



Malaysian Economic Outlook 2025

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Global Economic Outlook

Navigating High Rates and Geopolitical Tensions

Top 5 Drivers

1. AI & Digital Transformation

- AI adoption in business, healthcare, and manufacturing is **accelerating productivity**.
- Quantum computing, automation, and robotics are **reshaping industries**.
- AI regulation and ethical **remains critical**.

2. Energy Transition & Climate Action

- Push for **net-zero emissions** is driving investments in RE, nuclear energy & carbon capture.
- **Energy security** (e.g., OPEC+ policies, supply chain issues) remains key.
- **Sustainable finance & ESG policies** are shaping corporate strategies.

3. Geopolitical Realalignments & Trade Shifts

- U.S.-China tensions, BRICS+ & regional trade agreements are **redefining global trade**.
- ASEAN, India & Middle Eastern economies are emerging as **new growth hubs**.
- **Military conflicts** (Ukraine-Russia, Middle East, Taiwan) influence global supply chains.

4. Demographic & Workforce Shifts

- **Aging population** (developed nations) **vs. young, digital-savvy** in ASEAN, Africa & India.
- Global **talent shortages & automation** drive demand for reskilling & hybrid work models.
- **Migration & labour mobility** policies are evolving.

5. Post-Pandemic Economic Rebalancing

- Inflation & interest rates (Fed, ECB & China) impact **global capital flows**.
- **Debt burdens** in emerging markets create risks.
- **Consumer spending and supply chains** are still recovering from past disruptions.

Top 5 Challenges

1. Global Economic Slowdown & Debt Crisis

- **High interest rates & public debt** in advanced & emerging economies pose risks.
- **China's property crisis & lower growth rates** impact global demand.
- **Market volatility** & risk of financial sector instability.

2. Geopolitical Conflicts & Security Threats

- **Ongoing wars** (Ukraine, ME) & **potential new flashpoints** (Taiwan, South China Sea).
- **Cybersecurity** threats & digital warfare risks are rising.
- **Political instability** in key regions (e.g., U.S. elections, EU fragmentation).

3. Supply Chain Disruptions & Resource Scarcity

- Food, water, & semiconductor shortages could **destabilize industries**.
- Rare earth minerals & battery supply chain dependencies **affect green tech and EVs**.
- **Trade protectionism & sanctions** create uncertainty.

4. Climate Change & Natural Disasters

- **Extreme weather** (heatwaves, floods, wildfires) threaten agri, infra & insurance industries.
- **Water scarcity & rising sea levels** pose long-term risks.
- Countries face **pressure to accelerate adaptation** strategies.

5. AI & Tech Disruptions

- AI-driven **job losses vs. new opportunities** in the digital economy.
- **Ethical concerns** over deep fakes, misinformation, and AI surveillance.
- **Regulatory gaps** in AI, biotech, and data privacy raise concerns.

Malaysian Economy In 2025

Resilient Growth Amid Global Shifts

Top 5 Drivers

1. Technological Innovation and Digital Economy

- Push towards **digitalization** with initiatives like the Digital Economy Blueprint will drive growth in sectors such as e-commerce, fintech, and digital services.

2. Trade and Export Growth

- Strong **trade links**, especially in electronics, palm oil, and natural resources will continue to be a significant driver, bolstered by favourable regional trade agreements like the RCEP.

3. Sustainable Energy and Green Economy

- Shift towards **green technologies & RE**, supported by government policies & foreign investment will create new growth opportunities, especially in solar & EV sectors.

4. Foreign Direct Investment (FDI)

- Attractive investment destination in ASEAN will continue to **entice FDI**, particularly in high-tech manufacturing & green energy projects.

5. Infrastructure Development

- Major **infrastructure projects**, such as the MRT extensions & the East Coast Rail Link, will stimulate economic activity and improve connectivity across the country.

Top 5 Challenges

1. Global Economic Uncertainty

- **Geopolitical tensions**, such as U.S.-China trade relations and global inflation, could impact Malaysia's exports and investment flows.

2. Rising Living Costs and Inflation

- **Inflation risk**, especially in food and energy sectors could pressure household purchasing power and create social and political strain.

3. Labour Market Challenges

- Potential **skills mismatch & labour shortage**, particularly in high-tech sectors, while youth unemployment remains a concern.

4. Environmental Sustainability

- **Balance economic growth with environmental conservation** – industries like palm oil & mining to avoid reputational damage, comply with global sustainability standards.

5. Domestic Political Instability

- **Political uncertainty & policy shifts** may hinder long-term economic planning & investor confidence, especially if coalition politics lead to governance challenges.

Madani Economy

Development & Challenges

Framework

1. Designed to **address Malaysia's long-term** economic challenges.
2. Ensure that **growth benefits all segments** of society.
3. Shift towards **inclusive, sustainable, & equitable** growth.
4. Focus on economic **justice, digital transformation, & green** development.
5. Address **structural weaknesses, governance & fair wealth** distribution.

Key Pillars

1. **Sustainability:** Focus on green tech, RE & climate change.
2. **Inclusivity:** Economic benefits shared equitably across all income groups.
3. **Prosperity:** Competitive & ensure widespread wealth generation.
4. **Innovation:** Digitalization, technological advancements, & entrepreneurship.
5. **Justice:** Rule of law, anti-corruption & fairness in wealth distribution.
6. **Competitiveness:** Competitive economic hub in the ASEAN region.

Early Progress & Initiatives Launched

A. Green & Sustainable Initiatives:

- 1. National Energy Policy (2022-2040):** low-carbon with 70% RE in the energy mix by 2050.
- 2. Green Financing:** Green bonds & more green financing options.
- 3. Carbon Pricing:** Carbon trading market (businesses to meet emissions reduction targets)

B. Anti-Corruption and Governance Reforms

- 1. Good governance:** Reduce corruption, improve transparency & push forward reforms.

C. Digital Economy Transformation

- 1. MyDIGITAL:** 5G rollouts, e-commerce, fintech, cybersecurity, & digital literacy
- 2. Digital Infra:** Broadband access & digital skills (especially in rural & underserved areas).
- 3. My Startup & Other Innovation Hubs** – Entrepreneurship/Startup (digital & tech sectors).

D. Social Welfare & Inclusivity

- 1. Income Redistribution:** Programs to support B40 & M40 – cash transfers, subsidies for essential goods, affordable housing schemes like PR1MA & RUMAWIP.
- 2. Education & Healthcare:** Reduce social inequality & create equal opportunity.
- 3. Wage Reform:** Minimum wage

Challenges

1. **Economic growth & Fiscal sustainability:** Domestic & External; Debt levels
2. **Transition to a Green Economy:** Cost, Infra gap & carbon pricing & emissions
3. **Inclusivity & Income Inequality:** Wealth gap, living cost, skills, affordable housing
4. **Governance & Institutional:** Corruption & Reforms

Global perception of Malaysia As An Investment Destination

1. Seen as a **competitive investment destination in the ASEAN region**, driven by:
 - Strategic location.
 - Robust infrastructure.
 - Diversified economic base.
 - Ongoing efforts in digitalization & sustainability.

2. But the **global perception** of Malaysia as an investment destination will be shaped by:
- **Economic Resilience**: Ability to maintain steady growth amidst global uncertainties will be key in enhancing its image as an attractive, stable investment destination.
 - **Sustainability & Innovation**: Focus on green economy & tech innovation will find Malaysia's initiatives in RE, digital economy & smart infra particularly appealing.
 - **Political & Governance**: Stable political environment, governance, reforms & the focus on anti-corruption will likely improve its investment outlook.
 - **FDI & Exports**: Emphasis on FDI attraction, trade agreements & manufacturing will ensure Malaysia remains a key player in the global investment ecosystem.

While **challenges remain**, we still remain a preferred investment hub for businesses looking to gain access into ASEAN & the global shift towards sustainable investments.

Macro Indicators	2021	2022	2023	2024	2025f	2026f
GDP (%)	3.3	8.9	3.6	5.1	4.9	4.6
Private Consumption (%)	1.8	11.3	4.7	5.1	5.9	5.5
Public Consumption (%)	5.8	5.1	3.3	4.7	5.5	5.2
Gross Fixed Capital Formation (%)	-0.7	6.8	5.5	12.0	8.9	9.5
<i>Private Investment (%)</i>	2.8	7.2	4.6	12.3	10,1	9.6
<i>Public Investment (%)</i>	-11.0	5.3	8.6	11.1	4.7	4.5
Exports of Goods & Services (%)	18.5	14.5	-8.1	8.5	5.7	5.0
Imports of Goods & Services (%)	21.2	16.0	-7.4	10.0	7.4	7.0
CABOP/GDP (%)	3.9	2.6	2.0	1.7	1.3	1.5
Fiscal Deficit/GDP (%)	-6.4	-5.6	-5.0	-4.1	-3.8	-3.5
Inflation (%)	2.5	3.3	2.6	1.8	3.1	2.4
Unemployment Rate (%)	4.6	3.9	3.4	3.1	3.1	3.1
OPR (%)	1.75	2.75	3.00	3.00	3.00	3.00
USDMYR (end period)	4.17	4.40	4.59	4.46	4.35	4.25

Key Industries

Opportunities & Challenges

1. Electronics & Semiconductor (E&E)

Opportunities:

- A top global player in semiconductors, with Penang as the "Silicon Valley of the East."
- Trade tensions benefit us from diversification – Intel, Infineon, AMD expanding here.
- Government incentives (NIMP 2030, tax breaks) attract more foreign investment.

Challenges:

- Supply chain risks (raw material shortages, geopolitical instability).
- Talent shortages in high-tech skills (chip design, AI integration).

2. Renewable Energy & Green Tech

Opportunities:

- Investing in solar, hydrogen & carbon capture technology to meet net-zero targets.
- Government incentives for solar farms & green manufacturing (RE100, NIMP 2030).
- ASEAN's carbon credit market presents new opportunities for Malaysian companies.

Challenges:

- Slow transition away from fossil fuels (oil & gas still dominant).
- High initial investment costs for green tech adoption.

3. Oil & Gas (O&G)

Opportunities:

- Despite energy transition, Petronas remains a major global oil & gas player.
- Rising LNG demand from India, China, and ASEAN supports exports.
- New investments in carbon capture & hydrogen projects to balance sustainability goals.

Challenges:

- Global shift away from fossil fuels threatens long-term growth.
- Oil price volatility affects revenues and investment decisions.

4. Logistics, Ports & E-commerce Fulfilment

Opportunities:

- A logistics hub in ASEAN, with key ports (Port Klang, Penang Port, Johor Port).
- Trade shifts (U.S.-China tensions, RCEP, CPTPP) boost our role in global supply chains.
- E-commerce growth (Shopee, Lazada, TikTok Shop) fuels demand for fulfilment centers.

Challenges:

- High competition from Singapore, Vietnam, Thailand in logistics & warehousing.
- Infrastructure bottlenecks (port congestion, need for automation in supply chain).

5. Financial Services & Fintech

Opportunities:

- Islamic banking & digital banking expansion (Malaysia is a leader in Islamic finance).
- E-wallets, BNPL (Buy Now Pay Later), and blockchain finance gaining traction.
- Growing demand for ESG investments & green financing.

Challenges:

- Global economic slowdown impacts investments and stock market performance.
- Regulatory challenges in crypto, digital banking, and AI-driven finance.

6. Manufacturing (FMCG, Industrial Goods, EVs)

✓ Opportunities:

- Is positioning itself as an EV manufacturing hub, with Tesla, Geely, and Proton investing.
- FMCG remain strong, especially Halal-certified products for global exports.
- Industrial 4.0 adoption (automation, AI, robotics) improving efficiency.

✗ Challenges:

- Rising operational costs (wages, energy prices, ESG compliance).
- Skilled labour shortages in automation & high-tech manufacturing.

7. Tourism & Hospitality

✓ Opportunities:

- Tourism rebounding post-pandemic, especially in luxury, medical, and halal tourism.
- Eco-tourism & digital nomad market target high-spending travellers
- Government visa policies (long-term visas for retirees, remote workers).

✗ Challenges:

- Geopolitical uncertainties & China economic slowdown can affect travel demand
- Staff shortages in hospitality (hotels, restaurants, tour operators).

8. Agriculture & Halal Industry

Opportunities:

- Halal exports – strong demand for Halal food, cosmetics, and pharmaceuticals.
- Palm oil remains key (despite ESG concerns, demand from India & China is stable).
- Agri-tech adoption (precision farming, smart irrigation) improving productivity.

Challenges:

- Sustainability concerns & EU bans on deforestation-linked products (impacting palm oil).
- Aging farmers & labour shortages in plantations.

9. Healthcare & Biotech

Opportunities:

- Aging population — demand for healthcare services, elderly care & medical devices.
- Top medical tourism destination in ASEAN.
- Government investments in biotech & pharmaceuticals

Challenges:

- Public healthcare strain (long waiting times, funding issues).
- High costs of medical R&D (biotech requires long-term investment).

10. AI & Digital Economy

Opportunities:

- Government push for AI, digital transformation & MyDIGITAL framework.
- AI-driven automation in finance, logistics, healthcare & manufacturing.
- Attracting regional cloud & data center investments.

Challenges:

- AI-driven job displacement (need for massive reskilling).
- Cybersecurity threats & data privacy risks.

To Sum Up

- 2025 economic prospects will depend on:
 1. Leveraging digital transformation
 2. Green energy
 3. Trade & Trade Agreements
 4. Foreign Direct Investment
 5. Rolling out of the Madani framework
- While overcoming challenges in global volatility, inflation & labor market dynamics.

Thank You

