



Socio-Economic
Research Centre
社会经济研究中心

Experian Malaysia Customers Appreciation Event

Navigating 2026 Landscape: Risks and Opportunities

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Key Points

1

No global recession in 2025, but trade policy uncertainty will continue to weigh into 2026

2

Mapping global macro challenges in 2026 and beyond

3

Strategies moving ahead for Malaysia

What's our global outlook for 2H 2025 and 2026?



GLOBAL GROWTH

We expect continued global growth slowdown in 2H 2025 and 2026 due to **the impact of ongoing tariffs and policy uncertainty, as well as geopolitical risks**. Less restrictive monetary policy and fiscal stimulus will support growth.



THE US ECONOMY

We expect a near-term slowdown in growth as consumers' front-loading purchase wanes and consumer inflation finally showing up. Nevertheless, **monetary easing, tax cuts, deregulation and strong tech investments** are expected to cushion a severe economic slowdown. Higher consumer inflation risk could limit the Fed's rate easing.



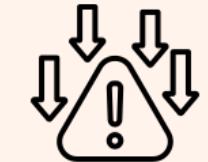
CHINA ECONOMY

We expect China's economy to slow further in 2H 2025 as the **trade tariffs impact continues and weakening consumer sentiment amid lingering risks in the property sector**.



THE FED'S ACTIONS

We expect the Fed to **pivot toward rate cuts** in 2H 2025 and 2026 to support the economy though the expected higher inflation may slow down the rate cut.



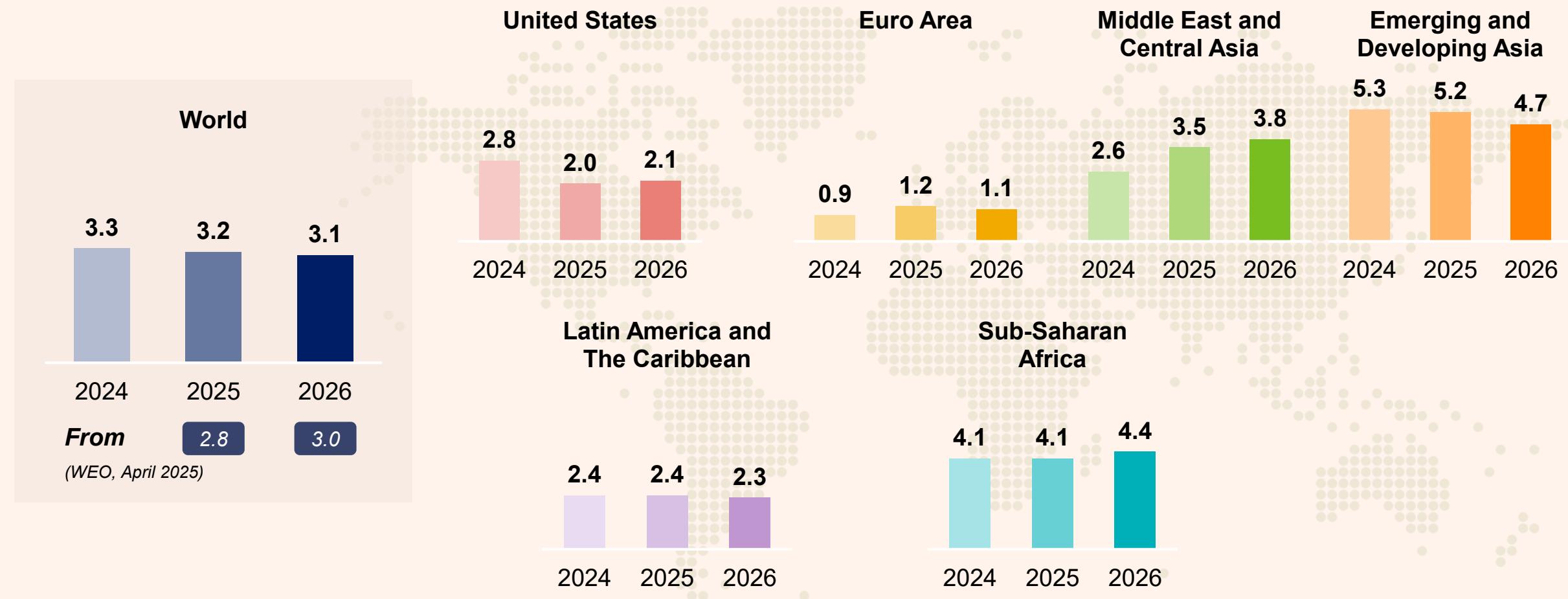
DOWNSIDE RISKS

The global outlook subjects to downside risks: **Elevated uncertainty and trade barriers as well as geopolitical conflicts**. Rising public debt and fiscal imbalances in the US may limit policy flexibility and increase sovereign risk premiums. Renewed inflationary pressures could derail plans for monetary easing.

Uneven growth trends in advanced and emerging economies

World Economic Outlook Update, July 2025

Real GDP growth, percentage change



Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.

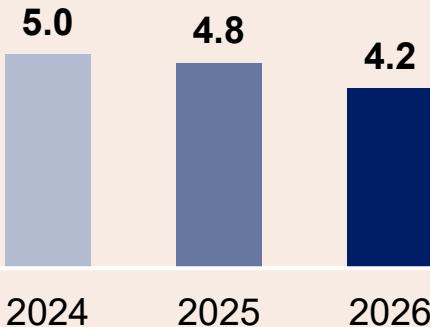
Source: International Monetary Fund (IMF)

Uneven growth trends in advanced and emerging economies (cont.)

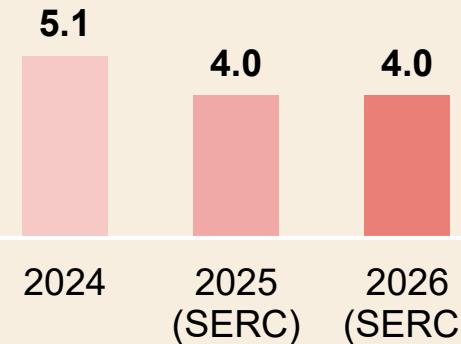
Selected Asian Countries' Economic Outlook

Real GDP growth, percentage change

China



Malaysia



Singapore



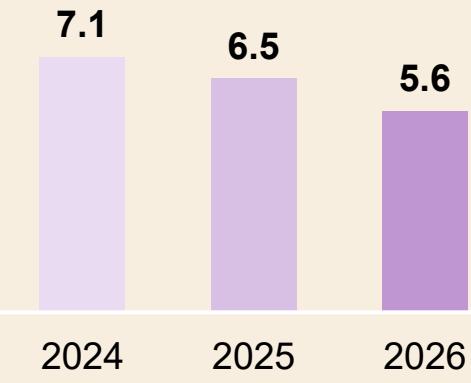
Indonesia



Thailand



Vietnam



Philippines



Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.

Source: International Monetary Fund (IMF)

Macro challenges for which investors and companies should prepare



PERSISTENT POLICY UNCERTAINTY

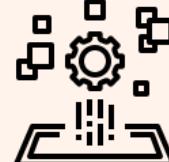
Disruptions in trade, rising policy uncertainty, accelerating technological change, resources shift, and growing fragmentation signal a shift to a new economic environment.



NAVIGATING POWER SHIFTS

The US–China rivalry has deepened, the Ukraine–Russia war, and the Israel–Palestine conflict.

Economic blocs are experiencing significant shifts driven by factors like geopolitical tensions, geopolitical allies, technological advancements, and evolving national economic priorities — supply chains security.



TECHNOLOGICAL & DIGITAL REVOLUTION

Increasingly powered by technology advancements in AI, big data, cloud technology, blockchain, cybersecurity, robotics and mechatronic as well as innovation.



CLIMATE EMERGENCY

Climate change poses serious environmental and economic risks. These risks can affect business operations, supply chains and financial markets.



HEIGHTENED CYBER RISKS

In the digital age, heightened cyber security risks pose a significant challenge. The increasing use of advanced technologies such as 5G, AI and Web 3.0 increases the threat of cyber attacks.

Adapting to uncertainty, ASEAN at the crossroads

World Trade Policy Uncertainty Index



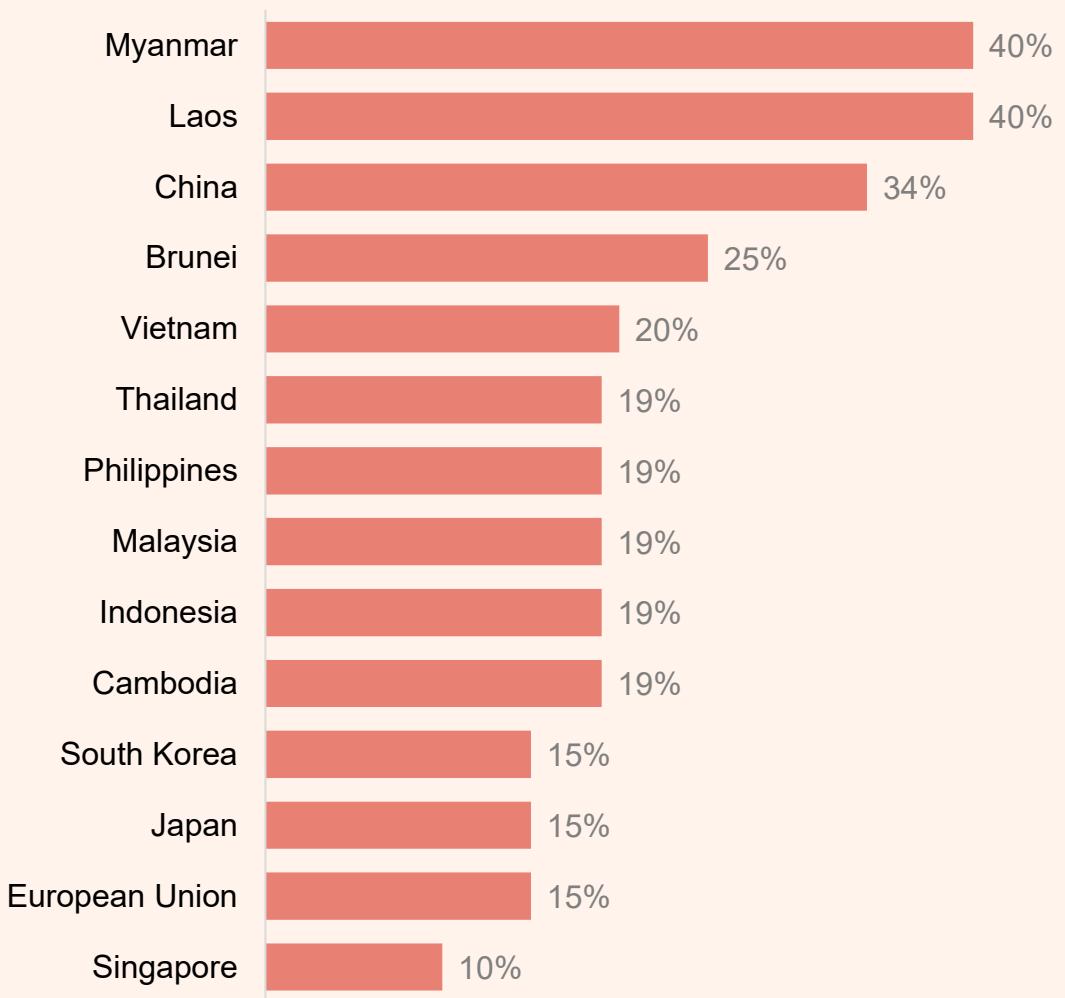
Source: Economic Policy Uncertainty

Top 5 High-Risk Disruptions in Global Economy

- 1 Trade and global value chains (e.g. US tariff)
- 2 Global economic institutions (e.g. WTO vs. protectionism)
- 3 Innovation, technology and data (e.g. Gen AI)
- 4 Natural resources, energy and environment (e.g. extreme weather)
- 5 Financial markets and monetary policy (e.g. market vulnerability)

Source: World Economic Forum, Chief Economists' Outlook (Sep 2025)

Reciprocal Tariff of Major Countries and ASEAN



Source: White House

ASEAN's response: From fragmentation to integration

Risks = Opportunities through Collaboration

Together, we identify risks

Risks

- 1 Trade and global value chains
- 2 Global economic institutions
- 3 Innovation, technology and data
- 4 Natural resources, energy and environment
- 5 Financial markets and monetary policy

Together, governments create opportunities

Opportunities

- Supply chain diversification ("China+1")
- Intra-ASEAN trade integration
- Leverage RCEP & trade pacts
- Unified ASEAN voice
- Joint response to protectionism
- Partnerships with like-minded blocs
- ASEAN AI/data rules
- Regional digital sandboxes
- Talent reskilling & mobility
- ASEAN green energy grid
- Climate-resilient systems
- Green finance & bonds
- Integrated digital payments
- Regional bond markets
- Stronger financial safety nets

Together, businesses innovate solutions

Innovative Products

Build common foundations:

- AI & data infrastructure
- Green energy & sustainability
- Advanced manufacturing

Achieve frontier technology:

- Structural battery composites
- Osmotic power systems
- Advanced nuclear technologies
- Engineered living therapeutics
- GLP-1s* for neurodegenerative disease

* Glucagon-like peptide-1
Source: World Economic Forum

Together, we share the benefits

ASEAN (2024)

Population
693.95 million
(8.5% of the world)

GDP
USD3.95 trillion
(3.6% of the world)

Total Trade
USD1.94 trillion
(7.9% of the world)

FDI Inflows
USD225.02 billion
(14.9% of the world)

Source: World Bank; International Monetary Fund (IMF); World Trade Organisation (WTO); UN Trade and Development (UNCTAD)

GDP Forecast (even larger than expected)

	2025F	2026F
ASEAN-5	4.2%	4.1%
World	3.2%	3.1%

F stands for forecast. ASEAN-5 includes Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
Source: International Monetary Fund (IMF)

What's our Malaysia outlook for 2H 2025 and 2026?



ECONOMIC GROWTH

Amid weakening exports weighing on domestic growth, the Malaysian economy is expected to grow by 4.0% in 2025 (4.4% in 1H), and 4.0% in 2026, underpinned by domestic demand, and continued private investment.



DOMESTIC DEMAND ANCHORS GROWTH

Positive labour market conditions, continuous wage growth, low inflation, income-related policy, and lower interest rate will support household spending.



SUSTAINED PRIVATE INVESTMENT

Investment activity will be sustained by the realisation of approved investment in 2021-2024 and progress of multi-year projects in both the private and public sectors.



THE 2026 BUDGET

The fiscal deficit is expected to narrow to 3.5% of GDP in 2026, moving towards the 3% target by 2030, underpinned by continued fiscal reforms such as the enhanced SST, e-invoicing, improved tax compliance, and subsidy rationalisation.



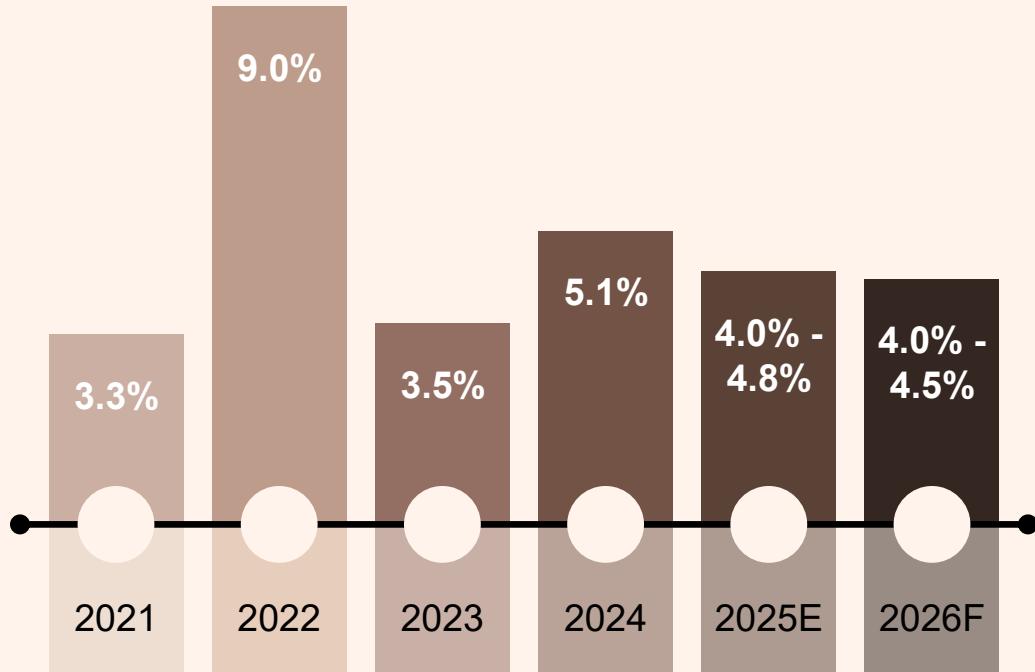
STRATEGIC CATALYSTS

The on-going implementation of catalytic initiatives and master plans: New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), National Semiconductor Strategy (NSS), and the 13th Malaysia Plan (2026-2030).

Budget 2026: Economic outlook and Fiscal position

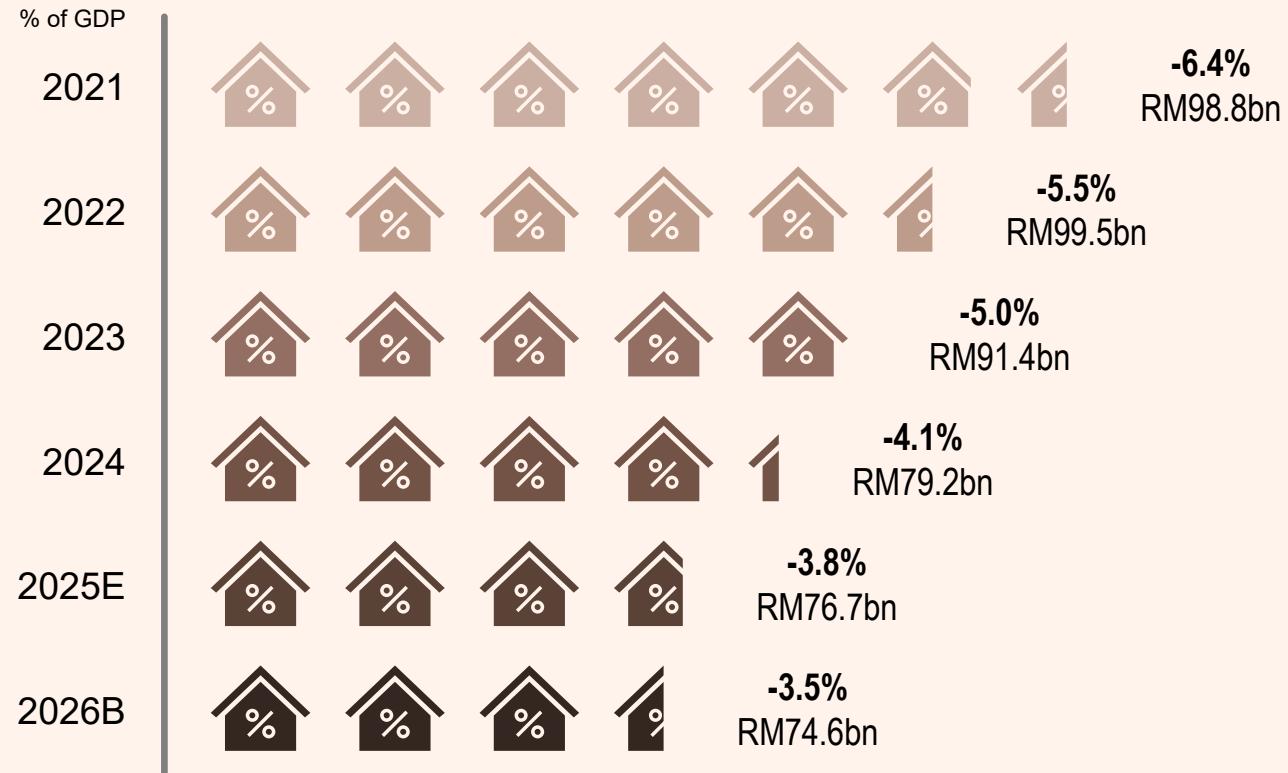
Economic Growth

Slower economic growth **4.0%-4.5%**
(point estimate at 4.1%) in 2026



Fiscal Deficit

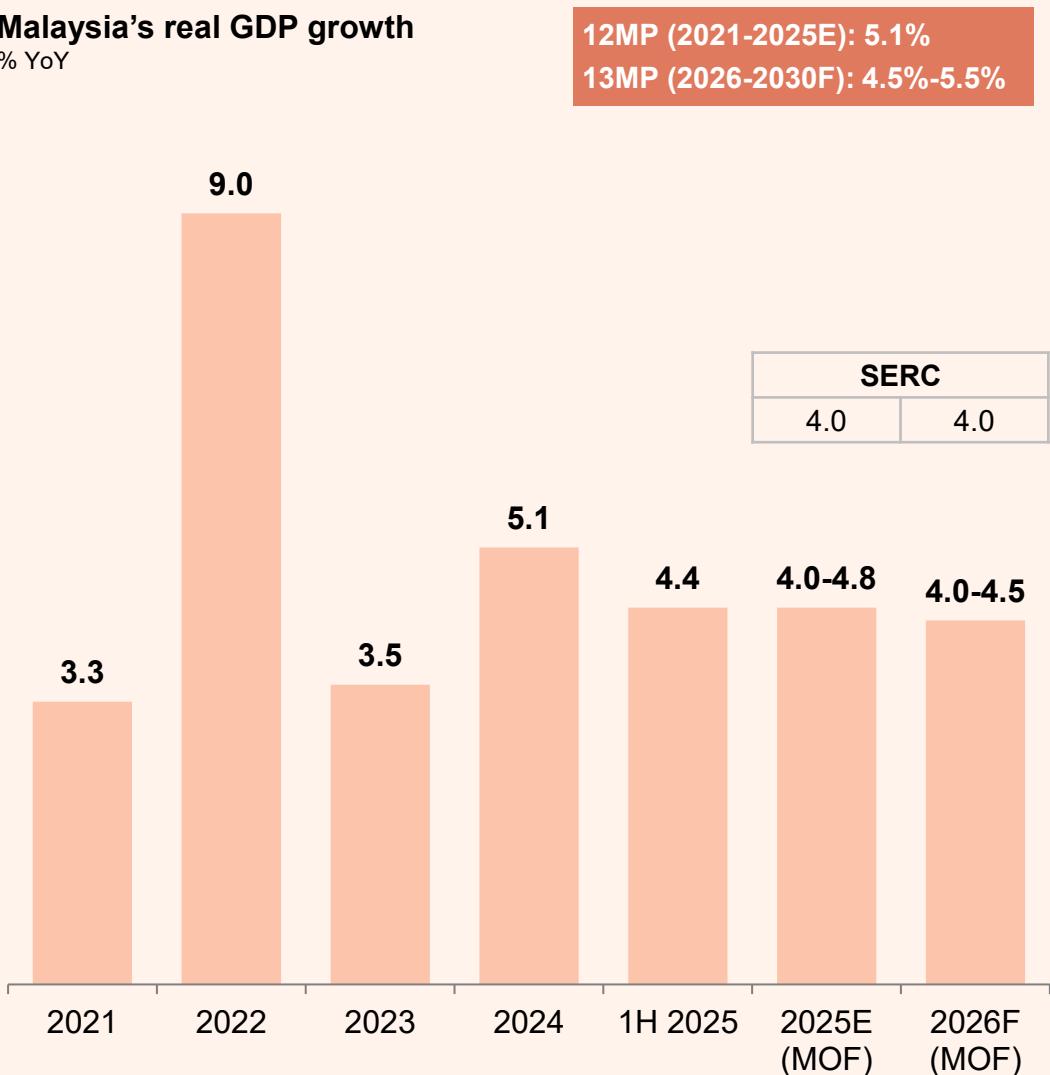
Gradual fiscal consolidation is on track
Persistent fiscal deficits for the **29th** consecutive year in 2026
amid reducing deficit ratio for the **5th** consecutive year since 2022



Source: MoF E=Estimate; F=Forecast; B=Budget Estimate

A resilient and growing economy, anchoring on domestic demand

Malaysia's real GDP growth % YoY



Supporting Drivers

- Private consumption underpinned by strong labour market conditions (unemployment rate: 3.0% in 2025; 3.0% in 2026), continued income growth (nominal wage growth of 3.2% in 1H 2025), continued cash assistance (RM15.0 billion), second phase of SSPA implementation, and Visit Malaysia 2026 (VM2026) with foreign visitors target of 47 million in 2026 vs. 43 million in 2025 (35.6 million tourist arrivals in 2026 vs. 31.3 million in 2025)
- Investment will be sustained by increased capital spending on structures and machinery and equipment in technology-intensive manufacturing and services sectors
- Realisation of multi-year projects of substantial approved investments (2023: RM329 billion; 2024: RM384 billion; 1H2025: RM118.6 billion) in the pipeline. Realisation rate of approved manufacturing projects (85.1% in 2021 to June 2025)
- Moderate inflation (1.3%-2.0% in 2026 vs. 1.0-2.0% in 2025)

Risks

External

- Heightened global uncertainties
- Unsettled trade tariffs
- Prolonged geopolitical tensions
- Weaker global growth

Internal

- Slow implementation of various master plans
- Domestic policy changes
- Weak exports negatively impact consumption, investment and economic activities

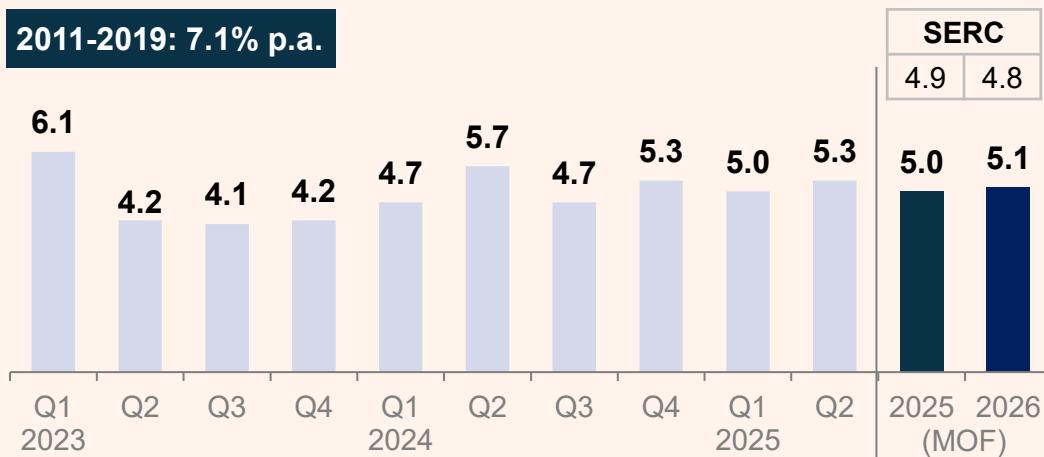
E=Estimate; F=Forecast

Source: DOSM; MoF

Households could begin to bend, but not break

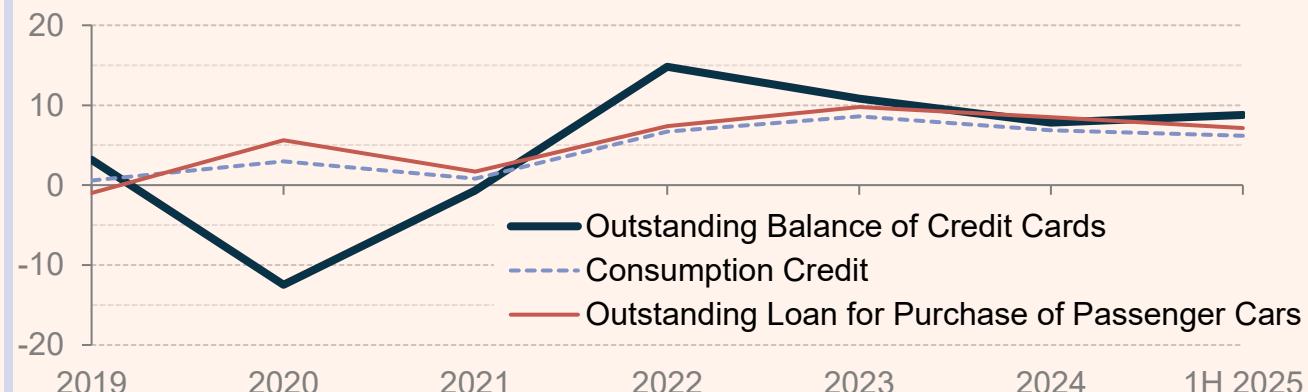
Private Consumption Growth (Annual change, %)

2011-2019: 7.1% p.a.

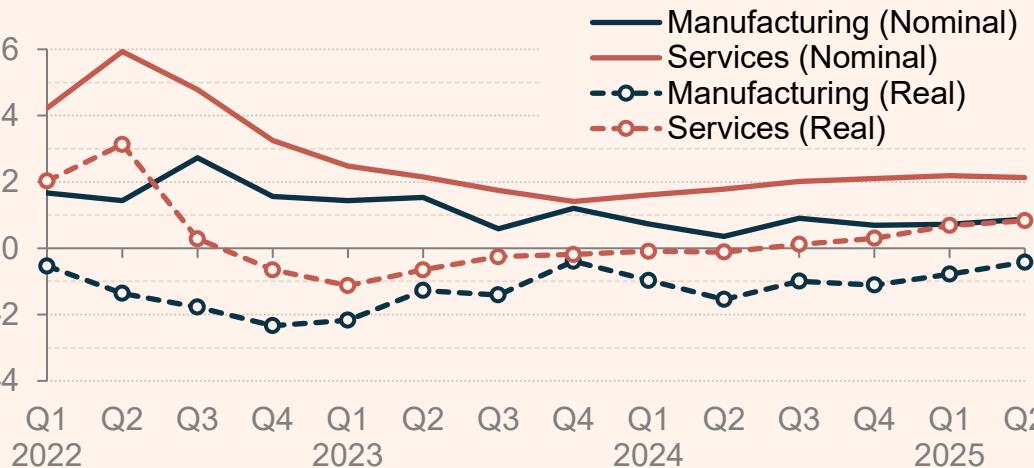


Selected Private Consumption Indicators (Annual change, %)

end-period



Real Wage Growth per Employee (Annual change, %)



Factors Supporting Household Consumption Expenditure

- Stable labour market conditions with a moderate wage growth.
- Civil servants' salary increment, continued cash handouts (RM15 billion in 2025 and 2026).
- Visit Malaysia 2026 (VM2026) aims to attract 47m visitors or 35.6m tourists, with RM329bn total receipts or 15.5% of total GDP (RM147bn tourist receipts). In Jan-Jul 2025, visitors came to Malaysia have reached 24.5 million (tourist arrivals: 15.5 million), up 16.8% yoy (10.1% yoy for tourists), staying on track to meet the 43 million visitors and 31.3 million tourists target in 2025.

Factors Weighing on Discretionary Consumer Spending

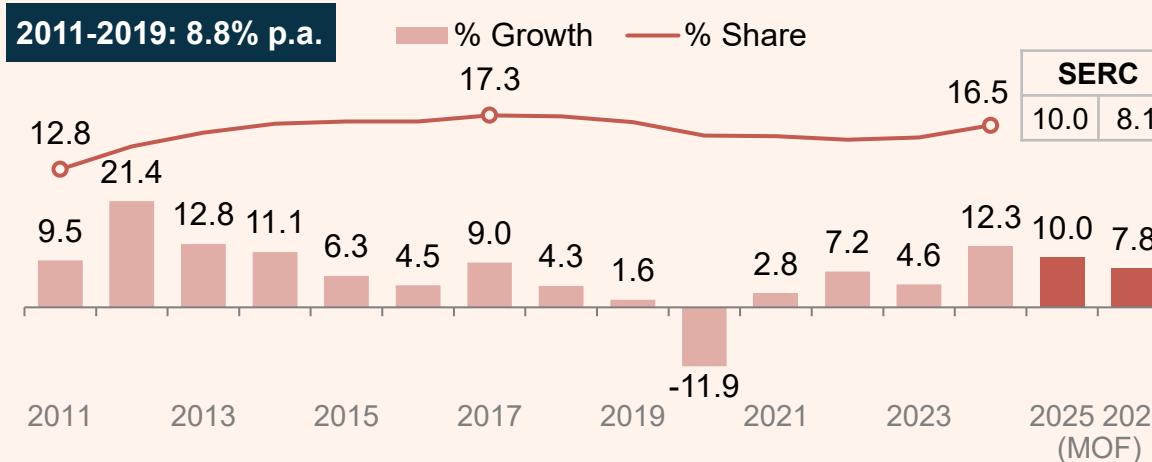
- Rising cost of living pressures.
- Negative spillover from slowing exports

Source: DOSM; BNM; SERC's forecast

Note: Revision and expansion of the loans/financing data in 2022.

Malaysia is on the cusp of a multi-year private investment growth

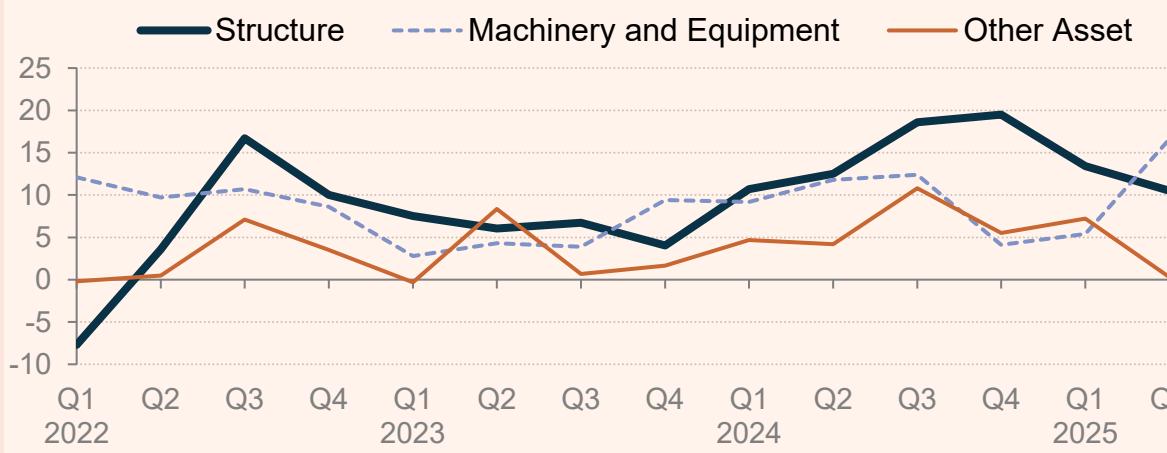
Private Investment Growth – Annually (%)



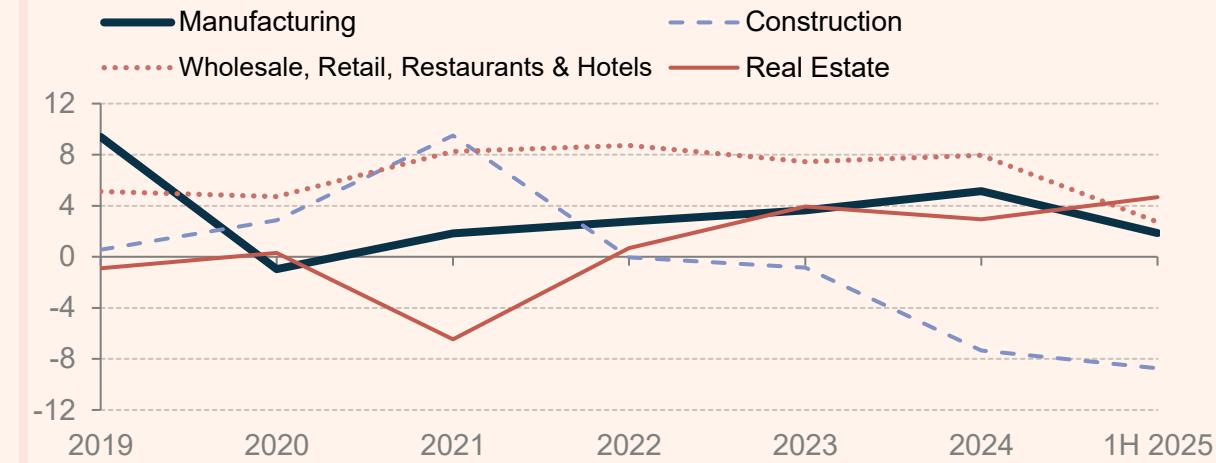
Private Investment Growth – Quarterly (Annual change, %)



Gross Fixed Capital Formation by Type of Assets (Annual change, %)



Selected Business Loans (Annual change, %)

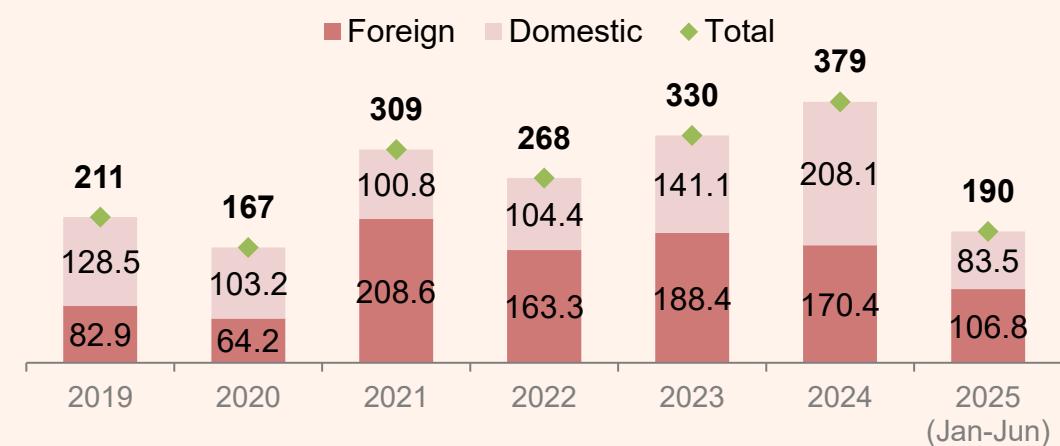


Source: DOSM; BNM; SERC's forecast

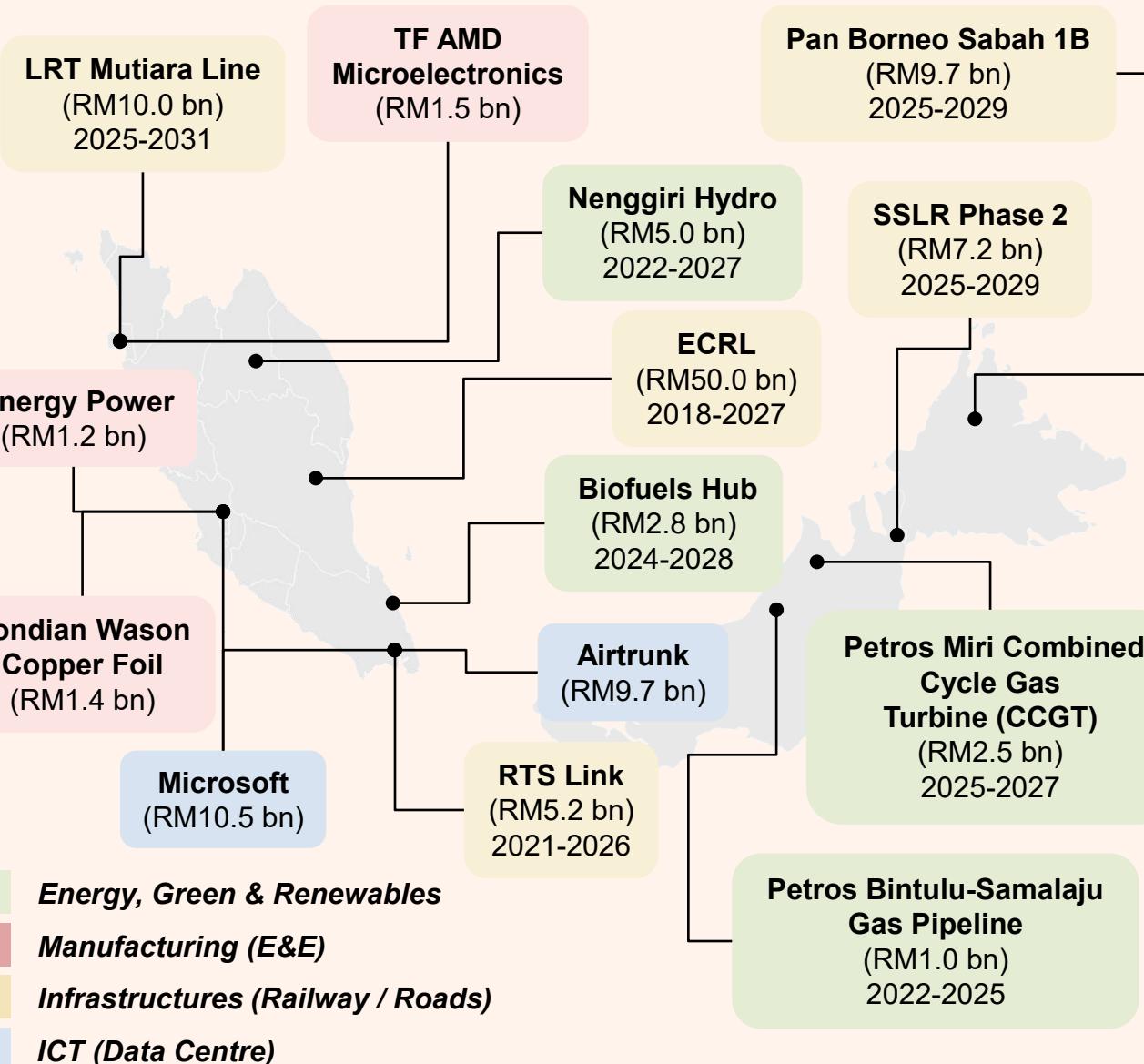
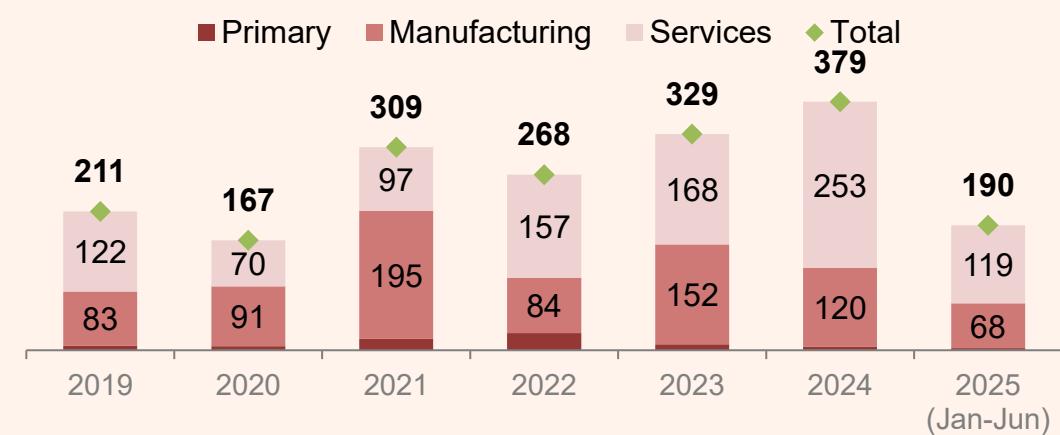
Note: Revision and expansion of the loans/financing data in 2022.

Investment is underpinned by the realisation of multi-years strong approvals

MIDA: Foreign vs Domestic Approved Investment (RM billion)



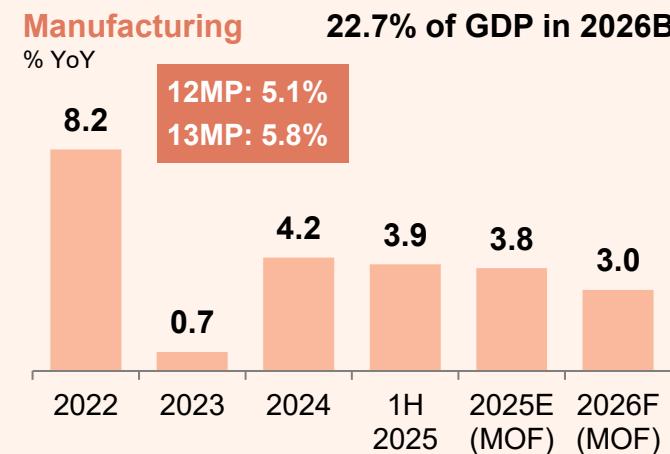
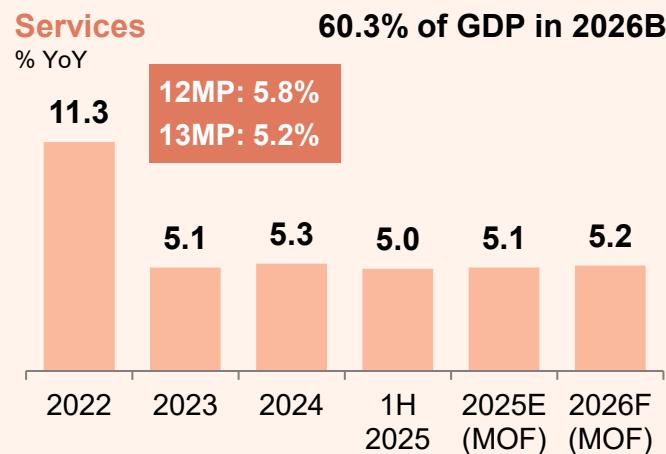
Approved Investment by Sectors (RM billion)



Source: MIDA; BNM

Continued growth in key sectors in 2026

Real GDP growth by sector (%, YoY)

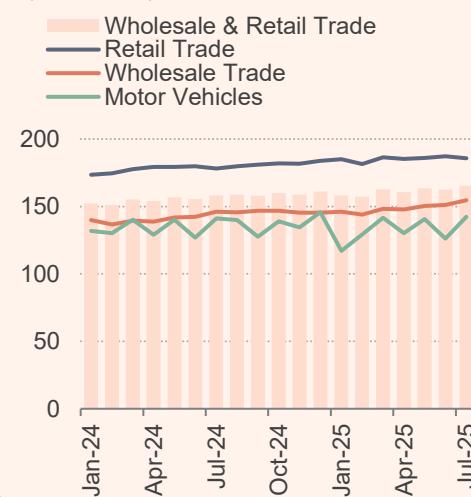


Factors:

- Increased tourism activities
- Expansion in rail, highway, port and airport activities
- Engineering-related services
- Expansion in artificial intelligence (AI) technologies, data centre and cloud computing capacities
- Numerous business and leisure events nationwide
- Malaysia Year of Medical Tourism 2026 (MYMT 2026)

Volume index of wholesale and retail trade

(2015 =100)



Factors:

- Global technology upcycle; sustained growth across semiconductor products; robust demand for AI applications and digitalisation
- Higher domestic-oriented output attributed to stable investment and consumption activities
- Food and beverages segment supported by surge in visitor arrivals and rising gastronomic activities
- Transportation-related industries benefitted from increasing logistics and travel activities

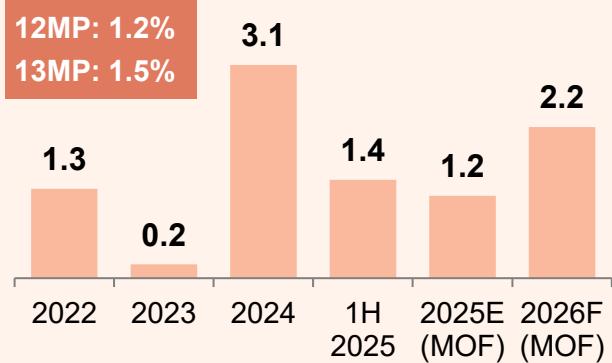
Approved manufacturing investment

Rm billion



Source: DOSM; MOF; MIDA

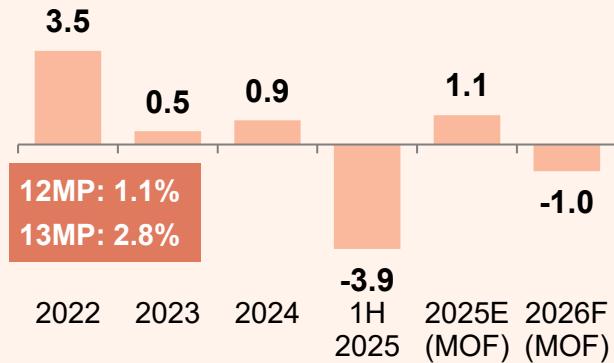
Agriculture % YoY



Factors:

- Higher crude palm oil (CPO) output attributed to increased fresh fruit bunches (FFB) and oil extraction rate (OER) – Average CPO price is projected between RM3,900 and RM4,100 per tonne (2025: RM4,000-RM4,300)
- Rebound in rubber subsector, in line with higher production from both estates and smallholdings segments
- Expansion in output of livestock, fishing and other agriculture subsectors

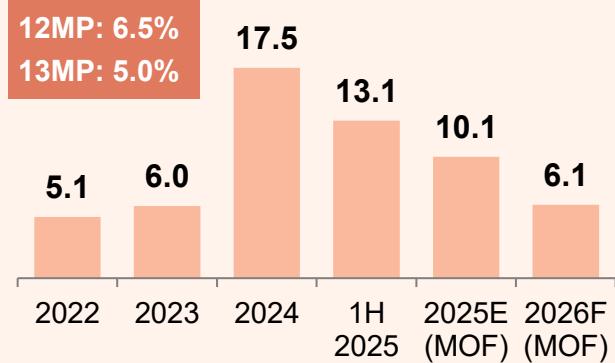
Mining & Quarrying 5.5% of GDP in 2026B % YoY



Factors:

- Lower natural gas production in Peninsular Malaysia and Sabah as well as moderating demand from major importing countries; scheduled commencement of several new projects, including Rosmari & Marjoram in Sarawak as well as Irong Timur and Kurma Manis in Terengganu
- Lower crude oil and condensate output in Sabah – Average Brent crude oil price is projected between USD60 and USD65/bbl (2025: Average USD70/bbl)

Construction % YoY



Factors:

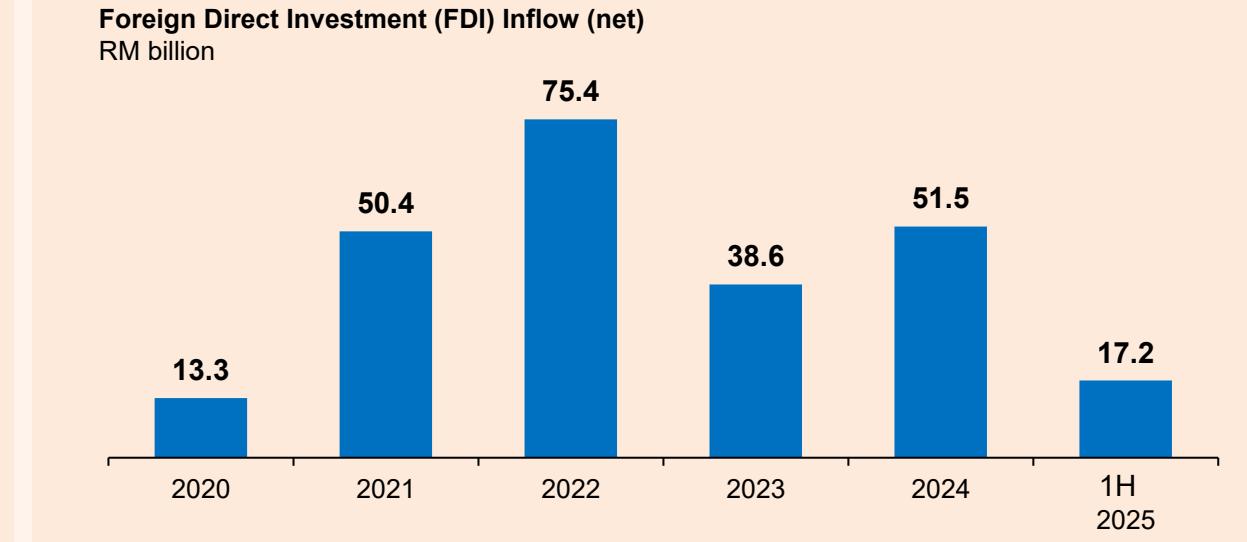
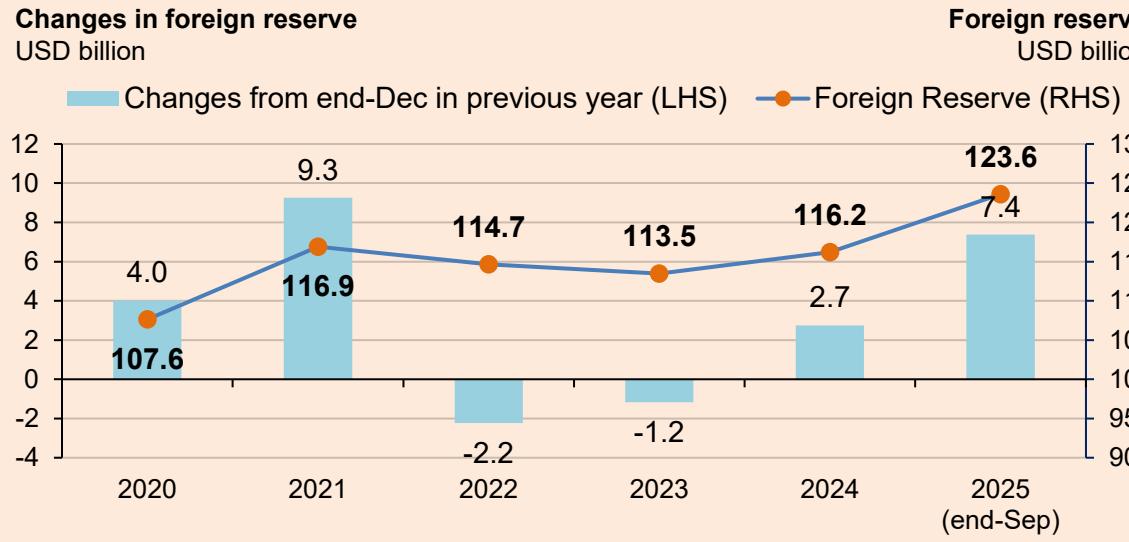
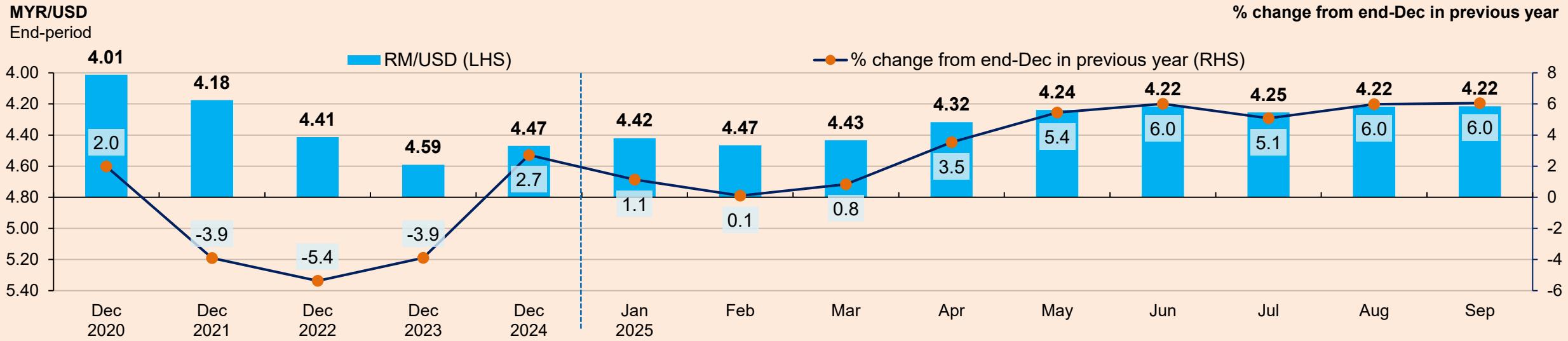
- Realisation of approved strategic investments under national policies and commencement of projects under the Thirteenth Malaysia Plan
- Major infrastructure and utilities development such as LRT Mutiara Line, Hybrid Hydro Floating Solar (HHFS), and ASEAN Power Grid
- Sustained demand for industrial facilities, logistics hubs and data centres
- Government-led affordable housing programmes and targeted home ownership initiatives

Growth by segment % YoY

- Residential
- Non-residential
- Civil engineering
- Specialised construction activities



The ringgit vs. Foreign exchange reserves vs. FDI inflows



Source: Bank Negara Malaysia (BNM); Department of Statistics, Malaysia (DOSM); Ministry of Economy

Malaysia's strategic and transformative roadmaps and plans

1

MADANI Economy Framework

Raising the ceiling

- Rebuild Malaysia by regionalising our businesses, transforming our economy and increasing national competitiveness.

Raising the floor

- Championing social justice to improve quality of life for the rakyat.

Seven (7) medium-term targets

- Top 30 largest economy
- Top 12 in global competitiveness
- Top 25 on the Human Development Index
- Increase labour share of income to 45%
- Top 25 in Corruption Perception Index
- Fiscal deficit of 3% of GDP or better
- Increase female labour force participation rate to 60%

2

New Industrial Master Plan (NIMP) 2030

Four (4) mission-based approaches

- Advance economic complexity
- Tech up for a digitally vibrant nation
- Push for Net Zero
- Safeguard economic security & inclusivity

Top-line targets by 2030

- RM587.5 billion in value-added GDP (CAGR of 6.5% from 2022), derived from high-impact and emerging growth sectors.
- 3.3 million of employment (CAGR of 2.3% from 2022), including the creation of high-skilled jobs through higher value-added activities.
- Median salary of RM4,510 (CAGR of 9.6% from 2022), through a shift towards higher value-added activities and high-skilled jobs.

3

National Energy Transition Roadmap (NETR)

Six (6) energy transition levers

- Energy Efficiency (EE)
- Renewable Energy (RE)
- Hydrogen
- Bioenergy
- Green Mobility
- Carbon Capture, Utilisation and Storage (CCUS)

Economic benefits

- An investment opportunities up to RM1.2-1.3 trillion by 2050, with 18% of these funds (RM210-240 billion) allocated within 2023-2029.
- 310,000 direct jobs creation by 2050.
- 10%-15% uplift in GDP value (or RM200-220 billion) with spurring of new growth areas.

Malaysia's strategic and transformative roadmaps and plans (cont.)

4

National Semiconductor Strategy (NSS)

Three (3) phases

- Phase 1: **Building On Our Foundations** – Continuing to develop Malaysia's strengths in the chips industry
- Phase 2: **Moving To The Frontier** – Pursuing cutting edge technology and moving up the value chain
- Phase 3: **Innovating At The Frontier**

Five (5) targets

- Attract RM500 billion of investment
- Create 10 Malaysian companies in design and advanced packaging, and 100+ high revenue companies
- Become a global semiconductor R&D hub
- Train and upskill 60,000 high-skilled Malaysian engineers
- Allocate at least RM25 billion to implement NSS

5

The 13th Malaysia Plan (13MP) 2026-2030

Goals

- High and sustainable income
- Quality and inclusive life
- Sustainable environment

Nine focus areas under three MADANI economic pillars, **anchoring on 27 priorities, 122 strategies and 600 initiatives.**

A sum of RM611 billion investment is planned under the 13MP:

- RM430 billion from Federal government's development expenditure
- RM120 billion from GLCs and GLICs
- RM61 billion from the public-private partnerships (PPP)

6

Johor-Singapore Special Economic Zone (JS-SEZ)

Distinctive Value Proposition

- Strategic location and connectivity
- Attractive policies and incentives (e.g. special 5% corporate tax rate is available for up to 15 years and special 15% income tax rate to eligible knowledge workers for 10 years)
- Nine designated flagship zones with prioritised sectors
- Strong government support with dedicated funds from both Malaysia's and Singapore's governments. Invest Malaysia Facilitation Centre Johor (IMFC-J) as a one-stop centre to streamline investment processes
- Competitive cost advantage

Target 50 projects within the first 5 years and a cumulative of 100 projects within first 10 years, aiming to create 20,000 skilled jobs.

For 1H 2025: J-S SEZ recorded RM37.1bn approvals; attracted RM29bn in new investment commitments.

The 2026 Budget – A Responsive and Growth-oriented budget

Fiscal Sustainability

1

The Government Procurement Bill 2025

A legal framework for ensuring the transparency of government procurement.

2

Public Finance and Fiscal Responsibility Act 2023 (Act 850)

Enforces fiscal responsibility and accountability.

3

The amended Audit Act

Expand the Auditor General's power to audit various entities that receive public funds, ensuring comprehensive oversight.



Fiscal, Governance and Public Delivery Services Reform

1

RM15.5 billion leakages and tax evasion have already been plugged and recovered within two years.

2

RM1.1 billion savings generated from the governance reforms, including streamlining over 1,000 projects.

3

RM15.5 billion savings annually from subsidies rationalisation and price reforms

Fiscal Deficit

% of GDP

2026B

3.5%

2025RE

3.8%

Operating Expenditure

2026B: **RM338 billion**



Up 1.8%

2025RE: **RM332 billion**

Off-Balance Sheet Spending

- GLIC investment: RM30 billion
- Public-Private Partnership (PPP): RM10 billion
- Federal Statutory Bodies & MOF Inc.: RM10.8 billion

Revenue

2026B: **RM343 billion**



Up 2.7%

2025RE: **RM334 billion**

Development Expenditure

2026B: **RM81 billion**



Up 1.3%

2025RE: **RM80 billion**

Supporting Strategic Investments

- Strategic areas such as semiconductors, artificial intelligence (AI), the digital economy, energy transition and others.
- Notable allocation is RM550m for semiconductor ecosystem development, RM500m in loans under the National Semiconductor Strategy (NSS), and RM180m for industrial development in AI and digital sectors.
- The launch of SemiconStart, a global incubator for semiconductor startups, reinforces Malaysia's ambition to transition from "Made in Malaysia" to spurring Malaysian innovation.
- Attract and retain investment via ASEAN Business Entity (ABE) status to support regional expansion and talent mobility, the facilitation of Investor Pass and Residence Pass–Talent Fast Track scheme.

Supporting households and expanding social protection

- Continued financial assistance (RM15bn); civil servants' salary increment, special financial payment, a permanent RM3,000 childcare relief (covering daily care and after-school centers), and an expansion of coverage for life, education and medical insurance.
- The enhanced i-Saraan Plus scheme, offering gig, e-hailing, and p-hailing workers matching EPF contributions, while the original i-Saraan matching contributions continue for informal and other self-employed workers. The Gig Workers Bill 2025 requires gig workers in specified sectors to contribute to SOCSO, with the Government subsidizing 70% of contributions in the first year and 50% in the second year.

Tourism, Venture Capital, Capital Market, Green Energy, Food Security

- A broad suite of tax measures and incentives, including Accelerated Depreciation Allowance (ADA) to enhance business resilience and investment appeal.
- A four-year extension (2027–2030) of the exemption on foreign-sourced dividend income and capital gains received in Malaysia by resident companies and certain other categories of taxpayers.
- Venture capital participants will continue to benefit from reduced tax rates to 5% for Venture Capital Companies (VCCs) and 10% for Venture Capital Management Companies (VCMCs). Tax exemption will be given on dividends paid to individual shareholders of VCCs.

MSMEs - RM50bn loans and guaranteed financing

TVET - RM7.9bn allocation

Disappointment to the tobacco and liquor industry

Carbon tax for iron and steel and energy industry, pending the passing of the new Climate Change Bill

Conclusion



1 The dynamics of **TRADE POLICIES, GEOECONOMIC TENSIONS, CAPITAL FLOWS, AND CURRENCY MOVEMENTS** remain key influences on economic and business growth.

2 Government, companies, and households must **CHANGE HOW THEY THINK, ACT, AND PLAN.**

3 The Government to calibrate policy responses aimed at **BUFFERING NEAR-TERM DOWNSIDE RISKS** while **SUPPORTING MEDIUM-TERM ECONOMIC RESILIENCE.**



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