADANI, Islamic finance is envisioned to intermediate more diverse forms of capital that contribute to an inclusive and just economic system. Islamic finance in Malaysia is called upon to not just embrace the value of Halal but also embrace the value of the *Tayyib* principle. This aspiration aligns closely with the intrinsic values of Shariah applied in Islamic finance as outlined in Figure 3.2.2. that are intended to promote a balanced distribution of wealth, eradicate poverty, foster collaboration and encourage sustainable development. These values are universal and can shape a more sustainable and inclusive financial system in Malaysia.

FIGURE 3.2.2. *Shariah Principles underpinning Islamic Finance Development Effort*
Economic growth that is balanced, progressive, sustainable and inclusive



Source: Bank Negara Malaysia

Strategies under Financial Sector Blueprint 2022 – 2026 are aligned with Ekonomi MADANI Aspirations

The Financial Sector Blueprint 2022 – 2026 (FSBP) sets out visions for financial sector development to ensure the sector is agile, dynamic and resilient to support the transition of the nation to its next stage of development. The Blueprint consists of five strategic thrusts, where one of the thrusts, “advance value-based finance through Islamic finance leadership”, envisions a financial system that can deliver tangible socio-economic impact and ultimately demonstrate the values and full potential of Islamic finance, including realising *Maqasid Shariah*¹.

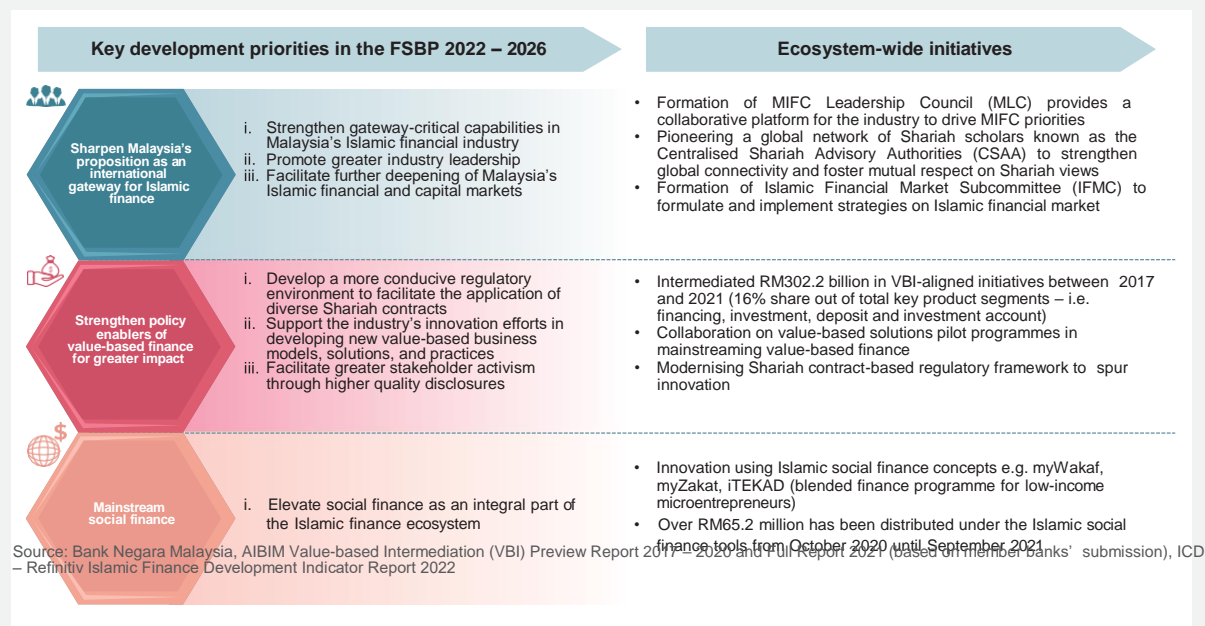
The thrust encapsulates three main strategies, namely:

- Sharpen Malaysia’s proposition as an international gateway for Islamic finance;
- Strengthen policy enablers of value-based finance for greater impact; and
- Mainstream social finance.

As Malaysia aims to strengthen its role as a global gateway for Islamic finance markets in Asia and Organisation of Islamic Cooperation (OIC) countries, the Blueprint outlines key strategic priorities that will build upon the strength of the industry’s ecosystem. These strategic priorities are further supported by concerted efforts and initiatives by various stakeholders in the ecosystem. These initiatives include reviewing regulatory frameworks to spur innovation, developing a strong and sustainable pool of quality talent, pursuing scalable and impactful pilot programmes in collaboration with industry as well as partnering with global stakeholders as depicted in Figure 3.2.3.

¹ *Maqasid Shariah* means the objective of Shariah, the deeper meanings and inner aspects of wisdom considered by the lawgiver in all or most of the areas and circumstances of legislation. (The Malaysian Islamic Financial Market Report 2023, Bank Negara Malaysia)

FIGURE 3.2.3. Key Development Priorities and Industry Players Initiatives



The Malaysia International Islamic Financial Centre (MIFC) Leadership Council (MLC), established by Bank Negara Malaysia (BNM) and Securities Commission Malaysia (SC) in October 2022 serves as an important enabler to position Malaysia as a global marketplace and international gateway for Islamic finance. The MLC as an industry-led platform is guided by the aspirations outlined in the FSBP and the Capital Market Masterplan 3 (CMP3).

The Council which comprises ten prominent local and international industry figures has since actively engaged the industry players and key partners, as well as participated in various domestic and international platforms as part of its strategic and advocacy roles in advancing Islamic finance and its impact creation. As part of its immediate priorities, MLC will strive to unlock impactful innovations and collaboration towards delivering outcomes in positioning Malaysia as the preferred Islamic fundraising and investment destination, addressing inequality, advancing sustainability, elevating relevant human capital and knowledge initiatives in Islamic finance as well as strengthening digital empowerment.

Value-based Intermediation (VBI) is one of the key catalysts towards developing a more balanced, progressive, sustainable and inclusive financial system. VBI aims to deliver the intended outcomes of Shariah that generate positive and sustainable impacts on the economy, community and environment. Since the introduction of VBI in 2017, the Islamic finance industry has facilitated a total of RM302.2 billion in VBI-aligned initiatives. Presently, efforts are also directed towards facilitating innovative value-based solutions that support wider intermediation of capital and support the digital transformation of the financial sector.

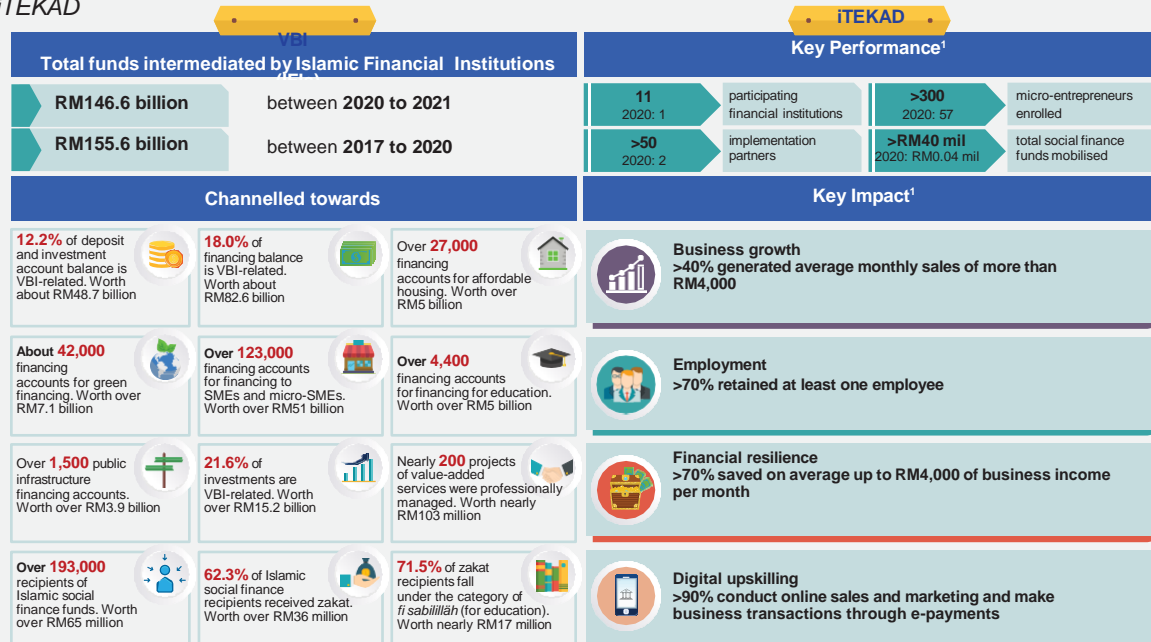
The announcement of two Islamic digital banks² in 2022 and intensification of digitalisation efforts undertaken by existing Islamic banks will further enhance access to affordable and quality financial solutions, particularly for the underserved and unserved market segments. Furthermore, greater

² In 2022, BNM announced the five successful applicants for the digital bank licences of which two are licensed under the Islamic Financial Services Act 2013 (IFSA). The successful applicants will undergo a period of operational readiness.

digitalisation in the takaful sector, propelled by the Licensing and Regulatory Framework for Digital Insurers and Takaful (DITO), also presents opportunities to reduce critical protection gaps in Malaysia.

Ongoing efforts are being undertaken to facilitate innovative value-based solutions that support the wider intermediation of capital. In supporting implementation towards SDG, social finance is also envisioned to play a greater role in complementing public sector finance, commercially-driven financial solutions, and corporate social responsibility (CSR) activities of financial institutions to promote greater social resilience. This goal is pursued by incorporating instruments such as *zakat*, *waqf*, and *sadaqah* as integral parts of Islamic financial products and services. For example, iTEKAD, a blended social finance programme introduced in 2020, provides financial and non-financial components in the form of seed capital, microfinance, and structured training. The programme targets low-income segment of aspiring and existing microentrepreneurs. The iTEKAD has expanded to include 11 participating banks which have onboarded more than 3,000 participants while mobilising over RM40 million of diverse social finance funds (donations, social impact investment, and zakat) in 2023. The key performance indicators of VBI and iTEKAD are listed in Figure 3.2.4.

FIGURE 3.2.4. Key Performance Indicators of VBI and iTEKAD



Note: ¹Figures are as of August 2023 and derived from sample of iTEKAD participants

Source: Bank Negara Malaysia, participating financial institutions of iTEKAD, AIBIM Value-based Intermediation 2021 Full Report

Conclusion

Collectively, the efforts undertaken thus far will further advance Malaysia's Islamic finance system and strengthen the nation's position as a prominent leader in the global Islamic economy. The culmination of efforts from the Government, particularly through BNM and SC, alongside various stakeholders in the industry is poised to boost the value proposition of Islamic finance. In addition, Malaysia is widely recognised as a global thought leader in this domain. Hence, the nation is well-positioned to spearhead in charting the future of Islamic finance, given the rapidly evolving financial and economic landscapes while striking a balance between economic development and the social agenda, in line with the aspirations of Ekonomi MADANI.

The Islamic Capital Market (ICM) continues to lead Malaysia's capital market in fundraising and investing. As at end-July, the domestic size of ICM was valued at RM2,402.2 billion, accounting for 64.4% of total capital market size. Furthermore, the size of ICM increased further by 7.9% with the sukuk market becoming more attractive to investors.

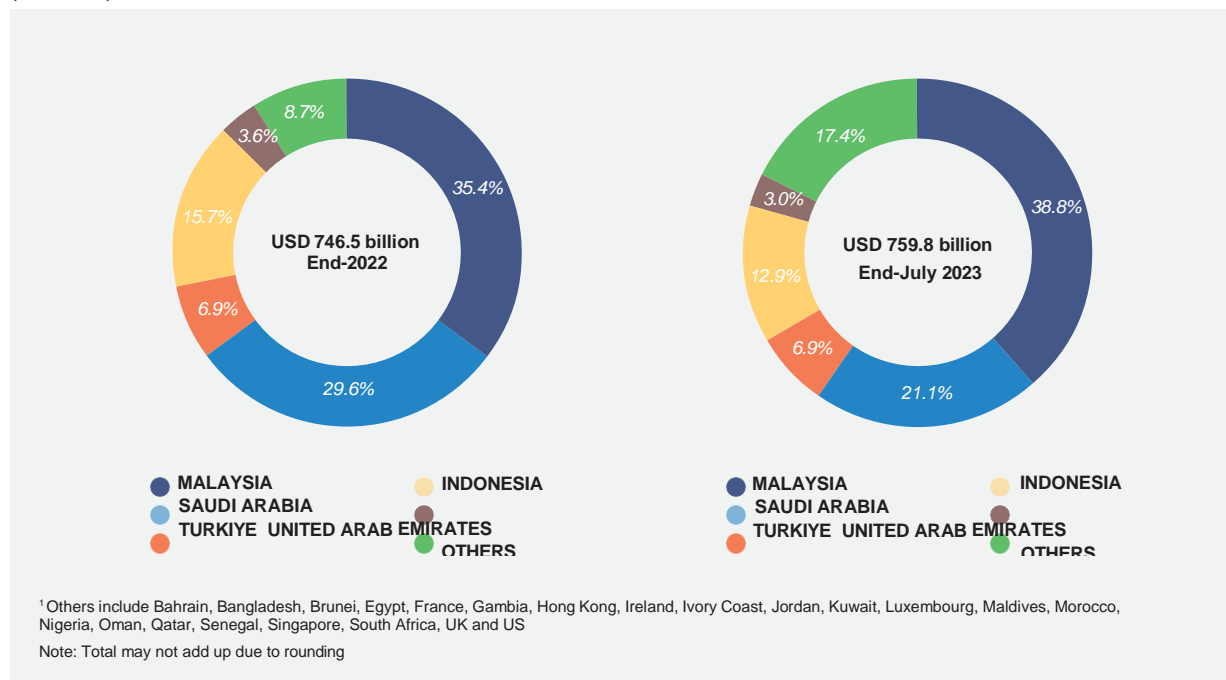
During the first seven months, sukuk issuances amounted to RM178.2 billion or 61.7% of total issuances. The increasing demand from the private sector for Shariah-compliant instruments continues to fuel the issuances of sukuk. The total corporate sukuk issuances reached RM50.9 billion, representing 75.6% of overall corporate bonds and sukuk issued in Malaysia during the same period. Malaysia continued to record the largest share of global sukuk outstanding at 38.8% as at end-July.

Recognised as the pioneer in the global sukuk market, Malaysia has a well-established Islamic finance infrastructure and sukuk issuances with diverse tenures and structures.

Malaysian sukuk have often been considered attractive attributed to competitive yields and a reputation for strong regulatory oversight. Additionally, Malaysia's efforts to become a hub for Islamic finance have garnered interest from foreign institutional investors in diversifying investment portfolios. However, global sukuk issuances are likely to rise slowly in 2023 amid slower growth and market volatility but will remain a key funding source in core Islamic finance markets. Meanwhile, the medium- to long-term outlook is expected to be positive amid sustained Islamic investors' demand, issuer refinancing needs, and government support in core markets.

Bursa Malaysia continues to promote Shariah-compliant securities products. As at end-July, a total of 807 or 81.8% out of the total of 987 public listed companies are Shariah-compliant. The market capitalisation of Shariah-compliant securities stood at RM1,142.9 billion or 65.1% of the overall total market capitalisation of listed companies on Bursa Malaysia.

FIGURE 3.10. Global Sukuk Outstanding by Country (% share)



Source: Bank Negara Malaysia

The Malaysian capital market is expected to remain resilient and supportive of the economy, buoyed by strong macroeconomic fundamentals, high domestic liquidity, and a well-developed infrastructure. The Capital Market Masterplan 3 (CMP3) seeks to make the capital market even more relevant to the economic development of Malaysia and its stakeholders by 2025. The goal is to achieve an efficient and effective capital market that channels capital into productive sectors as well as fosters diversity and competition. Towards this end, the SC continues to focus its efforts on raising domestic investors' digital savviness and positioning fintech to promote solutions in the halal economy, Sustainable and Responsible Investment (SRI) and Islamic social finance.

Conclusion

Monetary policy will remain conducive to sustainable economic growth amid price stability. Financial intermediation activities continue to remain robust backed by positive growth prospects and a stable labour market with the availability of credit remains forthcoming. Likewise, the capital market is projected to remain resilient in line with a favourable domestic growth outlook. The NETR, NIMP 2030 and MTR of the Twelfth Plan guided by the Ekonomi MADANI framework are among policies that will advance Malaysia into a better future. Along with the Government's announcement on measures to revitalise the capital market, the domestic financial market is poised to strengthen further and contribute more significantly towards the nation's wealth and prosperity.

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STATISTICAL ANNOTATION

The Statistics Appendix provides time series data on the key economic variables. Each table contains current selected economic data. Percentage changes are provided for important variables as an indication of economic trends. In addition, percentage of totals and footnotes are also provided where necessary. The sum of the component figures may not be tally with the subtotal or total due to rounding. In some series, historical figures have been revised. Estimates for 2023 are based on six to eight months data and forecasts for 2024 have been provided where appropriate. Unless otherwise stated, the source of data is from the Ministry of Finance, Malaysia.

Poverty Line Income (PLI)

Malaysia's poverty line income was first developed in 1977 by introducing a basket of minimum basic needs to support the life of the whole household. Cost estimates are made based on expenditure on items in this basket which include the minimum basic needs of food and non-food. This assessment of basic needs results in a minimum income level known as Poverty Line Income (PLI) which is the ringgit value required by a household to meet life necessities.

The calculation of PLI method was updated in 2005 whereby the food necessity in food PLI are determined based on minimum requirements of energy/ calorie taken by each household based on the food pyramid and balanced eating practices by the World Health Organization (WHO) and Recommended Dietary Allowance (RDA). This is to ensure that household members can live a healthy and active life in society. The minimum amount of calories, by gender and age, will be converted to macronutrients and adjusted with items and prices in the PLI food basket.

Meanwhile, the necessity for non-food PLI is determined by actual expenditure based pattern of low- income households in Malaysia, which includes expenditure on clothing, housing, transport and other non-food necessities. The non-food PLI measurement also considers the economies of scale factor in household's expenditure and the price changes by state, urban and rural areas.

In 2019, a review of the 2005 methodology was implemented. Elements in food and non-food necessities are improved along with the latest commodity prices. The optimum minimum and balanced needs for each household are the basis for food items, while for non-food items, which refer to the B20 expenditure pattern are readjusted based on current costs of basic needs. A total of 146 items have been selected for non-food needs which include housing, clothing, health, education, transportation, telecommunications and personal care items.

Based on the result of the conducted review, the PLI setting methodology has been improved in three aspects. First, food PLI setting concept that has been updated from minimum requirements to optimum minimum requirements. Second, the PLI food basket item setting takes into account the quality improvement based on Recommendation Nutrient Intake (RNI) and Food Pyramid, on the back of the Malaysian Dietary Guidelines, in line with daily physical activity and healthy life. Third, for non- food PLI, the necessity item of the lowest 20 percent income household group (B20) has increased to 146 items to from 106 items in 2019.

STATISTICAL ANNOTATION

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	2019	2020	2021	2022 ¹⁰	2023 ¹¹
Demographic Statistics					
Population ¹ ('000)					
Total	32,523	32,447	32,576	32,698	33,380
Male	16,765	16,966	17,001	17,040	17,460
Female	15,758	15,481	15,576	15,658	15,920
Sex ratio ²	106	110	109	109	110
Population density (per square kilometre)	98	98	99	99	101
Dependency ratio (%)					
Total ³	43.4	44.3	44.1	43.7	42.9
Young age ⁴	33.7	34.6	34.0	33.3	32.3
Old age ⁵	9.7	9.7	10.1	10.4	10.6
Life expectancy at birth ¹					
Total	74.8	74.7	74.5 ¹⁰	73.4 ¹¹	n.a.
Male	72.5	72.5	72.3 ¹⁰	71.3 ¹¹	n.a.
Female	77.4	77.2	77.0 ¹⁰	75.8 ¹¹	n.a.
	2018	2019	2020	2021	2022
Education					
Primary school enrolment rate ⁶ (%)	97.9	98.1	98.2	98.3	98.7
Secondary school enrolment rate ⁷ (%)	91.1	92.5	92.4	92.5	93.5
Higher education institutions enrolment ⁸	1,343,830	1,323,449	1,224,098	1,207,593	1,202,202
Pupil-teacher ratio					
Primary schools	11.6	11.6	12.0	12.3	12.3
Secondary schools	12.0	11.0	11.0	11.5	11.3
Literacy rate ⁹ (%)	95.9	96.0	96.3	96.4	96.5

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	2018	2019	2020	2021	2022
Health					
Population per doctor	530	482	441	420	412
Official beds strength in public sector ¹²	46,611	46,988	48,305	49,781	49,981
Information Technology					
Mobile-cellular penetration rate per 100 inhabitants (%)	130.2	135.4	133.6	142.1	145.3
Mobile-broadband penetration rate per 100 inhabitants (%)	113.0	123.7	118.7	126.4	131.0
Infrastructure					
Rural electricity coverage (% of housing unit)	96.4	97.0	97.4	97.5	97.8
Electricity index	116.3	119.9	115.7	118.6	122.9
	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

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

Source: Department of Statistics, Malaysia; Malaysian Communications and Multimedia Commission; Ministry of Education; Ministry of Higher Education; Ministry of Health and Ministry of Rural 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								
2020	-4.2	52,240.3	0.7	6.6	125.5	—	14,137.8	13,909.9
2021	5.4	57,491.0	3.1	5.6	435.2	—	17,214.5	16,861.3
2022	2.7	62,924.9	7.3	4.5	-258.4	—	18,823.5	19,039.7
2023 ⁵	1.5	65,891.3	4.7	4.7	13.3	—	19,487.8	19,397.0
2024⁶	1.4	68,023.4	2.8	5.0	179.5	—	20,410.0	20,131.6
United States								
2020	-2.8	63,577.3	1.3	8.1	-619.7	145.8	1,424.9	2,406.9
2021	5.9	70,159.8	4.7	5.4	-846.4	251.6	1,754.3	2,935.3
2022	2.1	76,348.5	8.0	3.6	-925.6	—	2,064.3	3,375.8
2023 ⁵	1.8	80,034.6	4.5	3.8	-728.8	—	—	—
2024⁶	1.0	82,131.5	2.3	4.9	-689.9	—	—	—
Euro Area								
2020	-6.1	—	0.3	8.0	209.5	—	3,488.3	3,121.9
2021	5.4	—	2.6	7.8	337.6	—	4,160.7	3,713.1
2022	3.5	—	8.4	6.8	-102.3	—	4,378.4	4,320.8
2023 ⁵	0.9	—	5.3	6.8	83.0	—	—	—
2024⁶	1.5	—	2.9	6.8	144.1	—	—	—
Singapore								
2020	-3.9	61,274.0	-0.2	3.0	57.3	362.3	362.5	329.8
2021	8.9	77,710.1	2.3	2.7	76.4	417.9	457.4	406.2
2022	3.6	82,807.6	6.1	2.1	90.2	289.5	515.8	475.6
2023 ⁵	1.5	91,100.4	5.8	2.1	79.9	—	—	—
2024⁶	2.1	94,594.6	3.5	2.1	80.6	—	—	—
Republic of Korea								
2020	-0.7	31,728.3	0.5	3.9	75.9	443.1	512.5	467.6
2021	4.3	34,998.0	2.5	3.7	85.2	463.1	644.4	615.1
2022	2.6	32,250.4	5.1	2.9	29.8	423.2	683.6	731.4
2023 ⁵	1.4	33,393.1	3.5	3.7	37.1	—	—	—
2024⁶	2.4	34,806.9	2.3	3.7	50.4	—	—	—
Japan								
2020	-4.3	40,117.9	0.0	2.8	147.9	1,440.2	641.3	635.5
2021	2.2	39,882.6	-0.2	2.8	197.3	1,448.1	756.0	769.0
2022	1.0	33,821.9	2.5	2.6	90.0	1,272.7	746.9	897.2
2023 ⁵	1.4	35,385.1	2.7	2.3	131.8	—	—	—
2024⁶	1.0	36,492.2	2.2	2.3	180.3	—	—	—
EMDEs								
2020	-1.8	11,650.2	5.2	—	156.2	—	8,226.3	7,896.8
2021	6.9	12,920.3	5.9	—	325.7	—	10,701.6	10,093.6
2022	4.0	14,219.0	9.8	—	582.7	—	12,290.1	11,395.7
2023 ⁵	4.0	15,183.2	8.3	—	146.8	—	12,094.9	11,719.5
2024⁶	4.1	15,992.8	6.8	—	19.4	—	12,721.4	12,430.6

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)
China								
2020	2.2	10,525.0	2.5	4.2	248.8	3,536.0	2,590.0	2,066.0
2021	8.4	12,572.1	0.9	4.0	317.3	3,606.2	3,358.2	2,686.7
2022	3.0	12,813.8	1.9	4.2	417.6	3,466.8	3,593.5	2,716.2
2023 ⁵	5.2	13,721.1	2.0	4.1	272.5	—	—	—
2024⁶	4.5	14,800.6	2.2	3.9	232.6	—	—	—
India								
2020	-5.8	1,913.2	6.2	—	24.0	588.4	276.4	373.2
2021	9.1	2,234.3	5.5	—	-38.7	635.3	395.4	573.1
2022	7.2	2,379.2	6.7	—	-88.4	564.7	453.4	720.4
2023 ⁵	6.1	2,601.4	4.9	—	-81.6	—	—	—
2024⁶	6.3	2,802.5	4.4	—	-89.3	—	—	—
ASEAN-5⁷								
2020	-4.4	14,319.3	1.0	—	99.5	—	—	—
2021	4.0	15,441.7	2.0	—	77.5	—	—	—
2022	5.5	17,256.1	4.8	—	78.9	—	—	—
2023 ⁵	4.6	18,551.8	4.3	—	83.4	—	—	—
2024⁶	4.5	19,665.6	2.9	—	90.0	—	—	—
Indonesia								
2020	-2.1	3,932.3	2.0	7.1	-4.4	135.9	163.3	141.6
2021	3.7	4,362.7	1.6	6.5	3.5	144.9	231.5	196.2
2022	5.3	4,798.1	4.2	5.9	13.2	137.2	292.0	237.4
2023 ⁵	5.0	5,016.6	4.4	5.3	-3.8	—	—	—
2024⁶	5.0	5,388.3	3.0	5.2	-11.1	—	—	—
Malaysia								
2020	-5.5	10,400.1	-1.2	4.5	14.1	107.6	234.6	190.7
2021	3.3	11,475.6	2.5	4.6	14.5	116.9	299.3	238.2
2022	8.7	12,448.1	3.3	3.9	12.5	114.6	351.9	293.7
2023 ⁵	~ 4.0 ¹²	12,332.3 ¹¹	2.5 – 3.0	3.5	3.0 ¹⁰	112.5 ⁹	208.1 ⁸	174.1 ⁸
2024⁶	4.0 – 5.0	13,051.4¹¹	2.1 – 3.6	3.4	13.8	—	334.2	281.4

¹ Expressed in current USD price except for Advanced Economies, EMDEs and ASEAN-5 (Purchasing Power Parity (PPP) dollars per person) ²

Composites for the country groups are averages of national unemployment rates weighted by labour force in the respective countries

³ Expressed in Exports of Merchandise only except for Advanced Economies, EMDEs and ASEAN-5 (Exports of Merchandise and Services)

⁴ Expressed in Imports of Merchandise only except for Advanced Economies, EMDEs and ASEAN-5 (Exports of Merchandise and Services)

⁵ Estimate

⁶ Forecast

⁷ Indonesia, Malaysia, the Philippines, Thailand and Viet Nam

⁸ As at August 2023

⁹ As at 30 August 2023

¹⁰ As at June 2023

¹¹ USD rate is the average for period of January to August 2023 at RM4.4944/USD. Data is sourced from BNM Monthly Statistical Bulletin (August 2023)

¹² Approximate

Sources: International Monetary Fund (IMF), World Economic Outlook (April and July 2023); 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	2020	2021	2022 ²	2023 ³	2024 ⁴
Agriculture	99,109 (-2.4)	99,000 (-0.1)	99,073 (0.1)	99,620 (0.6)	100,770 (1.2)
Mining and quarrying	92,879 (-9.7)	93,717 (0.9)	96,199 (2.6)	95,448 (-0.8)	98,030 (2.7)
Manufacturing	307,606 (-2.7)	336,839 (9.5)	364,131 (8.1)	369,359 (1.4)	384,727 (4.2)
Construction	53,616 (-19.3)	50,889 (-5.1)	53,441 (5.0)	56,824 (6.3)	60,688 (6.8)
Services	777,693 (-5.2)	794,552 (2.2)	881,310 (10.9)	930,125 (5.5)	981,990 (5.6)
Utilities	37,950 (-1.0)	39,025 (2.8)	40,337 (3.4)	41,676 (3.3)	43,900 (5.3)
Wholesale and retail trade	228,561 (-5.8)	233,144 (2.0)	264,511 (13.5)	279,976 (5.8)	295,685 (5.6)
Food & beverages and accommodation	36,539 (-26.7)	32,731 (-10.4)	43,547 (33.0)	48,072 (10.4)	51,853 (7.9)
Transportation and storage	42,078 (-21.5)	42,653 (1.4)	55,799 (30.8)	63,863 (14.5)	68,598 (7.4)
Information and communication	89,203 (5.9)	94,639 (6.1)	99,576 (5.2)	104,531 (5.0)	111,274 (6.5)
Finance and insurance	96,102 (2.9)	105,839 (10.1)	106,667 (0.8)	105,310 (-1.3)	109,841 (4.3)
Real estate and business services	58,766 (-14.5)	53,088 (-9.7)	65,143 (22.7)	69,920 (7.3)	73,663 (5.4)
Other services ¹	63,795 (-10.1)	61,950 (-2.9)	67,714 (9.3)	72,059 (6.4)	75,658 (5.0)
Government services	124,699 (5.0)	131,484 (5.4)	138,015 (5.0)	144,717 (4.9)	151,519 (4.7)
(+) Import duties	15,346 (-5.2)	15,646 (2.0)	16,785 (7.3)	17,868 (6.5)	18,873 (5.6)
GDP at purchasers' prices	1,346,249 (-5.5)	1,390,644 (3.3)	1,510,939 (8.7)	1,569,247 (~ 4.0)⁵	1,645,078 (4.0 – 5.0)

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

⁵ Approximate

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 (%)	2019	2020	2021	2022	2023 ¹
		Annual Change (%)				
Services	100.0	6.4	-7.9	1.6	14.4	6.9
Wholesale & retail trade, food & beverages and accommodation	45.2	6.6	-9.6	0.5	17.2	7.3
Wholesale and retail trade	37.9	6.1	-6.1	2.3	14.3	6.7
Food and beverages	5.7	10.2	-20.4	-8.3	24.3	2.7
Accommodation	1.6	6.8	-49.8	-25.2	140.7	43.5
Business services and finance	26.8	6.1	-4.0	2.6	9.3	4.5
Finance and insurance	16.0	4.6	2.6	9.9	1.0	0.0
Professional, scientific & technical and administrative & support services	7.2	9.3	-10.3	-6.7	22.2	13.6
Real estate	3.6	5.2	-17.9	-12.8	31.1	5.6
Information & communication and transportation & storage	21.9	6.5	-5.4	5.0	14.1	7.8
Information and communication	12.9	6.5	5.7	6.5	5.1	3.7
Transportation and storage	9.0	6.5	-22.5	1.8	33.7	14.9
Other services	6.1	6.3	-21.8	-8.7	19.7	11.7
Arts, entertainment & recreation and personal services & other activities	2.6	7.9	-41.3	-28.1	52.9	14.6
Private education	1.9	4.9	-7.5	-5.6	7.3	10.5
Private health	1.6	5.5	-6.7	7.6	9.5	10.2

¹ January to June 2023

Source: Department of Statistics, Malaysia

3.3. INDUSTRIAL PRODUCTION INDEX

2015 = 100, Malaysia

Subsector	Weights (%)	2019	2020	2021	2022	2023 ¹
		Annual Change (%)				
Total Industrial Production	100.00	2.4	-4.1	7.4	6.7	1.2
Mining	25.14	-1.3	-8.9	1.5	2.2	0.3
Electricity	6.61	3.1	-3.5	2.5	3.6	1.6
Manufacturing	68.25	3.6	-2.7	9.5	8.2	1.4
Export-oriented industries	45.82	2.9	-0.7	11.6	7.0	0.0
Manufacture of vegetable and animal oils and fats	3.71	-1.4	-3.9	-8.4	-1.8	5.5
Manufacture of textiles	0.58	4.4	-13.2	13.3	4.3	-3.8
Manufacture of wearing apparel	0.60	6.1	-11.4	1.6	2.1	5.8
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1.44	4.9	-12.1	9.2	6.7	-6.5
Manufacture of coke and refined petroleum products	9.36	2.7	-10.6	11.6	6.3	1.1
Manufacture of chemicals and chemical products	6.37	1.8	-7.1	9.4	4.1	4.3
Manufacture of rubber products	2.22	6.8	48.9	23.2	-16.9	-9.6
Manufacture of plastics products	2.26	2.9	2.1	12.1	2.8	-5.5
Manufacture of computer, electronics and optical products	13.89	2.9	2.5	15.6	16.0	0.6
Manufacture of electrical equipment	2.20	3.4	0.9	12.2	9.7	0.2
Manufacture of machinery and equipment n.e.c.	2.14	3.5	1.1	11.6	7.0	0.8
Manufacture of furniture	1.04	8.1	-7.0	-3.7	9.5	-8.7
Domestic-oriented industries	22.44	5.0	-6.6	5.0	10.9	4.6
Manufacture of food processing products	3.68	6.8	4.9	10.1	8.7	4.1
Manufacture of beverages	0.65	2.8	-14.5	9.9	13.3	0.5
Manufacture of tobacco products	0.52	5.8	-16.0	-12.4	22.1	17.6
Manufacture of leather and related products	0.15	5.1	-17.9	11.5	25.6	8.5
Manufacture of paper and paper products	1.15	4.3	-2.9	14.9	7.5	3.3
Printing and reproduction of recorded media	0.93	4.2	-5.1	3.1	6.8	5.5
Manufacture of basic pharmaceuticals, medicinal chemical and botanical products	0.38	4.2	14.5	15.7	6.1	1.9
Manufacture of other non-metallic mineral products	2.97	4.5	-14.3	1.0	9.1	3.2
Manufacture of basic metals	2.35	4.0	-4.8	2.8	6.8	3.1
Manufacture of fabricated metal products, except machinery and equipment	3.79	3.7	-15.5	6.3	7.1	6.2
Manufacture of motor vehicles, trailers and semi-trailers	3.17	7.0	-1.7	0.8	25.6	5.8
Manufacture of other transport equipment	1.19	4.8	-13.2	2.8	7.0	3.6
Other manufacturing	0.74	5.3	-7.6	2.6	9.9	2.6
Repair and installation of machinery and equipment	0.76	3.9	-8.5	-0.1	10.2	5.4

¹ January to July 2023

Source: Department of Statistics, Malaysia

3.4. GROSS NATIONAL INCOME BY DEMAND AGGREGATES

Malaysia
RM million

Type of Expenditure	2020	2021	2022 ³	2023 ⁴	2024 ⁵
Current Prices					
A. Final consumption expenditure					
Public	183,869	196,941	208,887	213,063	221,165
Private	865,450	897,573	1,031,759	1,111,748	1,204,270
B. Gross fixed capital formation					
Public ¹	74,405	67,130	72,330	79,856	88,271
Private	222,259	231,308	253,939	269,856	290,016
C. Changes in inventories and valuables ²	-17,816	43,974	94,811	46,912	31,317
D. Exports of goods and services	873,477	1,093,895	1,378,452	1,272,424	1,345,773
E. Imports of goods and services	783,152	981,922	1,248,820	1,143,757	1,206,785
F. Gross Domestic Product at purchasers' prices (A+B+C+D-E)	1,418,491	1,548,898	1,791,358	1,850,102	1,974,027
G. Balance of primary income	-28,520	-42,153	-59,414	-47,119	-58,490
H. Gross National Income (F+G)	1,389,971	1,506,745	1,731,944	1,802,983	1,915,537
Constant 2015 Prices					
A. Final consumption expenditure					
Public	179,721	191,268	199,943	201,904	207,132
Private	802,747	817,756	908,974	960,111	1,014,649
B. Gross fixed capital formation					
Public ¹	70,522	62,674	65,985	71,423	77,380
Private	210,653	216,308	231,830	241,708	254,724
C. Changes in inventories and valuables ²	-4,464	19,060	21,465	10,475	2,986
D. Exports of goods and services	830,157	984,094	1,126,661	1,056,379	1,099,226
E. Imports of goods and services	743,087	900,516	1,043,918	972,752	1,011,020
F. Gross Domestic Product at purchasers' prices (A+B+C+D-E)	1,346,249	1,390,644	1,510,939	1,569,247	1,645,078
G. Balance of primary income	-13,783	-19,567	-31,320	-24,978	-30,464
H. Gross National Income (F+G)	1,332,466	1,371,077	1,479,619	1,544,269	1,614,614

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	2019	2020	2021	2022	2023
Imports of consumption goods ¹ (RM million)	74,155	74,134	83,893	104,017	67,021 ²
Bursa Malaysia (end-period)					
FBM-KLCI	1,588.76	1,627.21	1,567.53	1,495.49	1,451.94 ³
Market capitalisation (RM billion)	1,711.84	1,817.29	1,789.20	1,736.21	1,776.33 ³
Sales number (units)					
Passenger cars	550,179	479,647	452,486	641,773	384,600 ⁴
Motorcycles	546,813	498,327	497,262	680,749	429,594 ⁵
Production of televisions ('000 units)	9,935	12,229	15,072	15,978	7,809 ⁴
Outstanding balance of credit card (RM million, end-period)	41,192	36,056	35,982	41,310	42,832 ³
Banking system's consumption credit (RM million, end-period)	296,276	305,039	311,319	332,123	348,902 ³

¹ Refers to imports by broad economic categories published by the Department of Statistics, Malaysia² January to August 2023³ End-August 2023⁴ January to July 2023⁵ January to September 2023

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	2019	2020	2021	2022	2023
Imports (RM million)					
Capital goods ¹	100,179	90,733	103,823	120,231	78,169 ³
Intermediate goods ¹	467,211	429,190	545,801	706,551	399,416 ³
Loan disbursements by banking system (RM million)					
Manufacturing	258,602	253,200	378,577	490,706	289,608 ³
Construction	90,046	77,782	110,379	149,403	112,475 ³
Housing loans (RM million, end-period)					
Government ²	80,675	89,980	96,602	102,871	106,216 ⁴
Banking system	604,847	647,883	689,219	736,916	770,047 ⁵
Production of construction materials					
Cement roofing tiles ('000 units)	43,484	47,874	37,054	39,760	24,401 ⁶
Ready-mixed concrete ('000 cubic metres)	34,067	34,841	35,425	37,696	22,379 ⁶
Iron and steel bars and rods ('000 metric tonnes)	1,404	1,296	708	931	646 ⁶
Sales of commercial vehicles (units)	54,108	48,543	56,397	78,885	45,207 ⁶

¹ Refers to imports by broad economic categories published by the Department of Statistics, Malaysia² Based on principal amount³ January to August 2023⁴ End- July 2023⁵ End-August 2023⁶ January to July 2023

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

		2019	2020	2021	2022		2023 ¹	
		RM million	RM million	RM million	RM million	share (%)	RM million	share (%)
Total	Total Trade	1,844,483	1,784,308	2,228,366	2,843,821	100.0	1,717,509	100.0
	Exports	995,072	983,827	1,241,022	1,550,009	54.5	935,217	54.5
	Imports	849,411	800,481	987,344	1,293,811	45.5	782,293	45.5
	Net	145,661	183,345	253,678	256,198	–	152,924	–
China	Total Trade	316,598	331,440	421,491	486,381	100.0	288,506	100.0
	Exports	140,931	159,223	192,475	210,554	43.3	123,604	42.8
	Imports	175,667	172,217	229,016	275,826	56.7	164,902	57.2
	Net	-34,735	-12,994	-36,541	-65,272	–	-41,298	–
Singapore	Total Trade	226,574	215,824	267,607	367,524	100.0	241,782	100.0
	Exports	137,078	142,146	173,974	232,484	63.3	149,111	61.7
	Imports	89,497	73,678	93,633	135,040	36.7	92,671	38.3
	Net	47,581	68,467	80,341	97,444	–	56,439	–
United States	Total Trade	165,220	178,785	216,971	267,629	100.0	160,287	100.0
	Exports	96,542	109,080	142,244	167,208	62.5	104,665	65.3
	Imports	68,678	69,705	74,727	100,421	37.5	55,623	34.7
	Net	27,863	39,376	67,517	66,788	–	49,042	–
Japan	Total Trade	129,592	124,142	149,759	181,734	100.0	104,042	100.0
	Exports	65,998	62,561	75,816	98,658	54.3	56,932	54.7
	Imports	63,594	61,581	73,942	83,076	45.7	47,110	45.3
	Net	2,403	981	1,874	15,582	–	9,823	–
Taiwan	Total Trade	94,077	91,907	115,828	157,748	100.0	82,922	100.0
	Exports	37,032	33,874	40,625	51,745	32.8	27,843	33.6
	Imports	57,046	58,033	75,203	106,003	67.2	55,079	66.4
	Net	-20,014	-24,160	-34,579	-54,258	–	-27,237	–
Indonesia	Total Trade	70,226	66,283	95,307	129,704	100.0	73,153	100.0
	Exports	31,328	29,589	39,180	55,736	43.0	33,151	45.3
	Imports	38,898	36,694	56,127	73,968	57.0	40,002	54.7
	Net	-7,570	-7,106	-16,947	-18,232	–	-6,851	–
Thailand	Total Trade	100,595	79,640	97,546	121,959	100.0	75,141	100.0
	Exports	56,318	45,339	52,162	65,774	53.9	39,573	52.7
	Imports	44,277	34,300	45,383	56,186	46.1	35,568	47.3
	Net	12,042	11,039	6,779	9,588	–	4,005	–
Republic of Korea	Total Trade	73,058	80,826	88,308	114,093	100.0	71,759	100.0
	Exports	34,230	34,714	38,224	54,906	48.1	37,047	51.6
	Imports	38,828	46,113	50,084	59,187	51.9	34,712	48.4
	Net	-4,599	-11,399	-11,860	-4,280	–	2,336	–
Hong Kong	Total Trade	80,688	82,363	94,343	113,271	100.0	67,375	100.0
	Exports	66,624	68,167	76,706	95,671	84.5	58,328	86.6
	Imports	14,064	14,196	17,637	17,601	15.5	9,048	13.4
	Net	52,561	53,971	59,069	78,070	–	49,280	–
Australia	Total Trade	51,770	44,046	57,041	88,728	100.0	56,865	100.0
	Exports	28,448	24,359	34,479	48,091	54.2	33,669	59.2
	Imports	23,322	19,687	22,562	40,637	45.8	23,196	40.8
	Net	5,126	4,672	11,917	7,453	–	10,473	–

¹ January to August 2023

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

3.8. EXTERNAL TRADE INDICES

2010 = 100, Malaysia

Commodity Section	Weights ¹ (%)	2019	2020	2021	2022	2023 ²
		Annual Change (%)				
Export Unit Value Indices						
Total	100.0	0.8	-2.5	10.2	17.2	0.4
Food	3.5	2.5	3.4	3.8	4.3	3.6
Beverages and tobacco	0.6	7.5	3.5	3.5	4.4	3.1
Crude materials, inedible	2.7	-0.7	-0.6	7.2	2.9	-1.0
Mineral fuels, lubricants, etc.	16.1	0.1	-24.9	34.2	60.0	1.6
Animal and vegetable oils and fats	6.0	-9.7	22.5	48.1	18.6	-27.4
Chemicals	7.8	-0.7	0.5	6.3	7.7	0.9
Manufactured goods	9.7	-2.8	-1.1	5.1	4.5	-0.3
Machinery and transport equipment	42.3	2.5	1.1	1.8	10.3	6.6
Miscellaneous manufactured articles	10.9	2.2	0.7	1.8	1.0	0.2
Miscellaneous transactions and commodities	0.4	-5.1	-8.2	11.4	78.4	41.1
Import Unit Value Indices						
Total	100.0	-0.3	-3.0	3.9	10.0	0.5
Food	6.8	2.5	2.3	2.3	2.8	1.7
Beverages and tobacco	0.6	2.7	1.7	1.6	1.1	0.1
Crude materials, inedible	3.3	-0.3	0.4	10.7	1.3	-0.7
Mineral fuels, lubricants, etc.	12.9	-10.1	-27.0	25.8	56.3	-1.8
Animal and vegetable oils and fats	1.1	-12.0	15.1	48.5	44.6	-9.2
Chemicals	10.5	0.3	-0.6	2.6	0.5	-1.7
Manufactured goods	13.4	0.4	-0.3	4.6	1.9	-0.8
Machinery and transport equipment	41.8	1.7	-0.9	-1.3	4.8	2.8
Miscellaneous manufactured articles	7.6	0.4	-0.1	0.2	2.4	1.5
Miscellaneous transactions and commodities	2.0	10.2	23.6	2.6	4.8	-1.6

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 2023

Source: Department of Statistics, Malaysia

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

Malaysia

Major Commodities	2019	2020	2021	2022	2023 ¹
Palm oil					
Production ('000 tonnes)	19,858	19,141	18,117	11,570	9,692 ²
Volume ('000 tonnes)	17,429	16,214	14,835	14,905	9,426
Value (RM million)	39,128	45,647	64,615	82,480	38,455
Natural rubber					
Production ('000 tonnes)	640	515	470	216	161 ²
Volume ('000 tonnes)	631	565	653	621	368
Value (RM million)	3,773	3,286	4,568	4,592	2,328
Crude petroleum					
Volume ('000 tonnes)	12,452	13,095	8,901	8,921	6,113
Value (RM million)	26,346	18,843	18,372	31,847	18,074
Liquefied natural gas (LNG)					
Volume ('000 tonnes)	25,498	24,083	24,697	27,316	17,582
Value (RM million)	42,484	29,868	38,193	68,002	38,965

¹ January to August 2023² January to July 2023

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

3.10. DIRECTION OF MAJOR EXPORTS

Malaysia

Exports	2019			2020		
	'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)
Electrical and Electronics (E&E)						
Total		373,118	100.0		386,292	100.0
Singapore		60,424	16.2		69,832	18.1
United States		51,060	13.7		52,857	13.7
China		49,651	13.3		53,901	14.0
Hong Kong		54,786	14.7		57,537	14.9
European Union		46,866	12.6		38,324	9.9
Non-E&E						
Total		467,468	100.0		463,206	100.0
Singapore		65,625	14.0		64,350	13.9
China		66,421	14.2		82,859	17.9
United States		42,753	9.1		53,562	11.6
European Union		41,783	8.9		36,752	7.9
Indonesia		26,175	5.6		25,015	5.4
Palm oil						
Total	17,429	39,128	100.0	16,214	45,647	100.0
India	4,244	8,915	22.8	2,602	7,149	15.7
China	2,368	5,057	12.9	2,600	6,961	15.2
European Union	1,990	4,525	11.6	1,827	5,224	11.4
Turkiye	695	1,588	4.1	619	1,779	3.9
Kenya	224	475	1.2	514	1,448	3.2
Natural rubber						
Total	631	3,773	100.0	565	3,286	100.0
China	309	1,812	48.0	293	1,640	49.9
European Union	143	880	23.3	108	655	19.9
United Arab Emirates	11	66	1.7	27	156	4.7
United States	25	150	4.0	19	113	3.4
India	18	100	2.6	13	73	2.2
Crude petroleum						
Total	12,452	26,346	100.0	13,095	18,843	100.0
Australia	3,266	6,890	26.2	3,219	5,060	26.9
Thailand	2,559	5,535	21.0	2,030	2,911	15.4
India	3,177	6,604	25.1	2,780	3,832	20.3
Japan	509	1,071	4.1	1,318	1,981	10.5
Brunei	7	15	0.1	282	334	1.8
Liquefied natural gas (LNG)						
Total	25,498	42,484	100.0	24,083	29,868	100.0
Japan	9,352	16,804	39.6	10,638	14,070	47.1
China	7,130	10,265	24.2	6,003	6,812	22.8
Republic of Korea	4,805	7,767	18.3	5,107	6,207	20.8
Thailand	1,251	2,194	5.2	1,130	1,434	4.8
Taiwan	2,431	4,869	11.5	664	932	3.1

¹ January to August 2022

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

2021			2022			2023 ¹		
'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)
	455,953	100.0		592,956	100.0		380,685	100.0
	85,869	18.8		115,275	19.4		75,961	20.0
	66,494	14.6		96,023	16.2		65,941	17.3
	59,671	13.1		81,097	13.7		49,176	12.9
	65,774	14.4		79,087	13.3		48,305	12.7
	41,882	9.2		52,021	8.8		33,441	8.8
	612,478	100.0		711,713	100.0		419,939	100.0
	79,258	12.9		105,751	14.9		65,738	15.7
	101,825	16.6		89,647	12.6		52,044	12.4
	72,825	11.9		68,453	9.6		37,226	8.9
	49,598	8.1		59,850	8.4		35,140	8.4
	34,722	5.7		49,975	7.0		28,695	6.8
14,835	64,615	100.0	14,905	82,480	100.0	9,426	38,455	100.0
3,440	15,285	23.7	2,913	15,382	18.6	1,763	6,944	18.1
1,769	7,029	10.9	1,694	8,447	10.2	727	2,877	7.5
1,421	6,181	9.6	1,229	6,978	8.5	612	2,811	7.3
688	3,048	4.7	767	4,309	5.2	577	2,417	6.3
835	3,450	5.3	762	4,042	4.9	526	2,109	5.5
653	4,568	100.0	621	4,592	100.0	368	2,328	100.0
316	2,132	46.7	286	2,076	45.2	176	1,086	46.6
124	919	20.1	112	862	18.8	62	416	17.9
37	247	5.4	52	372	8.1	34	215	9.2
39	284	6.2	34	251	5.5	10	63	2.7
23	156	3.4	25	177	3.9	21	128	5.5
8,901	18,372	100.0	8,921	31,847	100.0	6,113	18,074	100.0
2,823	5,796	31.5	2,343	8,431	26.5	1,431	4,212	23.3
1,725	3,572	19.4	2,089	7,307	22.9	1,705	5,076	28.1
1,369	2,723	14.8	1,507	5,291	16.6	503	1,444	8.0
1,158	2,494	13.6	1,341	4,622	14.5	1,426	4,274	23.6
744	1,629	8.9	1,035	3,891	12.2	659	1,923	10.6
24,697	38,193	100.0	27,316	68,002	100.0	17,582	38,965	100.0
10,277	16,413	43.0	11,777	30,566	44.9	7,026	16,778	43.1
8,433	12,929	33.9	7,489	18,053	26.5	5,089	10,405	26.7
4,186	6,150	16.1	5,361	12,480	18.4	3,820	8,400	21.6
1,086	1,648	4.3	1,893	4,461	6.6	1,137	2,280	5.9
372	529	1.4	374	1,214	1.8	312	681	1.7

3.11. EXPORTS OF MANUFACTURED GOODS

Malaysia
RM million

	2019	2020	2021	2022	2023 ²	
					share (%)	
Electrical and electronics products (E&E)	373,118	386,292	455,953	592,956	380,685	47.5
Petroleum products	71,511	61,889	96,206	161,205	96,500	12.1
Chemical and chemical products	57,477	50,736	70,683	80,579	46,965	5.9
Manufactures of metal	41,490	36,830	61,557	63,551	37,579	4.7
Machinery, equipment and parts	41,599	39,446	49,922	60,409	36,461	4.6
Optical and scientific equipment	39,905	42,220	46,928	56,632	35,564	4.4
Palm oil-based manufactured products	23,338	21,006	32,704	41,385	20,849	2.6
Iron and steel products	21,961	23,552	29,409	33,827	20,127	2.5
Rubber products	25,841	44,302	64,615	28,790	13,983	1.7
Processed food	21,773	21,283	24,600	28,414	19,067	2.4
Transport equipment	19,143	18,460	15,914	18,988	11,172	1.4
Wood products	15,777	16,084	16,555	18,096	9,455	1.2
Textiles, apparels and footwear	15,531	13,951	15,827	17,341	10,548	1.3
Manufactures of plastics	14,978	13,187	15,971	17,262	10,458	1.3
Non-metallic mineral products	9,079	8,346	10,572	11,945	8,097	1.0
Paper and pulp products	6,405	6,363	8,516	9,948	7,238	0.9
Jewellery	6,974	4,157	5,804	7,395	4,988	0.6
Beverages and tobacco	3,452	2,593	2,495	2,757	2,038	0.3
Other manufactures ¹	31,233	38,801	44,201	53,190	28,849	3.6
Total	840,586	849,498	1,068,431	1,304,668	800,624	100.0

¹ Includes animal feed, printed matter, miscellaneous manufactured articles, etc

² January to August 2023

Note: Total may not add up due to rounding. Source:

Department of Statistics, Malaysia

3.12. SOURCE OF MAJOR IMPORTS

Malaysia
RM million

Imports	2019		2020		2021		2022		2023 ¹	
		share (%)		share (%)		share (%)		share (%)		share (%)
Electrical and Electronic (E&E)										
Total	245,538	100.0	253,000	100.0	314,546	100.0	393,474	100.0	227,356	100.0
China	64,090	26.1	68,025	26.9	91,244	29.0	110,095	28.0	62,837	27.6
Taiwan	40,497	16.5	42,649	16.9	51,815	16.5	76,704	19.5	41,350	18.2
United States	27,180	11.1	30,413	12.0	32,658	10.4	42,278	10.7	19,526	8.6
Chemicals and chemical products										
Total	81,589	100.0	74,296	100.0	96,551	100.0	115,514	100.0	69,381	100.0
China	13,976	17.1	13,882	18.7	21,718	22.5	28,611	24.8	16,328	23.5
European Union	11,094	13.6	9,540	12.8	12,175	12.6	12,982	11.2	8,628	12.4
Singapore	7,695	9.4	6,705	9.0	8,971	9.3	9,704	8.4	6,988	10.1
Petroleum products										
Total	77,480	100.0	60,007	100.0	89,546	100.0	145,639	100.0	89,113	100.0
Singapore	29,334	37.9	17,453	29.1	26,759	29.9	51,051	35.1	29,258	32.8
China	10,506	13.6	7,643	12.7	12,400	13.8	18,356	12.6	14,028	15.7
Republic of Korea	7,284	9.4	6,157	10.3	11,181	12.5	16,693	11.5	9,926	11.1
Machinery, equipment and parts										
Total	69,638	100.0	60,129	100.0	68,638	100.0	89,381	100.0	56,933	100.0
China	19,964	28.7	19,126	31.8	23,944	34.9	30,546	34.2	18,493	32.5
European Union	13,307	19.1	9,435	15.7	9,102	13.3	10,949	12.2	8,051	14.1
Japan	7,816	11.2	7,031	11.7	7,972	11.6	10,248	11.5	6,500	11.4
Manufactures of metal										
Total	47,132	100.0	47,024	100.0	54,216	100.0	63,853	100.0	42,066	100.0
China	11,763	25.0	9,881	21.0	14,271	26.3	16,151	25.3	10,095	24.0
United States	3,861	8.2	4,491	9.5	6,177	11.4	7,678	12.0	5,680	13.5
Japan	4,866	10.3	5,197	11.1	7,260	13.4	7,604	11.9	3,715	8.8

¹ January to August 2023

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

3.13. BALANCE OF PAYMENTS

Malaysia
RM million

Components	2019			2020		
	Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net
Balance on goods and services	987,481	873,618	113,863	873,477	783,152	90,325
Goods	817,260	692,522	124,738	780,511	643,024	137,486
Services	170,221	181,096	-10,875	92,967	140,128	-47,161
Transport	21,707	47,632	-25,925	13,786	41,213	-27,427
Travel	82,143	51,309	30,833	12,503	20,071	-7,569
Other services	66,371	82,155	-15,783	66,678	78,844	-12,165
Primary income	65,344	104,840	-39,496	53,124	81,645	-28,520
Compensation of employees	6,614	15,843	-9,229	5,991	14,052	-8,061
Investment income	58,730	88,997	-30,267	47,133	67,592	-20,459
Secondary income	16,905	38,355	-21,450	27,185	29,899	-2,714
Balance on current account	1,069,731	1,016,813	52,918	953,787	894,696	59,091
% of Gross National Income			3.6			4.3
Capital account			371			-419
Financial account			-38,024			-77,396
Direct investment			6,555			3,111
Assets			-31,154			-13,808
Liabilities			37,709			16,919
Portfolio investment			-32,403			-49,584
Financial derivatives			-478			407
Other investment			-11,697			-31,330
Balance on capital and financial accounts			-37,653			-77,816
Net errors and omissions			-6,849			-572
Overall balance			8,416			-19,297

¹ January to June 2023

Note: Total may not add up due to rounding. Source:
Department of Statistics, Malaysia

2021			2022			2023 ¹		
Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net
1,093,895	981,922	111,973	1,378,452	1,248,820	129,632	605,120	559,879	45,241
1,005,841	828,206	177,634	1,238,180	1,052,151	186,029	516,343	446,984	69,359
88,054	153,716	-65,661	140,272	196,670	-56,397	88,777	112,895	-24,118
16,474	48,337	-31,863	25,604	59,649	-34,045	14,658	29,456	-14,798
323	15,180	-14,857	28,370	29,526	-1,156	28,594	23,505	5,090
71,258	90,199	-18,941	86,299	107,495	-21,196	45,525	59,934	-14,409
97,698	139,851	-42,153	88,704	148,118	-59,414	41,545	64,744	-23,199
6,433	13,092	-6,659	7,124	14,359	-7,235	3,948	8,095	-4,147
91,265	126,759	-35,494	81,580	133,759	-52,179	37,597	56,650	-19,053
20,504	30,146	-9,642	22,765	37,885	-15,120	16,855	25,504	-8,650
1,212,097	1,151,919	60,178	1,489,921	1,434,823	55,098	663,520	650,127	13,392
		4.0			3.2			1.6
		-469			-454			-103
		16,242			12,356			-13,930
		31,065			15,920			6,016
		-53,200			-48,933			-12,342
		84,265			64,853			18,359
		18,802			-50,560			-25,166
		-2,250			-2,212			-585
		-31,375			49,208			5,804
		15,774			11,902			-14,033
		-30,266			-13,641			-17,471
		45,686			53,359			-18,112

3.14. CONSUMER PRICE INDEX BY REGION

2010 = 100, Malaysia

Groups	Weights ¹ (%)	2019	2020	2021	2022	2023 ²
		Annual Change (%)				
Malaysia						
Total	100.0	0.7	-1.2	2.5	3.3	2.8
Food and non-alcoholic beverages	29.5	1.7	1.3	1.7	5.8	5.7
Alcoholic beverages and tobacco	2.4	1.5	0.3	0.5	0.5	0.6
Clothing and footwear	3.2	-2.0	-0.8	-0.4	0.1	0.3
Housing, water, electricity, gas and other fuels	23.8	1.9	-1.7	1.5	1.8	1.7
Furnishings, household equipment and routine household maintenance	4.1	1.4	0.3	1.6	3.5	2.7
Health	1.9	0.7	1.1	0.4	0.7	2.0
Transport	14.6	-3.1	-10.0	11.0	4.7	1.6
Communication	4.8	0.4	1.1	0.0	0.0	-2.6
Recreation services and culture	4.8	0.7	0.4	0.4	2.3	1.7
Education	1.3	1.4	1.0	0.2	1.1	1.8
Restaurants and hotels	2.9	1.2	0.5	0.4	5.0	6.2
Miscellaneous goods and services	6.7	0.4	2.7	0.5	2.0	2.4
Peninsular Malaysia						
Total	100.0	0.7	-1.1	2.6	3.5	2.8
Food and non-alcoholic beverages	29.0	1.8	1.4	1.9	5.8	5.7
Alcoholic beverages and tobacco	2.4	1.6	0.4	0.5	0.6	0.7
Clothing and footwear	3.3	-2.0	-0.7	-0.5	0.2	0.3
Housing, water, electricity, gas and other fuels	23.6	2.0	-1.7	1.9	1.9	1.6
Furnishings, household equipment and routine household maintenance	4.2	1.6	0.3	1.7	3.8	2.7
Health	1.9	0.7	1.1	0.4	0.8	2.0
Transport	14.7	-3.1	-9.6	10.6	4.7	1.8
Communication	4.9	0.4	1.2	0.0	0.0	-2.8
Recreation services and culture	4.9	0.7	0.6	0.4	2.2	1.8
Education	1.4	1.5	0.9	0.2	1.1	1.7
Restaurants and hotels	3.0	1.2	0.5	0.4	4.9	6.2
Miscellaneous goods and services	6.7	0.4	2.7	0.5	2.1	2.6

¹ Weights based on Household Expenditure Survey 2016² January to August 2023

Source: Department of Statistics, Malaysia

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

2010 = 100, Malaysia

Groups	Weights ¹ (%)	2019	2020	2021	2022	2023 ²
		Annual Change (%)				
Sarawak						
Total	100.0	0.1	-1.8	2.1	3.2	3.6
Food and non-alcoholic beverages	33.5	1.0	0.6	1.1	5.5	7.1
Alcoholic beverages and tobacco	2.7	0.6	0.2	0.3	0.2	0.9
Clothing and footwear	2.8	-2.5	-0.9	-0.4	0.0	0.4
Housing, water, electricity, gas and other fuels	21.9	0.9	-1.8	-0.5	0.9	1.7
Furnishings, household equipment and routine household maintenance	3.8	0.7	-0.2	0.9	2.3	2.8
Health	1.5	1.3	1.4	0.2	-0.8	1.6
Transport	14.0	-4.1	-13.6	15.7	3.9	1.1
Communication	4.6	0.4	0.6	0.0	0.0	-1.4
Recreation services and culture	4.8	0.3	-0.5	-1.5	4.9	0.7
Education	0.9	0.5	2.8	-0.7	1.5	2.6
Restaurants and hotels	2.4	2.1	0.5	0.6	5.2	6.2
Miscellaneous goods and services	7.1	-0.4	2.5	0.5	1.2	2.6
Sabah						
Total	100.0	0.2	-1.9	1.6	3.0	2.7
Food and non-alcoholic beverages	31.5	0.5	0.2	0.6	5.1	5.1
Alcoholic beverages and tobacco	2.1	1.2	0.1	0.2	0.2	0.2
Clothing and footwear	3.0	-2.0	-0.9	-0.4	0.1	0.1
Housing, water, electricity, gas and other fuels	28.0	1.3	-2.1	-1.1	1.9	2.6
Furnishings, household equipment and routine household maintenance	3.4	0.1	-0.4	1.0	2.3	2.0
Health	1.1	0.7	1.1	0.3	1.5	1.4
Transport	13.9	-3.2	-10.7	12.6	3.5	0.3
Communication	4.5	0.2	0.4	0.0	-0.1	-1.0
Recreation services and culture	3.7	0.5	-0.1	2.4	0.2	1.3
Education	0.8	1.0	0.3	-0.4	1.4	2.4
Restaurants and hotels	1.8	1.2	0.7	0.4	7.3	6.8
Miscellaneous goods and services	6.2	0.0	1.5	0.7	1.6	2.1

¹ Weights based on Household Expenditure Survey 2016² January to August 2023

Source: Department of Statistics, Malaysia

3.15. CONSUMER PRICE INDEX BY STRATUM

2010 = 100, Malaysia

Groups	Weights ¹ (%)	2019	2020	2021	2022	2023 ²
		Annual Change (%)				
Rural						
Total	100.0	0.3	-1.5	2.6	2.6	2.4
Food and non-alcoholic beverages	35.6	0.9	0.9	1.6	4.3	4.2
Alcoholic beverages and tobacco	3.0	1.6	0.1	0.2	0.2	0.1
Clothing and footwear	3.6	-0.5	-0.5	0.0	0.5	0.5
Housing, water, electricity, gas and other fuels	19.9	1.8	-2.5	1.3	1.7	1.7
Furnishings, household equipment and routine household maintenance	3.7	0.7	0.1	0.6	2.0	2.0
Health	2.0	0.6	1.7	0.5	0.6	1.5
Transport	14.6	-3.6	-11.2	12.1	2.9	1.3
Communication	4.4	0.5	1.0	0.1	0.0	-1.2
Recreation services and culture	3.6	1.0	0.8	0.3	1.6	1.1
Education	0.9	0.5	0.5	0.2	0.3	1.6
Restaurants and hotels	2.4	1.0	0.7	0.2	2.9	3.1
Miscellaneous goods and services	6.3	0.8	2.2	0.6	1.5	1.9

3.15. CONSUMER PRICE INDEX BY STRATUM (cont'd)

2010 = 100, Malaysia

Groups	Weights ¹ (%)	2019	2020	2021	2022	2023 ²
		Annual Change (%)				
Urban						
Total	100.0	0.7	-1.1	2.4	3.6	3.0
Food and non-alcoholic beverages	28.4	1.8	1.4	1.8	6.1	6.1
Alcoholic beverages and tobacco	2.3	1.5	0.4	0.6	0.7	0.8
Clothing and footwear	3.2	-2.2	-0.9	-0.5	0.1	0.3
Housing, water, electricity, gas and other fuels	24.5	1.8	-1.6	1.6	1.8	1.7
Furnishings, household equipment and routine household maintenance	4.2	1.6	0.3	1.8	3.7	2.8
Health	1.8	0.7	1.1	0.4	0.8	2.1
Transport	14.6	-3.1	-9.8	10.9	5.0	1.7
Communication	4.9	0.4	1.1	0.0	0.0	-2.8
Recreation services and culture	5.0	0.6	0.4	0.5	2.3	1.8
Education	1.4	1.5	1.1	0.2	1.1	1.8
Restaurants and hotels	3.0	1.3	0.4	0.4	5.3	6.6
Miscellaneous goods and services	6.7	0.4	2.7	0.4	2.1	2.6

¹ Weights based on Household Expenditure Survey 2016² January to August 2023

Source: Department of Statistics, Malaysia

3.16. CONSUMER PRICE INDEX BY STATE

2010 = 100, Malaysia

States	2019	2020	2021	2022	2023 ¹
Annual Change (%)					
Total					
Malaysia	0.7	-1.2	2.5	3.3	2.8
Johor	0.6	-1.4	2.4	3.4	2.9
Kedah	1.4	-1.8	2.6	2.6	1.9
Kelantan	0.4	-1.5	3.1	2.8	2.0
Melaka	0.1	-1.9	2.4	2.7	2.8
Negeri Sembilan	0.7	-1.6	2.6	2.8	2.4
Pahang	0.3	-1.2	3.0	3.0	3.2
Pulau Pinang	1.1	-0.8	2.1	3.2	2.5
Perak	0.6	-1.3	2.7	3.3	3.1
Perlis	0.3	-2.1	2.9	3.2	2.4
Selangor	0.9	-0.6	2.7	4.2	3.4
Terengganu	0.1	-1.3	3.4	3.1	2.1
Sabah	0.2	-1.9	1.6	3.0	2.7
Sarawak	0.1	-1.8	2.1	3.2	3.6
Federal Territory of Kuala Lumpur	1.2	-0.6	2.0	3.0	2.6
Federal Territory of Labuan	0.3	-1.9	1.6	2.4	1.7
Federal Territory of Putrajaya	1.1	-0.2	3.9	7.3	3.8

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

2010 = 100, Malaysia

States	2019	2020	2021	2022	2023 ¹
Annual Change (%)					
Food and Non-Alcoholic Beverages					
Malaysia	1.7	1.3	1.7	5.8	5.7
Johor	1.9	1.5	1.8	6.1	5.3
Kedah	2.6	0.7	1.2	3.7	3.3
Kelantan	1.0	0.9	2.1	4.5	3.9
Melaka	1.3	0.7	1.4	4.7	5.5
Negeri Sembilan	1.5	1.2	1.6	4.8	5.5
Pahang	0.9	1.4	2.3	4.9	5.9
Pulau Pinang	1.8	1.3	1.1	6.0	5.6
Perak	1.5	1.6	1.8	5.4	5.7
Perlis	1.6	0.6	1.4	4.9	4.0
Selangor	1.8	2.0	2.4	7.4	7.1
Terengganu	1.2	1.4	2.2	4.9	4.3
Sabah	0.5	0.2	0.6	5.1	5.1
Sarawak	1.0	0.6	1.1	5.5	7.1
Federal Territory of Kuala Lumpur	3.5	0.7	1.3	5.1	5.2
Federal Territory of Labuan	1.2	0.7	1.3	3.5	3.7
Federal Territory of Putrajaya	3.8	2.9	3.6	7.7	6.8

¹ January to August 2023

Source: Department of Statistics, Malaysia

3.17. CORE INDEX

2010 = 100, Malaysia

Groups	Weights ¹ (%)	2019	2020	2021	2022	2023 ²
		Annual Change (%)				
Total	100.0	1.1	1.1	0.7	3.0	3.4
Food and non-alcoholic beverages	26.5	2.1	1.2	1.3	5.8	6.7
Alcoholic beverages and tobacco	—	—	—	—	—	—
Clothing and footwear	4.5	-2.0	-0.8	-0.4	0.1	0.3
Housing, water, electricity, gas and other fuels	26.5	2.1	1.3	0.6	1.4	1.9
Furnishings, household equipment and routine household maintenance	5.5	1.4	0.3	1.6	3.5	2.7
Health	2.6	0.7	1.1	0.4	0.7	2.0
Transport	6.5	-3.1	0.1	0.7	5.6	5.2
Communication	6.5	0.4	1.1	0.0	0.0	-2.6
Recreation services and culture	6.6	0.7	0.4	0.4	2.3	1.7
Education	1.8	1.4	1.0	0.2	1.1	1.8
Restaurants and hotels	3.9	1.2	0.5	0.4	5.0	6.2
Miscellaneous goods and services	9.1	0.4	2.7	0.5	2.0	2.4

¹ Weights based on Household Expenditure Survey 2016² January to August 2023

Source: Department of Statistics, Malaysia

3.18. PRODUCER PRICE INDEX - LOCAL PRODUCTION

2010 = 100, Malaysia

Sectors and Stage of Processing	Weights ¹ (%)	2019	2020	2021	2022	2023 ²
		Annual Change (%)				
Sector (MSIC 2008)						
Total	100.0	-1.4	-2.7	9.5	7.8	-2.4
Agriculture, forestry and fishing	6.7	-4.0	15.7	30.2	1.3	-19.4
Mining	7.9	-3.7	-36.3	41.2	12.6	-8.4
Manufacturing	81.6	-0.9	-0.4	5.5	8.4	0.2
Electricity and gas supply	3.4	1.5	-0.4	-0.4	0.7	0.8
Water supply	0.3	-2.2	-0.2	0.5	2.6	3.2
Producer Price Index by Stage of Processing						
Total	100.0	-1.4	-2.7	9.5	7.8	-2.4
Crude materials for further processing	16.4	-3.9	-12.3	30.3	6.2	-14.8
Intermediate materials, supplies and components	56.1	-1.4	-0.5	7.7	10.9	-0.2
Finished goods	27.5	0.6	-0.1	-0.2	1.8	3.6

¹ Weights based on Economic Census 2016² January to August 2023

Source: Department of Statistics, Malaysia

3.19. LABOUR FORCE

Malaysia

	2019	2020	2021	2022	2023 ⁴
Labour force ('000)	15,581.6	15,667.7	15,797.2	16,022.1	16,312.3
Employment ('000)	15,073.4	14,956.7	15,064.2	15,391.7	15,743.0
Unemployment ('000)	508.2	711.0	733.0	630.4	569.4
Unemployment rate (%)	3.3	4.5	4.6	3.9	3.5
Labour force participation rate¹ (%)					
Total	68.7	68.4	68.6	69.3	69.9
Male	80.8	80.6	80.9	81.9	82.5
Female	55.6	55.3	55.5	55.8	55.9
Number of collective agreements signed in the current year²	298	187	154	334	179
Labour productivity³	2.2	-5.3	2.0	5.4	1.2
Agriculture	0.3	-2.0	-0.5	0.8	-0.7
Mining and quarrying	-0.3	-7.6	-0.8	1.4	-0.5
Manufacturing	1.7	-2.7	6.7	4.1	-1.0
Construction	3.6	-15.6	-4.1	5.2	5.9
Services	2.9	-5.7	0.7	6.5	2.1
Foreign workers ('000)	1,999.6	1,483.4	1,171.9	1,459.2	1,781.0⁵

¹ The ratio of the labour force to the working age population (15-64 years), expressed as percentage² 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 year³ Annual change (%)⁴ For the first half of 2023⁵ As at end-August 2023

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

3.20. EMPLOYMENT BY INDUSTRY

'000 persons, Malaysia

Industry ¹	2019	2020	2021	2022		2023 ⁴	
					share (%)		share (%)
Total employment²	15,073.4	14,956.7	15,064.2	15,391.7	100.0	15,743.0	100.0
Agriculture, forestry and fishing	1,541.1	1,566.0	1,550.0	1,540.8	10.0	1,555.8	9.9
Mining and quarrying	91.0	82.2	81.9	84.3	0.5	84.9	0.5
Manufacturing	2,612.0	2,498.0	2,501.4	2,590.7	16.8	2,644.1	16.8
Construction	1,246.7	1,173.4	1,159.6	1,170.5	7.6	1,185.3	7.5
Services	9,582.6	9,637.1	9,771.0	10,005.3	65.0	10,272.8	65.3
Electricity, gas, steam and air conditioning supply	75.4	76.4	77.7	79.1	0.5	81.0	0.5
Water supply; sewerage, waste management and remediation activities	88.8	83.7	85.5	88.3	0.6	89.9	0.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,604.6	2,765.6	2,826.5	2,932.6	19.1	2,981.5	18.9
Transportation and storage	677.8	689.2	704.5	711.4	4.6	731.9	4.6
Accommodation and food and beverage service activities	1,549.7	1,540.0	1,535.5	1,547.7	10.1	1,598.3	10.2
Information and communication	223.9	223.4	235.1	236.4	1.5	255.1	1.6
Financial and insurance/takaful activities	355.1	372.1	386.5	397.2	2.6	412.1	2.6
Real estate activities	90.3	82.1	83.4	83.7	0.5	84.0	0.5
Professional, scientific and technical activities	394.7	379.3	358.9	365.7	2.4	385.1	2.4
Administrative and support service activities	809.2	801.9	846.0	862.4	5.6	877.2	5.6
Public administration and defence; compulsory social security	737.1	734.9	725.1	747.7	4.9	757.6	4.8
Education	992.1	937.6	924.3	943.7	6.1	963.1	6.1
Human health and social work activities	527.7	559.6	582.2	599.0	3.9	636.8	4.0
Arts, entertainment and recreation	84.0	58.2	60.5	63.5	0.4	64.8	0.4
Others service activities	266.1	267.0	274.7	279.0	1.8	280.0	1.8
Activities of households as employers ³	104.3	66.1	64.6	67.8	0.4	72.8	0.5

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 2023

Source: Department of Statistics, Malaysia

3.21. ACTIVE REGISTRANTS

Malaysia

	2019	2020	2021	2022		2023 ²	
					share (%)		share (%)
Total Active Registrants (end-period)	299,648	500,391	887,977	546,325	100.0	253,849	100.0
Age							
19 and below	36,966	327	1,805	17,016	3.1	18,606	7.3
20 – 24	199,476	71,087	219,340	170,139	31.1	94,581	37.3
25 – 29	49,080	173,200	295,432	161,879	29.6	59,933	23.6
30 and above	14,126	255,716	371,306	197,212	36.1	80,326	31.6
Gender							
Male	109,227	240,250	422,685	264,974	48.5	125,185	49.3
Female	190,421	260,141	465,292	281,351	51.5	128,664	50.7
Educational Level							
Less than PT3/PMR/SRP/LCE	924	7,167	11,846	4,882	0.9	1,790	0.7
PT3/PMR/SRP/LCE	2,516	13,044	20,826	9,538	1.7	3,806	1.5
SPM/MCE	14,754	122,489	283,259	108,173	19.8	49,592	19.5
Skills Certificate ¹	8,663	–	–	–	–	–	–
MHSC/STPM, Matriculation, Diploma and Degree	272,791	214,017	325,930	210,964	38.6	86,383	34.0
Employment Status							
Unemployed	137,712	179,367	351,459	188,099		114,451	

¹ Malaysian Skills Certificate (SKM), other skills certificate and non-technical skills certificate² January to June 2023

Note: Covers job seekers registered with Labour Department through JobsMalaysia and within valid registration period for data prior 2020. Beginning 2020, data are provided by Social Security Organisation 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: Ministry of Human Resources and Social Security Organisation, Malaysia

3.22. VACANCIES AND PLACEMENTS

Malaysia

	2019	2020	2021	2022		2023 ³	
					share (%)		share (%)
Number of Vacancies by Occupational Category¹	974,612	745,304	2,480,577	4,753,418	100.0	1,187,271	100.0
Managers	8,563	36,052	98,813	228,840	4.8	72,337	6.1
Professionals	31,900	109,260	462,024	373,444	7.9	179,665	15.1
Technician and associate professionals	34,429	87,311	301,750	326,714	6.9	180,779	15.2
Clerical support workers	11,554	55,372	182,056	211,790	4.5	79,100	6.7
Service and sales workers	42,462	134,488	398,567	510,071	10.7	145,588	12.3
Skilled agricultural, forestry and fishery workers	2,089	4,839	8,347	49,120	1.4	16,249	1.4
Craft and related trade workers	31,982	49,815	176,813	315,621	6.8	60,505	5.1
Plant and machine operators and assemblers	147,321	80,695	221,789	367,929	7.2	54,398	4.6
Elementary occupation	664,312	187,472	630,418	2,369,889	49.9	398,407	33.6
Number of Vacancies by Sector	974,612	745,304	2,480,577	4,753,418	100.0	1,187,271	100.0
Agriculture, forestry and fishing	204,324	18,547	75,676	244,694	5.1	68,051	5.7
Mining and quarrying	3,435	1,325	9,226	12,176	0.3	16,123	1.4
Manufacturing	351,942	190,278	603,216	1,600,230	33.7	201,648	17.0
Construction	141,783	55,590	164,651	761,870	16.0	147,764	12.4
Services	273,128	479,564	1,627,808	2,134,448	44.9	753,685	63.5
Number of Placements by Sector²	–	161,603	320,864	294,044	100.0	77,187	100.0
Agriculture, forestry and fishing	–	2,857	3,815	2,650	0.9	746	1.0
Mining and quarrying	–	1,590	736	782	0.2	174	0.2
Manufacturing	–	29,375	57,388	63,966	22.1	15,232	19.7
Construction	–	7,662	16,510	8,544	2.9	3,939	5.1
Services	–	117,378	227,377	184,603	73.9	57,096	74.0

¹ Classification of occupational groups is based on the Malaysia Standard Classification of Occupations (MASCO) 2013² Data for 2018 covers period from January to Jun 2018. Data was not available for 2019³ January to June 2023

Note: Definition of vacancies refers to job vacancy listings by employers in public (selected only) and private sector on JobsMalaysia. The job listing includes non-substantive vacancies such as sales person, promoter, insurance agent and part-time workers as well as foreign workers. Prior 2020, data was obtained from Labour Department through JobsMalaysia portal. Beginning 2020, data are provided by Social Security Organisation obtained via MyFutureJobs portal. 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: Ministry of Human Resources and Social Security Organisation, Malaysia

4.1. INTEREST RATES

Malaysia

	Average rates during the period (%)				Average rates during the period in 2023 (%)						
	2019	2020	2021	2022	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Overnight interbank	3.05	2.10	1.74	2.74	2.74	2.74	2.74	2.74	2.97	2.99	3.01
1-week interbank	3.12	2.14	1.77	2.77	2.78	2.78	2.77	2.78	3.00	3.02	3.04
3-month interbank	3.46	2.39	1.92	3.63	3.67	3.61	3.61	3.54	3.46	3.41	3.50
Commercial banks											
Fixed deposits											
3-month	2.98	1.95	1.56	2.55	2.50	2.52	2.54	2.50	2.71	2.73	2.71
12-month	3.17	2.13	1.72	2.65	2.70	2.70	2.70	2.69	2.90	2.89	2.89
Savings deposit	1.01	0.61	0.54	0.85	0.85	0.85	0.86	0.87	0.93	0.94	0.96
Weighted Base Rate ¹ (BR)	3.76	2.76	2.43	3.42	3.42	3.42	3.42	3.42	3.67	3.67	3.67
Base lending rate (BLR)	6.78	5.83	5.49	6.42	6.42	6.42	6.42	6.42	6.68	6.68	6.68

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 (%)				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023 ²
	End-December				End-August	End-December				End-August
Special Drawing Rights (SDR)	5.6592	5.7798	5.8447	5.8730	6.1499	1.7	-2.1	-1.1	-0.5	-4.5
US dollar	4.0925	4.0130	4.1760	4.4130	4.6385	1.1	2.0	-3.9	-5.4	-4.9
Singapore dollar	3.0387	3.0354	3.0896	3.2819	3.4301	-0.2	0.1	-1.8	-5.9	-4.3
100 Japanese yen	3.7655	3.8891	3.6286	3.3264	3.1731	-0.5	-3.2	7.2	9.1	4.8
Pound sterling	5.3722	5.4653	5.6361	5.3159	5.8580	-2.2	-1.7	-3.0	6.0	-9.3
Euro	4.5852	4.9324	4.7256	4.7038	5.0410	3.2	-7.0	4.4	0.5	-6.7
100 Thai baht	13.6827	13.3990	12.5011	12.7811	13.2203	-7.2	2.1	7.2	-2.2	-3.3
100 Indonesian rupiah	0.0295	0.0286	0.0293	0.0283	0.0304	-3.1	3.1	-2.2	3.4	-6.9
100 Korean won	0.3540	0.3698	0.3507	0.3494	0.3509	5.1	-4.3	5.4	0.4	-0.4
100 Philippine peso	8.0720	8.3569	8.1902	7.9214	8.1748	-2.5	-3.4	2.0	3.4	-3.1
Chinese renminbi	0.5866	0.6143	0.6552	0.6342	0.6362	2.6	-4.5	-6.2	3.3	-0.3

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 2022 – End-August 2023

Source: Bank Negara Malaysia

4.3. COMMERCIAL BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR

Malaysia

	2021		2022		2023	
	December		December		July ⁴	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Purpose						
Purchase of securities	30,249	2.5	29,603	2.4	27,815	2.3
Purchase of fixed assets other than land and building	94,923	8.0	96,388	7.9	98,360	8.0
of which:						
Purchase of transport vehicles	85,582	7.2	87,574	7.2	89,737	7.3
Purchase of residential property	455,320	38.2	470,286	38.7	478,458	39.1
Purchase of non-residential property	170,492	14.3	172,610	14.2	174,673	14.3
Personal uses	36,566	3.1	35,621	2.9	35,707	2.9
Credit card	32,107	2.7	36,635	3.0	37,456	3.1
Construction	42,523	3.6	38,739	3.2	38,404	3.1
Working capital	282,778	23.7	287,767	23.7	287,003	23.4
Other purpose	48,345	4.1	48,666	4.0	46,167	3.8
Total Loans¹	1,193,303	100.0	1,216,315	100.0	1,224,043	100.0
Sector²						
Agriculture, forestry and fishing	19,643	1.6	16,887	1.4	16,174	1.3
of which:						
Crops and animal production, hunting and related service activities	17,788	1.5	15,263	1.3	14,650	1.2
Mining and quarrying	8,513	0.7	6,847	0.6	6,780	0.6
of which:						
Mining of metal ores	1,006	0.1	124	0.0	100	0.0
Manufacturing	91,962	7.7	92,421	7.6	91,889	7.5
of which:						
Food products	16,882	1.4	17,409	1.4	17,504	1.4
Basic metals	8,801	0.7	8,422	0.7	8,553	0.7

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

Malaysia

	2021		2022		2023	
	December		December		July ⁴	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Electricity, gas, steam and air conditioning supply	9,855	0.8	11,626	1.0	8,982	0.7
Water supply, sewerage, waste management and remediation activities	1,953	0.2	1,978	0.2	1,949	0.2
Construction	59,865	5.0	58,457	4.8	58,299	4.8
of which:						
Construction of buildings	31,902	2.7	32,658	2.7	32,365	2.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	94,418	7.9	99,376	8.2	98,822	8.1
Accommodation and food service activities	17,283	1.4	17,706	1.5	16,545	1.4
Transportation and storage	15,848	1.3	15,542	1.3	16,988	1.4
Information and communication	11,502	1.0	12,479	1.0	12,476	1.0
Finance, insurance, real estate and business activities	162,873	13.6	168,174	13.8	170,940	14.0
Education, health and others	27,854	2.3	26,454	2.2	27,197	2.2
Household sector	665,617	55.8	680,853	56.0	689,425	56.3
Other sector ³	6,117	0.5	7,514	0.6	7,576	0.6

¹ Includes loans sold to Cagamas

² Definitions of economic sectors/industries are based on Malaysia Standard Industrial Classification 2000

³ Includes loans to individual businesses

⁴ 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 2023). Total may not add up due to rounding Source: Bank Negara Malaysia

4.4. GOVERNMENT AND CORPORATE BOND YIELDS

Malaysia

	2021	2022	2023						
			Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Malaysian Government Securities market indicative yield (%)									
1-year	1.85	3.25	3.17	3.20	3.11	3.07	3.19	3.28	3.24
3-year	2.80	3.67	3.39	3.51	3.35	3.32	3.40	3.48	3.49
5-year	3.15	3.86	3.59	3.65	3.54	3.45	3.46	3.61	3.60
10-year	3.58	4.09	3.81	3.93	3.90	3.74	3.71	3.84	3.83
5-year corporate bond yields (%)									
AAA	3.57	4.50	4.28	4.22	4.18	4.15	4.08	4.11	4.08
AA	3.86	4.71	4.50	4.48	4.45	4.38	4.30	4.33	4.30
A	4.89	5.70	5.60	5.64	5.63	5.61	5.60	5.60	5.60
BBB	6.31	6.80	6.81	6.85	6.96	7.16	7.07	7.10	7.01

Source: Bank Negara Malaysia

4.5. BURSA MALAYSIA: SELECTED INDICATORS

	2019	2020	2021	2022	2023 ³
Indices¹					
Composite	1,588.76	1,627.21	1,567.53	1,495.49	1,451.94
FBM EMAS	11,323.49	11,761.93	11,308.79	10,701.55	10,740.70
FBM ACE	5,226.59	10,734.69	6,419.60	5,308.33	5,217.97
Trading volume² (million units)	653,085.5	1,855,808.5	1,433,358.5	729,295.8	559,605.1
Main Market	453,037.4	1,072,204.6	902,137.2	480,595.2	376,104.4
ACE Market	103,750.4	638,349.2	446,341.2	165,900.2	125,690.7
LEAP Market	332.8	187.7	209.5	170.7	214.8
Daily Average	2,676.6	7,483.1	5,850.4	3,001.2	3,475.8
Trading value² (RM million)	525,225.9	1,068,009.6	897,043.9	530,856.0	340,020.0
Main Market	483,252.3	855,623.4	745,509.4	466,244.9	288,407.5
ACE Market	21,404.7	176,370.0	139,017.6	50,524.0	42,488.1
LEAP Market	33.2	37.8	44.5	35.6	65.5
Daily Average	2,152.6	4,306.5	3,661.4	2,184.6	2,111.9
Market capitalisation¹ (RM billion)	1,711.8	1,817.3	1,789.2	1,736.2	1,776.3
Market capitalisation/GDP (%)	120.2	135.1	129.0	114.90	—

¹ End-period² Based on market transactions and direct business transactions³ End-August 2023

Source: Bursa Malaysia

4.6. ISLAMIC BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR

Malaysia

	2021		2022		2023	
	December		December		July ⁴	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Purpose						
Purchase of securities	54,307	7.6	57,362	7.2	49,523	6.0
Purchase of fixed assets other than land and building	98,165	13.7	110,877	13.9	119,133	14.5
of which:						
Purchase of transport vehicles	93,046	13.0	104,701	13.1	112,566	13.7
Purchase of residential property	233,818	32.7	266,550	33.3	285,957	34.7
Purchase of non-residential property	60,050	8.4	67,151	8.4	69,843	8.5
Personal uses	68,504	9.6	72,359	9.0	75,072	9.1
Credit card	3,875	0.5	4,675	0.6	4,969	0.6
Construction	16,798	2.4	18,804	2.4	19,694	2.4
Working capital	146,782	20.5	168,671	21.1	166,018	20.2
Other purpose	32,306	4.5	33,607	4.2	33,298	4.0
Total Loans¹	714,604	100.0	800,056	100.0	823,504	100.0
Sector²						
Agriculture, forestry and fishing	17,375	2.4	19,731	2.5	19,703	2.4
of which:						
Crops and animal production, hunting and related service activities	17,072	2.4	19,372	2.4	19,348	2.3
Mining and quarrying	3,358	0.5	2,257	0.3	2,215	0.3
of which:						
Mining of metal ores	645	0.1	41	0.0	112	0.0
Manufacturing	31,413	4.4	34,515	4.3	34,946	4.2
of which:						
Food products	8,365	1.2	9,187	1.1	9,891	1.2
Basic metals	3,093	0.4	3,091	0.4	2,990	0.4

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

Malaysia

	2021		2022		2023	
	December		December		July ⁴	
	RM million	share (%)	RM million	share (%)	RM million	share (%)
Electricity, gas, steam and air conditioning supply	6,121	0.9	10,953	1.4	8,635	1.0
Water supply, sewerage, waste management and remediation activities	1,152	0.2	1,588	0.2	1,600	0.2
Construction	43,388	6.1	44,754	5.6	42,387	5.1
of which:						
Construction of buildings	24,648	3.4	24,601	3.1	24,129	2.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	35,310	4.9	42,799	5.3	46,341	5.6
Accommodation and food service activities	2,371	0.3	2,443	0.3	2,781	0.3
Transportation and storage	12,247	1.7	13,719	1.7	13,946	1.7
Information and communication	7,180	1.0	10,328	1.3	9,807	1.2
Finance, insurance, real estate and business activities	70,005	9.8	77,014	9.6	78,346	9.5
Education, health and others	16,361	2.3	19,058	2.4	20,634	2.5
Household sector	459,580	64.3	510,629	63.8	531,716	64.6
Other sector ³	8,743	1.2	10,269	1.3	10,449	1.3

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 2023). Total may not add up due to rounding Source: Bank Negara Malaysia

5.1. PROGRESS OF SUSTAINABLE DEVELOPMENT GOALS BY INDICATOR

Malaysia

No.	Available Indicator	Unit	Year	Value
SDG 1: No Poverty				
1.	Households below the international poverty line	%	2019	0.01
			2020	....
2.	Households below the national poverty line	%	2019	5.6
			2020	8.4
3.	Multidimensional Poverty Index	Index	2019	0.011
			2020	....
4.	Number of recipients of assistance	('000)	2020	612.2
			2021	580.5
5.	Population using safely managed drinking water services	%	2020	96.9
			2021	97.0
6.	a. Number of deaths attributed to disasters per 100,000 population	per 100,000 population	2020	0.0
			2021	0.1
	b. Number of affected people with damaged homes attributed to disasters per 100,000 population	per 100,000 population	2020	150.0
			2021	761.0
SDG 2: Zero Hunger				
1.	Prevalence of underweight among children under 5 years of age	%	2019	14.1
			2020	....
2.	Prevalence of stunting among children under 5 years of age	%	2019	21.8
			2020	....
3.	Prevalence of wasting of children under 5 years of age	%	2019	9.7
			2020	....
4.	Prevalence of overweight among children under 5 years of age	%	2019	5.6
			2020	....
5.	Prevalence of anaemia (women aged 15-49 years)	%	2019	29.9
			2020	....
6.	a. Number of semen (animal genetic resources)	Number	2020	24,259
			2021	25,578
	b. Number of local live purebred cattle (animal genetic resources)	Number	2020	529
			2021	414
7.	Local breeds at risk of extinction	%	2020	99.9
			2021	99.9

No.	Available Indicator	Unit	Year	Value
SDG 3: Good Health and Well-Being				
1.	Maternal mortality ratio per 100,000 live births	Ratio	2020	24.8
			2021	68.2
2.	Births attended by skilled health personnel	%	2020	99.6
			2021	99.6
3.	Under-five mortality rate per 1,000 live births	Ratio	2020	7.3
			2021	7.4
4.	Neonatal mortality rate per 1,000 live births	Ratio	2020	3.9
			2021	4.1
5.	Number of new HIV infections per 1,000 uninfected population	Ratio	2019	0.2
			2020	...
6.	Tuberculosis incidence per 100,000 population	Ratio	2020	72.6
			2021	64.0
7.	Malaria incidence per 1,000 population	Ratio	2020	0.1
			2021	0.1
8.	Hepatitis B notification rate per 100,000 population	Ratio	2020	12.6
			2021	11.6
9.	Mass Drug Administration coverage among targeted population in filarial endemic	%	2020	91.3
			2021	97.2
10.	a. Probability of dying between the exact ages 30 and 70 years from cardiovascular disease	%	2020	136.0
			2021	155.1
	b. Probability of dying between the exact ages 30 and 70 years from cancer	%	2020	71.4
			2021	69.2
	c. Probability of dying between the exact ages 30 and 70 years from diabetes	%	2020	8.0
			2021	10.3
	d. Probability of dying between the exact ages 30 and 70 years from chronic respiratory disease	%	2020	16.9
			2021	21.4
11.	Suicide mortality rate per 100,000 population	Ratio	2020	2.0
			2021	3.5
12.	a. Coverage of treatment interventions for Opioids	%	2020	86.3
			2021	90.8
	b. Coverage of treatment interventions for Amphetamine Type Stimulant (ATS)	%	2020	53.7
			2021	70.8
13.	Prevalence of Heavy Episodic Drinking (HED) among 18 years old and above	%	2019	1.0
			2020	....

No.	Available Indicator	Unit	Year	Value
14.	Death rate of road traffic injuries per 100,000 population	Ratio	2020	14.3
			2021	13.9
15.	Married women who use modern methods for family planning	%	2014	47.7
			2020	....
16.	a. Adolescent birth rate (aged 10-14 years) per 1,000 women	Ratio	2020	0.1
			2021	0.1
	b. Adolescent birth rate (aged 15-19 years) per 1,000 women	Ratio	2020	7.8
			2021	6.1
17.	a. Household expenditures on health (10%)	%	2016	2.0
			2019	1.5
	b. Household expenditures on health (25%)	%	2016	0.2
			2019	0.1
18.	Mortality rate attributed to unsafe water, unsafe sanitation and lack of hygiene per 100,000 population (reported by MOH facilities)	Ratio	2020	0.3
			2021	0.7
19.	Mortality rate due to the accidental poisoning by and exposure to noxious substance per 100,000 population (reported by MOH facilities only)	Ratio	2020	0.3
			2021	0.3
20.	Age-standardised prevalence of current tobacco use among persons aged 15 years and older		2019	20.7
			2020	....
21.	a. Proportion of the target population covered by DTP (3rd dose)	%	2020	97.7
			2021	94.2
	b. Proportion of the target population covered by MMR (2nd dose)	%	2020	97.4
			2021	99.5
	c. Proportion of the target population covered by HPV (last dose in the schedule)	%	2020	82.6
			2021	13.3
22.	a. Density and distribution of doctors per 1,000 population	Ratio	2020	2.3
			2021	2.4
	b. Density and distribution of dentist per 1,000 population	Ratio	2020	0.4
			2021	0.4
23.	Capacity and health emergency preparedness	%	2020	86.0
			2021	85.0
24.	Bloodstream infections due to selected antimicrobial resistant organisms	%	2020	3.8
			2021	3.3

No.	Available Indicator	Unit	Year	Value
SDG 4: Quality Education				
1.	a. Proportion of children people in grades 2/3 achieving at least a minimum proficiency level in reading	%	2018	98.0
			2020	....
	b. Proportion of children people in grades 2/3 achieving at least a minimum proficiency level in mathematics	%	2018	98.6
			2020	....
	c. Proportion of children the end of primary achieving at least a minimum proficiency level in reading	%	2019	95.0
			2020	....
	d. Proportion of children at the end of primary achieving at least a minimum proficiency level in mathematics	%	2019	83.1
			2020	
	e. Proportion of young people at the end of lower secondary achieving at least a minimum proficiency level in reading	%	2019	82.2
			2020	....
	f. Proportion of young people at the end of lower secondary achieving at least a minimum proficiency level in mathematics	%	2019	56.4
			2020	....
2.	Proportion of children aged 24-59 months who are developmentally on track in health	%	2016	97.2
			2020	....
3.	Participation rate in preschool		2020	87.5
			2021	86.1
4.	Participation rate in education and formal training in the previous 12 months		2020	10.5
			2021	10.3
5.	Adults with information and communication technology (ICT) skills in using copying and pasting techniques to duplicate or transfer information within document	%	2020	87.7
			2021	93.2
6.	Gender parity index for participation rate in preschool (female/male)		2020	1.02
			2021	1.03
7.	Achieving proficiency in literacy skil (15 years and above)	%	2020	95.5
			2021	94.6
8.	Basic services for electricity offered by schools	%	2020	99.0
			2021	100.0
9.	Teachers with minimum organised teacher training for preschool	%	2020	100.0
			2021	36.7
SDG 5: Gender Equality				
1.	Number of non-muslim women aged 20-24 years old who were married before 18 years		2020	2,293
			2021	2,169
2.	a. Seats held by women in Senate	%	2020	13.8
			2021	18.2

No.	Available Indicator	Unit	Year	Value
	b. Seats held by Parliament of Malaysia women in House of Representatives	%	2020	14.4
			2021	14.9
	c. Seats held by women as Cabinet Ministers	%	2020	16.1
			2021	15.6
	d. Seats held by Parliament of Malaysia women as Deputy Ministers	%	2020	10.5
			2021	10.5
3.	Women in managerial positions	%	2020	24.8
			2021	24.1
4.	Women aged 15-49 who use contraceptive use	%	2014	89.3
			2020	....
5.	Mobile phone ownership by individuals	%	2020	96.4
			2021	97.4
SDG 6: Clean Water Sanitation				
1	Safely managed drinking water services	%	2020	96.9
			2021	97.0
2	Safely managed sanitation services	%	2019	99.7
			2020	....
3	Proportion of bodies of water with good ambient water quality	%	2020	95.1
			2021	95.1
4	Proportion of transboundary basin area with an operational arrangement for water cooperation	%	2020	2.0
			2021	2.0
SDG 7: Affordable and Clean Energy				
1.	Access to electricity	%	2020	99.9
			2021	99.9
2.	Renewable energy share in the total primary energy supplied	%	2019	3.4
			2020	3.9
			2019	69.2
3	Energy intensity (toe/ GDP at constant price 2015 (RM Million))		2020	70.0
SDG 8: Decent Work and Economic Growth				
1.	Annual growth rate of real GDP per capita	%	2020	-5.3
			2021	2.7

No.	Available Indicator	Unit	Year	Value
2.	Annual growth rate of real GDP per employed person	%	2020	-5.3
			2021	1.8
3.	Share of employment in the informal sector	%	2019	9.3
			2020	....
4.	Mean monthly salaries & wages of employees	RM	2020	2,933
			2021	3,037
5.	Unemployment rate	%	2021	4.6
			2022	3.9
6.	Proportion of youth not in education, employment or training	%	2020	13.6
			2021	9.3
7.	a. Incidence rates of fatal occupational injuries per 100,000 workers	Ratio	2020	2.09
			2021	2.00
	b. Incidence rates of non-fatal occupational injuries per 100,000 workers	Ratio	2020	216.0
			2021	141.0
8.	Growth rate of tourism to GDP	%	2020	2.0
			2021	0.8
9.	a. Number of commercial bank branches per 100,000 adults	Ratio	2020	9.0
			2021	8.7
	b. Number of automated teller machines (ATMs) per 100,000 adults	Ratio	2020	55.6
			2021	54.3
10.	Adults with an account at a financial institution	%	2020	95.9
			2021	95.7

SDG 9: Industry Innovation and Infrastructure

1.	a. Number of passengers by rails	million	2020	137.4
			2021	78.5
	b. Number of passengers at airport	million	2020	26.8
			2021	11.0
	c. Freight volumes and containers handled by KTMB	('000 tonnes)	2020	4,551.0
			2021	4,793.0
	d. Cargo handled by airport	('000 tonnes)	2020	789.1
			2021	1,008.1
	e. Cargo throughput by port	('000 000 tonnes)	2020	564.3
			2021	591.5

No.	Available Indicator	Unit	Year	Value
2.	Manufacturing value added per capita	RM	2020	9,488
			2021	10,352
3.	Manufacturing employment as 2017 a proportion of total employment	%	2020	16.7
			2021	16.6
4.	Share manufacturing value added of Small and Medium Enterprise (SMEs) to GDP	%	2020	34.5
			2021	34.2
5.	Proportion of SMEs with a loan or line of credit	%	2015	53.8
			2020	....
6.	Research and development expenditure as a proportion of GDP	%	2018	1.0
			2020	....
7.	Number of researchers per million inhabitants		2018	2,127
			2020	....
8.	Medium and high-tech industry value added ratio in total manufacturing value added (at constant prices)	%	2020	47.1
			2021	48.0
9.	Population covered by a mobile network	%	2020	96.7
			2021	98.5
SDG 10: Reduced Inequalities				
1.	Compounded annual growth rate among Bottom 40 (B40)	%	2019	3.4
			2020	....
2.	Households below 50 per cent of median income	%	2019	16.9
			2020 ^e	16.2
3.	Compensation of employees by kind of economic activity at current prices	%	2020	37.1
			2021	34.8
4.	Remittance costs as a proportion of the amount remitted	%	2020	2.5
			2021	2.2
SDG 11: Sustainable Cities and Communities				
1.	a. Number of deaths attributed to disasters per 100,000 population	Ratio	2020	0.0
			2021	0.1
	b. Number of affected people with damaged homes attributed to disasters per 100,000 population	Ratio	2020	150.0
			2021	761.0
2.	Annual mean levels of fine particulate matter in cities	(PM10) (µg/m3)	2020	22
			2021	23

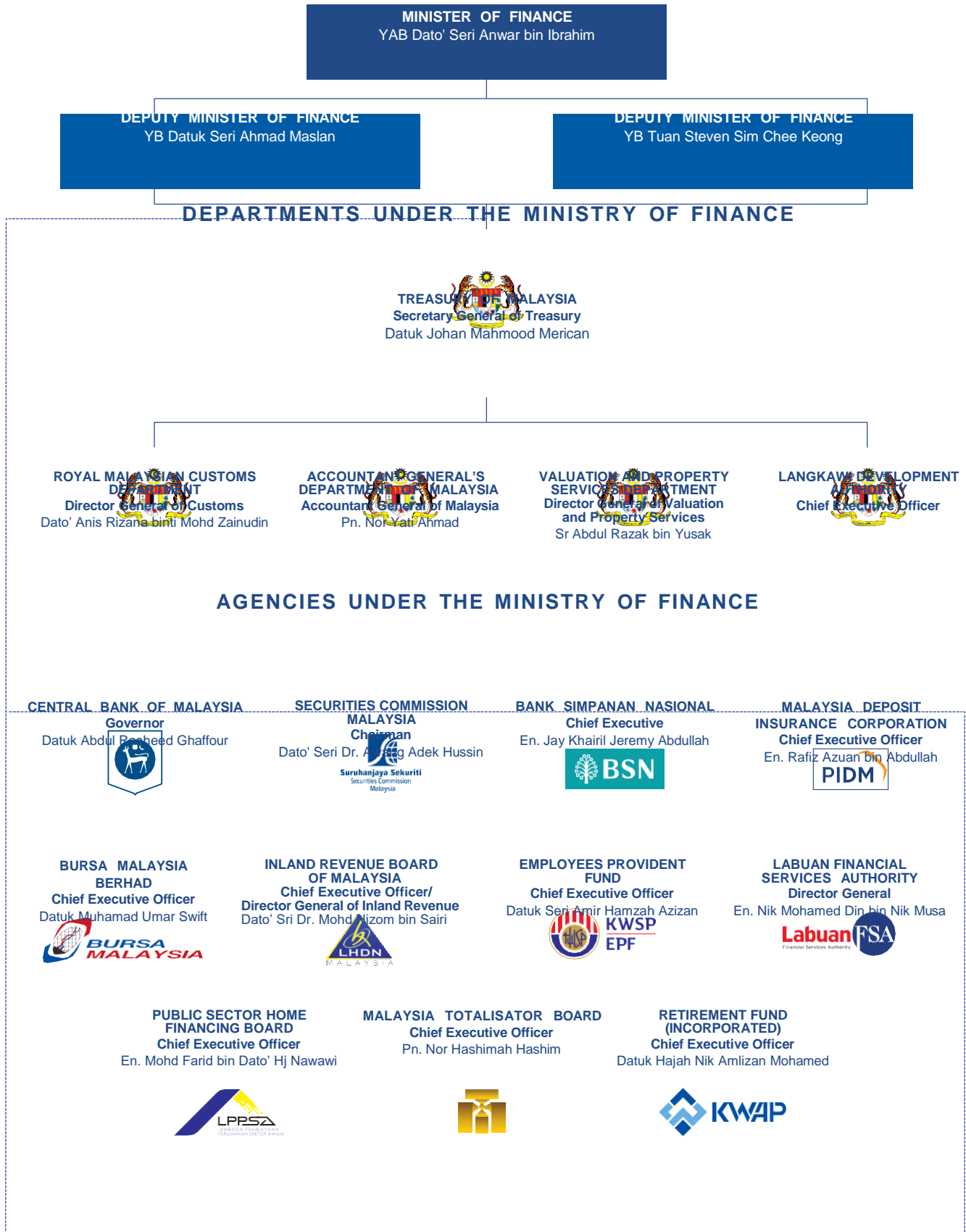
No.	Available Indicator	Unit	Year	Value
SDG 12: Responsible Consumption and Production				
1.	Number of participations in international multilateral environmental agreements		2020	17
			2021	17
2.	a. Quantity of clinical wastes handled	(tonnes '000)	2020	40
			2021	57
			2020	7,185.2
	b. Quantity of Scheduled waste managed	(tonnes '000)	2021	7,505.2
SDG 13: Climate Action				
1.	a. Number of deaths attributed to disasters per 100,000 population	Ratio	2020	0.0
			2021	0.1
	b. Number of affected people with damaged homes attributed to disasters per 100,000 population	Ratio	2020	150
			2021	761
			2016	316.8
2.	CO2 eq emissions	(tonnes (million))	2020	....
SDG 14: Life Below Water				
1	a. Malaysia Marine Water Quality Index in coastal area with excellent status (number of station)		2020	55
			2021	85
	b. Malaysia Marine Water Quality Index in estuary area with excellent status (number of station)		2020	3
			2021	7
	c. Malaysia Marine Water Quality Index in island area with excellent status (number of station)		2020	46
			2021	53
2.	Coverage of protected areas in relation to marine areas	%	2020	5.4
			2021	5.4
SDG 15: Life on Land				
1.	Forest area as a proportion of total land area	%	2019	....
			2020	....
2.	Important sites for terrestrial and freshwater biodiversity that are covered	%	2019	....
			2020	....
3.	Number of wildlife crime cases for possession/ own use category		2020	1,060
			2021	600

No.	Available Indicator	Unit	Year	Value
SDG 16: Peace, Justice and Strong Institutions				
1.	Number of intentional homicide cases per 100,000 population	Ratio	2019	....
			2020	....
2.	Children aged 1-5 years who experienced any physical punishment and/or psychological aggression by caregivers in the past month		2016	70.8
			2020	....
3.	Unsentenced detainees as of prisoner (%)	%	2020	40.5
			2021	39.3
4.	Federal Government expenditures as a proportion of original approved budget	%	2020	92.9
			2021	96.8
5.	Number of complaints on public services		2020	3,649
			2021	4,074
6.	Civil servant with disabilities in public service	%	2020	0.3
			2021	0.3
SDG 17: Partnerships for the Goals				
1.	Share government revenue as a proportion of GDP	%	2020	15.9
			2021	15.1
2.	Share of Federal Government tax revenue and expenditure	%	2020	55.9
			2021	58.7
3.	Fixed-broadband penetration rate per 100 inhabitants	Ratio	2019	8.9
			2020	....
4.	Individuals using the Internet	%	2020	89.6
			2021	96.8
5.	Value of financial and technical assistance committed to developing countries	RM '000	2020	778.1
			2021	2,594.5
6.	Worldwide weighted World Trade tariff-average	%	2020	3.8
			2021	3.5
7.	Share of global exports	%	2020	1.3
			2021	1.3
8.	Statistical indicators for 2018 50.9 2019 Sustainable Development Goals monitoring	%	2020	62.4
			2021	75.1

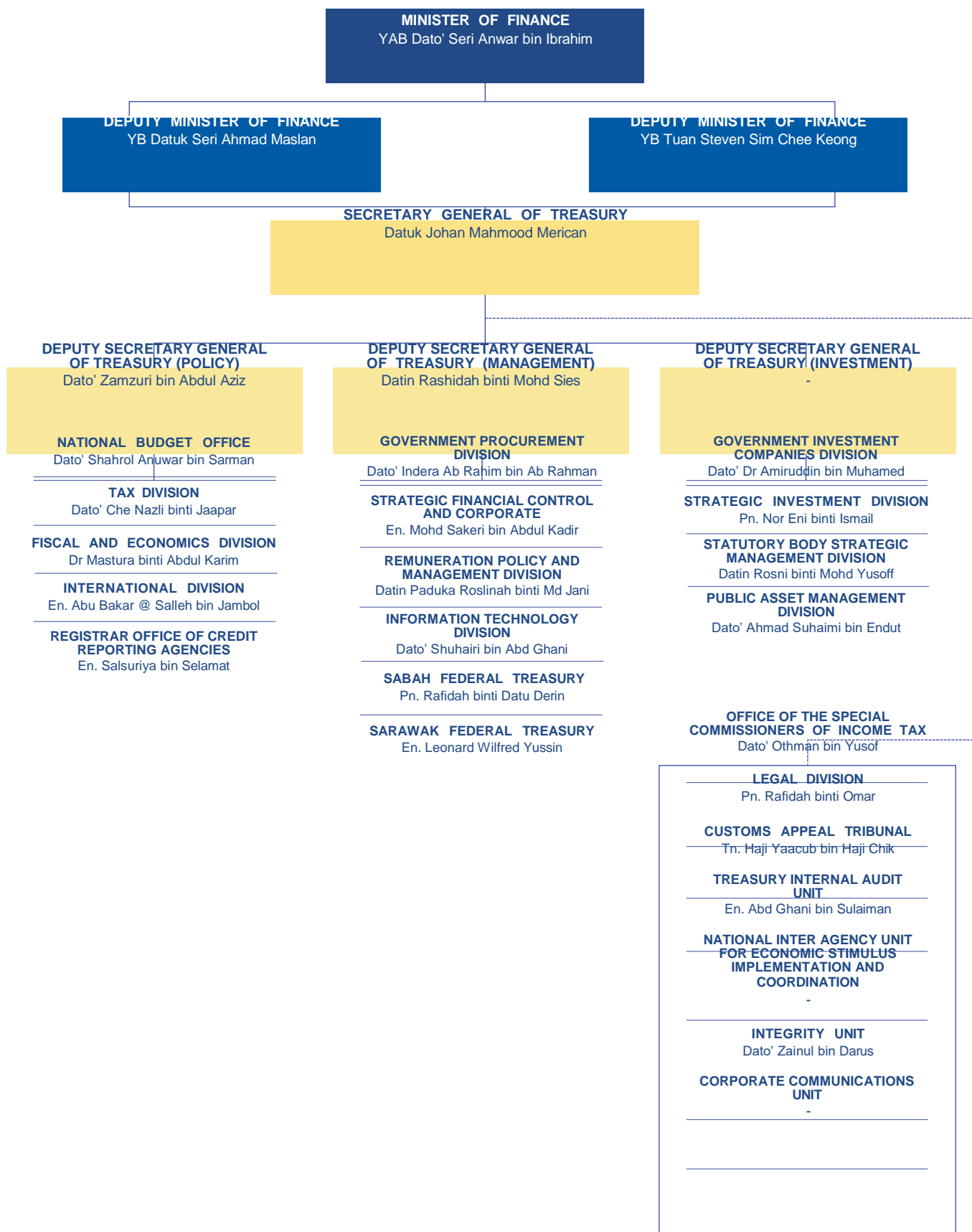
Note:..... indicates data not available

Source: Department of Statistics, Malaysia

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