

# SNAPSHOT

28 SEPTEMBER 2021

## 12<sup>th</sup> MALAYSIA PLAN

Prime Minister Datuk Seri Ismail Sabri Yaakob had tabled the 12<sup>th</sup> Malaysia Plan 2021-2025 (12MP) in the Parliament yesterday. It is a medium-term plan, which is also a new phase of the longer-term Shared Prosperity Vision. The 12MP entails transformational approaches based on 3 themes, 4 catalytic policy enablers and 14 game changers (refer page 3).



Under the previous 11MP, development allocation was RM260 billion, with RM248 billion spent mostly for the building of roads, hospitals and schools. For the latest 12MP, the **development expenses have increased 53.8%**, ballooning to **RM400 billion**. This is because the allocation considers the rehabilitation of several public agencies that are in financial distress. Details will be announced in the upcoming Budget 2022.

| Indicators                                       | 11MP performance | 12MP      |
|--|------------------|-----------|
| GDP growth, per annum                            | 2.7%             | 4.5%-5.5% |
| GNI per capita, end period                       | RM42,503         | RM57,882  |
| Labour productivity growth, per annum            | 1.1%             | 3.6%      |
| Compensation of employees, end period (% of GDP) | 37.2%            | 40%       |
| Average monthly household income, end period     | RM7,160          | RM10,065  |
| Malaysian Wellbeing Index growth, per annum      | 0.5%             | 1.2%      |

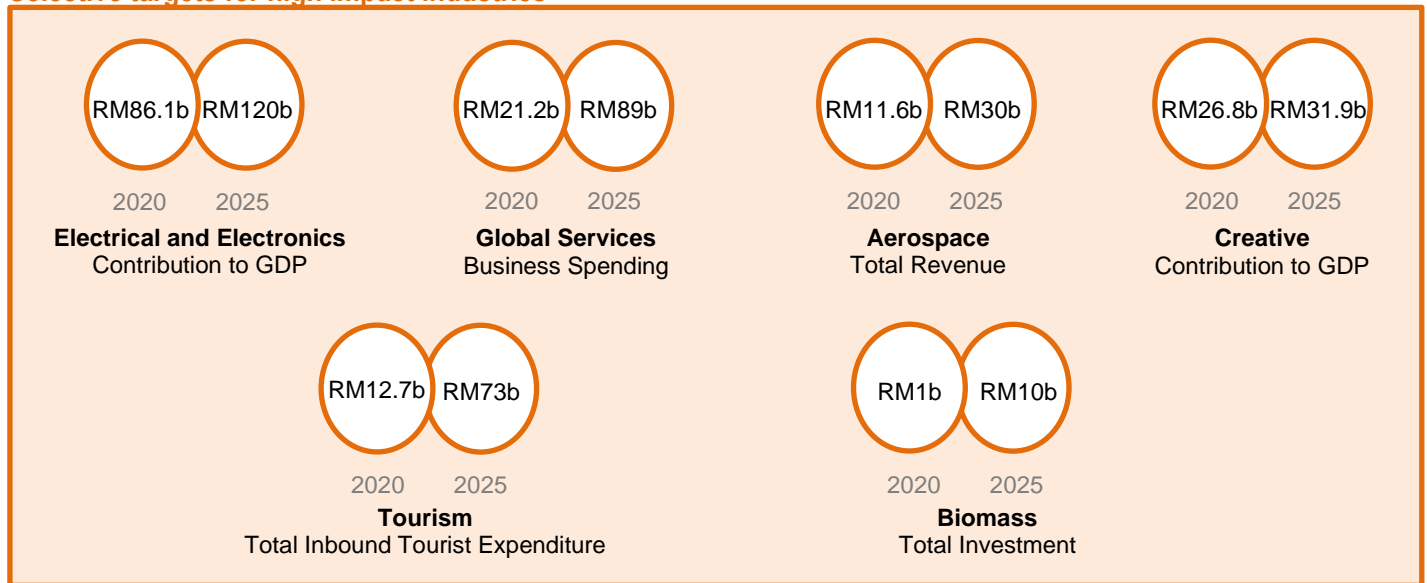
The 12MP has set an average annual GDP growth target of 4.5%-5.5% over the next 5 years. Various initiatives are expected to lift household income and qualify the country as a high-income nation by 2025. The government has identified several high impact industries to drive economic growth going forward, namely the electrical & electronics, global services<sup>1</sup>, aerospace, creative, tourism, smart farming, halal and biomass sectors.

The SME segment continues to play a pivotal role in in the economy. In 2020, micro, small and medium enterprises (MSMEs) accounted for 97.2% of total registered companies. Of which, 85.5% were in the services sector, 7.4% in construction, 5.1% in manufacturing, 1.7% in agriculture and 0.3% in mining and quarrying. The Covid-19 pandemic has impinged on the performance of MSMEs for the past 2 years as the bulk of them operate in the services industry which was hardest hit by the lockdowns. Furthermore, MSMEs have been facing formidable hurdles to expand and grow, given low technology

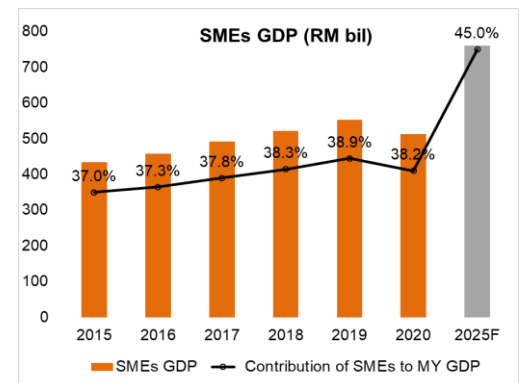
<sup>1</sup> Services include ICT, R&D, finance & accounting, human resources, procurement, legal, marketing, business analytics and shared support services.

adoption, inability to attract skilled talents, lack of management know-how, and constraints in access to adequate capital and financing.

### Selective targets for high impact industries



We, thus, view positively some of the proposed measures to strengthen MSMEs' participation in the economy. In line with the National 4th Industrial Revolution (4IR) Policy and the Malaysia Digital Economy Blueprint, these include automation, digitalisation, Artificial Intelligence and other 4IR technologies. In particular, the Digital On-Boarding for Micro Businesses, Digital Transformation Acceleration Programme, The Digital Compass, Warongku initiatives, among others, are expected to enhance MSMEs' competitiveness, help move up the value chain, boost labour productivity and expand export markets. The plan also reveals the target to digitalise 90% of MSMEs' business operations by 2025.



Meanwhile, the role of development financial institutions will be revitalised to ensure access to financing for different target groups at various stages of growth. Co-funding initiatives between the public and private sectors will be intensified, particularly for the high potential and innovative entrepreneurs and enterprises to venture into high-value added products and services. The government foresees successful implementation of these measures will boost MSMEs' contribution to GDP to 45.0% in 2025 from 38.2% in 2020.

### BRIDGING THE GAP: ACCELERATING GROWTH OF LESS DEVELOPED STATES

The government is eyeing to bridge the gap between less developed states and developed states. The 12MP aims to address the slow economic growth of Kedah, Kelantan, Perlis, Sabah, Sarawak & Terengganu, and high poverty incidence in Sabah, Kelantan & Sarawak. At least 50% of the Total Basic Development Expenditure – allocations for the construction of schools, hospitals, roads, industrial areas and poverty eradication programmes – will be accorded to these 6 states. This move, in our opinion, would help narrow the socio-economic gap among Malaysian states.

For Borneo states, broadband coverage will be further improved under the **Pelan Jalinan Digital Negara**. The expansion of digital infrastructure will ensure 100% broadband coverage in populated areas. In the meantime, transport connectivity between Sabah-Sarawak and Kalimantan will be upgraded, which will see the construction of a road linking Serudong in Tawau and Simanggaris in North Kalimantan. We believe better connectivity with Kalimantan is set to benefit both states in the future, given Indonesia's plan to move its capital city from Jakarta to East Kalimantan in the coming decades.

| State           | GDP growth (%) |                | Median Monthly Household Income (RM) |              |
|-----------------|----------------|----------------|--------------------------------------|--------------|
|                 | 2016-2020      | 2021-2025      | 2019                                 | 2025         |
| <b>Malaysia</b> | <b>2.7</b>     | <b>4.5-5.5</b> | <b>5,873</b>                         | <b>6,900</b> |
| Kelantan        | 3.3            | 6.7            | 3,563                                | 4,210        |
| Kedah           | 3.1            | 6.2            | 4,325                                | 5,100        |
| Sabah           | 1.0            | 6.5            | 4,348                                | 5,380        |
| Sarawak         | 0.9            | 5.3            | 4,544                                | 5,430        |
| Perlis          | 1.5            | 5.8            | 4,594                                | 5,420        |
| Terengganu      | 1.8            | 6.6            | 5,545                                | 6,570        |

### Innovative Actions Towards National Development

|                 |  |
|-----------------|--|
| Game changer 1  | Imperatives for reform and transformation  |
| Game changer 2  | Catalysing strategic and high impact industries to boost economic growth                           |
| Game changer 3  | Transforming micro, small and medium enterprises as the new driver of growth                       |
| Game changer 4  | Enhancing national security and unity for nation-building  |
| Game changer 5  | Revitalising the healthcare system in ensuring a healthy and productive nation                     |
| Game changer 6  | Transforming the approach in eradicating hardcore poverty  |
| Game changer 7  | Multiplying growth in less developed states especially Sabah and Sarawak to reduce development gap |
| Game changer 8  | Embracing the circular economy   |
| Game changer 9  | Accelerating adoption of integrated water resources management                                     |
| Game changer 10 | Improving TVET ecosystem to produce future-ready talent  |
| Game changer 11 | Enhancing digital connectivity for inclusive development   |
| Game changer 12 | Aligning research & development towards commercialisation, wealth generation and economic growth   |
| Game changer 13 | Transforming the logistics ecosystem for greater efficiency  |
| Game changer 14 | Transforming the public service through the whole-of-government approach                           |

---

## DISCLAIMER

---

SME BANK has exclusive proprietary rights in the data or information provided herein. This document is the property of SME BANK and is protected by Malaysian and international copyright laws and conventions. The data and information shall only be used for intended purposes and not for any improper or unauthorised purpose. All information contained herein shall not be copied or otherwise reproduced, repackaged, transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner, or by any means or person without SME BANK's prior written consent.

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures or derivatives related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Any opinion, analysis, observation, commentary and/or statement made by SME BANK are solely statements of opinion based on information obtained from sources which SME BANK believes to be reliable and therefore, shall not be taken as a statement of fact under any circumstance. SME BANK does not and is in no position to independently audit or verify the truth and accuracy of the information contained in the document and shall not be responsible for any error or omission or for the loss or damage caused by, resulting from or relating to the use of such information. Analysts based in SME BANK offices produce research on macroeconomics, equities, fixed income, currencies, commodities and portfolio strategy.

SME BANK and its affiliates, subsidiaries and employees shall not be liable for any damage or loss arising from the use of and/or reliance on documents produced by SME BANK or any information contained therein. Anyone using and/or relying on SME BANK document and information contained therein solely assumes the risk in making use of and/or relying on such document and all information contained therein and acknowledges that this disclaimer has been read and understood, and agrees to be bounded by it.

**Strategic Credit & Economic Analytics, SME Bank**

---