

Malaysia: New Industrial Master Plan (NIMP) 2030

A 7-year industrial policy to spearhead manufacturing and its related services sectors

Target CAGR of 6.5% in manufacturing GDP; 2.3% in employment; 9.6% in median salary

Five priority sectors: Aerospace, chemical, E&E, pharmaceutical, and medical devices

Four new growth areas: Advanced materials, EVs, renewable energy, CCUS

Key goals for the NIMP 2030

The New Industrial Master Plan 2030 (NIMP 2030) is an industrial policy for the manufacturing and manufacturing-related services sector. It will provide national strategic direction for industrial development, reference on Malaysia's position and direction, as well as the role of the Malaysian government in shaping the economy. Some of the key macroeconomic targets outlined under NIMP 2030 are:

- Increase the value added of the manufacturing sector by 61% to RM587.5bn by 2030 (2022: RM364.1bn); CAGR of +6.5%.
- To grow employment by 20% to 3.3m persons by 2030 (2022: 2.7m); CAGR of +2.3%.
- To grow the median salary by 128% to RM4,510 in 2030 (2021: RM1,976); CAGR of +9.6%.

4 missions, 4 enablers

To achieve the goals and targets of NIMP 2030, 4 key missions and 4 enablers have been identified, with the latter meant to address systemic and institutional issues that the nation is facing:

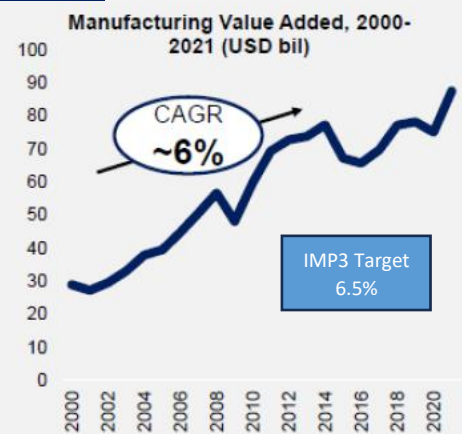
Missions:

- To advance economic complexity.
- To tech up for a digitally vibrant nation.
- To push for Net Zero carbon emission.
- To safeguard economic security and inclusivity.

Enablers:

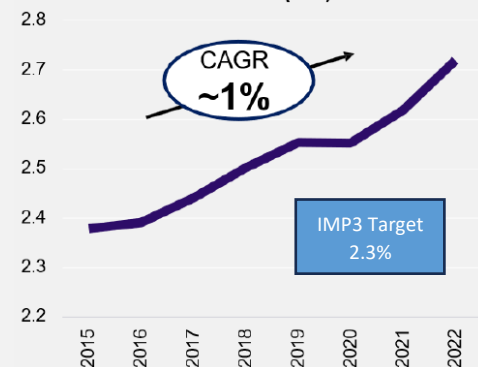
- Mobilise financing ecosystem
- Foster talent development and attraction
- Establish best-in-class investor journey for ease of doing business
- Introduce whole-of-nation governance

Figure 1: Achievable target if well executed



Source: IMP3, MITI

Figure 2: Creating job opportunity



Source: IMP3, MITI

NIMP 2030 Goals and Targets

The NIMP 2030 Goals	Outcomes	Measures	Baseline (2021)	Targets (2030)
Increase economic complexity	Sophistication in economic value-added <ul style="list-style-type: none"> Intensifying efforts in higher value-added activities 	High-tech manufacturing and services value-added share of GDP	8.1% of GDP	15% of GDP <i>Consistent with the achievement of countries like Korea (15.6% of GDP)</i>
	Malaysia as a regional innovation hub <ul style="list-style-type: none"> Driving R&D-intensive companies and academia to accelerate breakthrough technologies and transform industries, develop new products and core technologies 	GERD to GDP	1.0%	3.5% <i>In line with top 10 OECD economies (between 2.8-5.6% of GDP as at 2021)</i>
Create high-value job opportunities	High-skilled jobs in the manufacturing sector <ul style="list-style-type: none"> Generating high-income job opportunities in manufacturing and related services which would support a sustainable base of middle-income earners 	Number of jobs created	N/A	700,000 total in 7 years
	Fair income in the manufacturing sector <ul style="list-style-type: none"> Raising income levels and providing fair employment opportunities 	Median salary	RM1,976	RM4,510 <i>From the previous increase of RM64 per annum, between 2011 to 2021 to RM 282 per annum between 2021 to 2030.</i>
Extend domestic linkages	Internationally competitive SMEs <ul style="list-style-type: none"> Integrating domestic SMEs into the Global Value Chain 	Share of export-oriented SMEs	11.7%	25% <i>Doubling share of SMEs involved in vendor development.</i>
	Deepened local supply chain integration <ul style="list-style-type: none"> Fostering more interconnected and robust domestic economy, greater contribution from local companies to production of domestic output and supporting cross-linkages across sectors 	Domestic value-added in manufacturing	49% (2018)	65%
Develop new and existing clusters	Accelerated growth in existing core clusters by diversifying into new products <ul style="list-style-type: none"> Deepening existing core clusters for greater economic contribution 	Global market share in high-tech manufacturing exports	3.0%	6.0%
	Accelerated growth in emerging markets such as 4IR and digital <ul style="list-style-type: none"> Expanding to new higher-value clusters 	Global market share in green and digital exports	2.0%	4.0%
Improve Inclusivity	Catalysed sectoral and regional development through investments <ul style="list-style-type: none"> Encouraging distribution of investments for more equitable regional development across the States 	Realised FDI and DDI share of contribution to State GDP	Average 13% <i>Based on investment approvals figures provided by MIDA</i>	25%
	High manufacturing value-added participation by less developed States <ul style="list-style-type: none"> Encouraging value-added and higher income generating activities for balanced growth distribution across the States Support greater regional industrial linkages across activities between the States 	Manufacturing value-added in less developed States	22% of State GDP	30% - 35% of State GDP <i>In line with advanced States' GDP (between 35% to 37%)</i>
Enhance ESG practices	Derisked economy against ESG factors <ul style="list-style-type: none"> Increasing Malaysia's attractiveness as an investment destination by meeting global ESG standards and investors' needs 	Sustainalytics ESG Index	56.5 (Grade C)	75-100 (Grade A)
	Drive towards Net Zero aspirations <ul style="list-style-type: none"> Achieving commitments in reducing GHG emissions intensity under NDC by 2030 	Reduction in carbon emission intensity based on NDC goals	33% <i>Based on percentage changes in GHG levels between 2005 and 2019</i>	45%

Source: IMP3, MITI

Action Plans	Notes
<p>Mission 1: To advance economic complexity</p> <p>1.1 Expand to high-value added activities of the value chain</p> <ul style="list-style-type: none"> • Create global <i>IC design</i> champions from Malaysia • Attract global leader to establish <i>fabrication</i> in Malaysia • Build Malaysian champions for game changing <i>advanced materials</i> • Identify high value-added opportunities in the <i>aerospace, pharmaceutical and medical devices sectors</i> <p>1.2 Develop entire ecosystem to support the high valued-added activities</p> <ul style="list-style-type: none"> • Build strong local SMEs in manufacturing and related services to support the industry champions • Integrate value chains between: <i>M&E and Medical Devices, Semiconductor and EV, Chemical and Pharmaceutical</i> <p>1.3 Establish cooperative “vertical integration” for global chain</p> <ul style="list-style-type: none"> • Leverage alliance with ASEAN countries to integrate the <i>semiconductor, advanced materials and clean energy value chain</i> • Develop vertical integration programmes through IndustryConnect conferences <p>1.4 Foster/Research Development, Commercialisation & Innovation (RDCI)</p> <ul style="list-style-type: none"> • Assign specific topics and KPIs to universities for industrial-linked R&D • <i>Digitalise IP</i> application and launch enhanced National IP Policy • Implement national trade advocacy campaign to increase industry utilisation of FTAs <p>1.5 Increase manufacturing exports</p> <ul style="list-style-type: none"> • Rejuvenate “Made in Malaysia” branding • Address trade restrictive non-tariff measures (NTMs) and compliance of standards • Update FTA based on geopolitical conditions 	<p>Mission based projects:</p> <ul style="list-style-type: none"> • Create global IC design champions in EV, RE and AI • Attract new advanced wafer fabrication • Deepen to specialty chemical vertical • Groom champions in 4 game changing advanced materials <p>Potential sectors to benefit:</p> <ol style="list-style-type: none"> 1. E&E: Adopt advanced packaging such as Fan-Out Wafer-Level Packaging and Chiplet-to-die packaging 2. M&E: Refurbishing services (Eg: Industrial turbines, generators) and energy efficient solutions (Eg: water and wind turbines, photovoltaic power generating system) 3. Metal: Flat products 4. Food processing: Ready-to-eat meals and alternative proteins 5. Textiles: For defence, automotive interior furnishings, medical, geo-textile and sportswear 6. IC: EV, Renewable energy, AI 7. Wafer fabrications 8. Chemicals: Agro, electronics, construction and care chemicals 9. Aerospace: MRO, manufacturing, system integration, engineering and design, education and training, astronautics 10. Pharmaceutical: Manufacture of biologics, API manufacturing of niche botanicals, halal medicines 11. Medical devices: Minimally invasive devices, point of care products, medical devices from convergence of technologies

<p>Mission 2: To tech up for a digitally vibrant nation</p> <p>2.1 Accelerate technology adoption</p> <ul style="list-style-type: none"> Enhance Industry4WRD programmes to increase technology adoption Accelerate digital infrastructure rollout (JENDELA) <p>2.2 Shift away from low-skilled labour model</p> <ul style="list-style-type: none"> Introduce multi-tiered levy mechanism for low-skilled labour to accelerate automation Introduce automation condition in new Manufacturing Licence <p>2.3 Spur Technology Innovation</p> <ul style="list-style-type: none"> Nurture local technology solution providers to support Technology Adoption Programme Develop generative and industrial <i>AI</i> solution leaders and system integrators Drive data analytics through a national digital platform for manufacturing <p>2.4 Accelerate government digitalisation and integration</p> <ul style="list-style-type: none"> Digitalise end-to-end government touch points across business life cycle 	<p>Mission based projects:</p> <ul style="list-style-type: none"> Transform 3k smart factories Establish Malaysia as Generative AI Hub <p>Potential sectors to benefit:</p> <ol style="list-style-type: none"> Advance automation and robotics Artificial intelligence (AI) Additive manufacturing Cloud computing
<p>Mission 3: To push for Net Zero carbon emission.</p> <p>3.1 Accelerate transition towards sustainable practises</p> <ul style="list-style-type: none"> Develop sectoral decarbonisation pathways to guide transition Decarbonise “hard-to-abate” sectors Introduce carbon policy, accounting and tax Launch iESG framework and transition programmes <p>3.2 Transition to renewable and clean energy</p> <ul style="list-style-type: none"> Enhance adoption scheme for energy efficiency or renewable energy Accelerate availability and accessibility of renewable energy source for the industry <p>3.3 Catalyse new green growth areas</p> <ul style="list-style-type: none"> Catalyse EV as a key growth driver Grow carbon capture, utilisation and storage (CCUS) as a new sector 	<p>Mission based projects:</p> <ul style="list-style-type: none"> Create decarbonisation pathway role models Launch locally-manufactured EV Deploy large-scale CCUS solutions <p>Potential energy resources (GW):</p> <ol style="list-style-type: none"> Solar photovoltaic cells (269) Hydropower (16.1) Bioenergy (3.6) Geothermal (0.6) Hydrogen (New) <p>Potential sectors to benefit from EV:</p> <ol style="list-style-type: none"> Metal, E&E, chemicals, digital and ICT Raw material: Steel, aluminium, plastic composites

<ul style="list-style-type: none"> Develop circular economy framework for the industry <p>3.4 Shift towards green infrastructure</p> <ul style="list-style-type: none"> Accelerate transformation of industrial estates into eco- industrial parks 	
<p>Mission 4: To safeguard economic security and inclusivity</p> <p>4.1 Develop resilient supply chain</p> <ul style="list-style-type: none"> Identify specific supply chain resilience strategies for critical sectors Establish supply chain cooperation and collaboration through G2G and G2B programme Introduce National Mineral Policy for <i>downstream processing of critical minerals</i> <p>4.2 Foster climate resilient development</p> <ul style="list-style-type: none"> Develop sectoral adaptation pathways Develop sectoral adaptation industry to provide adaptation products and services Instil climate resilient climate resilience measures for critical economic infrastructure <p>4.3 Strengthen industrial clusters for regional development</p> <ul style="list-style-type: none"> Expand clusters for spillover regional impact Align industrial development between Federal and States <p>4.4 Empower Bumiputera participation and create inclusive workforce</p> <ul style="list-style-type: none"> Uplift capabilities of Bumiputera companies in manufacturing via Tindakan Pembangunan Bumiputera 2030 Develop programme to increase women participation in high-skilled manufacturing employment 	<p>Potential sectors to benefit:</p> <ol style="list-style-type: none"> Minerals: NR-ree, bauxite, tin ore, silica sand, kaolin Pharmaceutical products to OIC countries Next Generation Vehicles Municipal Waste to Energy (WtE) Plastic waste to fuel Ananocoat solution Galenical medicine 3D manufacturing Waste to Materials (WtM) and Energy (WtE) Plastic waste to fuel LED street lighting
<p>Enablers</p> <p>Mobile financing system</p> <ul style="list-style-type: none"> Introduce NIMP Industrial Development Fund and NIMP Strategic Co-Investment Fund Boost financing for digitalisation and decarbonisation transition Establish green sukuk to facilitate transition Establish supply chain financing for SMEs Increase utilisation of the capital market Expand the imSME platform to show all available funding options including Government funding and capital market Increase utilisation of the capital market 	<p>Details for Mobile Financing System:</p> <ol style="list-style-type: none"> NIMP Strategic Co-Investment Fund – part-fund between Government and private sector for catalytic and high impact projects NIMP Industrial Development Fund to cover RDCI, technology adoption, licensing or purchase of new/high technology, talent and capacity building, international standards of certification, eco-industrial parks and industrial clusters Financing options available for SMEs for technology adoption (via BNM SME Automation and Digitalisation Facility), green initiatives (vis BNM High Tech and Green

Foster talent development and attraction

- Leverage mynext and MYFutureJobs for strategic workforce planning to address long-term demand-supply requirement
- Introduce progressive wage system policy
- Improve policy to enable fast and hassle-free access to high-skilled foreign talents
- Expand TVET programmes for high-skilled jobs in critical sectors
- Review Government funding for consolidation

Establish best-in-class investor journey for ease of doing business

- Establish a unified investment strategy and align investment evaluation to new parameters under NIA
- Develop vertical integration programmes through IndustryConnect conferences
- Harmonise and streamline functions and KPIs across IPA landscape
- Review and design competitive, agile and relevant incentives
- Improve One-Stop Portal for seamless investor experience

Introduce-whole-of-nation governance framework

- Establish public-private collaborative councils
- Set up NIMP 2030 Delivery Management Unit
- Develop NIMP 2030 dashboard system

Facility)) and supply chain. For this, CGC can provide credit guarantee to reduce risks for banks and capital markets as well as increase SME financing accessibility.

4. Various financing options across the companies' growth cycles: VC and PE start-ups, P2P Financing digital platforms for growth-to-late stage companies, equity crowdfunding digital platform for smaller companies and start-ups, bonds and sukuk for projects with large financing requirements.

Source: MITI

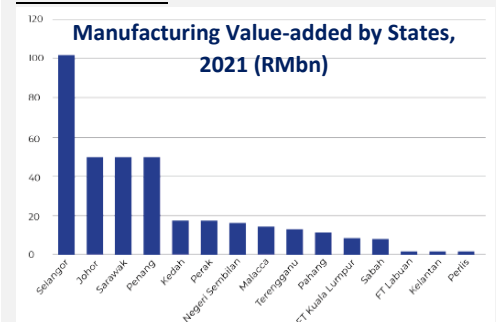
Northern and East Coast appeared to be the biggest beneficiary

On top of the existing clusters, the government has identified four new growth areas to help accelerate Malaysia's progress into the next phase of industrialization. Key beneficiaries from the master plan will include the electronics and electrical sector (E&E), chemical, electronics vehicles (EV), aerospace, pharmaceutical and advanced materials, such as minerals and metal sectors, with each state having its own niche.

Clusters	States to benefit
EV (new)	Perak, Kedah
Renewable energy (new)	Perlis
E&E and M&E cluster	Perlis, Kedah
Specialty chemical and petrochemical	Kelantan, Terengganu, Pahang, Johor
Downstream manufacturing of minerals (new)	Perak, Kedah, Terengganu, Pahang, Kelantan
East Coast Rail Link	Kelantan, Terengganu, Pahang
CCUS (new)	Pahang, Terengganu, Sarawak
Downstream manufacturing and renewable energy	Sabah
Hydrogen Economy	Sarawak

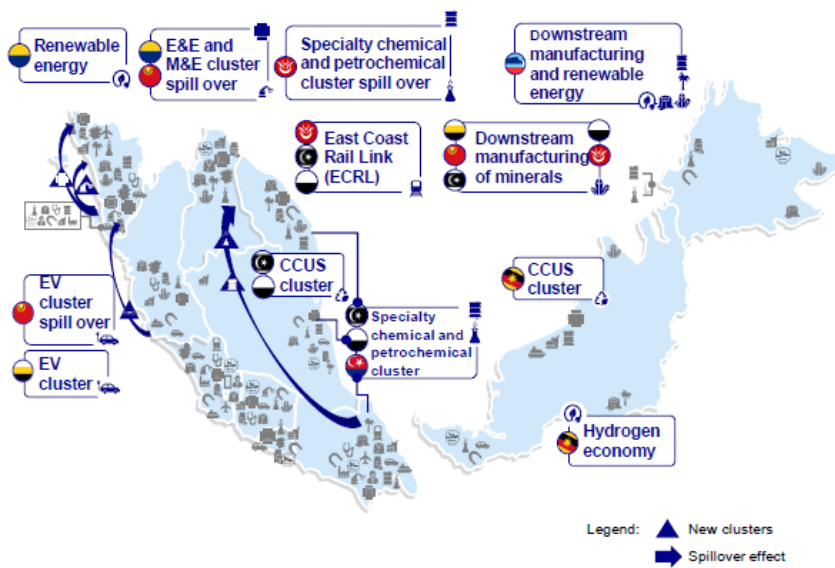
Source: IMP3, MITI

Figure 3: Selangor, Johor, Sarawak and Penang dominated manufacturing value-added



Source: IMP3, MITI

Nationwide industrialisation – across ALL States



Note: The cluster mapping above is illustrative and not drawn to indicate the exact location of each cluster

Current Clusters		
Aerospace	Halal	Pharmaceutical
Automotive	Machinery and Equipment (M&E)	Petroleum Products and Petrochemicals
Chemical	Manufacturing-Related Services	Rail
Digital and ICT	Medical Devices	Rubber-based Products
Electrical and Electronics (E&E)	Metal	Shipbuilding and Ship Repair
Food Processing	Mineral	Textile, Apparel and Footwear
Global Services and Professional Services	Palm Oil-based Products	Wood, Paper and Furniture

Source: IMP3, MITI

Our Thoughts

We view the plan positively but are mindful that it will require the close cooperation between all stakeholders, from the rakyat to the investors, ministries as well as state and Federal Government to be successful. We also believe that the targets are realistic within the plan period of 7 years, but we have to be mindful that to achieve the macroeconomic target of RM587.5bn for manufacturing value-added by 2030, the sector would have to grow at CAGR of 6.5%, when the manufacturing sector grew at a CAGR of 4.8% for the period 2015-2022. At the same time, to achieve the target of 3.3m in 2030, employment would have to grow by a CAGR of 2.3%, while employment in the manufacturing sector expanded by 1.9% CAGR for the period 2015-2022. This suggests concerted efforts are required from all parties involved to ensure proper planning, execution, and delivery.

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