



INDUSTRY FOCUS:

SECTORAL SCAN



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Infrastructure projects

- Revival of scrapped/postponed projects (Penang LRT, Penang South Island reclamation, 5 LRT3 stations)
- Continuation of existing multi-year projects (ECRL, Pan Borneo, RTS, SSLR, Nenggiri Hydroelectric Power Plant)
- **Beneficiary: Construction**

Expansionary Budget 2024

- OPEX rose by 1.2% YoY or RM3.7 bil. Potential saving from implementation of targeted subsidies will be channeled to boost (1) spending (e.g. STR, incentives for civil servant), (2) more small scale infra projects
- **Beneficiary: Retail, specialized construction**

Rising cost for businesses

- Potential fuel subsidy removal → higher prices. **Loser: Broad based** (e.g. transport, food & beverages, manufacturing, retail)
- Climate Change (El Nino) & food security concern → India ban/restrict **rice, wheat, sugar** export. **Loser: F&B and retail**

Geopolitical Tension

- Supply chain relocation to US & nearby countries (e.g. Mexico, India) → far from ASEAN to support. **Loser: Semiconductor**
- **Exacerbation of Middle East conflict** → higher oil prices & trade restrictions. **Loser: Broad based** (e.g. transport, F&B, manufacturing, retail)

UPSIDE POTENTIAL ↑

DOWNSIDE RISK ↓

Upbeat foreign (FDI) & domestic direct investment (DDI)

- Especially those **in line with national agenda** e.g. digitalization, Industrial Revolution 4.0, National Energy Transformation Roadmap, New Industrial Master Plan 2030
- Notable FDI includes Geely auto hub (RM45 bil), Infineon semicon (RM25 bil), Texas semicon (RM15 bil)
- **Beneficiary: Manufacturing, specialized construction, ICT, transport equipment, RE**

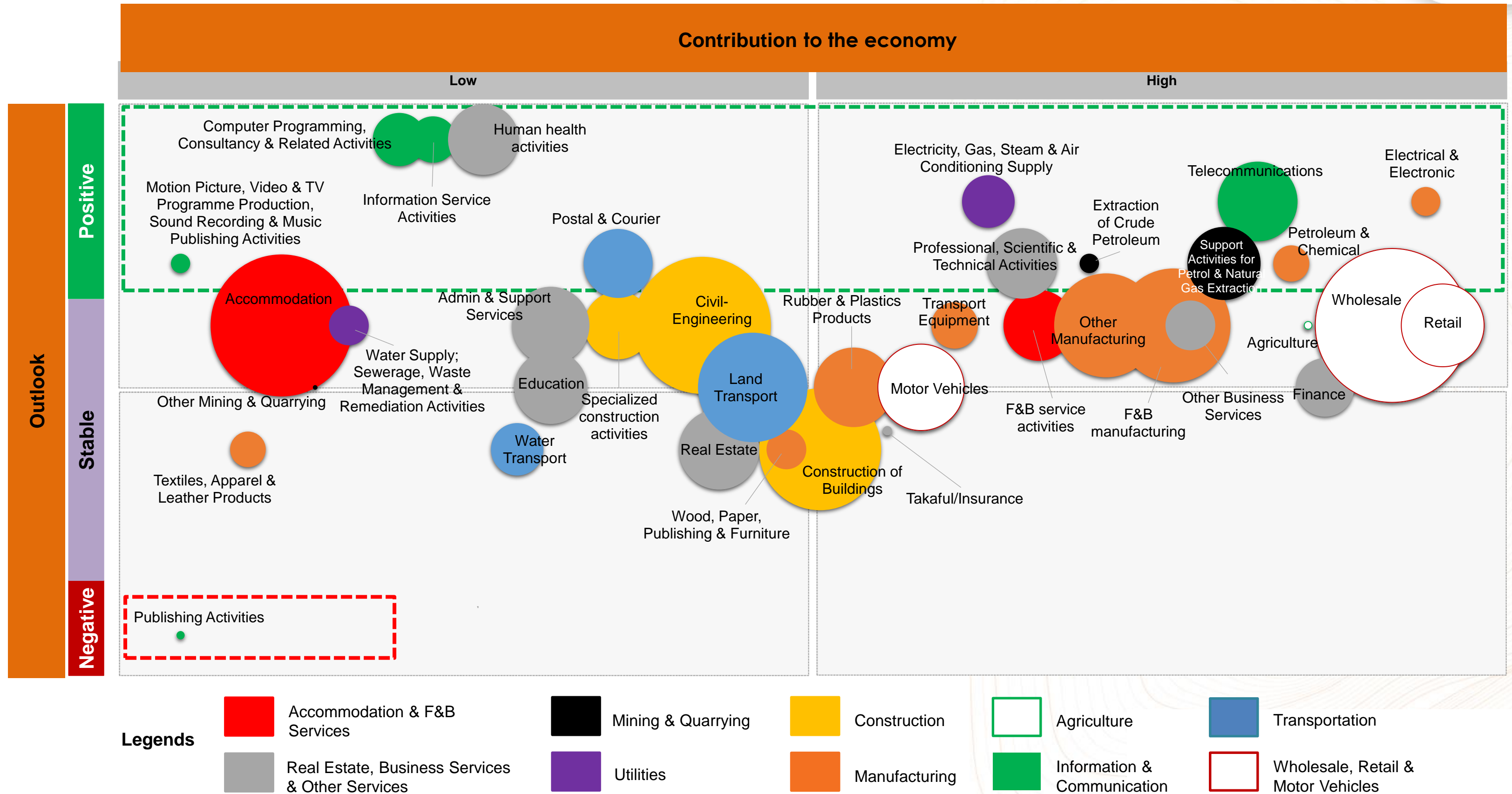
Ringgit depreciation

- **Beneficiary: (1) Export-oriented sectors** to benefit from price competitiveness. (e.g. E&E, CPO, LNG, chemicals, furniture); (2) **Tourism** – attract foreign tourists and limit outbound vacations
- **Loser: High foreign input dependent sectors** (e.g. automotive, metal, food)

Slow Recovery in China

- Deeper real estate crisis (Residential housing property value accounts for ~69% of aggregate household wealth in China) → lower consumer spending → lower Chinese outbound tourists. **Loser: Tourism**
- Weak manufacturing activities → drop in their exports & imports. **Loser: China dependent export-oriented sectors** (e.g. machinery & transport equip., chemicals)





- Legends**
- Accommodation & F&B Services
 - Mining & Quarrying
 - Construction
 - Agriculture
 - Transportation
 - Real Estate, Business Services & Other Services
 - Utilities
 - Manufacturing
 - Information & Communication
 - Wholesale, Retail & Motor Vehicles

CIVIL-ENGINEERING

SPECIALIZED CONSTRUCTION ACTIVITIES

PROS

CONS



- **Availability of fiscal space for expansionary fiscal support, given a more gradual fiscal consolidation plan** (-3% of GDP fiscal deficit target in 2025 extended to 2032).
- 🇲🇾 **Mega projects** in the pipeline like Penang LRT, Sarawak-Sabah Link Road Phase 2 (SSLR) and LRT3 (additional 5 stations). Continued progress in ECRL, RTS etc
- 🇲🇾 RM 11.8 bil allocated in **Budget 2024 for flood mitigation plan** (2023: RM13 bil) with **increased in number of projects** (33 projects vs 6 projects in Budget 2023) which could provide more opportunities to SMEs.
- **New growth areas with National Energy Transition Roadmap (NETR)**. Floating solar plant, solar park, Sabah large scale solar and small hydropower plants

Stable Outlook

- **Upcoming infrastructure projects to use Private funding** rather than government funding (i.e. HSR). The estimated ticket price for **return trip** Singapore-KL could cost **±RM1,000*** - **less attractive for daily commute**.
- **Competition with foreign firms** under **CPTPP** – large project >RM370 mil will have indirect competition with foreign firms, hence could have adverse spillover affect i.e less portion of works for local sub-contractors.
- Lagging recovery in construction work done (3Q 2023: RM13.5 bil vs average quarter 2019: RM16.4 bil)
- 🇲🇾 **Indirect impact from higher service tax to 8% via** increasing logistic cost and value chain (e.g. consultancy, surveying, legal, labour recruitment)

* Based on KLIA transit price + construction cost

PROS

CONS



- 🇲🇾 **Higher Budget 2024** for repair and maintenance (i.e. civil servant quarters, schools & clinics) – >2x to RM3.6 bil (2023: RM1.5 bil).
- **Solar installation** at government buildings & leasing residential rooftop (NETR policy)
- **Empower local SMEs** to be involved in **government small scale projects** (<RM200k) via **People Facilities Initiative**. SMEs can propose new projects/repair works directly to the Ministry of Economy (playground, community halls, bus stops, mosque)
- 🇲🇾 Potential land clearing projects to start LRT Penang, LRT3 (additional 5 stations) and SSLR Phase 2.
- More purchases of **air conditioner & coolers** due to climate change. **Positive spillover effect** to its **IVC** such as conditioning servicing/ repair/ maintenance/ installation. (Shopee: sales of air conditioner & coolers rose 22% YoY in May)

Stable Outlook

- **Labour shortages** – 5% below 2019 level or 66k shortage of labour in 2Q (1Q: 72k). Despite government accelerating approval process to hire foreign construction workers, Indonesian workers find Malaysia less attractive (e.g weak ringgit, construction booming in Indonesia – Nusantara)
- **Reduced demand for house renovation** potentially due to normalisation of interest rates, higher cost of living and diminishing savings (Individual deposits stood at RM213.6 bil in Jul 2023, down from the peak of RM253.8 bil in Apr 2022). **62% of new residential launches in 1H 2023 were priced <RM700k**.
- Rising prices of building materials, minimum wages & service tax.

ELECTRICITY, GAS & AIR CONDITIONING

WATER SUPPLY; SEWERAGE; WASTE MANAGEMENT & REMEDIATION ACTIVITIES



- **Sarawak's remarkable momentum in RE expansion.** To maintain at least 60% of electricity from RE by 2030, above national target. **Higher number of hydroelectric dam projects.** Supply green hydrogen to the Japanese govt. Plans **400 MW floating solar capacity by 2030.**

- **Sabah to increase 30% electricity supply by 2025** (Current: 1,100 MW; Sarawak: 5,996 MW; Peninsular: 25,962 MW). Sets target of 220 MW electricity generation from solar power by 2025. Govt to work with private developers to build solar farms, and is committed to create 100 MW wind farm and 50 MW of biomass power plant

- Wider financing options could **increase demand for solar.**

Extend Net Energy Metering until 31 Dec 2024, provide more opportunities to install solar (sell excess electricity to TNB)

Positive Outlook

- **Require huge capital** for Large-Scale Solar Project (LSS). Energy Commission sets minimum 5 MW for LSS. This can cost between RM35 mil – RM50 mil for each LSS project and may likely generate profit only after 6-7 years, for a 21-year concessionaire.

- Hydropower Mega Dams projects can give **rise to a range of ESG concerns.** Landslide serves as a threat to river ecosystem.

- **High possibility of hacking and unauthorized electricity theft** (EV Charging Station) – may require investment to enhance security measures

Increased service tax to 8% is likely to affect consumer (e.g, domestic electric bill >600kwh subject to SST). Commercials are not subjected to SST

- **NETR:** Growth in **Carbon Capture Utilisation & Storage (CCUS)** industry i.e. usage of empty wells to store emissions from heavy industries. **Kasawari Sarawak, the largest offshore project in the world** by volume of carbon dioxide captured, to commence by 2025

- **Recycle food waste and used cooking oil** to produce biomass, biogas, fertiliser, sustainable aviation fuel etc.

- Govt projects to **improve water supply**, particularly in Kelantan & Sabah. Under 12th Malaysian Plan, RM25.8 bil allocated for water infrastructure projects nationwide.

Tax deduction up to RM300k for costs incurred on the Development and Measurement Reporting and Verification (MRV) related to the development of carbon projects.

Stable Outlook

- Barriers in implementing **Carbon Capture Technology** like:
 - High investment cost (large players)
 - The need to comply with environmental regulations
 - Carbon pricing not economically convincing
 - Lack of success stories

- **Environmental challenges** that will decrease the quality of the water i.e: flood

- **Stiff competition - foreign vs local water filter brands** - (comparison in quality & service years)

- **Potential water tariff hike** next year on domestic users could affect micro & small businesses which operate at home (e.g. F&B).

COMPUTER PROGRAMMING, CONSULTANCY & RELATED ACTIVITIES

INFORMATION SERVICES

PROS

CONS

- **AI-Rmap & MDEC blueprint to help provide framework** to complement AI - National 4IR to increase productivity by 30% across all sectors by year 2030.
- **AI utilisation** for water treatment optimisation, healthcare (x-rays), smart trolley (EzyCart), agriculture processing sectors.
- **Electronic waste industry** is booming thanks to greater use of electronic devices (USD160.2 bil by 2023, +32% YoY growth). AI is used for sorting (shredders, magnets) and data destruction (data wiping, physical destruction)
- **Demand for online digital wallet.** 7/10 Malaysian used contactless payment in 2022 (+56% YoY), cashless by 2030 (Visa Report)
- **Cybersecurity market CAGR of 16.8% > 11.4% (global) for 2023 - 2028.** Malaysia ranked 11th for most data breaches globally in 2022.

Positive Outlook

- **Competition with foreign providers** e.g. Enterprise Mobile Application Studio (EMAS) from AliBaba - mobile app solutions for Agmo EV SuperApp, reduced opportunities for local mobile app solutions
- **ChatGPT pose ethical concerns** especially in **education sector**, some cases even bypassed anti-AI plagiarism tools. Turnitin – a software provider to detect plagiarism – claims that ChatGPT only has an error rate of 1%.
- Human Resources Minister warned that **4.5 mil Malaysians are likely to lose their jobs by 2030**, unless trained to complement AI
- **Increased service tax to 8%** is likely to increase the price– could affect demand and pricing competition between SMEs vs MNC

PROS

CONS

- **Opportunity to support and maintain government e2e online services** (World Bank estimated that 70% - 90% of govt services are online and fully digitalised for most ministries in 2022). Inland Revenue Board have made e-services mandatory to empower GovTech.
- **Johor an emerging region for data centers to support Singapore** due to supportive govt policies, cheaper real-estate, electricity etc. Data center market to grow to USD4 bil by 2025, +29% increase from 2022 (Forbes).
- **Rise in demand for cloud services** (Database-as-a-Service, Payment Gateway, Cloud-Based POS) due to **increased usage of QR code** (F&B, retail, mfg)
- **Local electricity tariff rate (RM0.45/kWh) 2nd cheapest in ASEAN**, just behind Indonesia (RM0.34/kWh).

Positive Outlook

- **Tedious process for approval of data center** – 33mW in Johor, but only 2% proceed, 60% waiting for approval (especially those of large data centers >20mW)
- **Competition with foreign cloud providers** – SMEs at a disadvantage. Nonetheless, SMEs can take advantage by tapping into the IVC and provide support to large providers.
- **Unclear policy regarding cabotage law.** Exemption was made in 2019 allowing non-Malaysian vessels to conduct undersea cable repairs, but was revoked in 2020. However, recent govt announcements suggest that **exemption could be reinstated.** Although this increase competition, SMEs could benefit through IVC with potential increase foreign infrastructure investment (e.g supply/lease ships, maintenance & repair ship, supply materials)

ACCOMMODATION



PROS



CONS



Budget 2024 highlights

- **Recovery** in tourism industry, forecasted to increase by CAGR of 12.6% between 2023 – 2033 (Future Market Insights). YTD 2023 arrivals recovered to 69% of 2019's monthly average.
- **High prospect in medical tourism.** Volume of healthcare travelers in 2022 stood at 850k persons (70% of 2019 or 8% of total tourist arrivals in 2022). Ability to cater to **halal-conscious patients**
- Exploration of **new areas of demand:** (1) sports & sustainability /eco-tourism; (2) boutique & themed accommodation; (3) trend of destination wedding/ceremony; (4) increasing share of Indonesia tourists (YTD May 2023: 16% of the total arrivals; 2019: 14%)
- **Currency depreciation** against key countries i.e. USD, SGD, IDR, BHT, among others.

Stable Outlook

- **Competition among ASEAN members.** International tourist arrivals in Thailand (2019: 39.9 mil persons) > Malaysia (26.1). Thailand ranked (36th) higher than Malaysia (38th) in Travel & Tourism Development Index 2021
- Inflation remains high and continues to **erode household purchasing power.** IMF forecasts global headline inflation of 5.2% in 2024 (2023e: 6.8%; pre-pandemic average 2017–19 levels: ±3.5%)
- **Challenging environment for SMEs** as they compete with big players in term of pricing

- + **Higher cash aids to spur spending and local tourism;** 1) STR to RM10 bil, up 25%, 2) RM2k for civil servant (2023: RM700)
- + **Allocation to promote and market tourism industry increased by 40%** to RM 350 mil (2023: RM250 mil)
- + **Higher allocation (60% YoY) for heritage tourism** to RM 90 mil (2023: RM50 mil) with a wider coverage of states and sites.
- + **Exclude foreign tourists from the implementation of high value luxury goods tax** (5% - 10% on selected items) – The top 3 categories of tourist spending in Malaysia are shopping (34% of total), accommodation (24%) and F&B (13%).
- + **Multiple visa options** to attract foreign tourist especially from India and China.
- + **Lower entertainment duty** in the Federal Territories (current: 25%);
 - **0%** for stage performance by local artist
 - **5%** for theme parks, recreational centers, indoor games centre & simulator
 - **10%** for stage performances by international artists and other entertainment events.
- + **RM464 mil** available under **BNM financing** via PENJANA Tourism Fund (2023: RM500 mil)
- **Increased service tax to 8%** is likely to affect accommodation providers

F&B SERVICE ACTIVITIES

PROS

- **Continuous tourism recovery** (both international & domestic). Large availability and variety of halal food/Muslim friendly food tourist spots (e.g. Penang), as well as Michelin guide restaurants.
- Exploration of **new areas of demand** (e.g. vegan, organic, clean eating). Malaysia ranks 3rd on the Global Vegetarian Index in 2017 as most friendly country for vegetarians
- **Lifestyle changes** due to rising affluency should contribute to **solid demand for coffee shop/café**. Petaling Jaya Coffeeshop Association didn't expect any unseasonal slowdown, some of its members performed even better than their pre-pandemic levels.
- Demand for **food catering** recovered as events/ celebrations/ WFO resumed (e.g. wedding, birthday, meetings, conferences, seminars)



CONS

- **Lower purchasing power may limit eating outside.** Malaysian Indian Restaurant Owners Association said slowdown in factories (manufacturing) activities have negative spillover effect to nearby restaurants.
- **High operating costs.** (1) increase in landlords' rental; (2) higher minimum wages; (3) revised Employment Act (reduced employees' working hours; overtime pay); (4) **high raw material prices due to rising protectionism**
- **High competition.** MSMEs can be easily phased out if products offered does not stand out / no specialisation
- Even though **higher service tax is exempted for F&B**, it can still be affected indirectly via logistic services (newly included in service tax scope)

Stable Outlook

SUPPORT ACTIVITIES FOR PETROL & NATURAL GAS EXTRACTION

PROS

- Sustained **high Brent oil price** in the near term (above historical 2017-2019 average of USD63.5 bbl) would support sector activities (Official 2024f USD85 bbl; Jan-Oct 2023: USD82.6 bbl)
- Petronas plans to spend **~RM48 bil/year in capex for oil & gas** from 2023 to 2026 (average 2017-2019: RM46 bil)
- Petronas to **increase rigs** to 28 in 2024 (2023f: 26; 2022: 20). 30 new wells are estimated to be completed in 2030 (2022: 16)
- **Diversification into ESG** - CCS, natural gas, emission filter, green investment etc

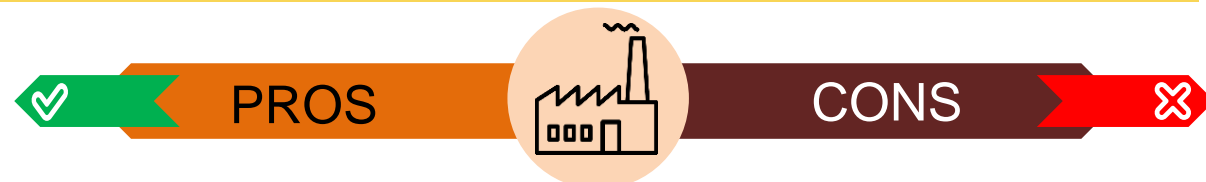


CONS

- ESG concern has prompted a **transition towards RE**. Rising solar, hydro, nuclear and other RE electricity generation.
- Global manufacturing slump also led to low demand for gas. Current gas price below pre-pandemic level. YTD Aug 2023: USD25,700/ MMBtu vs average 2017-2019: USD28,700/ MMBtu
- Additional cost of doing business to cope with ESG (e.g cost for carbon capture is ~34% of Brent production cost).
- Funding (via financial institutions) offered in Budget 2024 for industries opting to shift to low carbon economy (RM200 bil) > oil & gas funding (RM1 bil)

Positive Outlook

TRANSPORT EQUIPMENT



- Malaysia secures **major contracts for aero components**. UMW secures a 15- year contract with Rolls Royce to produce rear cases for aircraft engines; DRB-HICOM lands a RM3.4 bil contract with Airbus
- **More international cars to be assembled in Malaysia** e.g. Cherry & BYD (T3 EV)
- Geely's **RM 45.6 bil investment in Tanjung Malim** – a right-hand production hub for Geely in ASEAN region

Budget 2024 - 1) RM2.7 bil funds/grants available for aerospace industry; 2) Prasarana acquiring 150 electric buses

Stable Outlook

- **Higher cost of owning a vehicle** - end of the sales tax exemption, higher interest rate, cost of living and fuel cost (potential subsidy removal).
- Improved public transport connectivity and services may gradually discourage vehicle ownership.
- **Chip shortages especially AI chips for EV manufacturer** - increases cost & delays production.
- **AAPICO (Thailand) to invest RM140 mil to produce car component to Proton** means less opportunities for local manufacturers supplying equipment to Proton

MOTOR VEHICLES



- **Gradual transition** from internal combustion engine (ICE) cars **to EVs**. Many ICE cars are still more affordable, the cheapest EV cars in Malaysia costs RM99.8k
- Govt incentives encourages the use of EV. **Tax free CBU (imported) EVs extended until end-2025; CKD (local assembly) exemption until Dec 2027**
- Service costs by car service centers (multi brand) owned by SMEs are **40% less** than at Authorized car service centers

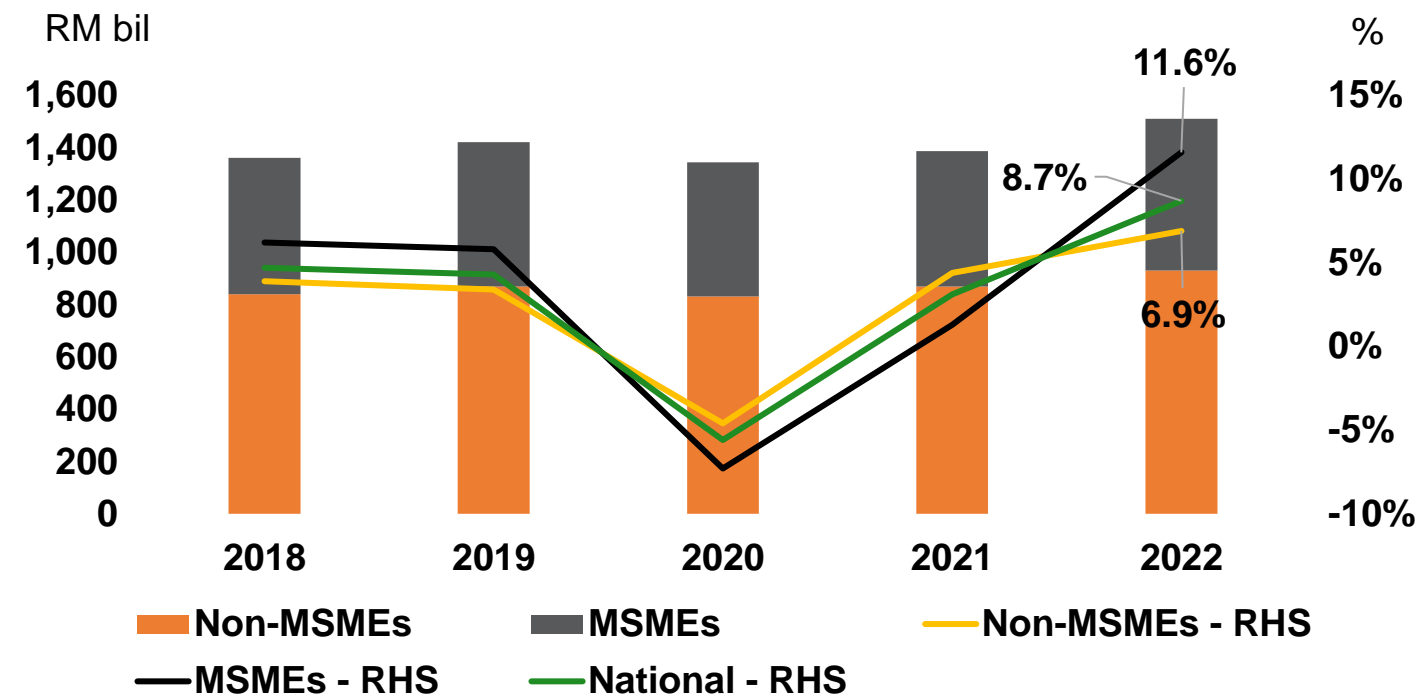
Budget 2024 to boost demand – **EV usage for govt vehicle fleet and rebate up to RM2.4k** under Electric Motorcycle Usage Incentive Scheme

Stable Outlook

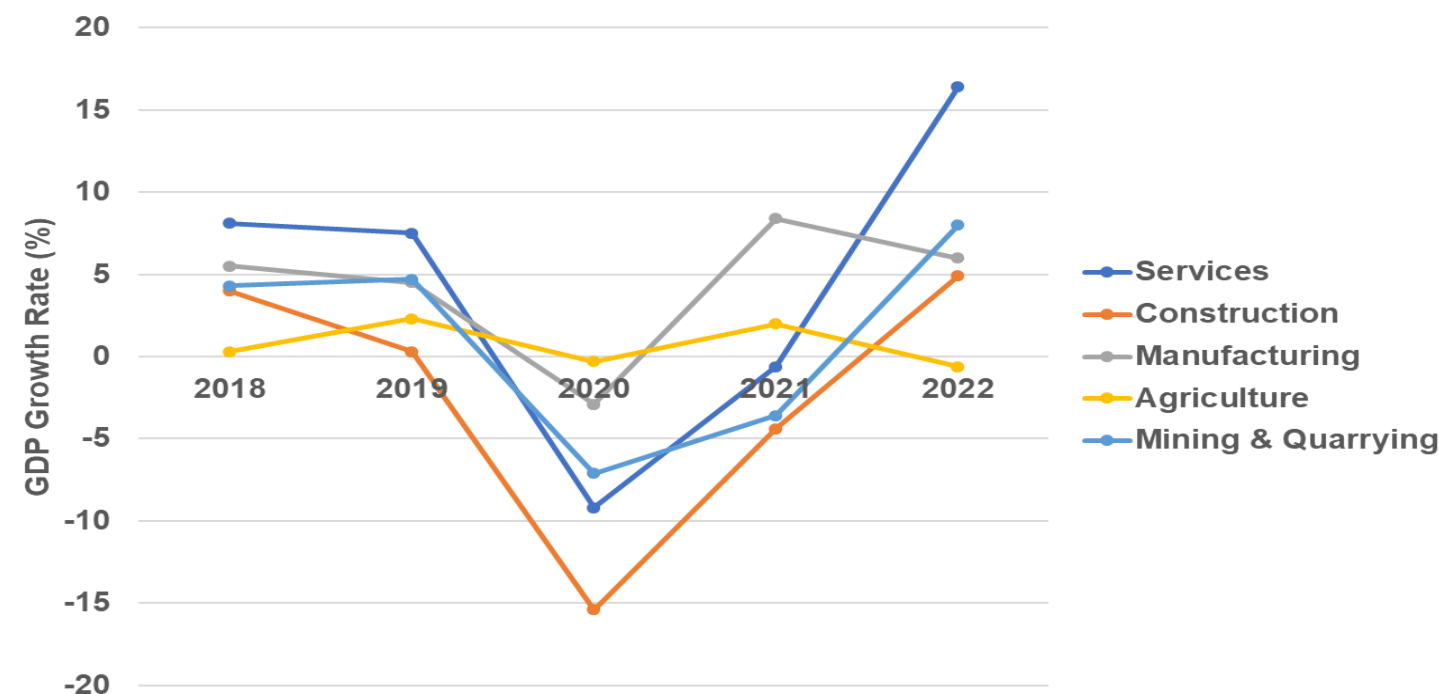
- **Decreasing new EV prices hurts the used car market.** e.g. Used Tesla Model Y priced at RM218k (Carlist) vs new Tesla at RM199k
 - **BMW and Mercedes using Agency Model (previously dealership model).** Under new model, **dealers** cannot set pricing and discounts which can affect their sales.
 - **New govt rules** require mechanics' qualifications to be displayed. Most small workshops have no paper qualifications (**opportunities for upskilling/TVET**)
- Targeted diesel subsidy in Peninsular - MSMEs with diesel vehicles may incur extra cost



GDP and GDP growth rate



MSMEs GDP growth rate by sectors

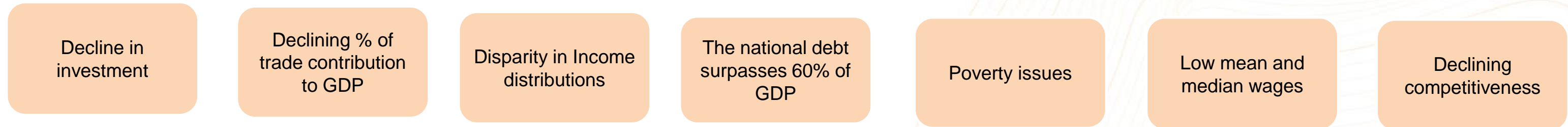


- **MSMEs' share of GDP contribution** stood at **38.4% in 2022**, up 1.0 percentage point from the previous year (2021: 37.4%; average 2017-2019: 38.3%).
- **MSMEs GDP grew by 11.6% in 2022** (2021: 1.3%; average 2017-2019: 6.5%), **outpacing national GDP growth of 8.7% and non-MSME (6.9%)**.
- **Compared to pre-pandemic level** (2019), **MSMEs GDP has recovered** registering **4.9% above the level**. Manufacturing was 11.4% above pre-pandemic level followed by services (5.3%) and agriculture (0.7%). However, **construction (-15.2%) and mining & quarrying (-4.4%) had yet to fully recover** to their pre-pandemic level.
- **All sectors recorded growth** except agriculture. The stellar performance was driven by the services sector, with a share of 64%.
- **On year-on-year basis**, majority sectors portrayed an uptrend growth performance including **services (16.4% YoY)**, **mining & quarrying (8.0%)** and **construction (4.9%)** while **manufacturing** growth moderated (6.0%). However, **agriculture** contracted by 0.6% (2021: 2.0%).
- **All services sub-sectors registered double digit growth**; Transportation & storage and information (17.8% YoY), Finance, insurance, real estate and business services (16.9%) and Wholesale & retail trade, food & beverage and accommodation (15.9%).
- **MSMEs' export growth rate reached 16.3% YoY**, accumulating RM144.5 bil in 2022 accounting for 24.9% of MSME GDP.
- **MSMEs' employment contributes to 48.2%** of Malaysia's total employment, with a **3.8% YoY increase**, totaling 7.59 mil persons, and lead by growth in the service sector (2022: 5.3%) but weakened in agriculture (2022: -0.4%)



- The MADANI Economy aims to elevate the nation's status and dignity by restructuring the economy towards making Malaysia , a leading economic force in Southeast Asia.

Addressing structural issues



Medium Term targets

To be achieved within next 10 years

1

Ranked among the **Top 30** largest economies in the world

- Current ranking - 36th** based on 2022 nominal GDP
- GDP per capita** - USD11,972 < USD13,205 (high income economies threshold)
- Need an average **>5.9% growth annually to achieve the target by 2032**. This estimation is based on comparison with Thailand (rank 29th) with our assumption that it will grow at an average 3.6% annually.

2

The Global Competitiveness Index ranks in the **Top 12** in the world

Ranked 27th in 2023 according to IMD World Competitiveness Ranking

3

Increase the share of Labor Income to **45%**

Employee compensation to GDP (2022: 32.4%; average 2017-2019: 35.7%; 12th Malaysian Plan (MP): 40%)

4

Boost Women's Participation in the workforce to **60%**

Currently stood at 39% in 2022 (2021: 39%), up 2ppts in a decade. (2013: 37%)

5

The Human Development Index ranks within the **Top 25** in the world

Even though we ranked above global score of 0.732, currently we stand at 62nd (HDI value: 0.803).

6

Corruption Perceptions Index to **Top 25**

- Current ranking in 2022 – 61st (2021: 62).
- The Government Procurement Act is expected to be tabled by year end according to PM Anwar.

7

Maintain Fiscal sustainability with a fiscal **deficit 3% or lower**

- Current fiscal deficit** – 2022: -5.6%; 2023f: -5.0%
- To achieve target revenue growth > expenditure growth.
- The government will be tabling Fiscal Responsibility Act by year end.
- 3% to -3.5% was the 12th MP target** which to be achieved by 2025. Thus, with **roughly same target but a new longer timeline**, suggesting **government will continue spending and roll out infrastructure development projects in near term**.

Proposed Action plan

SMEs and startup Focus

Focus 1: Malaysia as Asia Leading Economy

- Implement the new Industrial Master Plan 2030
- Pursue integration with neighbouring countries and **promote economic internationalisation**.
- Provide **tax-based incentives** to support high-impact activities and companies
- Establish Malaysia as a **global halal champion** by setting global halal standards.
- Focus on efficient resource utilisation, pollution control and green practices
- Focus on **high value economic activities** such as **integrated circuit design** in the electronics sector and **specialty chemicals** in the chemicals sector
- Continue **supporting startups and SMEs** fostering technopreneurs and encouraging technological advancements.

Focus 2: Improving the quality of life for the Rakyat

- Providing meaningful **job opportunities** with **fair wages**
- Ensuring **income distribution** benefits the low and middle income groups.
- **Reducing** dependence on **low-skilled foreign labor** and promoting automation and training for local workers
- Prioritising assistance to marginalised groups through scholarships and education support
- **Empowering entrepreneurship** through training and financing with specific emphasis on women and youth
- **Reforming the healthcare system** to ensure quality and accessibility for all citizens
- Ensuring **universal access to basic infrastructure** such as water and electricity



RM400 mil allocation for Micro loans under agencies Including SME Corp, Tekun, Mara and Teraju .



Additional funding of **RM20 mil** will be allocated to boost **export growth**



A matching grant for digitalisation will be increased by **RM100 mil (current: RM1 bil under Budget 2023)**



The Government and GLICs will invest **RM1 bil** of additional funds to support local startups and encourage technopreneurs as well as **RM100 mil** to intensify the R&D & commercialisation & innovation ecosystem

Madani Highlighted initiatives



Upgrade industrial areas with complete infrastructure with allocation of **RM100 mil**, This includes the **petrochemical** sector in **Kerteh, Terengganu**; the **data center** in **Sedenak, Johor** and the **downstream rubber industry** in **Kuala Nerang, Kedah**.



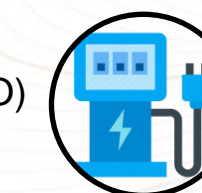
Expansion of Skim Perubatan Madani to all states in Malaysia with high density population



E-cash credit of RM100 to all Malaysians with an annual income of RM100k or below



Expand mandatory coverage of social protection (EPF & SOCSO) particularly for contract employment



Scaling up installation of charging stations on major highways through public-private partnership and GLCs



Enhancement of **Malaysia My Second Home** eligibility criteria and facilitating visa on arrival for tourists



Implement a phased foreign work levy dedicated to automation programs and training for local workers



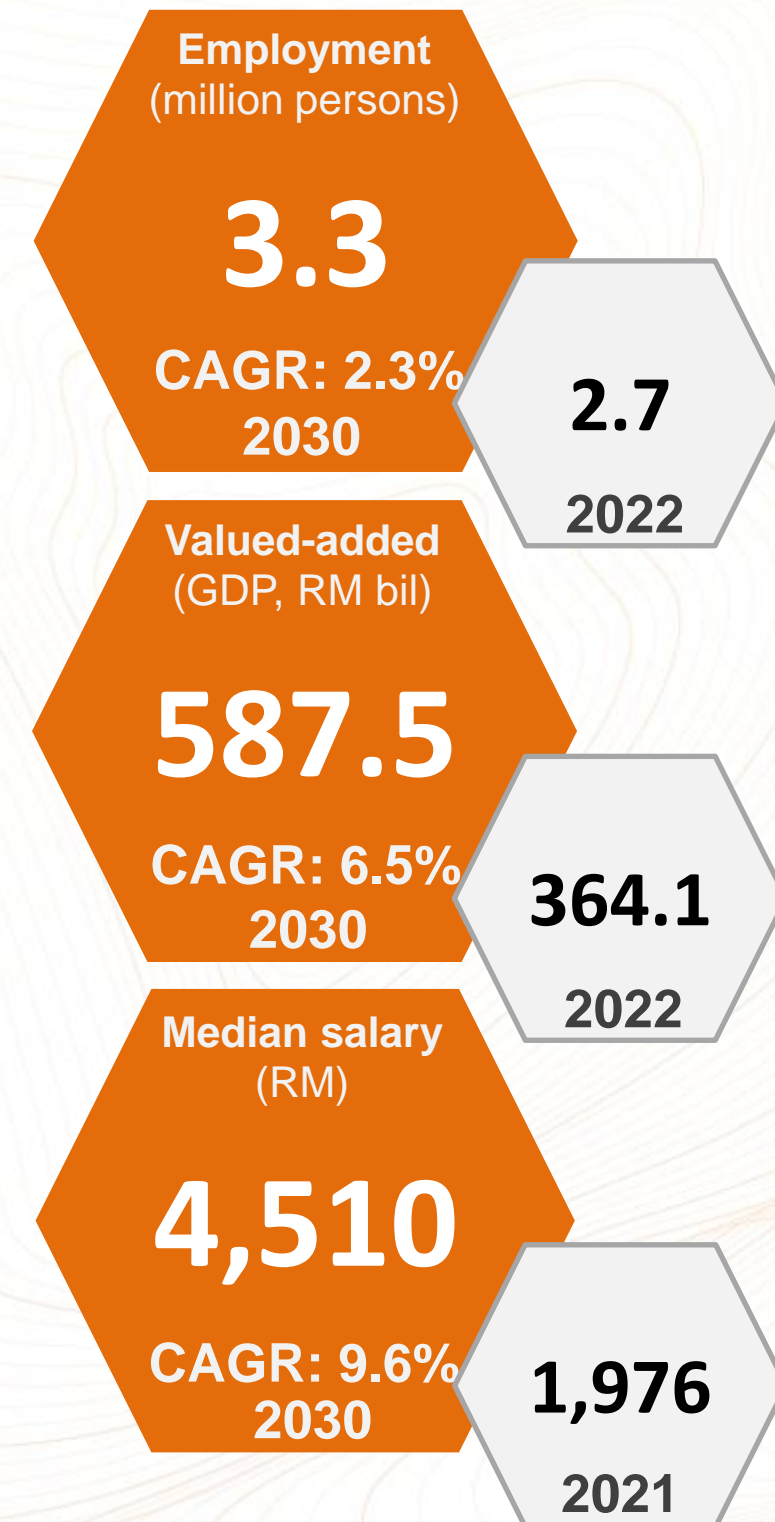
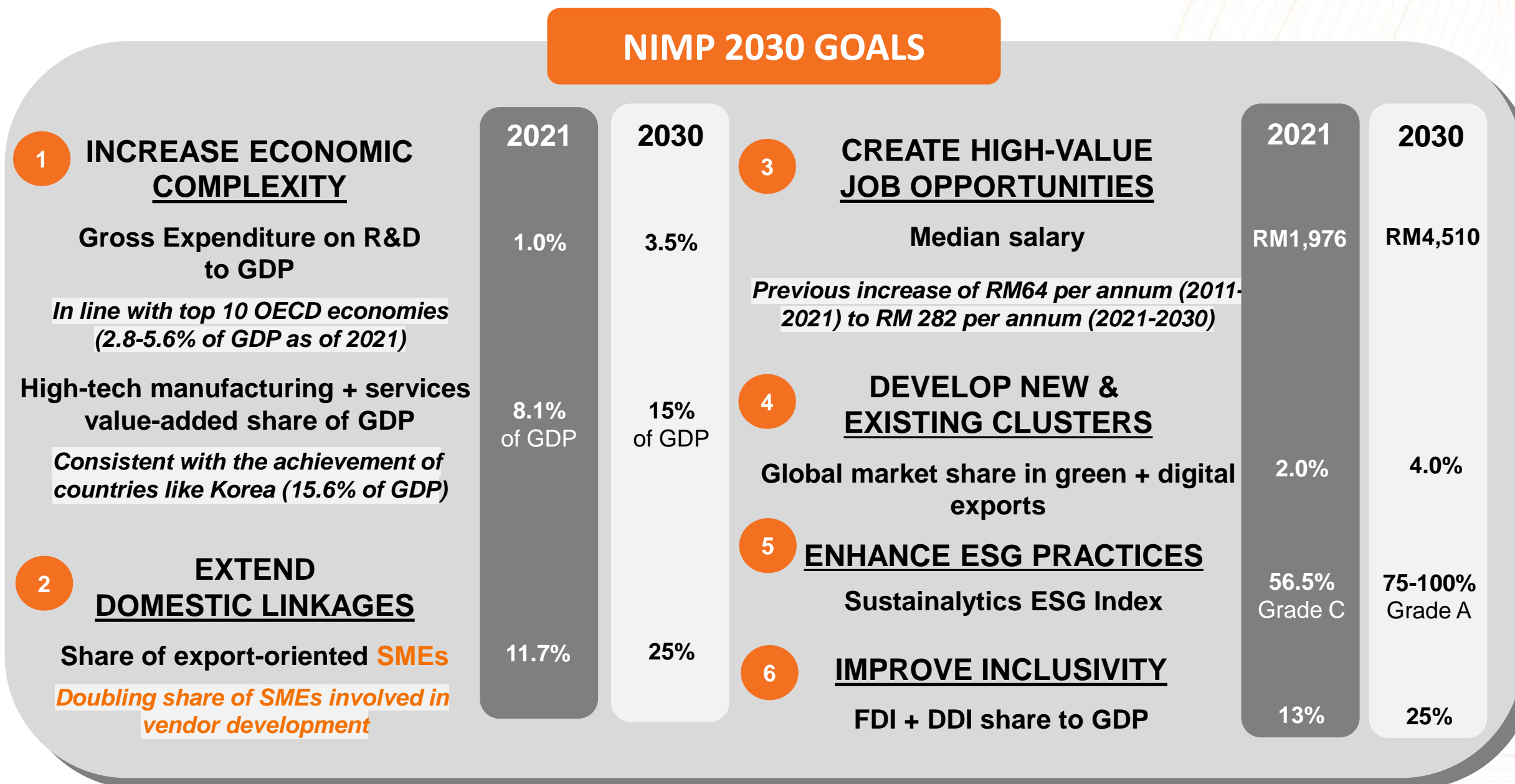
Promote green growth through enhanced tax and non-tax incentives for new growth areas such as CCUS (Carbon Capture Utilisation and Storage)



Enhancement to the SJKP scheme through a guarantee of up to 120% of the home value for homes up to RM300K

- **NIMP 2030 is a key component of *Ekonomi MADANI*'s framework**, designed to revitalize Malaysia's manufacturing activity and inclusivity for players of all sizes.
- Guided by **6 Goals**, NIMP 2030 consists of **4 Missions**, accompanied with **4 Enablers**, and encompass a total of **21 Strategies and 62 Actions Plans**
- Among the **goals** is to enhance participation of the local players, including **SMEs to strengthen domestic supply chains** and become more connected within the global value chain. The contribution SMEs to Gross Domestic Product (GDP) is expected to increase to 50 to 60% (current: 38%)

MACRO -TARGETS



COMPARISON

IMP3.0

2006-2020

- **Sector-based** plan, with focus split on **6 non-resource-based & 6 resource-based manufacturing**

Non-resource-based manufacturing	Resource-based manufacturing
- Electrical & Electronics (E&E)	- Petrochemicals
- Medical devices	- Pharmaceuticals
- Textiles & apparel	- Wood-based
- Machinery & equipment	- Rubber-based
- Metals	- Oil palm-based
- Transport equipment	- Food processing

- **Vertical action plans** (within each sector), focused on reduced costs and efficient production
- Economy efficient model (**'just-in-time' model**) with focus towards industries with stable demand
- Manufacturing sector target **5.6% average annual growth rate (AAGR)**, but only achieved 3.7% AAGR by 2020, and 4.3% by 2022.

NIMP 2030

2023-2030

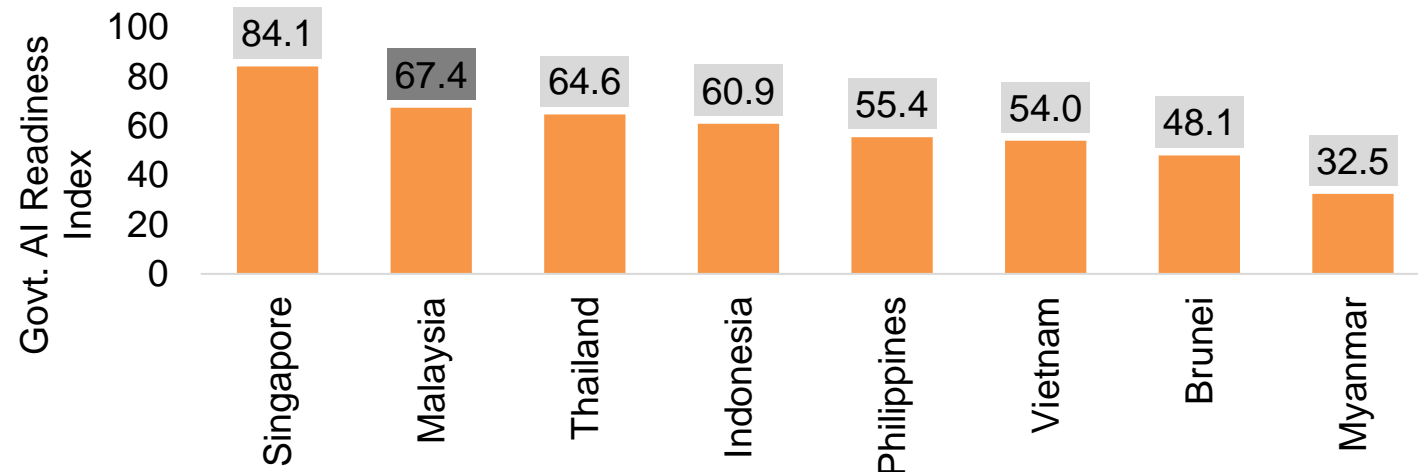
- **Mission-based** plan, impacting **5 priority sectors** through missions and **4 identified global trends**. General services have been excluded from NIMP 2030 to give a more focused scope.

Priority sectors	Global trends
- Aerospace	- Advanced Materials
- Chemical	- Electrical Vehicles
- Electrical & Electronics (E&E)	- Renewable Energy
- Pharmaceutical	- Carbon Capture, Utilization & Storage (CCUS)
- Medical Devices	

- **Horizontal action plans** (across sectors), focused on value-added potential
- Focus on global trends for economic security (**'just-in-case' model**) with focus towards potential high value-add
- Manufacturing sector target **6.5% compound annual growth rate (CAGR) value-added**, target more realistic, sustainable, and meaningful

MISSIONS & MISSION-BASED PROJECTS

ASEAN Government AI Readiness Index (2022)



PROS & CONS of NIMP



Shift towards **higher value-add** activities and **developing entire ecosystem** may boost the economy. Need to transform original equipment manufacturer (supplier) to become original brand manufacturer (brand owner).



Empower R&D that needed by industries will increase value added.



Competition for allocation of funds between sectors. Small and less value-added players may face difficulties



All priorities sectors may have **high barriers to entry**. For instance, local pharmaceuticals need to compete with international oligopoly players. **Nonetheless, by focusing on halal segment, local pharmaceutical may have brighter opportunity,**

1. Advance economic complexity

- Create **global IC design champions in EV, RE and AI**
- Attract **new advanced wafer fabrication** in Malaysia
- Deepen to **specialty chemical** vertical
- Groom champions in 4 game changing advanced materials (Graphene, Nitinol, Rare Earth, Microcrystalline Cellulose Polymer)
- Identify **high value-added** opportunities in the aerospace, pharmaceutical and medical devices sectors
- **Develop entire ecosystem** to support the high value-added activities.
- **Foster Research, Development, Commercialisation and Innovation ecosystem**

2. Tech up for a digitally vibrant nation

- **Transform 3k smart factories** (integrated facilities seamlessly like incorporate Internet-of-Things, data analytics, cloud computing, AI & robotics)
- Establish Malaysia as **Generative AI Hub** (developing local AI companies with system integrator capabilities)

3. Push for Net Zero

- Create decarbonization pathway role models
- Launch locally manufactured EV
- Deploy large-scale CCUS solutions

4. Safeguard Economic Security & Inclusivity

- Develop resilient supply chain
- Empower Bumiputera participation and create inclusive workforce

ENABLERS

1. Mobile financing ecosystem
2. Foster talent development & attraction
3. Establish best-in-class investor journey for ease of doing business
4. Introduce whole-of-nation governance framework

- NETR Project established to accelerate the country's energy transition, providing a framework for the country's shift from a traditional fossil fuel-based economy to high value green economy.
- NETR will open up investment opportunities between RM435 bil to RM1.85 tri by 2050 (estimated 29%-122% of current GDP)

NETR Flagship Projects

Renewable Energy zone

- **Integrated RE Zone** (development of entire energy supply chain in an area)
- **Solar Park** (100 MW per site)
- **Hybrid Hydro-Floating Solar PV** (2500 MW)
- **Residential Solar** (construction of 4.5 MW solar capacity across 450 homes)

Carbon capture and storage (CCS) for industry

- Regulatory Framework (for CCUS Project)
- Kasawari and Lang Lebah CCS (Implementation of CCS Catalyst Project for Kasawari)

Biomass demand creation

- Biomass clustering
- Biomass co-firing

Energy Efficiency

- Energy Efficiency and Conservation Act
- Energy Audit for Rail Sector

RE (Energy Storage)

- Energy storage system (ESS)- development of utility scale ESS to enable higher penetration)

RE (Energy Secure)

- **Sabah Energy Security** initiative includes the development of **large scale solar** and **small hydropower plants**

Future mobility

- EV Charging Stations - Installation of 10k EV charging stations by 2025 along highways and at selected commercial building
- **Mobile Hydrogen Refueling Station** - first mobile hydrogen
- **Public Transport Electrification**
- SolarPhotovoltaic installation for rail operation

Hydrogen for power

- Co-Firing of Hydrogen and Ammonia to decarbonise TNB generation plants

Green Hydrogen

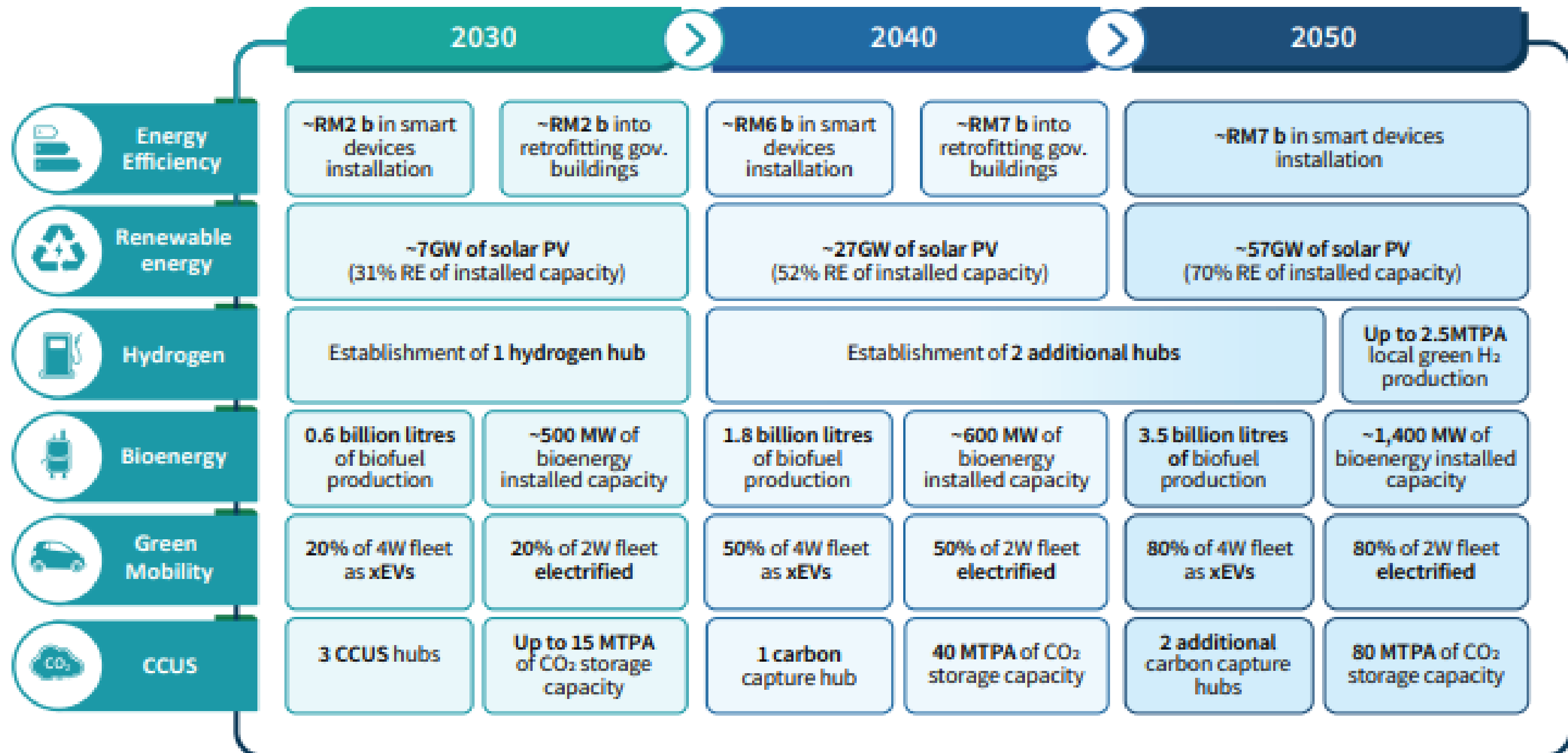
- **Sarawak Hydrogen Hub** - Development of a green hydrogen production plant in Kuching by 2025 and 2 plants in Bintulu by 2027

Future Fuel

- **Biofuels Hub** - a bio-Refinery will be developed in Pengerang, Johor to serve as a catalyst for creating hubs to produce a range of bio-based products.

- NETR Part 2 will be focusing on **establishing low carbon pathway**, **national energy mix** and **emissions reduction target**
- 6 energy transition lever** namely; (1) energy efficiency, (2) renewable energy, (3) hydrogen, (4) bioenergy, (5) green mobility, and (6) CCUS
- 5 cost cutting enablers** which includes; (1) financing and investments, (2) human capital and capabilities, (3) policy and regulations, (4) technology infrastructure and (5) governance

Potential investment opportunities of NETR (Part 1 & 2)



6 Energy Transition Levers



Energy Efficiency

By 2040, targeted to achieve energy savings of 21% and to increase to 22% of energy savings by 2050

KEY INITIATIVES

Promote public awareness

Establish green building codes to meet minimum level of Building Energy Intensity (BEI) level

Widen range of appliances under Minimum Energy Performance Standards (MEPS)

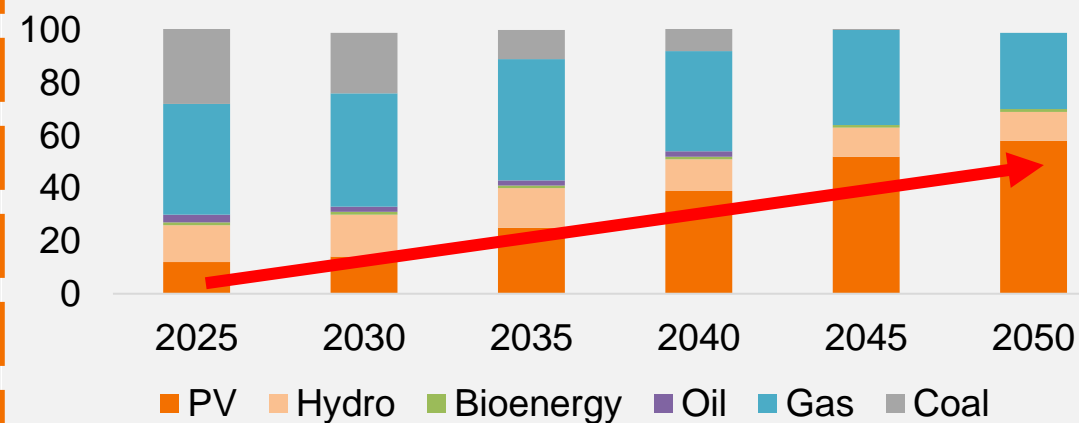
ESCO Platform

- A platform for government building retrofits connecting private Energy Savings Company (ESCOs) with government projects which *reduces GHG emissions* through maximisation of energy savings



Renewable Energy

Projected Power System Installed Capacity Mix by 2050



No new coal-fired power generation will be developed, leading to almost complete phase out by 2045.

Target to achieve 70% renewable energy (RE) share of installed capacity by 2050 predominantly driven by solar PV installation

KEY INITIATIVES

- RE exchange hub which enables cross-border RE trading
- Enabling Third Party Access (TPA) framework which allows solar developers to sell excess power to Single Buyer
- Helps to boost revenue and investors' interest
- Accelerate investment for grid infrastructure
- Incentives provided for RE development and power storage facilities



Hydrogen

GREY HYDROGEN

- Produced by fossil fuels

BLUE HYDROGEN

Uses emissions release from the grey hydrogen production as feedstock by using CCS facilities

GREEN HYDROGEN

- Generated by renewable sources
- Produces only oxygen as the by-product

TARGET

Blue Hydrogen:
To phase out grey hydrogen as feedstock by 2050

Green Hydrogen:
Produce up to 2.5 Mtpa from RE by 2050

Establishing 3 low carbon hydrogen hubs (2030:1, 2050:2)

KEY INITIATIVES

- Support domestic manufacturing green electrolysers by providing incentives and facilitating foreign partnership
- Stimulate demand for low carbon hydrogen through providing incentives for development of hydrogen refueling stations and purchase of hydrogen fuel cell vehicles

6 Energy Transition Levers



Bioenergy

Malaysia's bioenergy will be focusing on **agriculture related bioenergy (palm oil)** and **non-agriculture wastes**

Bioenergy as an alternative fuel for **power generation** and **rural electrification** through local micro grids

Biomass value chain, enhances adoption of bioenergy plus escalate socio-economic growth for **SMEs** and rural communities

TARGET

Increase bio refinery capacity to 3.5 bil litres by 2050

Increase biomass & biogas power generation capacity to 1.4GW by 2050

KEY INITIATIVES

- Explore **other bioenergy feedstock** like bamboo & algae
- Drive **local demand** for bioenergy
- Improve **solid waste management** policies



Green Mobility

Road transportation contributes 85% of total transport emissions of GHG

Primarily driven by internal combustion engines (ICE)

KEY INITIATIVES



ELECTRIFICATION

xEV & E2W* share of vehicles to increase to **80% by 2050** (previous: 38%)

Local xEV manufacturing capability to achieve 90%

Incentives to invest in local manufacturing

Funding for **public EV charging infrastructure**

Stimulate demand by promoting awareness on EV models and benefits

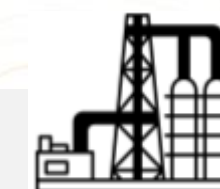
*xEV (electric 4 wheel vehicle) and E2W (electric 2 wheel)



FUEL ECONOMY

B30 Biodiesel Blending Mandate by 2030 when palm oil gas oil becomes economically viable

Encourage vehicle replacement through targeted incentives



CCUS

Malaysia does not have any regulation or framework for CCS but...

Budget 2023 underlines several tax incentives for companies undertaking CCS activity or services

TARGET

By 2030

Develop 3 CCUS hubs with a total storage capacity up to 15 Mtpa


By 2050

Develop 3 carbon capture hubs with total storage capacity between 40 to 80 Mtpa

KEY INITIATIVES

- **CCUS policies and regulations** to facilitate implementation of CCUS projects
- **Partnership with investors** to invest in CCUs infrastructure for hub development
- **Incentives** across all contributing sectors in facilitating hub establishment
- Develop transboundary CO2 agreement which includes transport and storage of carbon, liability and cost sharing

5 Cost Cutting Enablers



Financing and Investments

NETR requires an investment of RM1.2 – RM1.3 tri by 2050

→

18% needed for RE power generation and green mobility


KEY INITIATIVES

National Energy Transition Facility

- RM 2 bil as initial seed fund
- Exploring blended finance platform for investments

Private capital for energy transition sectors especially attracting investors for green FDI through various instruments

Establish **carbon pricing mechanism**




Human Capital and Capabilities

KEY INITIATIVES

Rakyat centric energy transition

1. **Workforce Planning** – establish more jobs that require green skills
2. **Green Skilling** - Upskilling and reskilling workforce with skills related to energy transition
3. **Community Resilience** - more community measures plus redeployment for affected workforce
4. **Energy Literacy** - Revamp energy literacy programs for SMEs, schools and varsities



Policy and Regulations

Strong governance and policy is needed to ensure continuity of growth and innovation

KEY INITIATIVES

Energy Subsidies

- Target subsidies based on needs
- Transparency on subsidy removal
- Pangkalan Data Utama (PADU) to monitor targeted subsidies

Establish National Gas Roadmap (NGR)

- Upstream of gas to be enhanced to accommodate the domestic demand
- Develop cost-effective build-out of gas infrastructure



Technology and Infrastructure

KEY INITIATIVES

National Energy Knowledge Hub

- A common hub to receive all data regarding energy transition, information and even programmes under MTN

Domestic industries for green technologie

- Programmes to support SMEs so that they get involved in the green value chain too.



Governance

KEY INITIATIVES

Establish National Committee on Energy Transition under the National Energy Council

- A common body to monitor the implementation of NETR projects

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