

Malaysia New Industrial Master Plan 2030 (NIMP 2030)

A work in progress: Reinventing the manufacturing sector for a sustainable future

SUMMARY

- The New Industrial Master Plan 2030 (NIMP 2030) aims to revolutionise Malaysia's manufacturing sector and transform the nation into an industrialised high-income country. It focuses on national strategic direction, a reference for investors and to feature the role of government in shaping the economy. It laid out a broad plan for Malaysia to become a global leader in industrial development, generate wealth nationwide, and enhance its position in the global value chain.
- Though lofty, we commend the NIMP 2030 as a comprehensive and strategic plan to drive towards prosperity and to optimise the true potential of Malaysia's economy through uplifting its manufacturing and services sectors.
- The performance of the previous Industrial Master Plan 3 (2006-2020) was broadly mixed, given the adverse effect of COVID-19 on the domestic and global economy. Nonetheless, the performance of key indicators has continued to improve until 2022 as the nation moves to the endemic phase.
- Despite the positive progress in industrialisation performance over the years, the government acknowledges key challenges in future development: a marginal improvement in economic complexity, stagnant labour productivity, skills mismatch, and talent shortage.
- The report identified three megatrends that will affect the future of trade and investment globally, including Malaysia, in the coming decade: geopolitical shift-focus on economic security, digitalisation, and climate change.
- Achieving high-impact growth is highly emphasised in NIMP 2030 with top line annual growth target of 6.5% for value-added manufacturing GDP and 2.3% for employment growth. In addition, the median salary for the manufacturing sector is projected to grow 9.6% per annum, reaching RM4,510 by 2030.
- Six goals have been identified to achieve the top-line NIMP 2030 target and of highest priority is increasing economic complexity and creating high-value job opportunities among others. The goals would be guided by the NIA's five key pillars and Environmental, Social and Governance (ESG).
- Multiple action plans has been proposed to incentivise high-growth industries to expand both the quantity and complexity of the products they export while tackling challenges which include limited Research and Development (R&D) investment and reliance on low-skilled labour.
- Although the pace is still slow, the report stated that Malaysia is gradually reducing its dependence on foreign low-skilled workers to create the demand for more high-skilled jobs, enhance labor productivity and promote economic growth through the adoption of digital technologies.
- In addition to promoting and expediting the adoption of renewable energy to reduce carbon emissions, the government is also planning to stimulate the emergence of new environmentally sustainable economic sectors. Still, we believe a lot of effort and resources needed for Malaysia to be on track to achieve its zero-net emission goal by 2050.
- To tackle the issue of climate change, Malaysia is employing a multifaceted strategy that includes both structural and non-structural adaptation measures. With increased investments in green energy, there is a possibility that Malaysia can align itself with the international goal of limiting global warming to 1.5°C.
- Please see the appendices for the key highlights.

Overview

- On Sept 1, the Madani Government released the NIMP 2030, succeeding the IMP3 (2006-2020) to elevate Malaysia to be among the top global industrial players. Previous plans boosted Malaysians' living standards and greatly increased Gross National Income per person, rising 34 times from 1967 to 2019, making Malaysia one of the fastest-growing economies.
- The development of NIMP 2030 is driven by the goal of establishing a stronger industrial sector as a crucial step toward achieving socioeconomic prosperity. The master plan also represents a collaborative effort between the government and the private sector, jointly owned to leverage the collective expertise and resources. The NIMP 2030 serves to offer national strategic guidance, insights to potential investors and feature the government's role in shaping the economy.
- NIMP 2030 includes 21 Sectoral Plans as supplementary references which offer sector-specific insights. The sectors are supported by an array of services to assist in various aspects of the manufacturing process. The implementation of NIMP

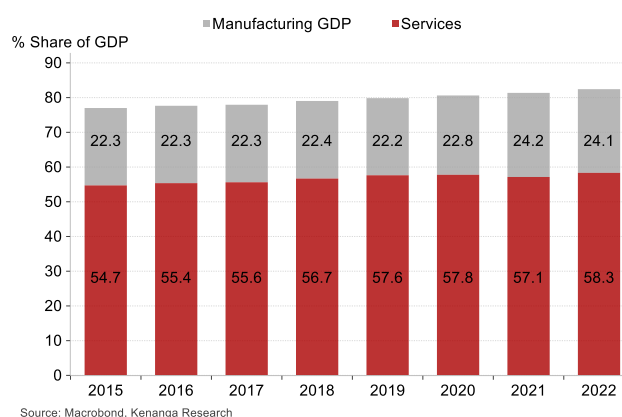
2030 is estimated to require a total investment of RM95.0b through its seven years, with the bulk of it coming from the private sector (private equity, capital and financial markets), while close to 10.0% will be allocated by the government.

- The NIMP 2030 defines distinct missions for achieving its goals with these important outlines:
 - **Ekonomi MADANI as the true north for Malaysia's economic development:** Establishing Malaysia as the economic leader of Asia by developing an economy centred on knowledge and innovation, as well as increasing the people's standard of living by putting their welfare first and achieving this through high-paying jobs, equitable opportunity, and extensive social welfare.
 - **Five key pillars with ESG as the overarching theme:** The NIMP 2030 identified six key Goals, guided by the National Investment Aspirations' (NIA) 5 key pillars that can drive economic complexity, create high value job opportunities, extend economic linkages, develop new existing cluster, improve inclusivity and enhance ESG practices. These key pillars are important strengthen the sectors' reputation and long-term sustainability.
 - **Address challenges for the nation to achieve the goals relevant to all sectors:** While there has been some advancement in the industrial and services industries over time, these are key challenges in industrialisation development in Malaysia.
 - **32 existing and upcoming policies across the Government:** In addition to a thorough stakeholder engagement process, the NIMP 2030 is in line with 32 relevant policies and roadmaps to guarantee uniformity and comprehensiveness in public policy. The successful execution of the NIMP 2030 Strategies and Action Plans across Ministries, Agencies, Government-linked Companies, and the private sector entities based on well-defined enablers and goals and objectives is contingent upon stakeholder support and alignment.
- **Though lofty, we commend the NIMP 2030 as a comprehensive and strategic plan to drive the economy towards prosperity and to optimise the true potential of Malaysia's economy through uplifting the manufacturing and services sectors.** While the government focuses on mission-based approach to drive the industry transformation, it has to be wary of the ongoing global economic uncertainty and the vagaries of geopolitics given that most missions relies heavily on international relationship along with technological and skills transfer.

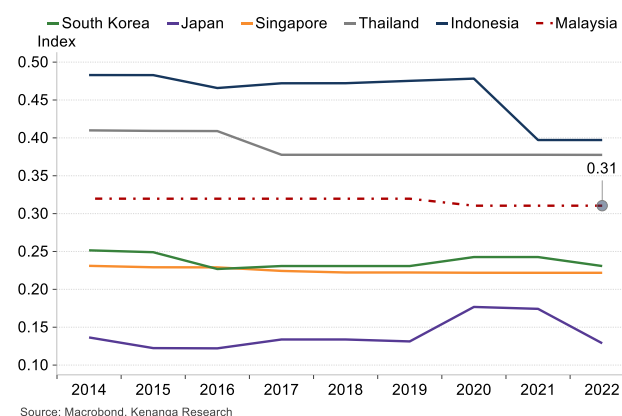
Malaysia's Industrialisation Performance

- **The overall performance of key indicators in the manufacturing and services sector in 2020 against the Industrial Master Plan 3 (IMP3) (2006 - 2020) target was broadly mixed. This was largely weighed by the impact of the COVID-19 pandemic and its movement restrictions worldwide**
 - **Manufacturing:** The share of the manufacturing sector to GDP was recorded at 22.3% in 2020, below the target of 28.5%, but its GDP value was registered at RM307.8b, far exceeding its target of RM187.6b. Nevertheless, its share of GDP and its value continue to climb in 2022.
 - **Services:** The share of non-government services to GDP stood at 48.5% in 2020, which is below the IMP3 target of 59.7%, but continued to rise to 49.1% in 2022, reflecting the impact of COVID-19 on the private services sector, which is still struggling to recover. Nevertheless, the share of government services exceeded the target (9.2% vs target: 6.8%) partly due to the record fiscal stimulus package to support the economy hit by the pandemic. Overall, the services sector reached 57.7% and 58.2% share of GDP in 2020 and 2022, respectively, versus the 66.5% target under IMP3.
 - **Private Investment:** Investment in the manufacturing sector reached RM652.4b in 2020, far exceeding the target of RM412.2b. It continues to perform well, reaching RM862.8b in 2022. However, the services sector received RM139.9b in investments in 2020, far lower than the target of RM687.7b, but it continued to improve to RM211.2b in 2022. The poor performance in the services sector could be due to higher restrictions as reflected in the OECD STRI (refer to Graph 2), whereby Malaysia's position was relatively high compared to other countries, indicating a closed regulatory environment for trade in services.
 - **External Trade:** Both exports and total trade registered lower than the target in 2020, but exports rose sharply to RM1.55t in 2022 following the

Graph 1: Services and Manufacturing GDP



Graph 2: Services Trade Restrictiveness Index (STRI)



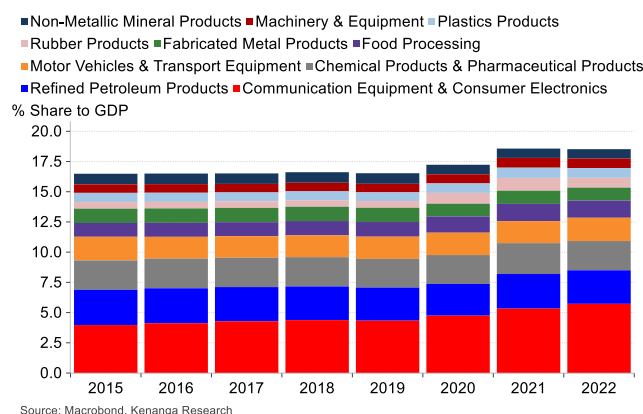
reopening of the economy globally. Despite a surge in total trade value in 2022 at RM2.48t, it is still below its target of RM2.80t under IMP3.

- **The government acknowledged key challenges could hinder the path of progress towards high level industrialisation of the manufacturing and services sectors**

- Marginal improvement in economic complexity

- Malaysia's Economic Complexity Index (ECI) has stagnated till 2020, following a dip in 2014. Meanwhile, regional peers such as Thailand and the Philippines continue to catch up, closing towards Malaysia's position. The poor performance could be partially related to the lower direct contribution of services to manufacturing value-added, which is currently lower than the OECD average and neighbouring countries. The Ministry of International Trade and Industry (MITI) believe that improving the use of manufacturing-related services will facilitate better manufacturing performance.

Graph 3: Malaysia's manufacturing GDP (Top10)



- Stagnated labour productivity

- Labour productivity growth has decreased in the past three decades and is lower than Singapore, Thailand, Philippines and Vietnam. The decline in labour productivity was attributable to the continued use of low-skilled foreign workers in the manufacturing sector and relatively low innovation performance, which is reflected in the lower score for the Global Innovation Index (2022: 38.7).

- Skills mismatch and talent shortage

- Despite the lower unemployment rate, the underemployment level has continued to rise by 6.9% annually since 2017, reflecting the inability of the labour market to absorb all higher education graduates. This was further exacerbated by talent shortages, notably lower graduates in science, technology, engineering and mathematics (STEM), migration of local talents abroad, and the difficulty in hiring skilled foreign workers.

- Increased reliance on re-exports as an export growth driver

- The share of domestic exports to total exports has declined continuously since 2011, driven mainly by a higher proportion of re-exports. This is reflected in the decline in the share of domestic exports, which fell to 65.0% in 2022 from its peak in 2011 (93.0%). As a result, exports share to GDP has continued to fall throughout the IMP3 period as rising exports were also facilitated by increased imports.

- Low utilisation of free trade agreements (FTAs) by local companies

- According to MITI, total FTA utilisation has declined since COVID-19 and is yet to recover. However, the oldest FTAs recorded higher utilisation than other FTAs, particularly the recent agreements such as the AHKFTA and RCEP. Nevertheless, modern FTAs go beyond tariff liberalisation, which typically includes other components such as trade and investment facilitation, services liberalisation, competition policy, government procurement, and intellectual property protection.

- Marginal improvement in product and market diversification

- Product diversification, including new and more complex products, is critical to expand exports to reduce vulnerability to external shocks that could significantly impact Malaysia's exports. Previously, Malaysia's export concentration index has increased since 2008 and accelerated since 2016, but it fell slightly in 2021.

- Increasing use of non-tariff measures (NTM)

- NTM often serve a legitimate purpose for valid concerns such as food safety and environmental protection. Nevertheless, it can create unnecessary and burdensome regulations hindering trade and raising trade costs. For a record, Malaysia issued up to 713 NTMs for over 5,000 products, mainly Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT), totalling 82.9% of the NTMs in the country.

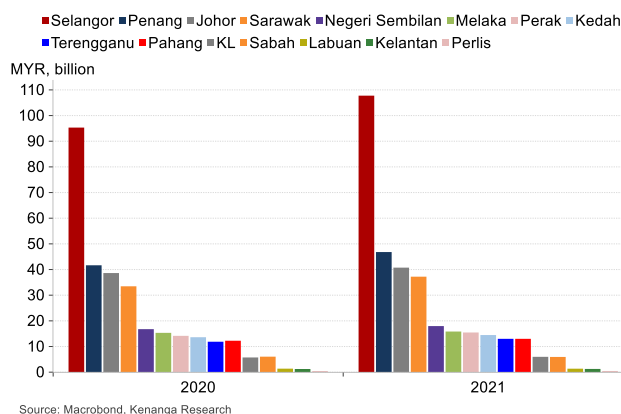
- Competition in FDIs hampering Malaysia's participation in the Global Value Chain (GVC) and downward Domestic Direct Investment (DDI) trend

- The intensity of neighbouring countries in attracting FDI has left Malaysia behind. Indonesia, Vietnam, Thailand and the Philippines outperformed Malaysia in terms of FDI inflows in 2021. This was further exacerbated by a downtrend in DDI since 2017, which requires a strategic measure to facilitate it.

- Disparities in manufacturing activities across States hamper inclusive growth

- The manufacturing sector is predominantly contributed by several states, namely Selangor, Johor, Sarawak and Penang. The manufacturing sector development is unevenly distributed, with Kelantan, Perlis and Sabah contributing the least to manufacturing value-added.

Graph 4: Manufacturing GDP by States



- Limited GVC participation and financing in micro, small and medium enterprises (MSMEs) development

- Malaysia's MSMEs failed to achieve the export target set out in the SME Masterplan by SME Corp. Contribution to overall exports fell to 13.5% in 2020 from 18.6% recorded in 2016. This is far lower than the target of 23.0% under the SME Masterplan, partly also due to the impact of COVID-19 during the period. MITI is also aware that the development of MSMEs is further hampered by various challenges, including financing, insufficient cash flow, high cost of doing business, digitalisation and e-commerce adoption and inadequate financing for exports.

- Insufficient financing for new growth ventures

- The existing traditional financing method from banks may not sufficiently meet the diverse needs of innovation and new growth ventures given the uncertainty of revenue streams and limited tangible assets for collaterals.

- Need to improve on ease of doing business

- Despite an improvement in the World Competitiveness Ranking in 2023 (27th; 2022: 32nd), regional peers such as Thailand and Indonesia are closing the gap. According to the Institute for Management Development (IMD), regulatory reforms for ease of doing business at the national and sub-national levels are among the critical challenges for Malaysia in order to become a more competitive economy.

- **Realising a significant global trend that will influence Malaysia's development in the coming decade, MITI identified three megatrends that will affect the future of trade and investment globally, including Malaysia**

- Geopolitical shifts-focus on economic security

- Multiple threats ranging from the uneven recovery post-COVID-19 to climate change and rising geopolitical tensions between countries have led countries to build resiliency, shifting focus from economic efficiency to economic security. ASEAN and Malaysia particularly stand to gain from these developments due to their strategic location, track record on industrial development and investment management, and relatively stable macroeconomics and politics. MITI believe Malaysia and its ASEAN neighbours should push for greater vertical integration across value chains, especially in semiconductors, clean energy, critical minerals and other sectors of strategic importance, as well as building regional strength and complementing one another.

- Digitalisation

- Digitalisation boosts companies' resilience to shocks by safeguarding labour productivity and employment during challenging times while creating value and spurring innovation. This was reflected during the COVID-19 pandemic when employees of companies were forced to work from home. The digital economy has grown faster than the GDP growth between 2015 and 2018, at 8.0% per annum compared to 5.0% of GDP growth. The internet economy is expected to create an annual economic value of RM257.2b (USD61.3b) by 2030 from USD11.4b recorded in 2020.

- Climate Change and ESG requirements

- Climate change has increased two types of risk for companies globally: physical risk and transition risk, which both raise the management costs for companies and potentially lower labour productivity by 25.0% by 2045. Additionally, investors are progressively considering ESG in their investment decisions as ESG compliance has become critical amid rising climate risks.

Goals and Targets

- **The NIMP 2030 main goal is to achieve high-impact growth for Malaysia, with the aim to contribute to the national manufacturing top-line target**

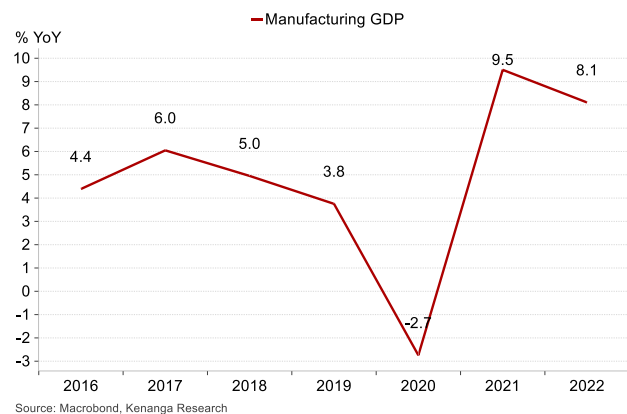
- **Value-added (GDP)** - Manufacturing GDP is expected to grow at a rate of 6.5% from 2022, reaching RM587.5b by 2030, which reflects a 61.0% increase from the current GDP level. This will be driven by high-impact and emerging

sectors such as chemical, electrical and electronic (E&E), electric vehicle (EV), aerospace, pharmaceutical and advanced materials.

- **Employment** - It is expected to grow at a rate of 2.3% from 2022, in line with the historical growth rate, providing 3.3m high-skilled jobs to the people by 2030 with greater use of automation and technological advancements.
- **Median salary** - Expected to grow by 9.6%, reaching RM4,510 by 2030, which is an increase of approximately 128.0% from 2021 level, contributed by the shift of the industry towards high-value-added activities and high-skilled jobs.
- **To achieve the top-line target set under NIMP 2030, six key goals have been identified, guided by the NIA's five key pillars and ESG theme**

- Increase economic complexity - through building industrial capabilities to move up the value chain and fostering research, development, commercialisation and innovation ecosystem.
- Create high-value job opportunities - by attracting high-quality investments from emerging industries, building a good education base, upskilling and reskilling through STEM and TVET education streams, progressive wage and inclusive workforce policies, and entrepreneurship opportunities.
- Extend domestic linkages - developing Malaysia's value chain for domestic industries, suppliers and service providers to foster collaboration, knowledge-sharing and innovation.
- Develop new and existing clusters - develop new clusters in emerging sectors while strengthening existing clusters to enhance specialisation and competitiveness.
- Improve inclusivity - promoting policies and programmes that address social and economic disparities, such as gender equality, supporting marginalised communities and empowering Bumiputera participation.
- Enhance ESG practices - within industries to mitigate environmental impacts, promote social well-being and enhance long-term resilience.

Graph 5: Manufacturing GDP Growth

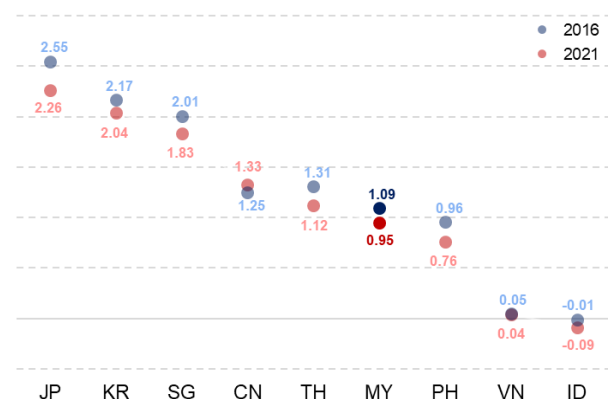


Mission-based Approach

- **Advance economic complexity:** To support industries in advancing their positions in the value chain, building a robust ecosystem, decreasing reliance on external supply chains, and conducting focused research and development in key sectors. This effort aims to bring about significant results by diversifying the economy, enhancing global competitiveness through the export of more complex products, and increasing income and wages.

- The government has introduced 15 action plans, spanning from supporting local champions to becoming a global player in the integrated circuit (IC) design space, creating a comprehensive ecosystem for high-value added activities, and revitalising the "Made in Malaysia" branding. These initiatives are aimed at expanding Malaysia into an advanced and high-value manufacturing hub and elevate the country's position in the ECI ranking.
- According to the Atlas of Economic Complexity, Malaysia slipped to the 28th rank in 2021, down from its 25th position in 2016. Countries enhance their ECI by expanding both the quantity and complexity of the products they effectively export. The complexity of a country's exports serves as a reliable indicator of its existing income levels and serves as a suitable proxy for measuring economic development. When a country's export complexity surpasses its income levels, rapid growth is likely to follow (2021, FGV report).
- The government's objective is to further reinforce Malaysia's position as a leading hub in the E&E industry. This will be achieved by providing support to local IC design and wafer fabrication companies, establishing local production facilities for mid-tier (28-40 nanometre) wafer fabrication, and emphasising the goal of becoming a net exporter in speciality

Graph 6: Economic Complexity Index (ECI)

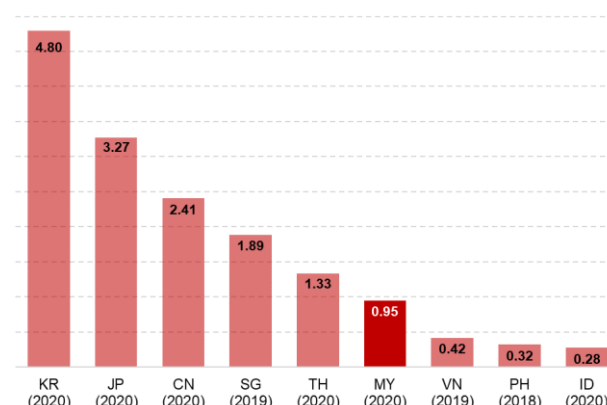


Source: The Growth Lab at Harvard University, The Atlas of Economic Complexity, Kenanga Research

chemicals. Additionally, the government aims to nurture champions in four game changing advanced materials, all of which are expected to enhance the country's ECI ranking by 2030.

- To note, based on the Product Complexity Index in 2021, the most sophisticated products belong to the electronics and chemicals categories (e.g. photographic plates and film, wafers, and silicones), while the least complex products primarily consist of raw commodities (e.g. tin and cobalt ores, and cocoa beans).
- It is crucial for Malaysia to invest in both talent and infrastructure to further diversify its product range and enhance its overall complexity. Efforts must be made to attract and retain a high-skilled workforce while ensuring that labour compensation aligns with productivity levels. Additionally, as digital platforms play an increasingly vital role in sharing knowledge and information efficiently, there should be a strong focus on **upgrading Malaysia's virtual and digital infrastructure. This may involve integrating big data analytics and blockchain technology into national databases, expanding the use of AI, and improving broadband connectivity.** Effective coordination and collaboration between the public and private sectors are essential to achieving these objectives and realising Malaysia's aspirations for higher income levels.
- One of the constraints hindering the enhancement of Malaysia's product complexity is the inadequate investment in R&D activities. In 2020, domestic spending on R&D accounted for only 0.95% (2030 target: 3.5%) of the GDP. Malaysia is losing ground, as evidenced by the electric laser industry, which highlights that manufacturers are facing challenges in competing due to the absence of R&D efforts that could set their products apart. Currently, manufacturers seem to rely solely on the strategy of substituting some components with those made in China (as reported in 2014 by the Economic Planning Unit). To elevate Malaysia's complexity, there is a need to diversify into more intricate products with Product Complexity Index (PCI) values exceeding Malaysia's current ECI of +0.95. Examples of such products include lasers (+1.76) and welding (+1.51) machines. Government funding for R&D should be channelled through the industry, or universities should collaborate with the industry in conducting R&D efforts.

Graph 7: Research and Development Expenditure (% Share of GDP)



Source: UNESCO Institute for Statistics, Kenanga Research

- **Tech-up for a digitally vibrant nation:** To accelerate digitalisation and integration to bolster the manufacturing industry, and transition from being a technology provider to a technology creator by nurturing local talent and fostering disruptive ideas. This mission aims to promote economic complexity, create the demand for more high-skilled jobs, and form new industry clusters.
 - It is worth highlighting one of the government's action plans, which involves the introduction of a multi-tiered levy mechanism for low-skilled labour to expedite the adoption of automation. The government is in the process of planning a gradual reduction in dependence on foreign low-skilled workers while promoting automation. This mechanism will involve the phased **implementation of higher levy charges on companies and sectors that heavily employ foreign low-skilled labour. The aim is to encourage the industry to decrease its reliance on low-skilled labour, thereby creating a demand for high-skilled workers.**
 - We believe that the government's efforts in this regard are commendable as the transition to a high-income economy necessitates a significant shift away from labour-intensive business models towards those primarily driven by productivity improvements, technological advancements, and advanced technical expertise (i.e. high-skilled workers). The ready availability of low-skilled workers at a low cost creates substantial distortions that discourage firms from undergoing transformation. Malaysia's reliance on low-skilled foreign labour also adversely affects its image as a labour-intensive, low-cost destination for foreign investors. Hence, we reckon that this mechanism will contribute to an increase in labour productivity, which, in turn, will foster economic growth.
- **Push for net-zero:** To reduce carbon emissions in industries to reach net zero goal by implementing energy efficiency and waste management measures, adopting renewable energy and technology, and establishing strong regulatory frameworks.
 - On top of adopting and accelerate the availability and accessibility of renewable energy to reduce carbon emissions and achieve long-term cost savings, the government has outlined plans to catalyse the development of new green growth sectors. As part of this action plan, the government intends to boost the adoption of EVs to expedite the decarbonisation of Malaysia's transportation sector. Simultaneously, it aims to foster the growth of carbon capture, utilisation, and storage (CCUS) as a new potential solution to carbon management.
 - According to Petronas, Malaysia has sufficient fields that are already identified for safe carbon storage to cater for domestic and regional emissions and the Malaysian Petroleum Management has identified an estimated 46.0t cubic feet of potential carbon storage capacity across 16 depleted fields which surpasses Malaysia's forecast of upstream

CO2 emissions. These spent assets boast enough pore space to store all of the nation's future emissions and then some (2022, Journal of Petroleum Technology). We believe that the government's efforts to deploy CCUS as a carbon management solution on a large scale are imperative in meeting Malaysia's goals to become a net zero greenhouse gas emissions nation by 2050.

- **Safeguard economic security and inclusivity:** Given significant geopolitical changes and the rising threat of climate change, the country seeks to achieve several goals, (1) establish a robust supply chain, (2) promote climate-resilient development, (3) reinforce industrial clusters, and (4) encourage balanced participation by states in economic activities.
 - In an effort to mitigate the physical, supply chain, and operational risks linked to climate conditions, the government is adopting a proactive approach. This entails developing sector-specific adaptation pathways, including the implementation of substantial infrastructure projects for climate risk reduction and diversification of sources for critical resources. Additionally, the government will also undertake non-structural adaptation measures, such as investing in early warning systems and enhancing the monitoring of existing assets to identify potential vulnerabilities.
 - Based on the Climate Economics Index developed by the Swiss Re Institute, the world economy could lose more than 18.0% of current GDP by 2048 if no action on climate change is taken. The Asian economy would be 26.5% smaller while ASEAN countries could lose 37.4%. In the case of Malaysia, given its susceptibility to sea-level rise, heat stress, and limited adaptive capacity, the most severe scenario predicts a potential loss of approximately 46.2% of GDP by 2048. Nevertheless, with increased investments in green energy, CCUS efforts, climate R&D spending, resource security measures, and effective government initiatives, there is hope that Malaysia can align itself with the international goal of limiting global warming to 1.5°C and thereby minimise the physical impacts of climate change. However, this can only be achieved with an unflinching political will along with enormous amount of effort and resources.

Table 1: Mid-century GDP changes (%) with different temperature rises and economic impact severity

Temperature path	Well below 2.0°C (Paris target)			2.0°C increase (The likely range of			2.6°C increase global temperature gains)			3.2°C increase (Severe case)		
	X	x5	x10	X	x5	x10	X	x5	x10	X	x5	x10
Severity of (un)known unknowns	X	x5	x10	X	x5	x10	X	x5	x10	X	x5	x10
World	-0.5	-2.2	-4.2	-1.3	-5.7	-11.0	-1.7	-7.2	-13.9	-2.2	-9.4	-18.1
Singapore	-1.0	-2.7	-4.9	-2.9	-10.6	-20.2	-5.0	-18.6	-35.6	-6.1	-23.9	-46.4
Malaysia	-1.2	-2.8	-4.8	-4.0	-12.3	-22.3	-6.8	-20.1	-36.3	-7.8	-25.2	-46.2
Philippines	-1.3	-3.1	-5.4	-3.5	-11.8	-21.6	-5.8	-19.5	-35.0	-6.9	-24.6	-43.9
Thailand	-1.2	-2.9	-4.9	-3.0	-10.4	-19.5	-4.9	-17.8	-33.7	-6.0	-22.9	-43.6
Indonesia	-0.6	-2.1	-4.0	-2.0	-8.5	-16.7	-3.4	-15.4	-30.2	-4.4	-20.0	-39.5

Source: Swiss Re Institute, Kenanga Research

Note: Temperature increases are from pre-industrial times to mid-century. Multiplicative factors (x5 and x10) for potentially increased severity of (un)known unknowns.

Appendix 1: Sectors Covered in NIMP 2030

Sectors	Industry	Relevant Sector-specific Policies
Priority Sectors	<ol style="list-style-type: none"> 1. Aerospace 2. Chemical 3. Electrical and Electronics (E&E) 4. Pharmaceutical 5. Medical Devices 	<ol style="list-style-type: none"> 1. Aerospace Industry Blueprint 2010 2. Chemical Industry Roadmap 2030 3. Malaysia Plastics Sustainability Roadmap 2021-2030 4. E&E Roadmap 2021-2030 5. Malaysian National Medicines Policy
Sectors	<ol style="list-style-type: none"> 6. Digital and Information and Communication Technology (ICT) 7. Automotive 8. Food Processing 9. Global Services and Professional Services 10. Halal 11. Machinery and Equipment (M&E) 12. Manufacturing-Related Services 13. Metal 14. Mineral 15. Palm Oil-based Products 16. Petroleum Products and Petrochemicals 17. Rail 18. Rubber-based Products 19. Shipbuilding and Ship Repair (SBSR) 20. Textile, Apparel and Footwear 21. Wood, Paper and Furniture 	<ol style="list-style-type: none"> 6. Industry4WRD: National Policy on Industry 4.0 7. Malaysia Digital Economy Blueprint 8. Malaysia National Artificial Intelligence Roadmap 9. National Automotive Policy 2020 10. National Agrofood Policy 2.0 2021-2030 11. Halal Industry Master Plan 2030 12. Foresight Study on the Iron and Steel Industry 13. National Mineral Policy 14. National Mineral Industry Transformation Plan 2021-2030 15. National Advanced Materials Technology Roadmap 16. National Agri-commodity Policy 2021-2030 17. Malaysian Rail Supporting Industry Roadmap 2030 18. National Timber Industry Strategic Plan 2021-2025

Source: MITI NIMP 2030, Kenanga Research

Appendix 2: Key Macro Targets for NIMP 2030

Targets	Baseline (2005)	Target (2020)	Realised 2020	Realised 2022
GDP Value of manufacturing sector	RM149.7b (based on constant 2005 prices)	RM187.6b (based on 1987 real prices)	RM307.8b (based on constant 2015 prices)	RM364.5b (based on constant 2015 prices)
Share of manufacturing sector (% of GDP)	31.4%	28.5%	22.3%	24.2%
Share of non-Government services (% of GDP)	50.5%	59.7 %	48.5%	49.1%
Share of Government services (% of GDP)	7.6%	6.8%	9.2%	9.1%
Implemented private Investments (cumulative)	Total: RM464.5b	Manufacturing: RM412.2b Services: RM687.7b	Manufacturing: RM652.4b Services: RM139.9 b	Manufacturing: RM862.8b Services: RM211.2b
External Trade	Exports: RM533.8b Total trade: RM967.8b	Exports: RM1.4t Total trade: RM2.8t	Exports: RM980.99b Total trade: RM1.77t	Exports: RM1.55t Total trade: RM2.48t

Source: MITI NIMP 2030, Kenanga Research

Appendix 3: NIMP 2030 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 totals 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' 	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: MITI NIMP 2030, Kenanga Research

Appendix 4: Overall NIMP 2030 Framework

Vision	Our vision for Malaysia is to have: <ul style="list-style-type: none"> ◆ Competitive industry with high economic complexity ◆ High income and skilled workforce ◆ Strong domestic linkages 	
Goals	Increase economic complexity Create high-value job opportunities Extend domestic linkages	
Missions	MISSION 1 Advance economic complexity	MISSION 2 Tech up for a digitally vibrant nation
Strategies and action plans <i>21 Strategies 62 Action Plans</i>	<p>1.1 Expand to high value-added activities of the value chains</p> <p>1.1.1 Create global IC design champions from Malaysia</p> <p>1.1.2 Attract global leader to establish wafer fabrication in Malaysia</p> <p>1.1.3 Shift from basic to specialty chemical</p> <p>1.1.4 Build Malaysian champions for game changing advanced materials</p> <p>1.1.5 Identify high value-added opportunities in the aerospace, pharmaceutical and medical devices sectors</p> <p>1.2 Develop entire ecosystem to support the high value-added activities</p> <p>1.2.1 Build strong local SMEs in manufacturing and related services to support the industry champions</p> <p>1.2.2 Integrate value chains between:</p> <ul style="list-style-type: none"> • M&E and Medical Devices • Semiconductor and EV • Chemical and Pharmaceutical <p>1.3 Establish cooperative 'vertical integration' for global value chain</p> <p>1.3.1 Leverage alliance with ASEAN countries to integrate the semiconductor, advanced materials and clean energy value chain</p> <p>1.3.2 Develop vertical integration programmes through IndustryConnect conferences</p> <p>1.4 Foster Research, Development, Commercialisation and Innovation (RDCI) ecosystem</p> <p>1.4.1 Assign specific topics and KPIs to universities for industrial-linked R&D</p> <p>1.4.2 Digitalise IP application and launch enhanced National IP Policy</p> <p>1.5 Increase manufacturing exports</p> <p>1.5.1 Implement national trade advocacy campaign to increase industry utilisation of FTAs</p> <p>1.5.2 Rejuvenate "Made in Malaysia" branding</p> <p>1.5.3 Address trade restrictive non-tariff measures (NTMs) and compliance of standards</p> <p>1.5.4 Update FTA based on geopolitical conditions</p>	<p>2.1 Accelerate technology adoption</p> <p>2.1.1 Enhance Industry4WRD programmes to increase technology adoption</p> <p>2.1.2 Accelerate digital infrastructure rollout (JENDELA)</p> <p>2.2 Shift away from low-skilled labour model</p> <p>2.2.1 Introduce multi-tiered levy mechanism for low- skilled labour to accelerate automation</p> <p>2.2.2 Introduce automation condition in new Manufacturing Licence</p> <p>2.3 Spur technology innovation</p> <p>2.3.1 Nurture local technology solution providers to support Technology Adoption Programme</p> <p>2.3.2 Develop generative and industrial AI solution leaders and system integrators</p> <p>2.3.3 Drive data analytics through a national digital platform for manufacturing</p> <p>2.4 Accelerate government digitalisation and integration</p> <p>2.4.1 Digitalise end-to-end government touch points across business life cycle</p>

5 Strategies, 15 Action Plans		4 Strategies, 8 Action Plans	
Mission-based Projects: MBP1.1 Create global IC design champions in EV, RE and AI MBP1.2 Attract new advanced wafer fabrication in Malaysia MBP1.3 Deepen to specialty chemical vertical MBP1.4 Groom champions in 4 game changing advanced materials		Mission-based Projects: MBP 2.1 Transform 3,000 smart factories MBP 2.2 Establish Malaysia as Generative AI Hub	
◆New and existing industry clusters		◆Balanced and inclusive participation	
◆Sustainable development			
Develop new & existing clusters		Improve inclusivity	
		Enhance ESG practices	
MISSION 3 Push for Net Zero		MISSION 4 Safeguard economic security and inclusivity	
		ENABLERS	
3.1 Accelerate transition towards sustainable practices 3.1.1 Develop sectoral decarbonisation pathways to guide transition 3.1.2 Decarbonise "hard-to-abate" sectors 3.1.3 Introduce carbon policy, accounting and tax 3.1.4 Launch IESG framework and transition programmes 3.2 Transition to renewable and clean energy 3.2.1 Enhance adoption scheme for energy efficiency or renewable energy 3.2.2 Accelerate availability and accessibility of renewable energy source for the industry 3.3 Catalyse new green growth 3.3.1 Catalyse EV as a key growth driver 3.3.2 Grow carbon capture, utilisation and storage (CCUS) as a new sector 3.3.3 Develop circular economy framework for the industry 3.4 Shift towards green infrastructure 3.4.1 Accelerate transformation of industrial estates into eco-industrial parks	4.1 Develop resilient supply chain 4.1.1 Identify specific supply chain resilience strategies for critical sectors 4.1.2 Establish supply chain cooperation and collaboration through G2G and G2B programme 4.1.3 Introduce National Mineral Policy for downstream processing of critical minerals 4.2 Foster climate resilient development 4.2.1 Develop sectoral adaptation pathways 4.2.2 Foster an adaptation industry to provide adaptation products and services (including exports) 4.2.3 Instil climate resilience measures for critical economic infrastructure 4.3 Strengthen industrial clusters for regional development 4.3.1 Expand clusters for spillover regional impact 4.3.2 Align industrial development plan between Federal and States 4.4 Empower Bumiputera participation and create inclusive workforce 4.4.1 Uplift capabilities of Bumiputera companies in manufacturing via Tindakan Pembangunan Bumiputera 2030 4.4.2 Develop programme to increase women participation in high-skilled manufacturing employment	E.1 Mobilise financing ecosystem E.1.1 Introduce NIMP Industrial Development Fund and NIMP Strategic Co-Investment Fund E.1.2 Boost financing for digitalisation and decarbonisation transition E.1.3 Establish green sukuk to facilitate transition E.1.4 Establish supply chain financing for SMEs E.1.5 Increase utilisation of the capital market E.1.6 Expand the imSME platform to show all available funding options including government funding and capital market E.1.7 Review government funding for consolidation E.2 Foster talent development and attraction E.2.1 Leverage mynext and MYFutureJobs for strategic workforce planning to address long-term demand-supply requirement E.2.2 Introduce progressive wage system policy E.2.3 Improve policy to enable fast and hassle-free access to high-skilled foreign talents E.2.4 Expand TVET programmes for high-skilled jobs in critical sectors E.2.5 Raise profile of high-tech manufacturing career to attract interest in STEM subjects E3 Establish best-in-class investor journey for ease of doing business E.3.1 Establish a unified	

		<p>investment strategy and align investment evaluation to new parameters under NIA</p> <p>E.3.2 Harmonise and streamline functions and KPIs across IPA landscape</p> <p>E.3.3 Review and design competitive, agile and relevant incentives</p> <p>E.3.4 Improve One-Stop Portal for seamless investor experience</p> <p>E.4 Introduce whole-of-nation governance framework</p> <p>E.4.1 Establish public-private collaborative councils</p> <p>E.4.2 Set up NIMP 2030 Delivery Management Unit</p> <p>E.4.3 Develop NIMP 2030 dashboard system</p>
<p>4 Strategies, 10 Action Plans</p>	<p>4 Strategies, 10 Action Plans</p>	<p>4 Strategies, 19 Action Plans</p>
<p>Mission-based Projects:</p> <p>MBP 3.1 Create decarbonisation pathway role models</p> <p>MBP 3.2 Launch locally-manufactured EV</p> <p>MBP 3.3 Deploy large-scale CCUS solutions</p>		

Source: MITI NIMP 2030, Kenanga Research

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