

1 August 2025

13th Malaysia Plan (2026-2030)

Policy tailwinds in sight, but execution remains the biggest hurdle

SUMMARY

- The 13th Malaysia Plan (13MP) sets a bold and transformative vision for Malaysia's development over the next five years, aiming to build a high-income, inclusive, and sustainable nation. It outlines strategic reforms to deepen economic complexity, strengthen governance, and uplift social well-being, anchored by transition to a value-based economy powered by innovation and digitalisation, and the principles of a MADANI society.
- Under 13MP, the government projects Malaysia's GDP growth between 4.5% and 5.5% from 2026 to 2030, driven by strong domestic demand, a rebound in net exports, and solid manufacturing growth. While the outlook is optimistic, achieving high-income status and higher productivity gains will require deeper structural reforms and resilience against global uncertainties.
- Inflation is projected to average 2.0% – 3.0% between 2026 and 2030, as subsidy reforms and wage policies drive modest price pressures. Cash assistance and food security initiatives helping to contain volatility. Barring major shocks and with growth projected above 4.5%, the current OPR of 2.75% is likely to serve as the policy floor, aligning with our medium-term view.
- Fiscal deficit is targeted below 3.0% of GDP by 2030 (2024: 4.1%), supported by stronger revenue and modest increase in development spending. While the goal is realistic, it hinges on sustained fiscal discipline and long-overdue reforms, particularly in tax structure and subsidy rationalization, which remain politically sensitive.
- Debt sustainability remains a priority, with the debt-to-GDP ratio targeted below 60.0% by 2030 (2024: 64.6%). Achieving this will require stronger revenue mobilisation, stable macroeconomic conditions and effective implementation of fiscal reforms. With debt projected to peak in 2025, ongoing tax system upgrades and subsidy rationalisation will be critical to ease fiscal pressure and support long-term consolidation.
- Current account is set to improve steadily, anchored by high-value exports, domestic production shifts, and recovery in travel and transport services. Gains in semiconductors, halal products, and food self-sufficiency will reduce import reliance. While implementation risks remain, the direction of policy is sound and aligned with our constructive view.
- Overall, 13MP is bold in ambition but hinges on execution. Strategic bets on semiconductors, energy, and tourism could elevate Malaysia's global role. Yet weak governance, project delays, and external shocks threaten progress. What matters now is not the plan's ambition, but whether institutions can deliver with discipline and credibility.

OVERVIEW

- The Government has unveiled the 13MP under the theme *Melakar Semula Pembangunan (Redesigning Development)*, marking a bold shift in national policy direction. The plan aims to reshape Malaysia's socioeconomic landscape by embracing digitalisation, advanced technologies like AI, and nurturing a MADANI society rooted in unity, equity, and integrity.
- Building on the mixed legacy of the 12th Malaysia Plan (12MP), where growth rebounded but structural reforms lagged, 13MP takes a more deliberate and reform-oriented path. It envisions a value-driven economy powered by innovation and local talent, while addressing wage stagnation, regional imbalances, and inclusivity gaps through progressive labour policies, TVET rebranding, and targeted infrastructure. At the same time, 13MP aspires to foster a compassionate, humane society, where development is guided not just by material progress, but by intellectual depth, moral values, and fiscal resilience.

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- Catalysing National Transformation:** 13MP sets the stage for a bold reform to position Malaysia as a high-income, inclusive, and sustainable nation. Strategic sectors such as industry, energy, semiconductors, and TVET will be central to this transformation. The plan requires a total investment of RM611.0b, comprising RM430.0b in direct government development expenditure, RM120.0b from GLCs and GLICs, and RM61.0b via Public-Private Partnership (PPP). Major allocations include RM227.0b for economic sectors and RM133.0b for social sectors, with additional funding earmarked for security, administration, and infrastructure. 13MP is anchored on three core pillars:
 - Elevating the Ceiling:** Focuses on accelerating Malaysia's shift toward a value-creation economy by enhancing economic complexity and promoting inclusive, sustainable growth. Strategic sectors and high-value industries will be catalysed through technology adoption, digitalisation, and innovation, with a strong push for high-value goods and services 'Made by Malaysia'. The plan also aims to strengthen regional development, expand global trade connectivity, and position Malaysia among the world's top 30 economies by 2030.
 - Strengthening Good Governance:** Commitment to integrity, accountability, and fiscal discipline with the goal to improve public service delivery and fair wealth distribution. Key reforms include anti-corruption initiatives, tax systems digitalisation, and targeted spending to boost Malaysia's global competitiveness and manage the fiscal deficit responsibly.
 - Raising the Floor:** Aims to improve quality of life for all Malaysians by addressing cost of living pressures, strengthening the MADANI-based social system, and empowering vulnerable groups to achieve a dignified standard of living. Measures include increased social assistance, income support, and reforms in education, housing, and healthcare. Food security, access to essential services and fostering a united and equitable society, are also key priorities.

MACROECONOMIC TARGET (2026–2030)

- Economic growth:** The government projects the economy to maintain a steady GDP growth of 4.5% – 5.5% annually, driven by domestic demand, a rebound in net exports and solid manufacturing activity

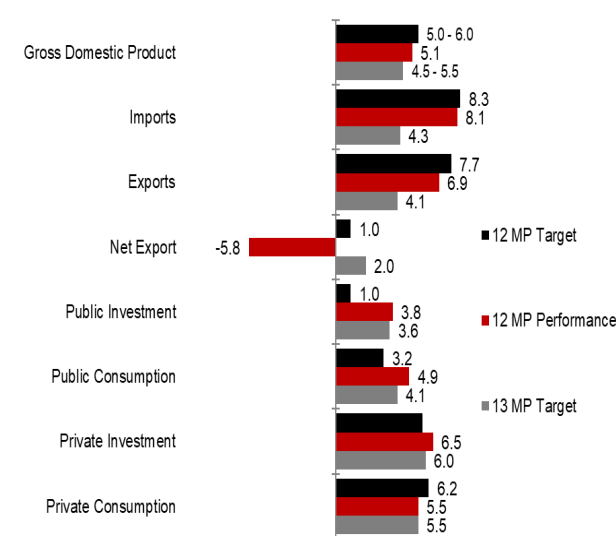
- Demand component:** Growth will be led by private sector spending and a rebound in net exports. Private spending is forecast to grow at 5.6%, backed by rising household income and stable labour market conditions, with employee compensation targeted to grow sharply by 11.1% per annum (12MP: 5.3%), more than double the 12MP average. This supports private consumption growth target of 5.5%, and private investment at 6.0%. In contrast, public spending is projected to slow to 3.9%, reflecting the government's medium-term fiscal consolidation efforts. Public consumption and investment are projected to slow to 4.1% and 3.6% respectively. In addition, value added net export is expected to rebound, averaging 2.0% per annum in line with gross exports target of 5.8% per annum for the five-year period.

- Supply side:** The services sector will remain the anchor of growth, albeit at a slower pace of 5.2% per annum (12MP: 5.8%), with its share of GDP to rise to 60.5% by 2030 (2024: 59.4%). Notably, the manufacturing sector is expected to grow at 5.8% per annum (12MP: 5.1%), driven by Malaysia's transition to a value-creation economy via the New Industrial Master Plan 2030 (NIMP2030), National Energy Transition Roadmap (NETR) and The National Semiconductor Strategy (NSS).

- Risk to Growth:** While the growth outlook is optimistic, risks remain, particularly from external shocks in the manufacturing and mining sectors. Effective execution, policy alignment, private sector engagement, and adaptability to global technological shifts are critical. Our house projects GDP growth slightly lower, at 4.0% – 5.0% in the 13MP period, reflecting global uncertainty and cyclical risks.

- Per Capita Income & Labour Productivity:** Per capita income is projected to hit RM77,289 (USD17,470) by 2030, well above the World Bank's high-income threshold of USD13,935 (RM59,293) and the revised 12MP target of RM61,000. This implies a sharp increase from RM54,793 in 2024. Labour productivity is forecast to grow at 3.6% per annum, led by

Graph 1: 12MP Actual and 13MP Target Growth Comparison (Average annual growth rate, %)



Source: Ministry of Economy, Kenanga Research
Note: 2015 Base Year

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construction (4.6%), manufacturing (4.4%), and services (3.5%). This compares with an average of 2.9% during 12MP and 2.4% in 2024. Achieving this requires stronger economic activity, rapid productivity gains, and faster adoption of automation and digitalisation in key sectors.

- Inflation outlook:** Headline inflation is projected to average between 2.0% and 3.0% annually, consistent with the 12MP average of 2.6%. Subsidy rationalisation, including the phased removal of RON95 fuel subsidies, and new taxes could add price pressures, but cash assistance schemes like STR and SARA may buffer the impact. The government's emphasis on food security and domestic agricultural output could anchor food inflation over time. However, wage policy adjustments, minimum wage hikes to RM1,700 and progressive wage reforms, may stoke demand-side inflation. Assuming no major shocks, we expect inflation to rise to 2.1% in 2026 (after easing to 1.7% in 2025) and stabilise around 2.3%–2.5% thereafter.
- Interest rate outlook:** With the overnight policy rate (OPR) held at a steady 2.75%, and domestic demand still moderate, broad inflationary pressures should remain contained. However, if global commodity prices spike or fiscal reform is poorly sequenced, inflation expectations could drift upward. Nevertheless, **BNM is expected to keep the OPR stable around its long-term average of 2.75%, especially as economic growth is projected to remain above 4.5% in the coming years.**
- Fiscal Balance & Expenditure:** The government aims to narrow the fiscal deficit to below 3.0% of GDP by 2030, a modest reduction from the 12MP target range of 3.0% - 3.5%. In 2024, the deficit stood at 4.1% and the government aims to reduce it to 3.8% in 2025 (KIBB forecast: 4.1%). Nevertheless, this new target reflects a deliberate balancing act, as it continues to borrow for development while committing to medium and long-term fiscal consolidation. **We view this target as realistic and achievable with our house forecast projecting the fiscal deficit to range between 3.0% - 4.0% throughout the 13MP period.** Notably, development expenditure is set to rise by 3.6% to RM430.0b (12MP: RM415.0b). This translates to an average of RM86.0b annually, slightly higher than the RM83.0b previously allocated under the 12MP. Meanwhile, government revenue is projected to increase sharply to RM1.8t from RM1.4t under the 12MP.
 - The government has taken commendable steps to strengthen its fiscal management, not only for economic stability but also to build long-term resilience. The Public Finance and Fiscal Responsibility Act 2023 [Act 850] marks a significant step toward institutionalizing good governance through accountability, transparency, and efficiency. The phased implementation of electronic invoicing by 2026 is a welcome move toward modernizing tax collection and reduced leakages, aligning with global best practices. Similarly, the Medium-Term Revenue Strategy (MTRS), which includes the Global Minimum Tax (GMT) and regular Sales and Services Tax (SST) reviews, reflects a broader effort to broaden the tax base. On the expenditure side, the government's focus on targeted subsidies and prudent debt management is expected. These measures are essential to ensure that fiscal support reaches those who need it most, while keeping public debt within sustainable limits. However, the implementation remains challenging and require a strong political will, given that the government has delayed its fuel subsidy rationalisation while also promising to lower fuel price to RM1.99/L from RM2.05/L for 18.0m people. This raises concerns about the government's ability to follow through on its fiscal commitments.
 - In the face of rising global uncertainties, from global economic shifts to climate changes, managing public finances has become increasingly challenging. While these initiatives are promising, critical reforms remains absent, particularly in the area of comprehensive tax reform. The current focus on SST and GMT is a step forward, but Malaysia still lacks a holistic strategy that addresses structural inefficiencies, regressive tax elements, and a narrow tax base. Outdated personal income tax brackets and corporate tax incentives could benefit from a more progressive and simplified overhaul. Besides, the reintroduction of Goods & Services Tax (GST) remains absent from the fiscal agenda.
- Federal government debt:** Debt-to-GDP is targeted to fall below 60.0% by 2030 (2024: 64.6%). Our house sees the ratio rising to 65.9% in 2025 before gradually easing to 60.0-61.0% by 2030, assuming fiscal consolidation remains on track. Under 13MP, fiscal consolidation remains central to debt sustainability. Key reforms include better cost control

Table 1: Selected Targets of the 13MP

Indicator	12MP Revised target	12MP Actual	13MP Target
GDP Growth, per annum	5.0% - 6.0%	5.1%	4.5% - 5.5%
GNI Per Capita, end period	RM61,000	RM54,793*	RM77,289
Labour Productivity growth, per annum	3.7%	2.9%**	3.6%
Compensation of Employees, end period (% of GDP)	40.0%	NA	40.0%
Average Monthly Household Income, end period	RM10,065	RM9,155*	NA
Malaysian Wellbeing Index growth, per annum	1.4%	1.4%**	1.6%

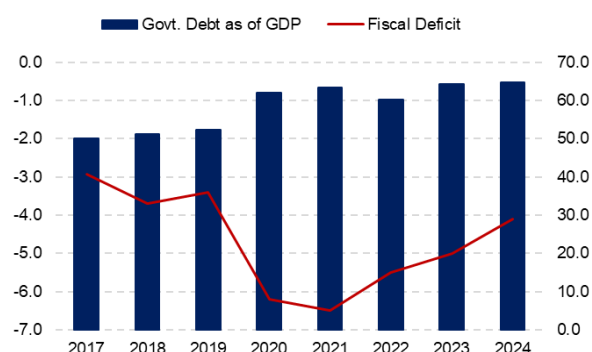
Source: 13th Malaysia Plan, Ministry of Economy, Kenanga Research
 Note: *2024 figures; **Ministry of Economy estimates

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(e.g., lifecycle costing) and rationalisation of PPPs toward user-pay models. Achieving the sub-60.0% debt target by 2030 will require aggressive efforts in revenue diversification, tax compliance, and innovative fiscal tools. In our view, while the target is ambitious, it remains achievable if current reforms are implemented effectively and supported by stable macroeconomic conditions. Continued investor confidence, underpinned by a resilient bond market and a stronger ringgit will be critical in maintaining debt sustainability over the medium term. Continued investor confidence and a stable ringgit are essential to support medium-term debt sustainability.

- External Sector / Current Account:** The current account is expected to stay in surplus, rising from 1.5% of GNI in 2024 to 2.2% by 2030. underpinned by export-driven growth and reduced import dependency. The government is betting on high-value sectors such as semiconductors, AI, and renewable energy to lead the charge, with E&E exports alone targeted to hit RM865.9b by 2030. Malaysia aims to diversify into BRICS, Africa, Eastern Europe, and OIC markets to reduce reliance on advanced economies. Domestic efforts to cut food import dependence with local production in underdeveloped states will boost local production and improve inclusivity. Investment upside lies in high-tech manufacturing, halal exports, and renewable infrastructure, but much depends on the coherence of policy execution and the ability to translate industrial ambitions into competitive advantages. The “Made by Malaysia” initiative seeks to deepen domestic value-add in supply chains, especially in design, IP, and R&D. Success depends on execution and firms moving beyond assembly. Our house view aligns with the government’s projections, with the CA expected to improve over time, anchored by trade recovery and narrowing services deficits.

Graph 2: Government Debt to GDP vs Fiscal Deficit



Source: BNM, Bloomberg, Kenanga Research

Note: The Govt Debt as of GDP in absolute terms (RM bil) and the scale is inverted on the right vertical axis

CONCLUSION

- The 13th Malaysia Plan outlines a bold vision of structural transformation, social inclusivity, and climate resilience, but its credibility hinges on political will and disciplined execution**
 - The government’s strategic focus on semiconductors, AI, renewable energy, and tourism signals a clear intent to move up the value chain. The National Semiconductor Strategy (NSS) and National Energy Transition Roadmap (NETR), backed by digital infrastructure, form the cornerstone of Malaysia’s high-growth, high-value (HGHV) industrial push. **If effectively implemented, these could enhance Malaysia’s role in global supply chains and attract capital into strategic sectors.**
 - But delivery remains the biggest risk.** Past long-term plans have suffered from bureaucratic inertia, overlapping mandates, and poor enforcement. The introduction of the *Pelan Pelaksanaan Dasar* monitoring system and governance reforms like MyDigital ID and the ILTIZAM Act, are steps in the right direction, but **enforcement will require overcoming chronic inter-agency coordination gaps that have, historically, been the stumbling block.** Large-scale infrastructure projects, such as the ECRL and Penang LRT, promise to lift connectivity and narrow regional imbalances, yet are vulnerable to delays, cost overruns, and land acquisition bottlenecks. The expansion of Halal Industrial Parks and JS-SEZ further complicates execution, particularly when state and federal interests diverge.
 - The “Made by Malaysia” initiative seeks to reposition the country from an assembler of foreign-owned components to a creator of export-ready, home-grown technologies and consumer brands. **This rebranding effort supports industrial upgrading and national pride, but risks falling flat without targeted incentives** for local firms to invest in R&D, meet global standards, and scale internationally, it risks becoming more slogan than substance. Early signals, such as initiatives in semiconductors, halal products, and EVs are promising, but **more is needed to ensure the label denotes innovation, not just origin.**
 - Externally, Malaysia faces a more hostile trade environment than in previous development cycles.** The fracturing of global trade, intensifying US-China rivalry, and commodity market volatility all pose threats to its export-led model. Domestically, fiscal consolidation efforts could collide with rising social obligations, particularly as the population ages and healthcare costs rise. **The National Aging Framework and targeted subsidies provide partial buffers, but likely fall short of addressing the long-term demographic drag.**
 - On a final note, 13MP is an ambitious but necessary roadmap. The strategic direction is sound, risks are acknowledged, and execution tools are being put in place. But Malaysia’s **path to becoming a high-income and resilient economy depends less on vision, and more on whether this time, it can deliver.**

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Table 2: Malaysia Plan Achievements since 1991 and 13th Malaysia Plan (13MP) Broad Economic Targets

	6MP	7MP	8MP	9MP	10MP	11MP	Original Target	Revised Target	Actual	Target
	1991-95	1996-00	2001-05	2006-10	2011-15	2016-20	12MP 2021-25	12MP 2021-25	12MP 2021-25*	13MP 2021-25
Demand Side (%YoY) – Avg.										
Consumption	8.1	3.3	7.4	6.4	NA	NA	NA	NA	NA	NA
Public Consumption	7.8	3.2	10.2	5.5	6.8	3.2	3.7	3.2	4.9	4.1
Private Consumption	8.2	3.4	6.6	6.6	7.1	4.7	5.8	6.2	5.5	5.5
Gross Capital Formation	18.8	-0.1	1.6	5.6	NA	NA	NA	NA	NA	NA
Public Investment	14.3	7.2	3.9	5.5	2.7	-7.9	3.7	1.0	3.8	3.6
Private Investment	20.2	-5.0	-1.0	5.9	12.1	1.2	3.8	5.8	6.5	6.0
Domestic Aggregate Demand	12.1	1.4	5.0	6.2	NA	NA	NA	NA	NA	NA
Exports	16.2	8.9	5.2	3.5	1.6	0.2	5.8	7.7	6.9	4.1
Imports	19.2	5.4	5.6	2.9	3.1	0.3	6.1	8.3	8.1	4.3
GDP	9.5	5.0	4.5	4.5	5.3	2.7	4.5 – 5.5	5.0 – 6.0	5.1	4.5 – 5.5
Supply Side (%YoY) – Avg.										
Agriculture	-0.2	1.8	3.0	3.0	2.6	0.4	3.8	1.6	1.2	1.5
Mining	6.8	2.5	2.6	-0.5	1.2	-2.2	2.6	2.6	1.1	2.8
Construction	11.7	9.0	4.3	1.3	10.6	-0.7	4.2	3.9	6.5	5.0
Manufacturing	14.7	-0.2	0.5	4.4	4.8	3.3	5.7	6.4	5.1	5.8
Services	11.5	5.9	6.1	6.8	6.3	3.8	5.2	6.0	5.8	5.2
GDP	9.5	5.0	4.5	4.5	5.3	2.7	4.5 – 5.5	5.0 – 6.0	5.1	4.5 – 5.5
Per Capita Income (RM)	8,894	13,123	16,194	27,819	36,119	42,503	57,882	61,000	54,793	77,289
Per Capita Income (USD)	3,413	3,997	4,267	8,636	9,248	10,111	14,842	14,250	11,974	17,470
Unemployment rate (%)	3.4	2.9	3.5	3.3	3.1	4.5	4.0	3.3	3.2	3.0
Fiscal Position (End Period)										
Budget Deficit (% of GDP)	0.8	-5.5	-3.4	-5.4	-3.2	-6.2	-3.5 – -3.0	-3.5 – -3.0	-4.1	< -3.0
Government Debt (% of GDP)	41.1	35.2	43.8	49.6	53.6	62.1	NA	NA	64.6	< 60.0

Source: Ministry of Economy, Ministry of Finance, Bank Negara Malaysia, Department of Statistics, Kenanga Research

Note: *Ministry of Economy estimates

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Appendix 1: Policy pillars and Strategic Focus areas of the 13th Malaysia Plan

Policy pillars
Enhancing economic complexity
Improving social mobility
Accelerating public service reform agenda
Prioritising people's well-being and environmental sustainability
Strategic focus areas
Transforming towards a nation based on artificial intelligence (AI)
Boosting growth of high-growth high-value (HGHV) industries and strategic sectors
Balancing economic progress across regions and strengthening rural development
Enhancing Malaysia's engagement and role on the global economic stage
Ensuring transparent, agile, and effective public service delivery
Addressing the cost of living
Reengineering the social system based on <i>Insan Madani</i> values
Improving the quality of life for the people
Achieving social justice and equal opportunities

Source: Ministry of Economy, Kenanga Research

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