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Global Markets Research

Research Alert

13MP to chart the course of Malaysia in the next 5 years

Four pillars with focus on supporting the people and economic resiliency

5Y macro targets: 4.5-5.5% GDP growth; 2-3% inflation; below 3% fiscal deficit by 2030

Neutral near-term impact; MYR to strengthen gradually over the coming year

Introduction

The 13th Malaysia Plan (13MP) 2026-2030 was unveiled yesterday with focus largely on:

- Increasing social mobility through market and education reforms.
- Accelerating the implementation of the public service reforms through amongst others, strengthening good governance.
- Enhancing economic resiliency by boosting growth in sectors like **artificial intelligence, high growth high value (HGHV) and high-impact strategic sectors, food security, green and blue economy.**
- Inclusive development by improving environment sustainability as well as the quality and standard of living of the people through **affordability housing & rent-to-own scheme**, education and health reforms, as well as measures like expanded coverage for minimum wage to graduates, semi-skilled workers.

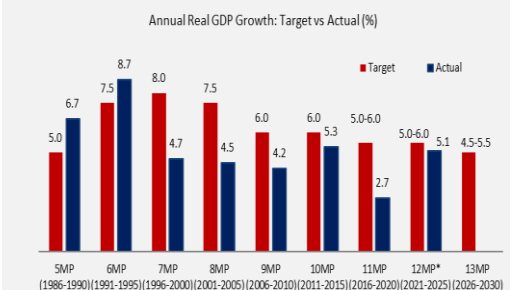
Key targets from the macro front include:

- **Average GDP growth target of 4.5-5.5%** for the period 2026-2030 driven by stronger growth in the manufacturing, agriculture and mining sectors while services and construction sectors are projected to expand at a more modest level on the supply side. On the demand side, domestic demand will underpin growth, while exports of goods and services moderate to +4.1% from +6.9% under 12MP.
- **Average inflation growth of 2-3%** for the next 5 years, broadly in line with the 2.5% average seen from the 2021-2024 period.
- GNI per capita is expected to increase from \$12.0k in 2024 to \$17.5k in 2030 or in MYR terms, from RM54.8k to RM77.3k. This implies USD/MYR rate of 4.42 for 2030 (current: 4.28).
- Contribution of the micro, small, and medium enterprises (MSMEs) to increase from 39% of GDP in 2023 to 50% in 2030.
- Raising compensation of employees to 40% of GDP, from just one-third currently.

Fiscal consolidation remains in focus

- **Fiscal deficit target of under 3.0% of GDP by 2030**, narrowing from 12MP's target of -3.0 to -3.5% of GDP, supported by gradual implementation of subsidy rationalisation measures (RON95 due to be

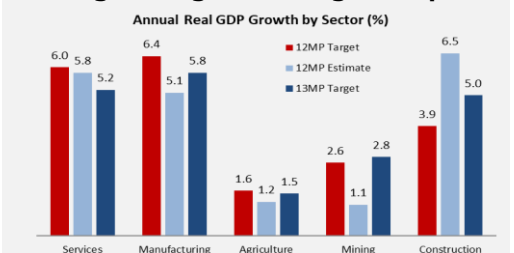
Figure 1: On track to achieve 12MP GDP growth target; 13MP target is realistic and achievable



Source: Ministry of Economy

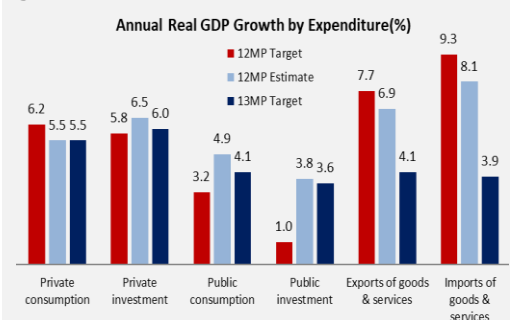
*Estimate

Figure 2: Services continue to hold the fort, while manufacturing, mining and agriculture gather pace



Source: Ministry of Economy

Figure 3: Domestic demand to drive growth



Source: Ministry of Economy

announced in end-September) and broader tax revenue measures, including the previously announced capital gains tax, expanded SSTs, service tax on digital services as well as the looming “health tax” for tobacco and alcohol.

(RMbn)	12MP (2021-2025)	13MP (2026-2030)	Change (%)
Revenue	1,432.9	1,820.6	27.1
Operating expenditure	1,425.4	1,808.3	26.9
Current balance	7.6	12.3	61.8
Net DE	395.0	423.7	7.3
<i>Gross DE</i>	<i>400.2</i>	<i>430.0</i>	<i>7.4</i>
<i>Minus loan recoveries</i>	<i>5.2</i>	<i>6.3</i>	<i>21.2</i>
COVID-19 fund	68.7	0.0	-100.0
Fiscal balance	-456.2	-411.5	9.8
% of GDP (end period)	-3.5 to -3.0	<-3.0	

Source: Ministry of Economy

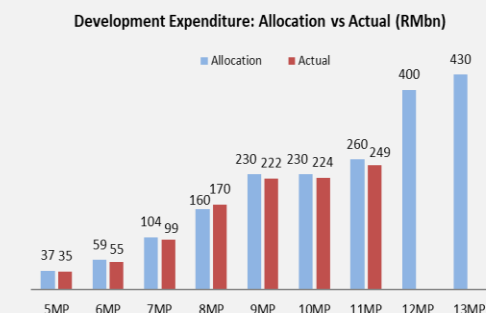
- To make 13MP a success, a **RM430bn development expenditure (DE)** has been allocated for the plan, representing a 7.4% increase from the RM400bn allocation under the 12MP. The bulk of the allocation is assigned for the economic (RM227bn or 52.8%) and social services (RM133bn or 30.9%) sectors. The latter will include a **RM67bn allocation for education and RM40bn for healthcare**. In addition, a RM120bn is expected to be mobilised through GLCs/GLICs and RM61bn through the public-private initiatives (PPP).
- To improve the quality of living for the people, the 13MP will also focus on expanding the road networks, enhancing public transport services and improving rural connectivity. Some projects in the pipeline include upgrading the PLUS expressway, construction of the Central Spine Road and ongoing works on the Pan and Trans Borneo Highways.

Neutral on 13MP

We are neutral on this plan but on the macro front, mirroring past performances (12MP GDP growth estimate: 5.1%, 2021-2024 actual: 5.2%), we opine that that the targeted growth under the 13MP is achievable despite the near-term setback as the tariff-related impact continues to unfold. Over a more medium term, growth will be supported by higher investments amid continued implementation of multi-year projects, in line with national masterplans like National Industrial Masterplan 2030, National Semiconductor Strategy and National Energy Transition Roadmap.

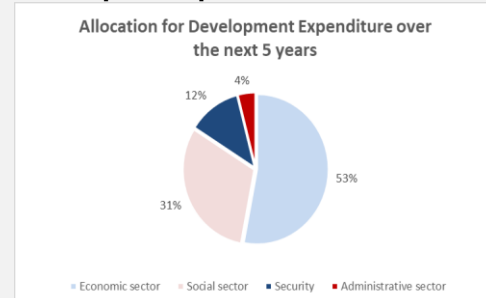
We expect little impact from the announcement of the plan on the MYR, given that the outlined plan does not alter the fiscal picture in a significant manner, with a gradual consolidation of the deficit still being the base case. The MYR has weakened recently versus the USD with the greenback rebounding across the board, and we continue to foresee an environment of gradual appreciation in the MYR, with the USD/MYR expected to head lower towards 4.18 over the next 12 months.

Figure 4: Higher DE under 13MP and focus on social services and economic sectors



Source: Ministry of Economy

Figure 5: Allocation to education and healthcare to take stage in line with the government’s four development pillars



Source: Ministry of Economy

Figure 6: HGHV and Strategic Sectors

High-value Electronics & electrical
Tourism
Technology & Digital
Blue economy
Green economy
Orange economy
Retail
Transport
Logistic
Energy
Agrifood & agricommodity
Global services
Sports
Halal industry
Financial services
Recycling
Rare earth

Source: Ministry of Economy

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