



Forward Future SME - Johor-Singapore Special Economic Zone

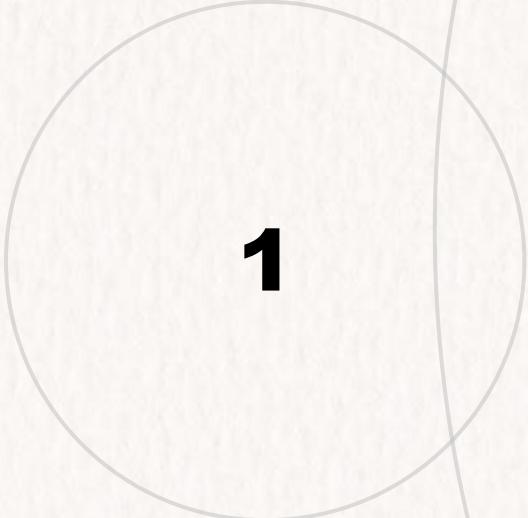
Malaysia's Economic Outlook -
Technology-Driven Success & Future

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19 January
2026

Agenda

- 1** 2026 Global Growth Outlook – Defying Gravity?
- 2** Navigating Malaysia's Economic Outlook - Resilience & Adaptability
- 3** Technology Trends Shaping Future Business Competitiveness



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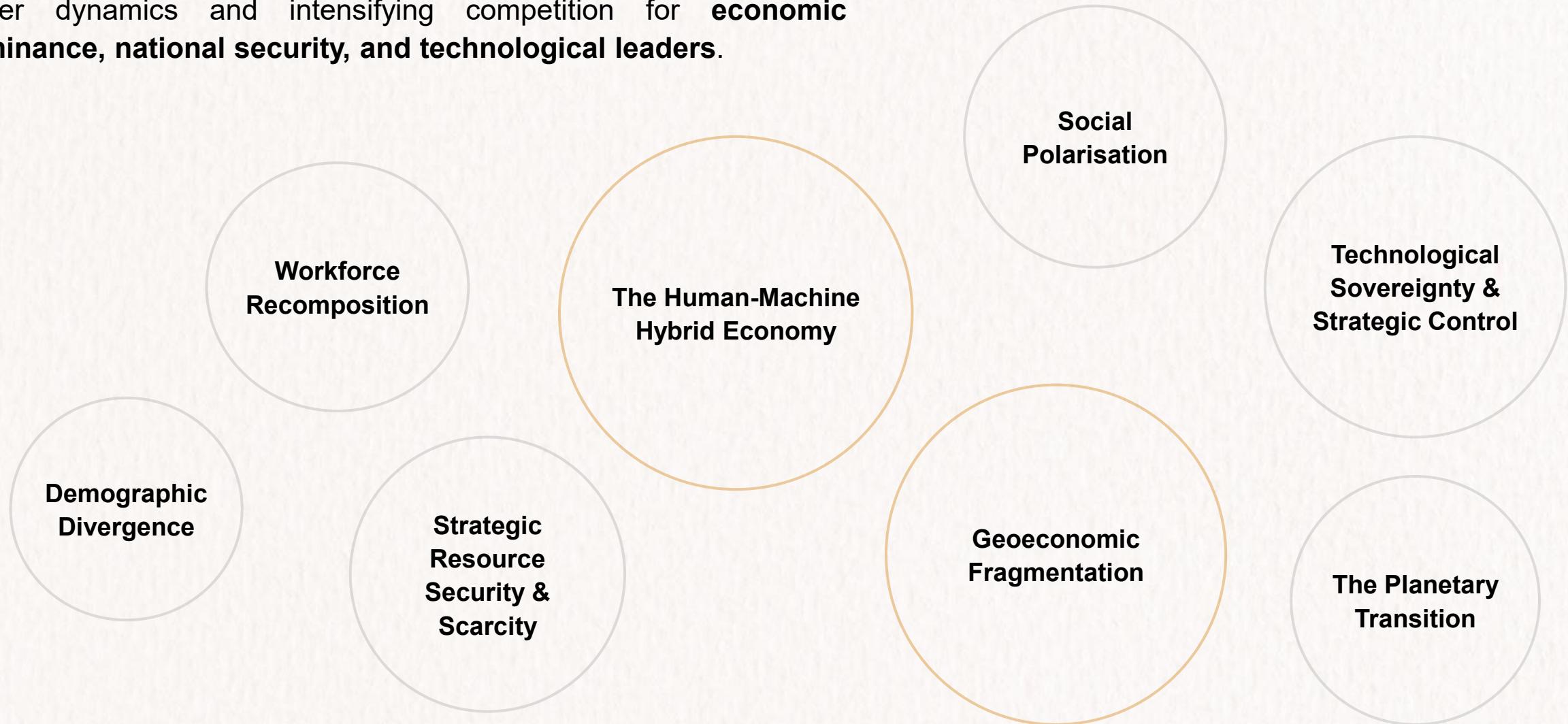
2026 Global Growth Outlook – Defying Gravity

Resilience, Transition or Disruption?

The global economy enters 2026 with resilience intact, coexisting with significant fragilities, including geopolitical fragmentation, structural frictions, policy uncertainties, and elevated debt burdens

Top-level megatrends in 2026 and beyond

AI has become a strategic asset - fundamentally reshapes global power dynamics and intensifying competition for **economic dominance, national security, and technological leaders**.



Four key forces shaping the 2026 global economy

1. A Fragmented Trade System

Broad-based US tariffs, trade-policy uncertainty, and the nearshoring and friend-shoring are slowing investment and reshaping global supply chains.

2. Financial Conditions

Divergent monetary and fiscal policies, with prolonged fiscal expansion supporting demand has increased long-term debt risks.

3. Geopolitical & Climate Disruptions

Regional conflicts, shipping disruptions, and more frequent extreme weather events are disrupting production, trade flows, and resource supply.

4. AI-Driven Investment Boom

AI-led spending on data centres, semiconductors, and digital infrastructure is boosting productivity; high demand for components by AI increases costs; AI technology valuation beyond fundamentals could trigger market correction risk.

The world economy may have reached a turning point and is set to enter 2026 on a note of cautious optimism...

Turbulent

Nonlinear tipping points: sudden geopolitical shocks, rapid tech S-curves (e.g. GenAI), AI disrupts the labour market

Uncertain

Further tariffs, including sectoral in the offing; shutdown in the US government; central banks' divergent monetary path

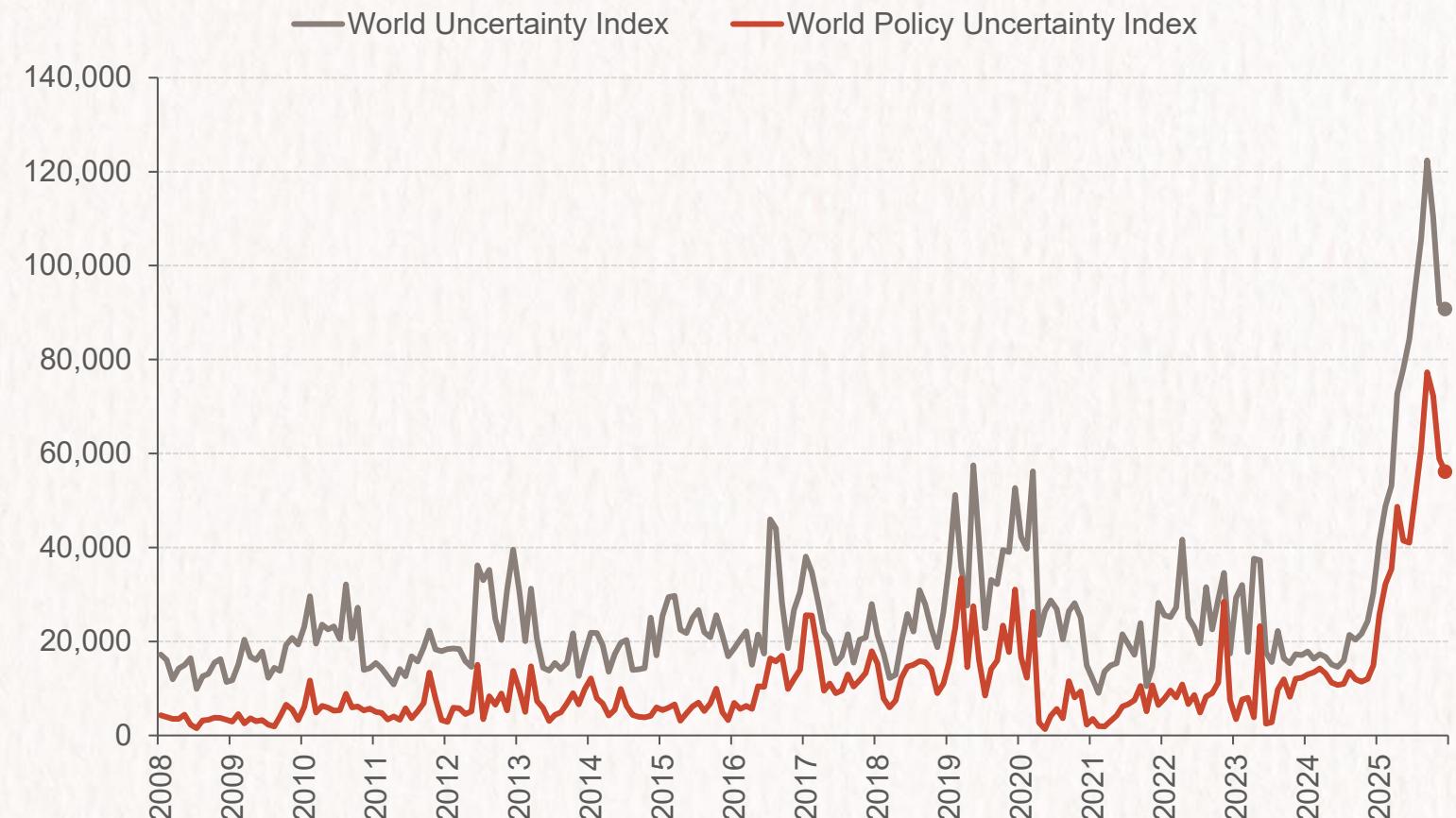
Novelty

Agentic AI ushers in autonomous technologies

Ambiguous

Tariff impacts unclear; policy effects on output, trade, investment and prices remain unpredictable

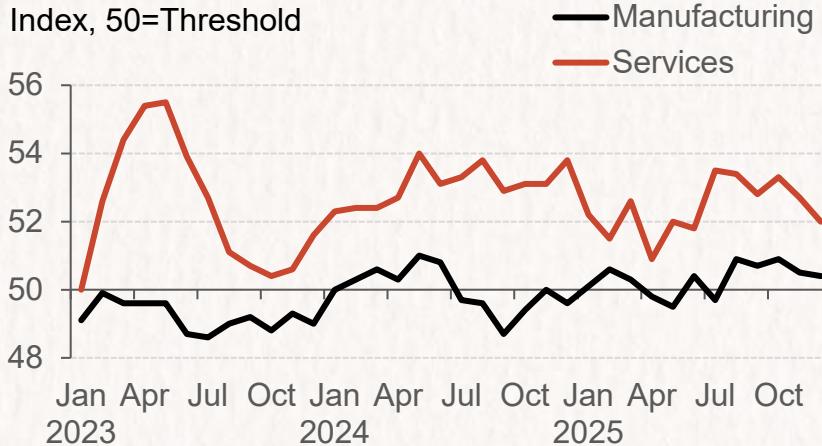
World Uncertainty Index (WUI) & World Policy Uncertainty Index (WPUI)
Index, GDP weighted average



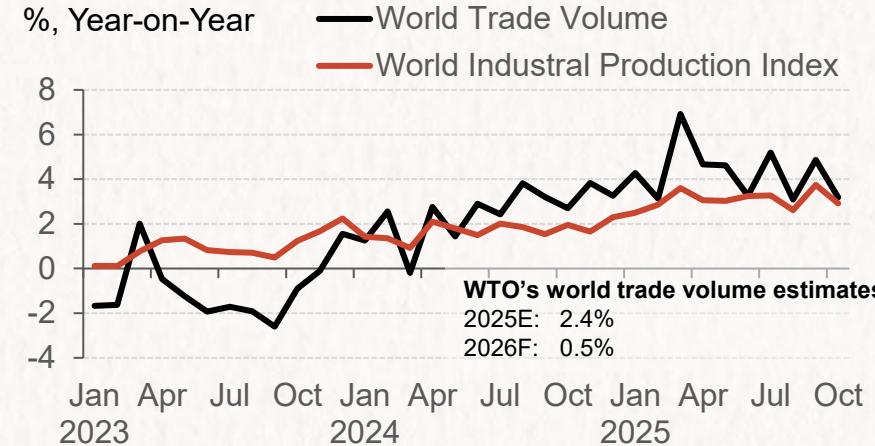
Source: NBER Working Paper

Mixed signs of global indicators

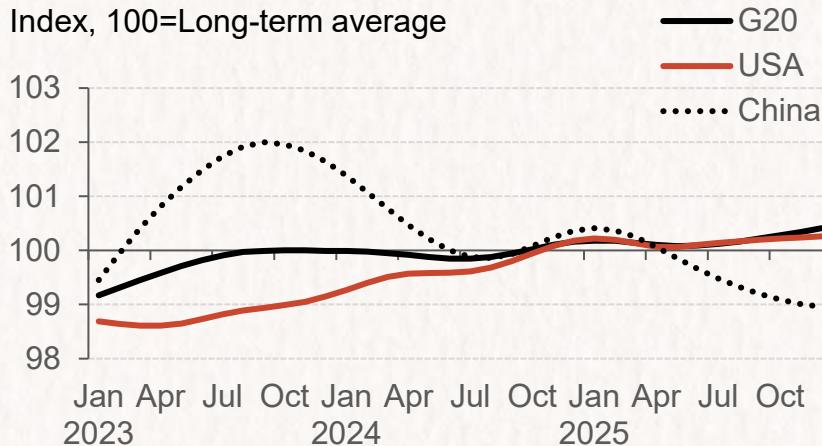
Global PMI for manufacturing & services



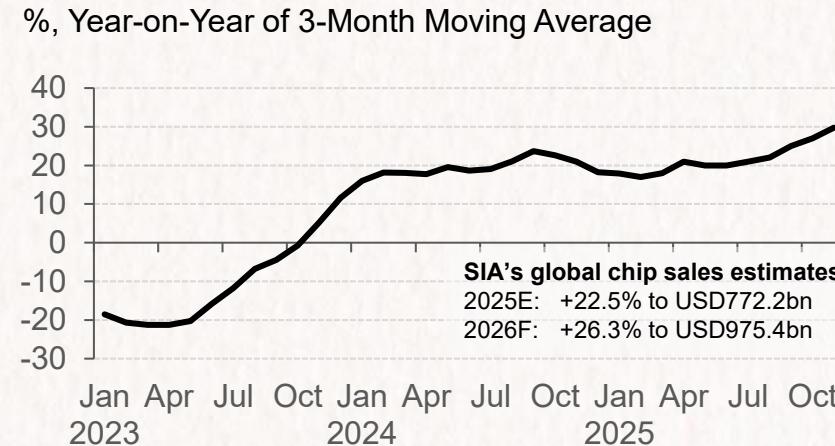
World trade volume and industrial production



OECD Composite Leading Indicators (CLI)



Global semiconductor sales



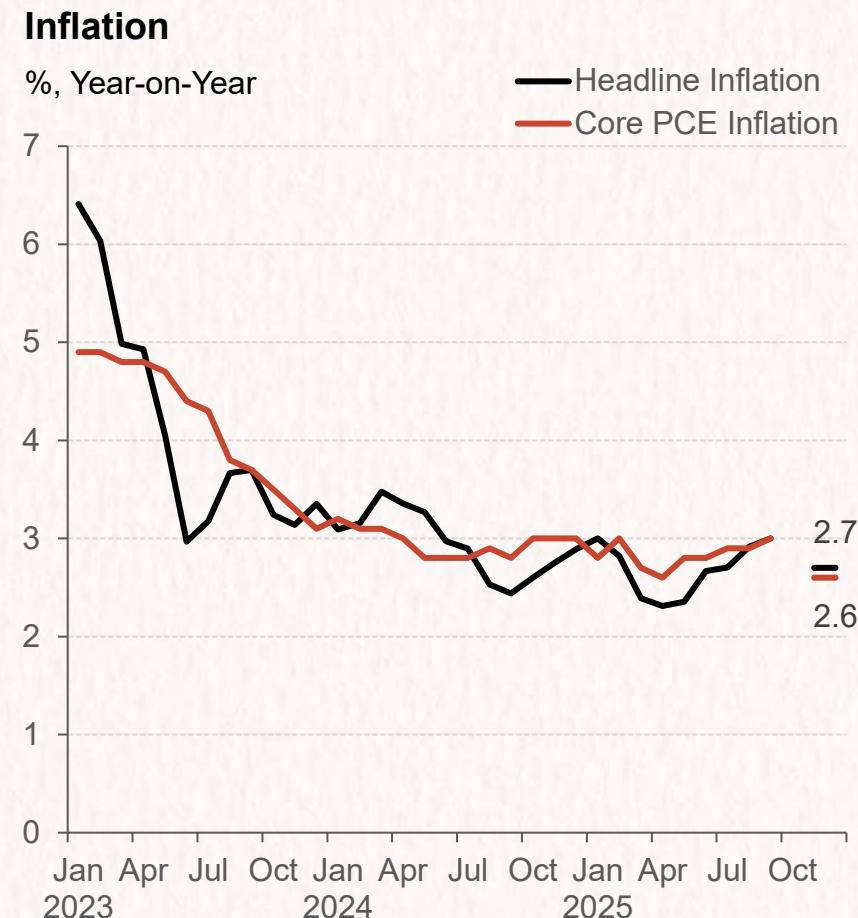
Manufacturing activity has displayed signs of slowing, trade remains constrained by tariff pressures, while services and high-tech sectors, particularly semiconductors, continue to expand, reflecting a bifurcated but resilient landscape

Source: S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands; World Semiconductor Trade Statistics (WSTS)

US: Resilient, but increasingly fragile

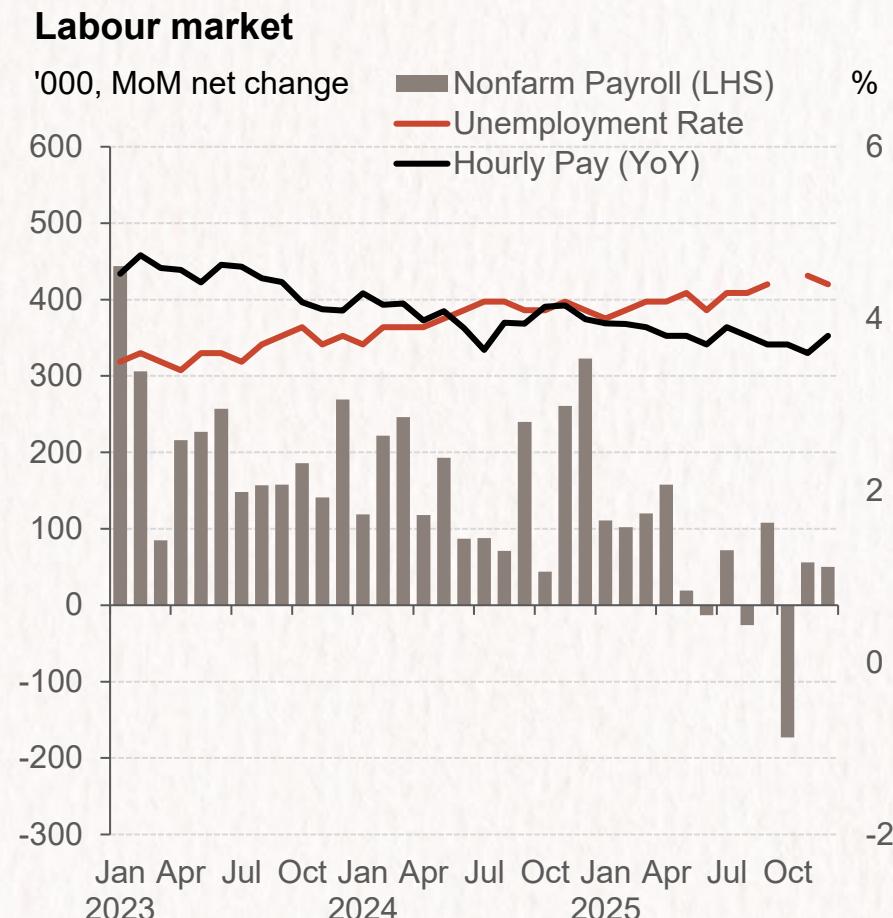
Growth sustained by AI investment boom, fiscal support and cut in interest rates, but vulnerable to inflation, labour weakness, and financial market risks

- + AI investment and tech spending
- + Expansionary fiscal policy and deregulation; monetary easing
- High inflation (tariff-driven)
- Softening labour market
- Debt and fiscal pressures
- Financial market risk



Note: Some data for October are not available

Source: US Bureau of Labour Statistics; US Bureau of Economic Analysis (BEA)



Euro Area: Structurally uneven growth

Stable yet subdued growth, with Germany rebounding while trade uncertainty and weak domestic demand limit upside

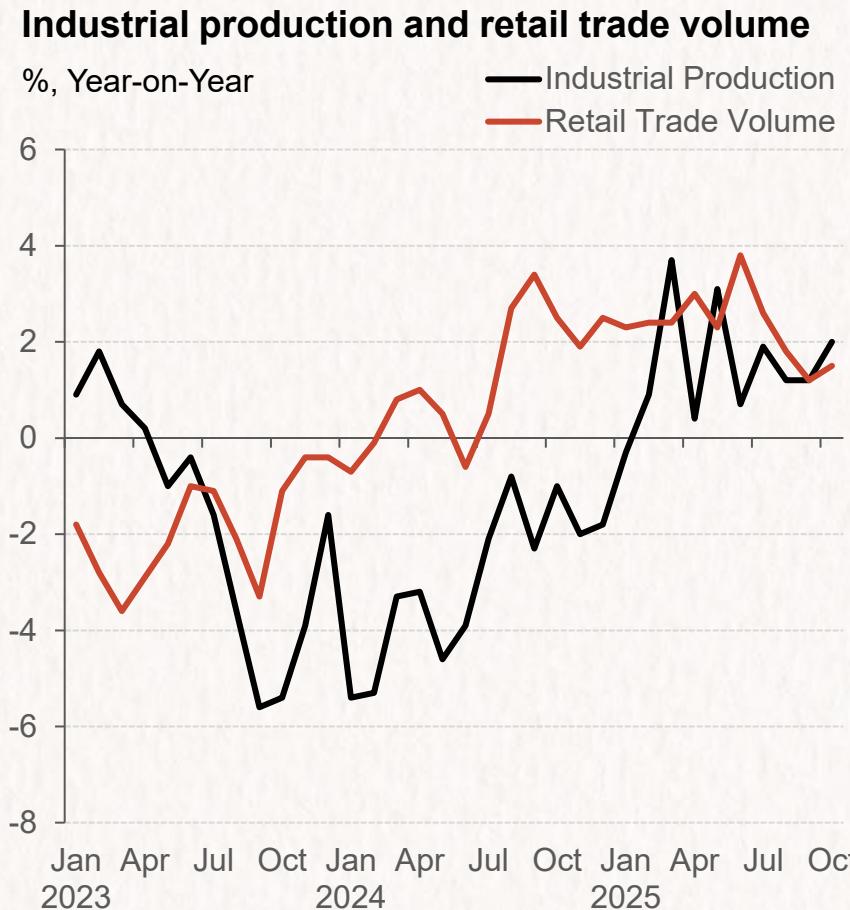
+ Germany: digital transformation, robust private sector

+ Lower interest rates

- Weak consumer spending

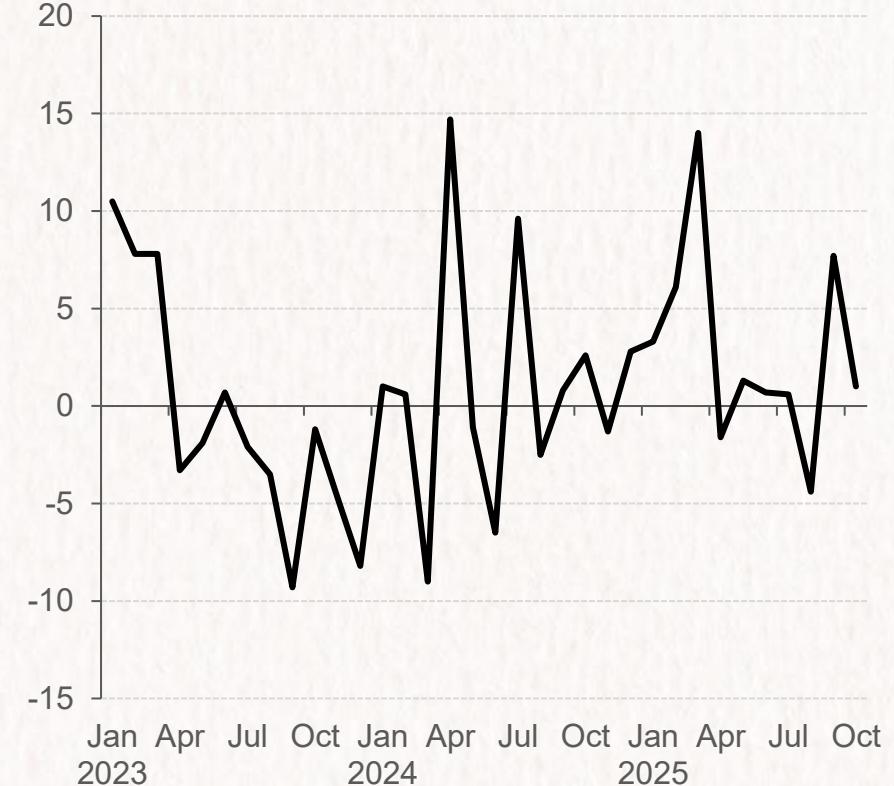
- Soft business investment

- Trade uncertainty / tariffs



Extra-EA exports

%, Year-on-Year



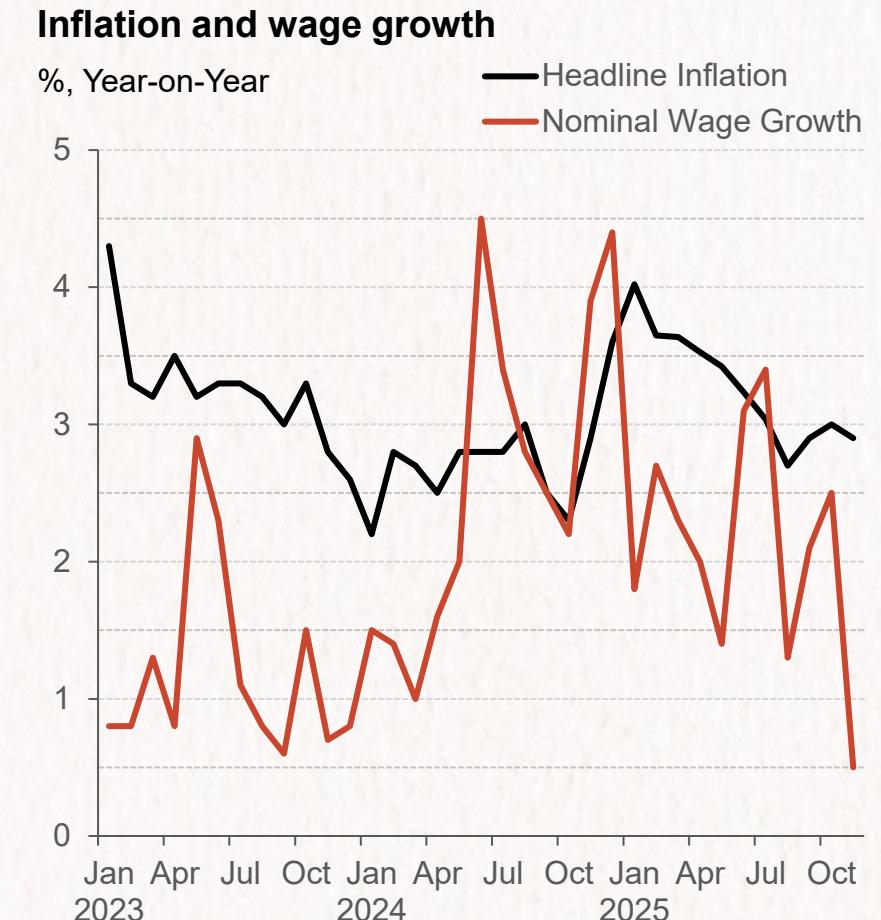
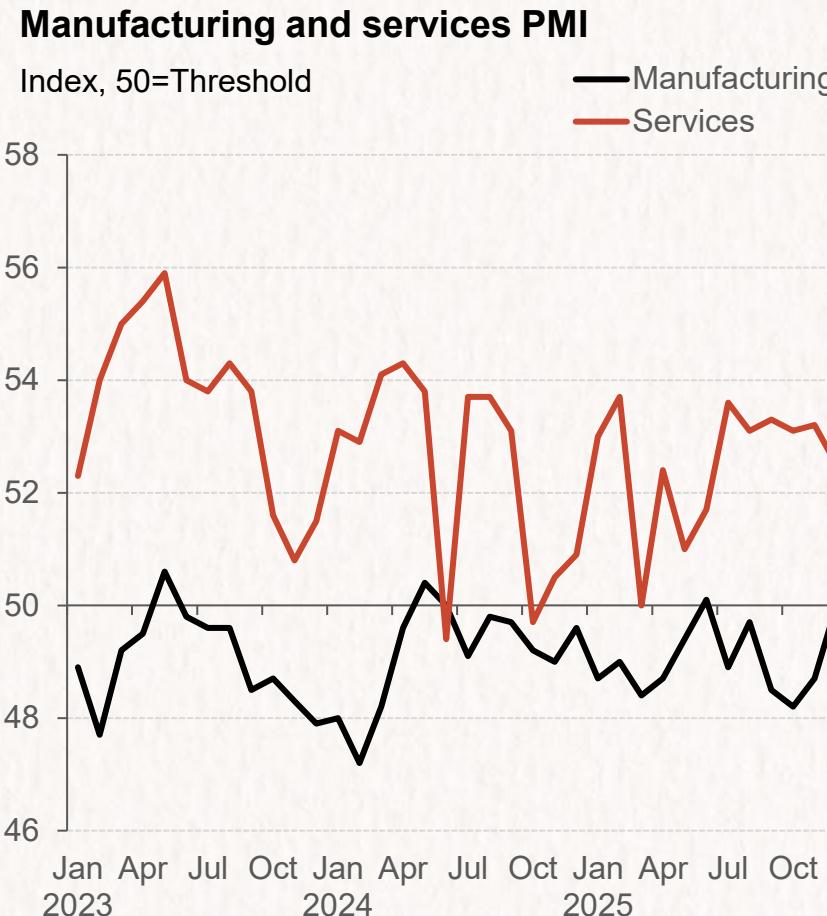
Source: S&P Global; Eurostat

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Japan: Massive stimulus-led revival

Stimulus-fuelled recovery driven by households spending and wage growth, offsetting persistent inflation pressures

- + Massive stimulus (Sanaenomics USD118 billion)
- + Solid wage growth and cash handouts
- + Reduced trade tensions
- Inflationary pressures

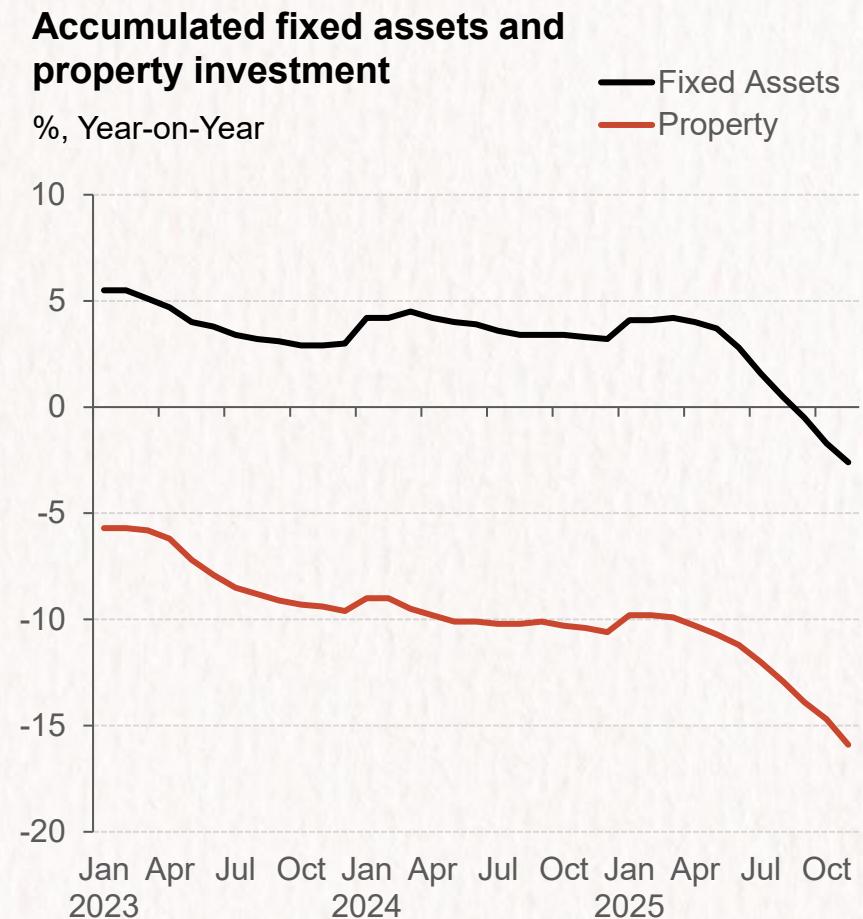
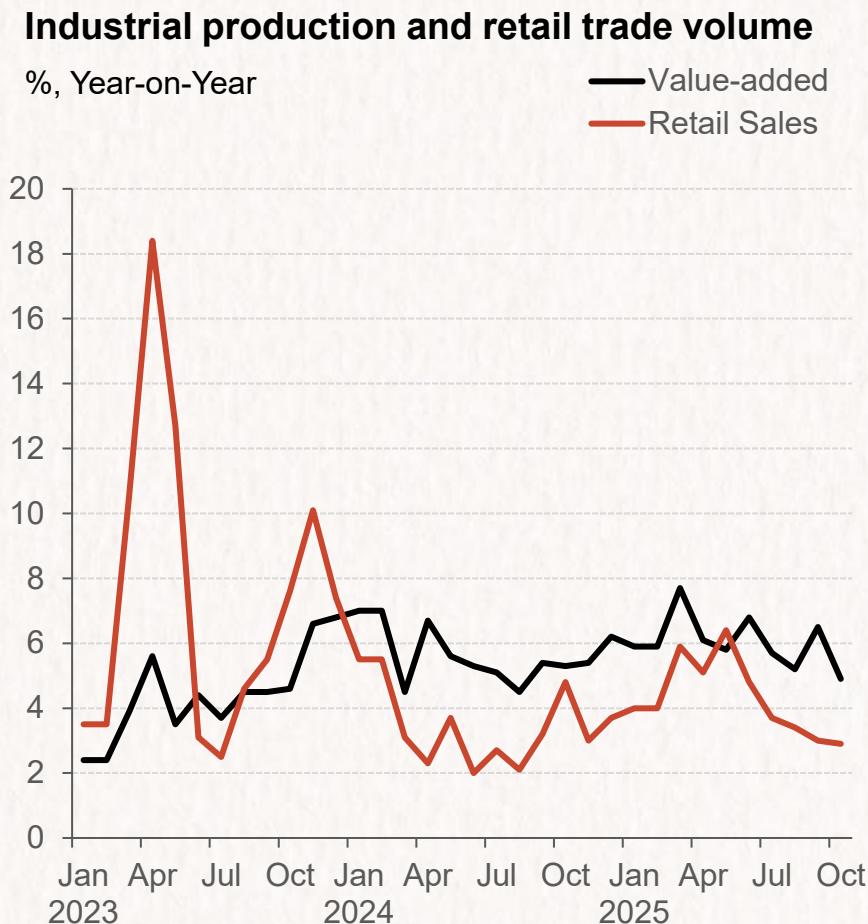


Source: S&P Global; Statistics Bureau, Japan; Ministry of Health, Labour and Welfare (MHLW), Japan

China: Growth transitioning continues

Resilient growth under pro-consumption policies, balancing a property downturn and structural headwinds

- + Pro-growth macro policies
- + Consumption-driven transition
- Property sector downturn
- Weak consumer demand / confidence
- Trade fragmentation / tech restrictions



Source: National Bureau of Statistics of China (NBS China)

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Economic growth generally loses momentum in 2026

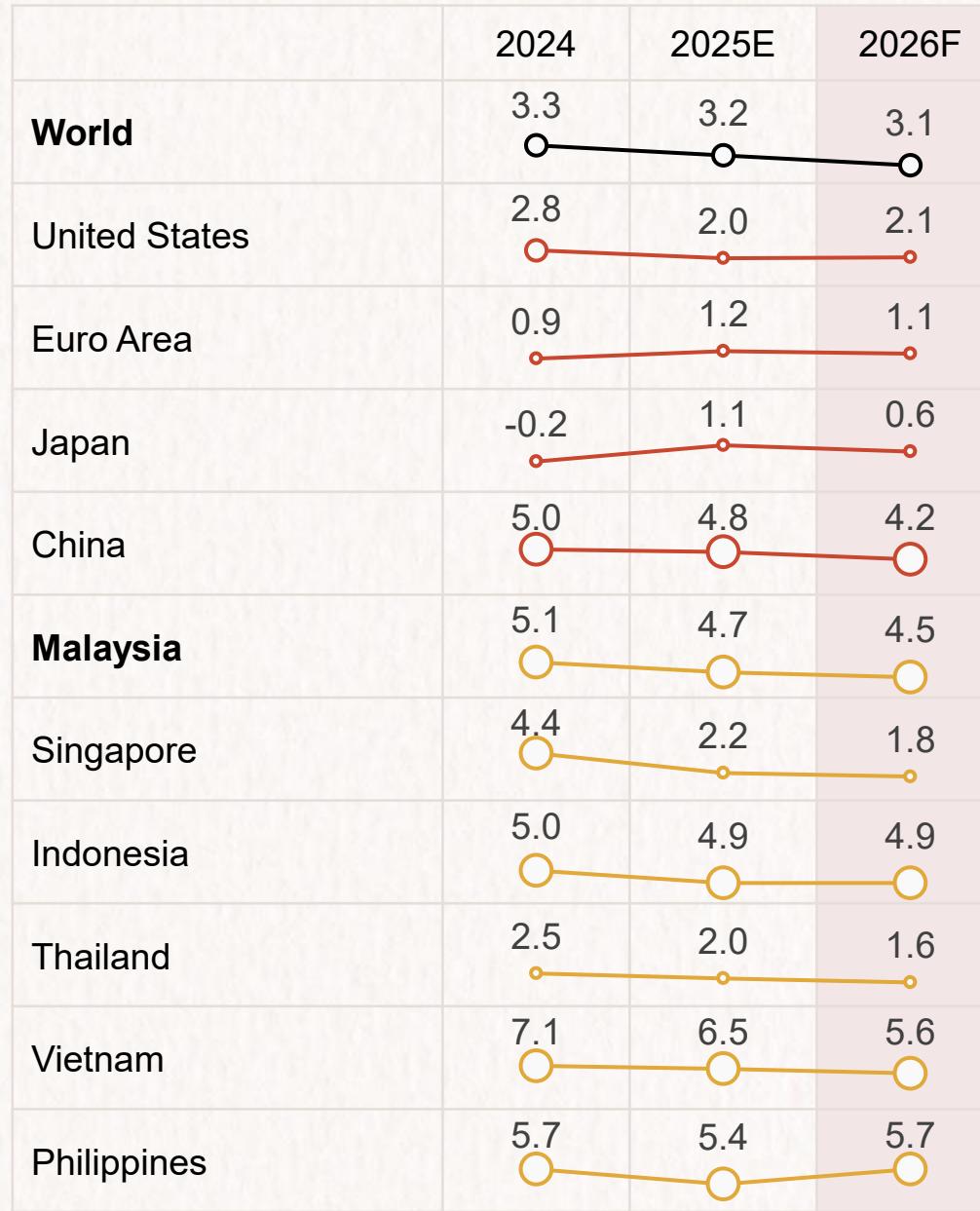
Note: 2025 and 2026 are projections.

Source: International Monetary Fund (IMF)

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World economic outlook, October 2025

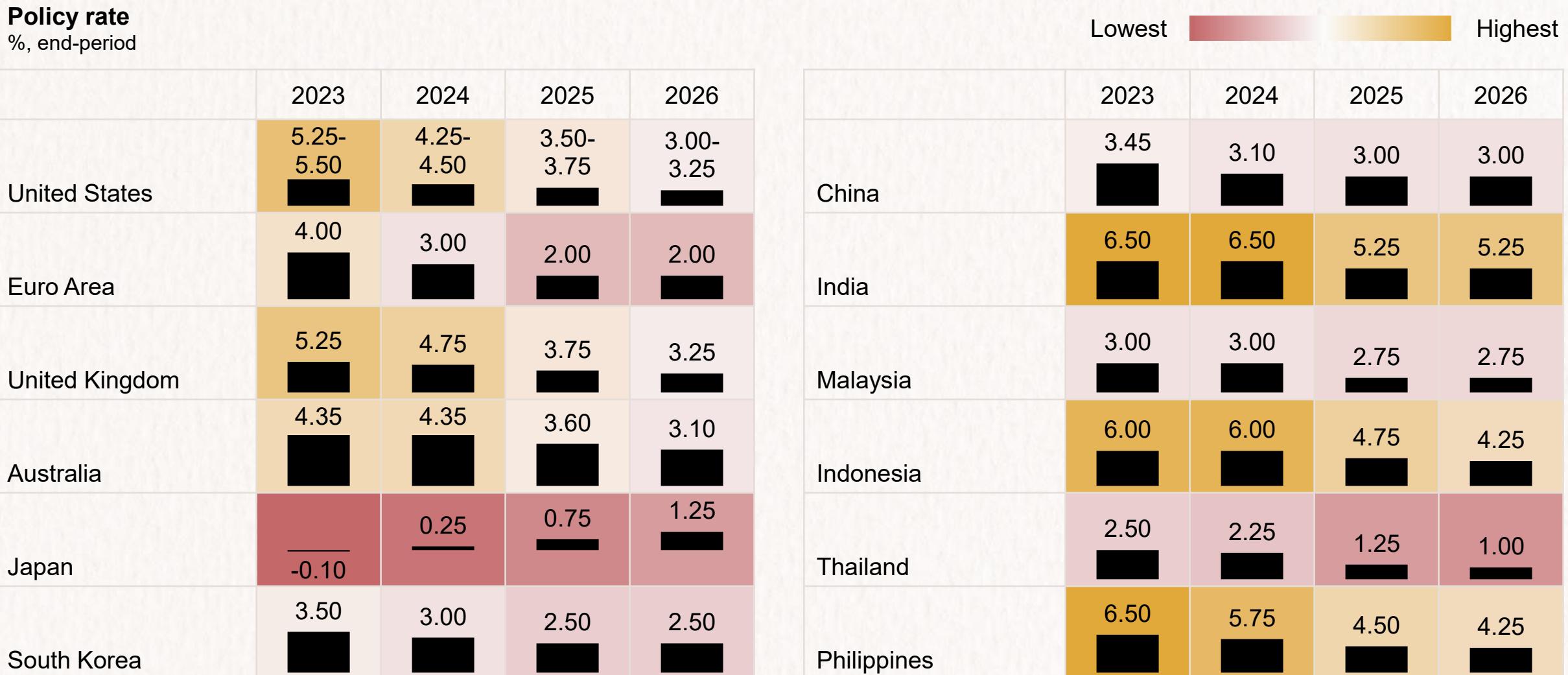
Real GDP growth, percentage change



- Below Global Growth Band (<-0.5%)
- Within Global Growth Band (±0.5%)
- Above Global Growth Band (>+0.5%)

 SERC's forecast for 2025 & 2026

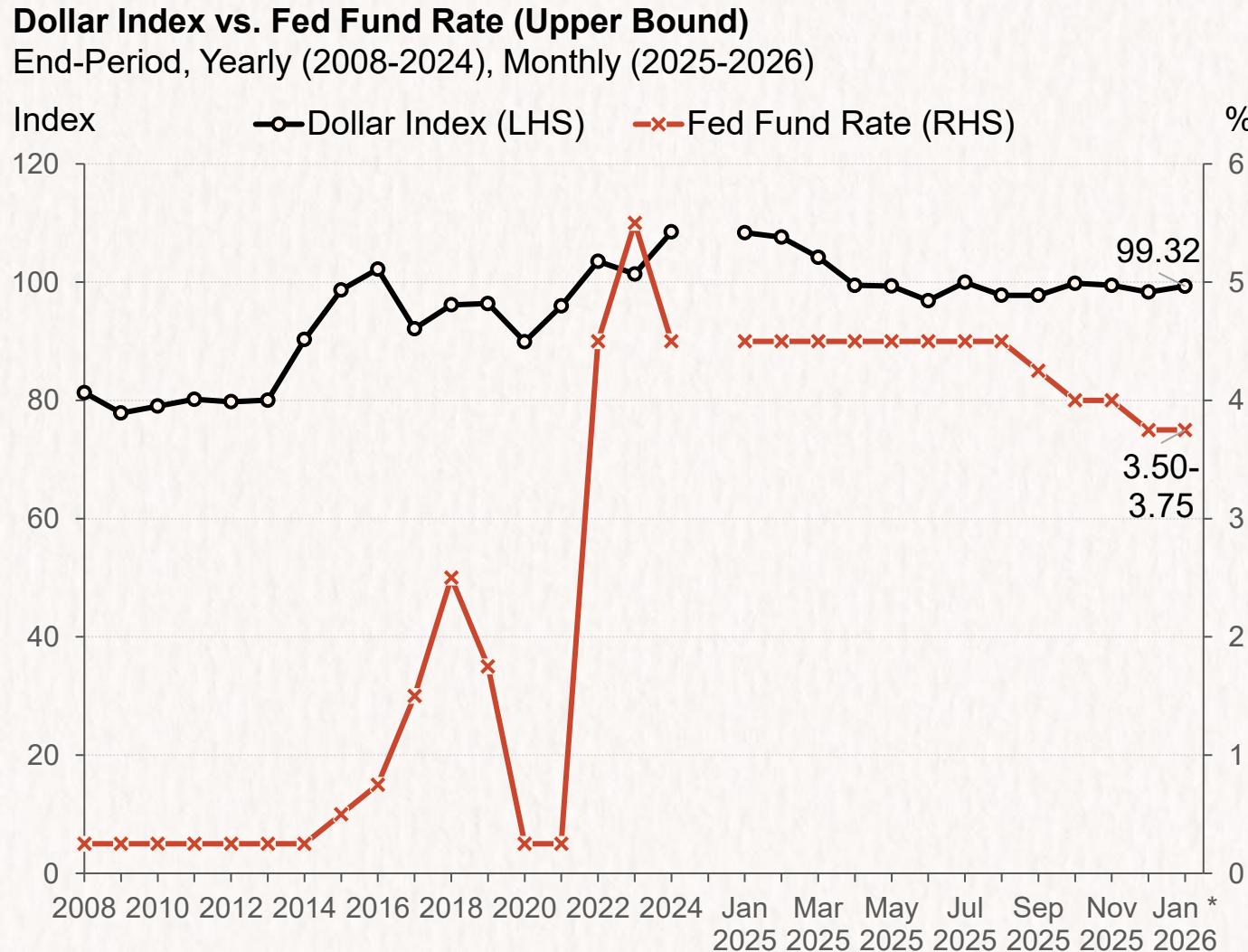
Policy rate heatmap



Note: Forecast for 2026

Source: Various officials

Why a full collapse in the US dollar is unlikely?



While a complete collapse of the USD is unlikely, a shift away from the USD is a possibility over the longer-term, leading to a more diversified and contested global currency landscape

- **The Fed's easing cycle** – reduces the relative returns of the USD assets.
- **Political intervention in the Fed's independence.**
- **Dual pressures on fiscal deficit and debt.** Budget deficit at 5.9% of GDP in FY2025, and debt stood at USD38.0 trillion or 124% of GDP at end-Sep 2025, posing fiscal stability risks.
- **The USD's reserve status:** The USD share of global reserves fell from 59.5% in Q1 2024 to 56.9% in Q3 2025 vs. 20.3% in euro, yen (5.8%), pound sterling (4.5%), Canadian dollar (2.7%) and renminbi (1.9%). Still, **de-dollarisation remains a structural concern.**
- **Holders of UST:** Japan (Nov 2025: 12.9% vs. 12.3% end-Dec 2024), UK (9.5% vs. 8.4%), China (7.3% vs. 8.8%).
- As economic uncertainty grows and rate cut expectations increase, **gold and bitcoin gain on safe-haven demand.**

* 15 Jan 2026 ^ Estimated by the Committee for a Responsible Federal Budget (CRFB) in its CRFB Adjusted August 2025 Baseline.

Source: Federal Reserve System; The Wall Street Journal; Congressional Budget Office (CBO); International Monetary Fund (IMF); US Census; various sources.

Malaysia's Economic Outlook

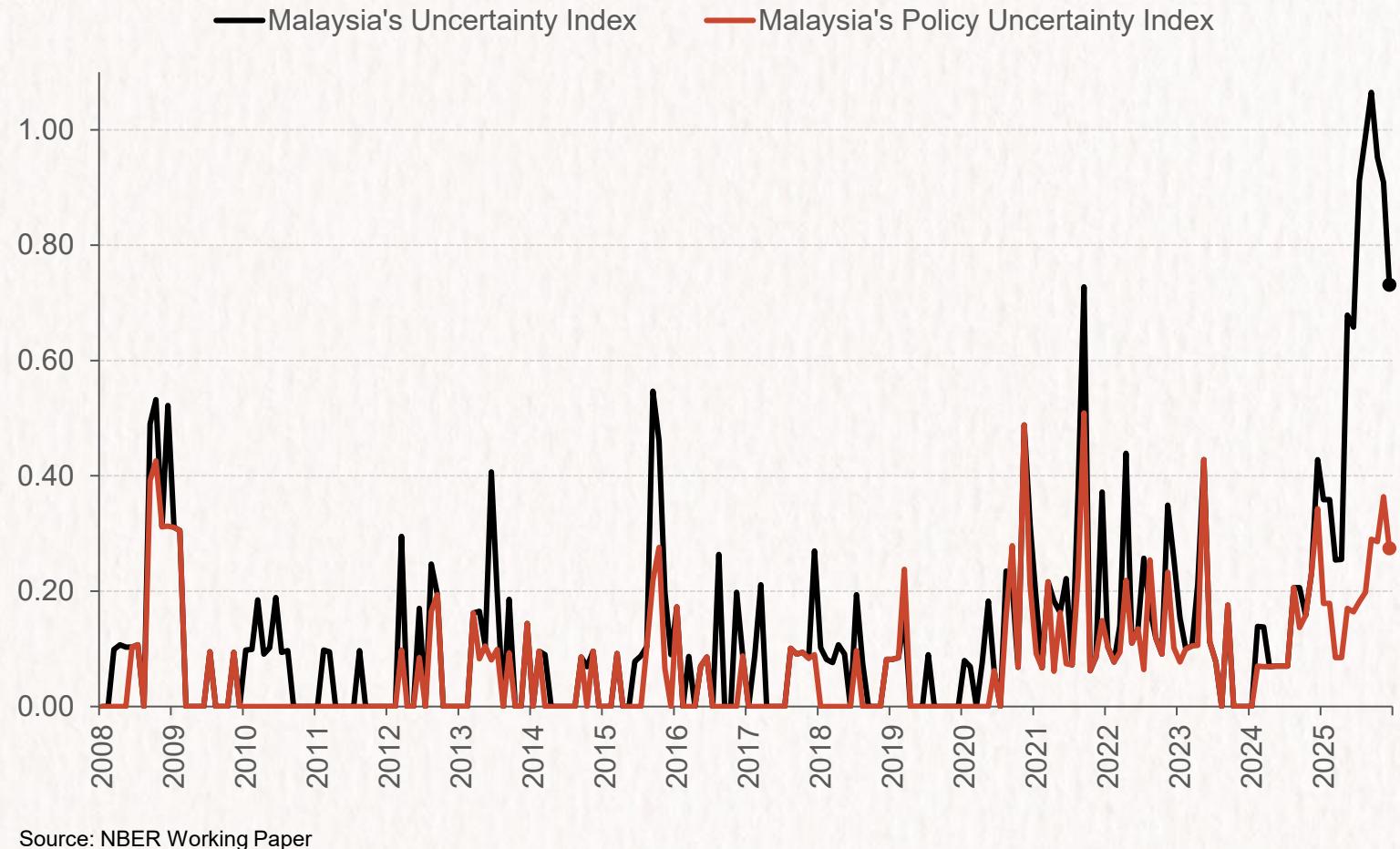
Resilience and Adaptive

Malaysia enters 2026 on a resilient economic note, anchored by domestic demand, a stable labour market, less restrictive monetary and supportive fiscal measures amid weak exports

Signs of normalisation and easing policy uncertainty

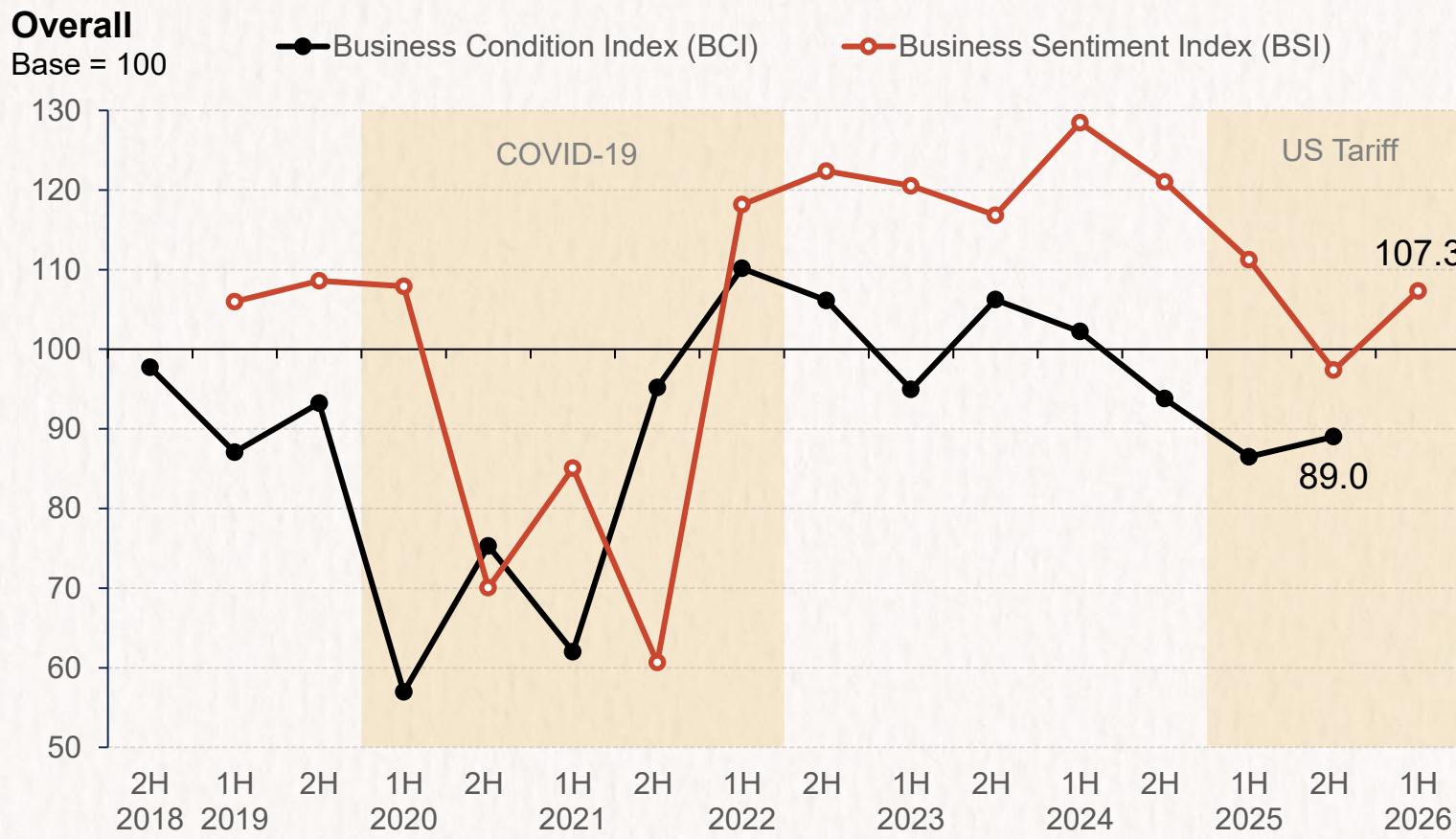
Policy Uncertainty in 2024–2025 has eased marginally from its 2020–2023 peak but remains elevated relative to pre-COVID-19 pandemic levels, largely influenced by multiple external uncertainties and domestic issues.

Malaysia's Uncertainty Index & Malaysia's Policy Uncertainty Index
Index, GDP weighted average



ACCCIM M-BECS shows that business confidence is showing improvement

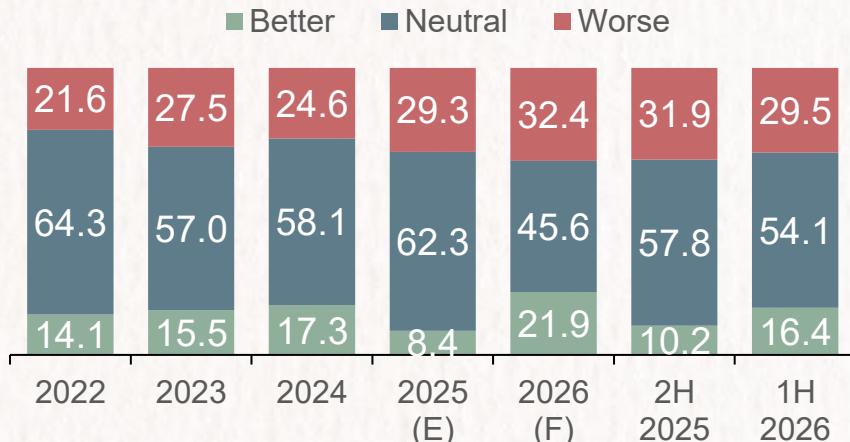
BCI improved to 89.0 in 2H 2025, albeit it remained below the 100 threshold. BSI rebounded to 107.3, signalling positive business outlook for 1H 2026.



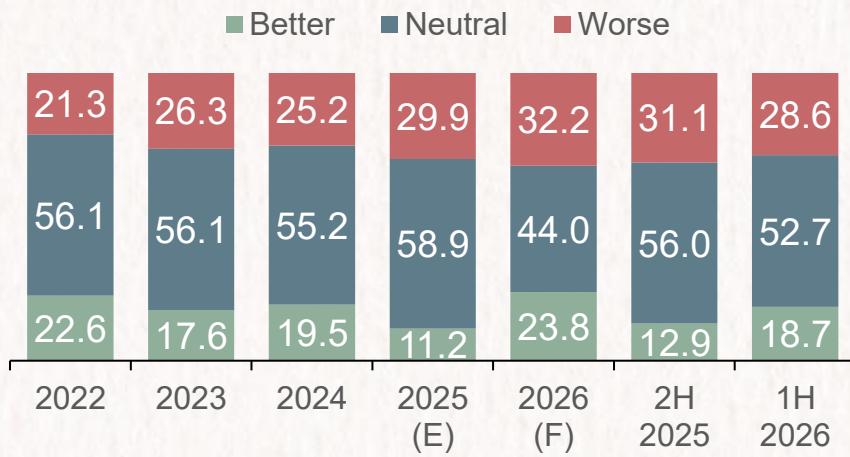
Source: ACCCIM's M-BECS 2H 2025 & 1H 2026

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Economic Conditions and Prospects



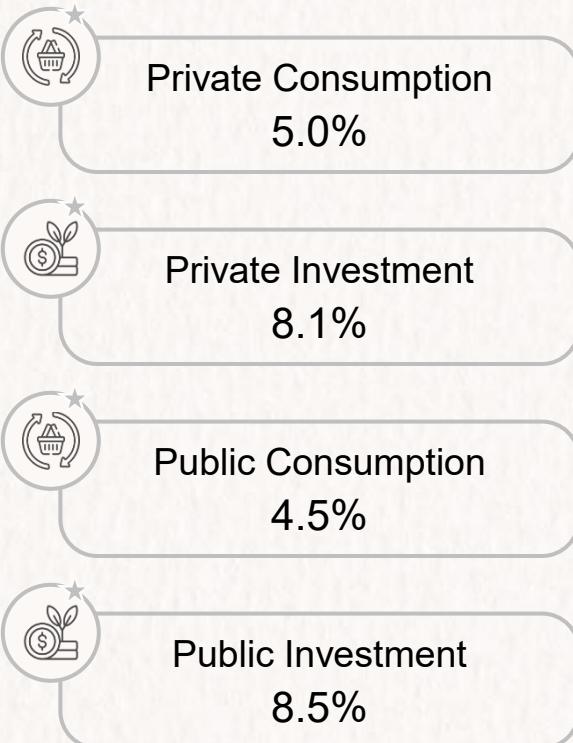
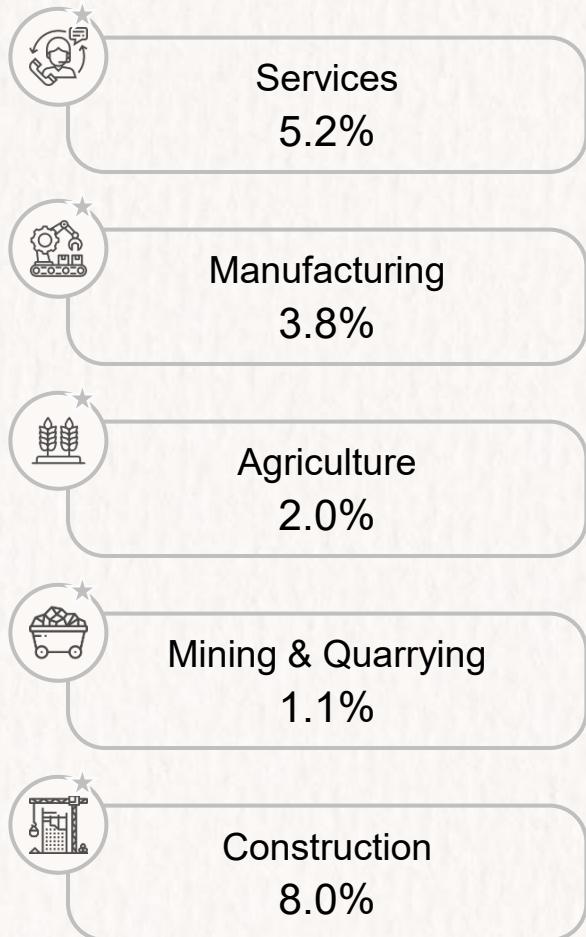
Business Conditions and Prospects



E=Estimation; F=Forecast

Malaysia's key economic numbers at a glance

GDP growth at **4.5%** in 2026 (estimated 4.9% in 2025; average 5.9% pa in 2022-2024)



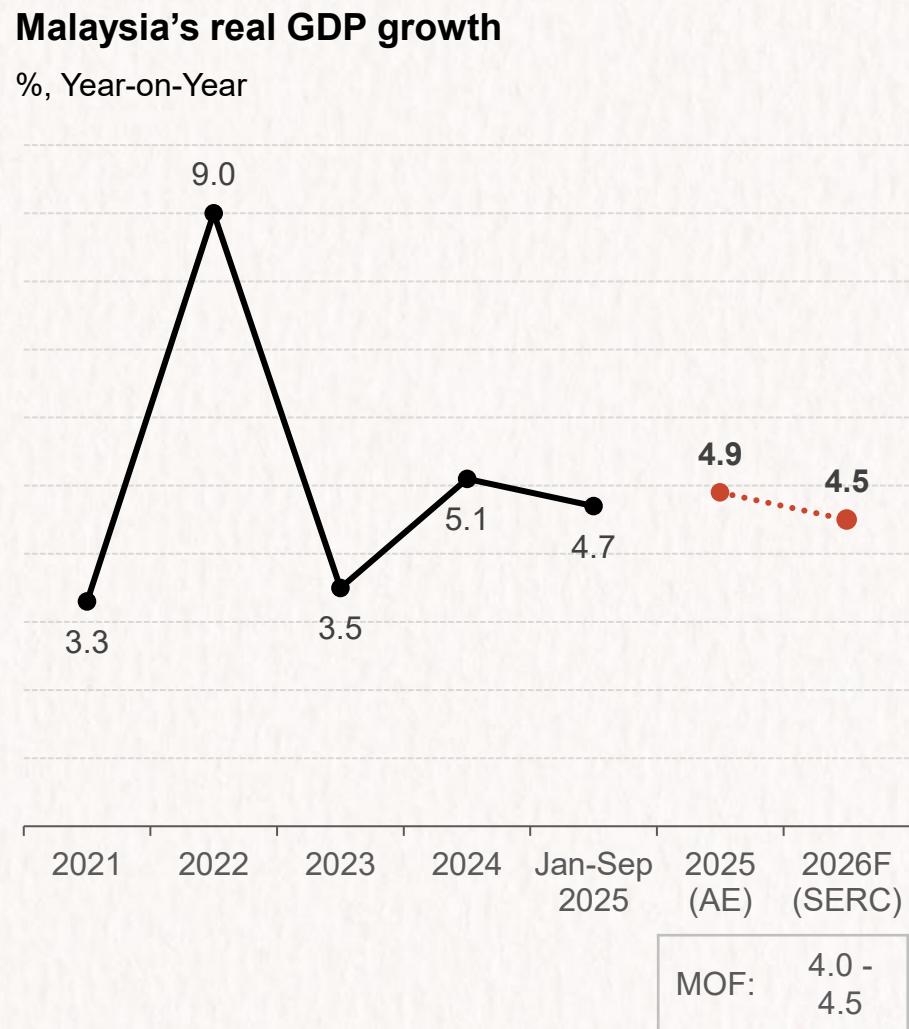
- + Consumer demand
- + Private investment
- + Supportive fiscal and monetary policy
- + Tourism and services
- Slower export growth
- Global and regional risks
- Business cost pressures

Source: SERC's estimates; Ministry of Tourism, Arts and Culture (MOTAC)

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2026 GDP growth: Moderate but remains resilient fundamentally

Note: AE=Advanced Estimate by DOSM; F=Forecast.
Source: DOSM; MOF



Key Upside Risks

- Stronger fiscal stimulus in some advanced economies and the Fed's further monetary easing
- Reduced trade tensions
- Faster-than-expected AI adoption driving productivity
- Continued strong demand for E&E
- Robust tourism activity

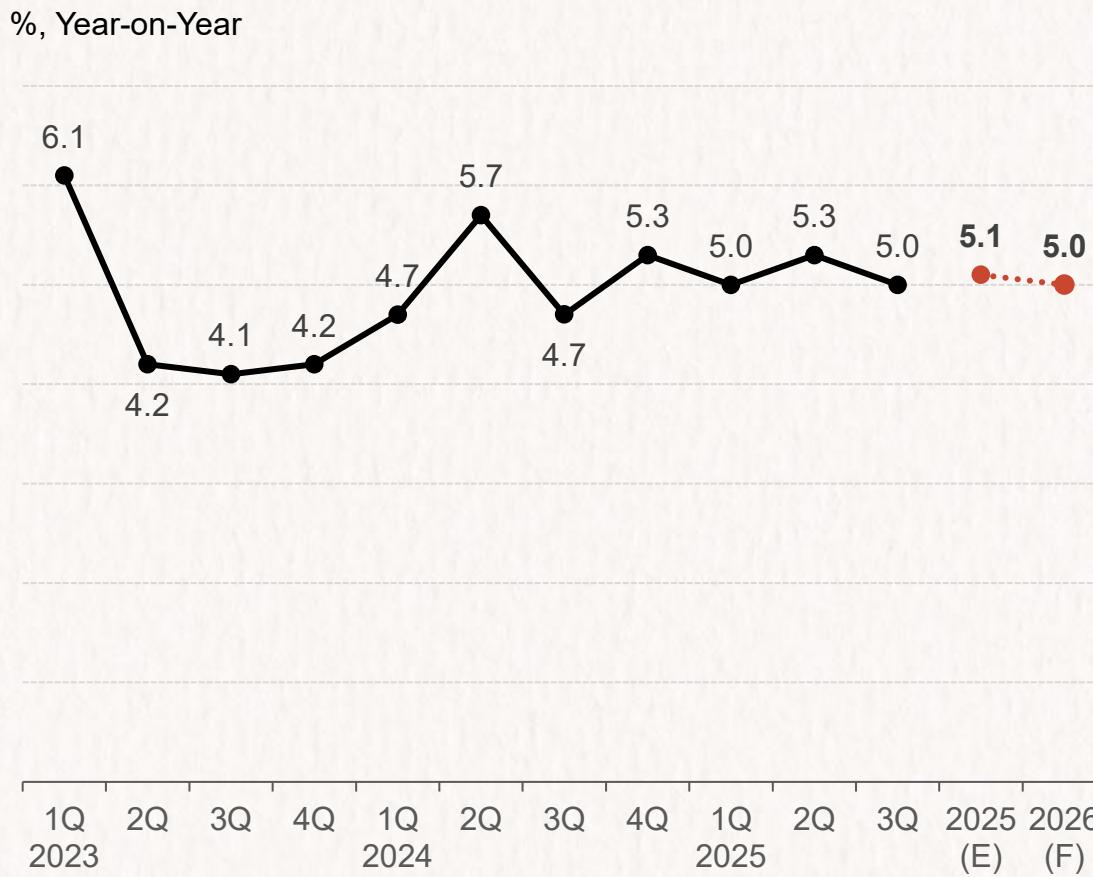
Key Downside Risks

- A full impact of tariffs or further tariffs on global growth and trade
- “Payback” period for exports sharper than expected
- Delays in implementation of projects
- Prolonged uncertainties and increasing business costs weaken investment sentiment

Private consumption: Stay supportive but measured

Drivers: Stable labour market, consumption-based policy (e.g. STR & SARA, salary increment for civil servants), Visit Malaysia 2026

Private consumption growth

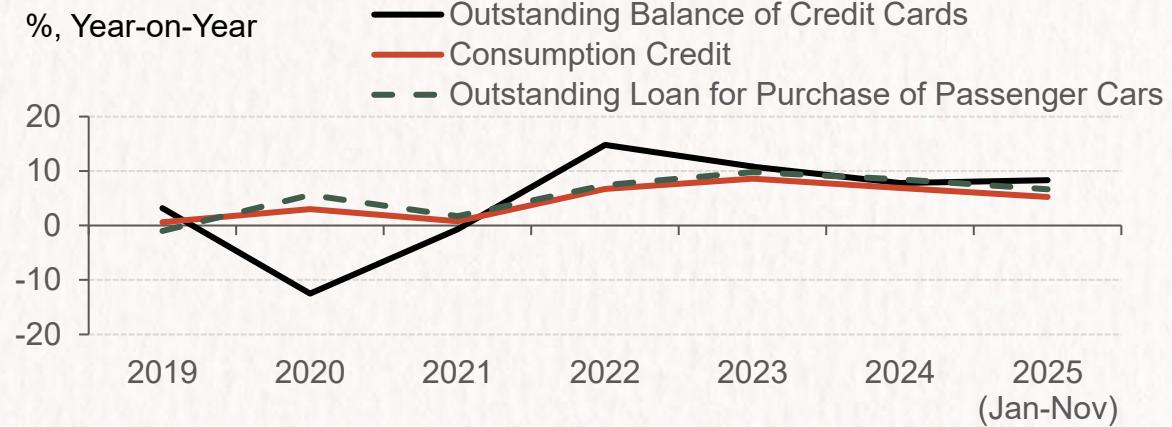


Note: E= Estimate by SERC; F=Forecast by SERC.
Source: DOSM; MOF; BNM

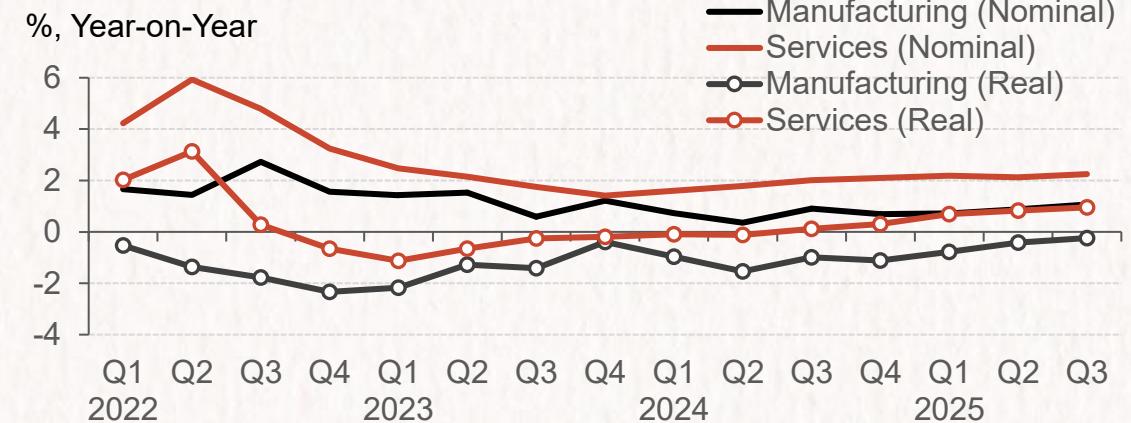
MOF: 5.0 5.1

Risks: Cost-of-living pressures, high consumer debt, spillover from slowing exports

Selected private consumption indicators



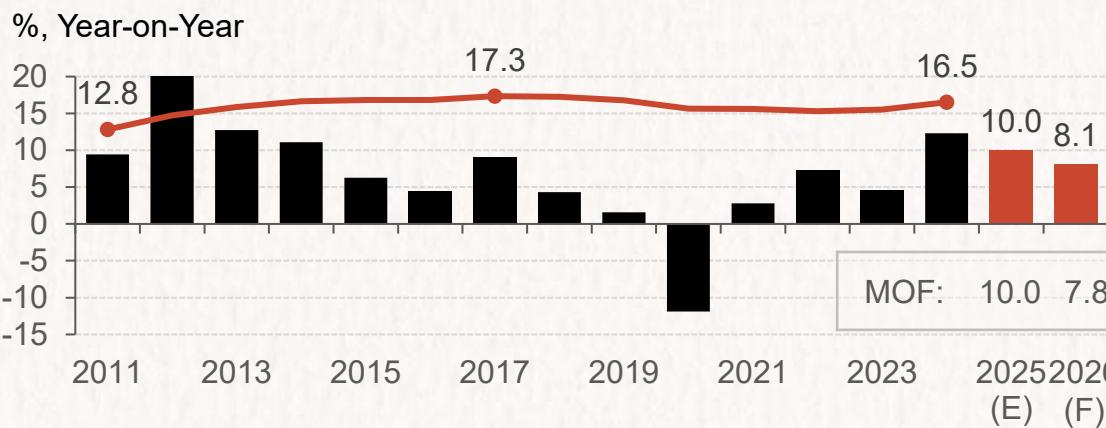
Real wage growth per employee



Private investment: Remains the key growth anchor

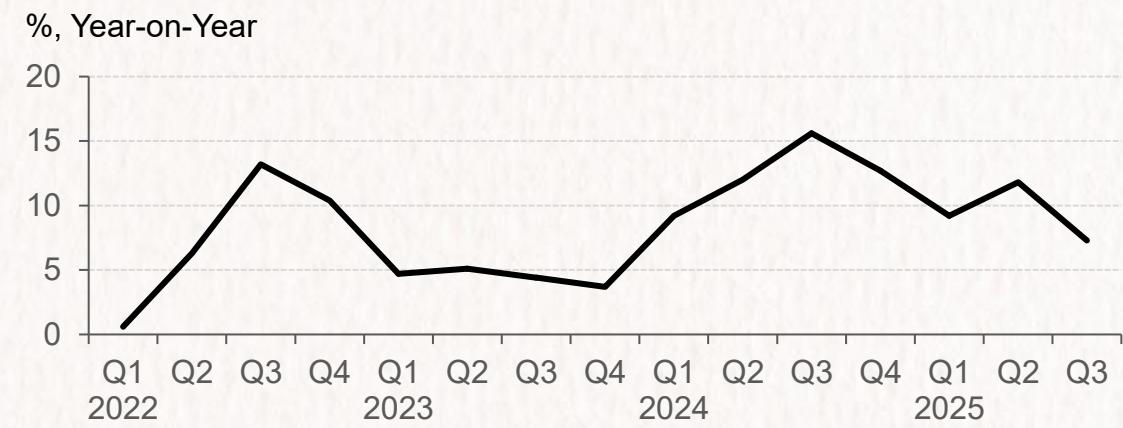
Drivers: Ongoing capacity expansion, technology-related spending, multi-year development programmes

Private investment growth - annually

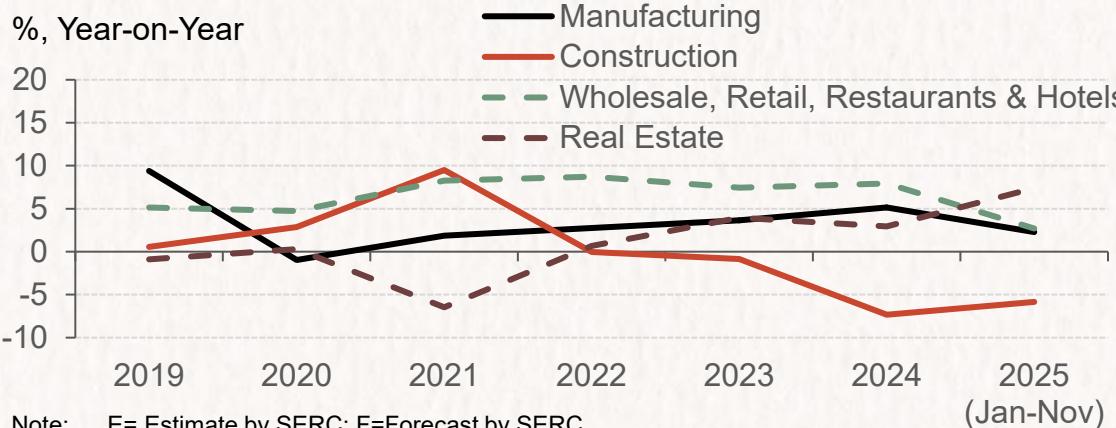


Risks: Delay in project implementation, tighter credit conditions, policy uncertainty

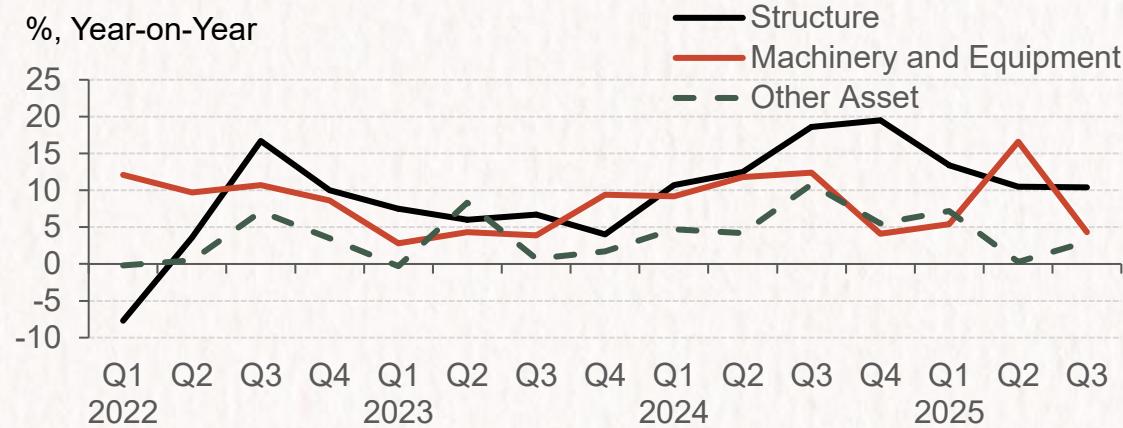
Private investment growth - quarterly



Selected business loans

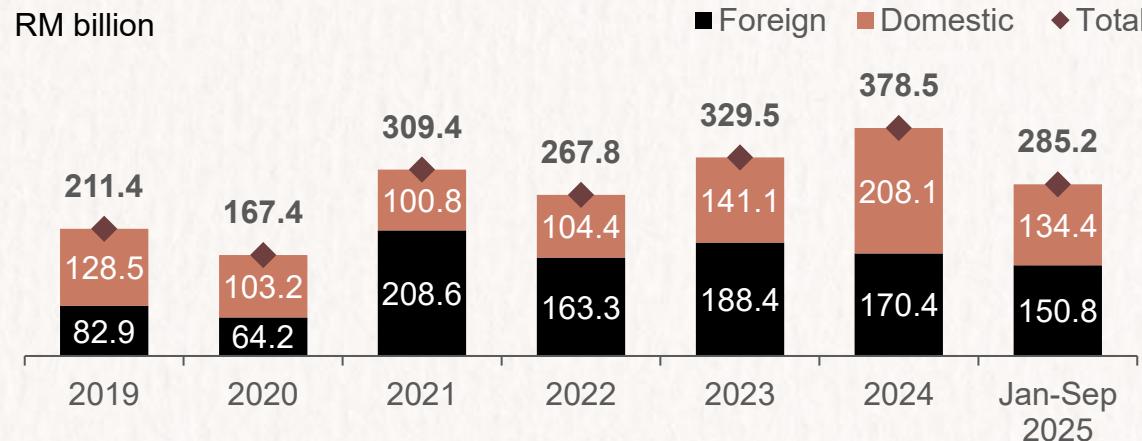


Gross fixed capital formation by type of assets



Robust investment in high-demand and strategic sectors

Foreign vs domestic approved investment



Top 3 highest approved investments by states in Jan-Sep 2025

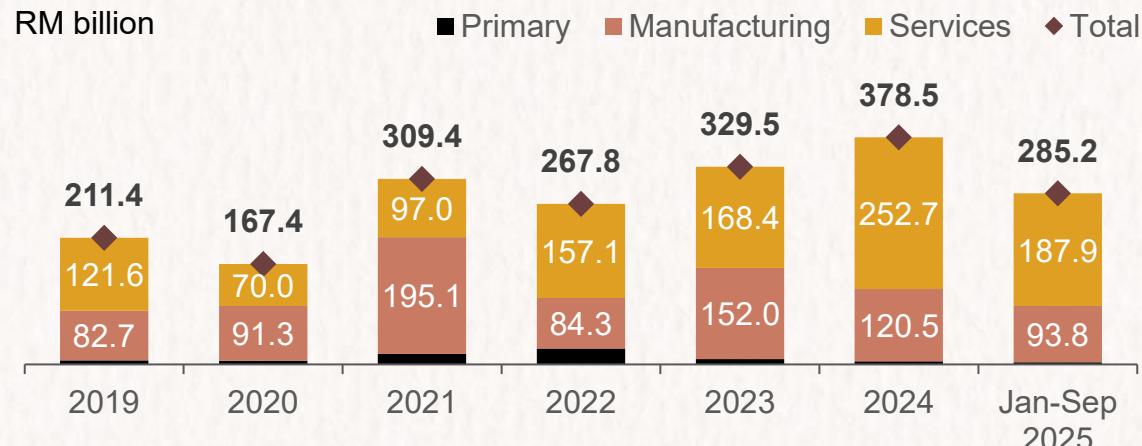
RM billion, % change (vs 1Q-3Q 2024)

Johor
RM91.1 billion
(+403.2%)

Selangor
RM51.9 billion
(-25.1%)

Kuala Lumpur
RM45.9 billion
(-22.7%)

Approved investment by sectors



Top 3 highest approved investments by sub-sectors in Jan-Sep 2025

RM billion, % change (vs 1Q-3Q 2024)

ICT
RM99.8 billion
(+53.0%)

Real Estate
RM56.6 billion
(14.7%)

E&E
RM22.0 billion
(-53.1%)

Source: MIDA

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Sectoral growth: Uneven but broad-based

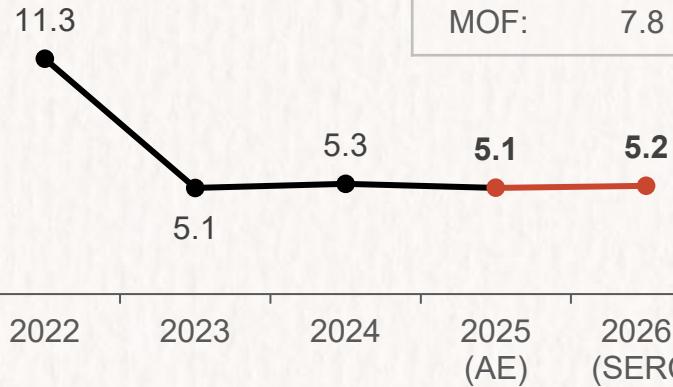
Real GDP growth by sector

%, Year-on-Year

Services

60.3% of GDP in 2026F

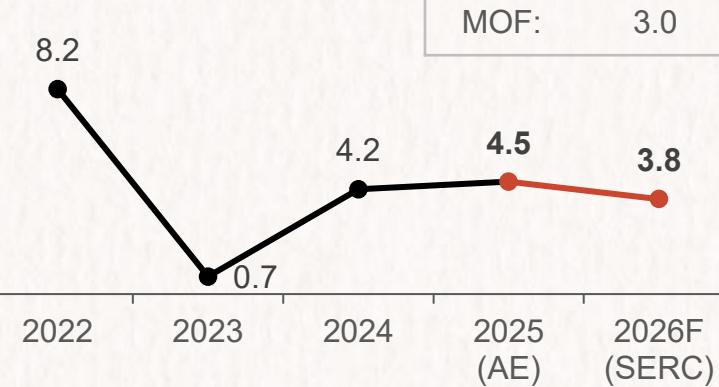
MOF: 7.8



Manufacturing

22.7% of GDP in 2026F

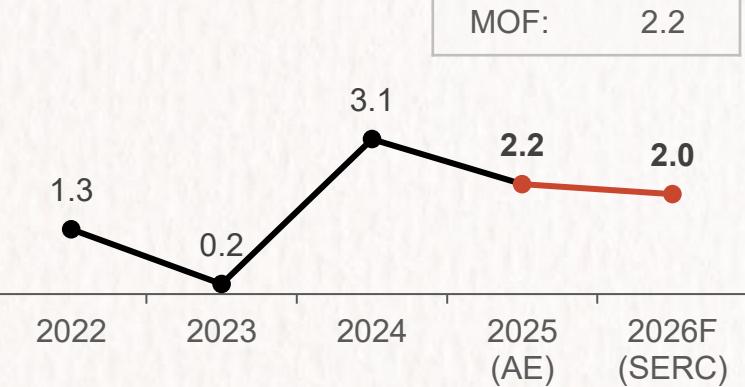
MOF: 3.0



Agriculture

6.0% of GDP in 2026F

MOF: 2.2



Top 3 key factors:

- + Tourism activities
- + Expansion in transport infrastructure and connectivity services
- + AI adoption, data centres, and cloud computing expansion

- + Global technology upcycle and AI-related semiconductor demand
- + Stable domestic demand supporting consumer-oriented output
- + Food and beverages growth from higher visitor arrivals

- + Higher crude palm oil output from improved yields and extraction rates
- + Rubber subsector recovery driven by higher production
- + Broad-based expansion in livestock, fisheries, and other agriculture

Note: AE=Advanced Estimate by DOSM; F=Forecast.

The percentage share of GDP for each sector in 2026F is based on MOF's estimates

Source: DOSM; MOF

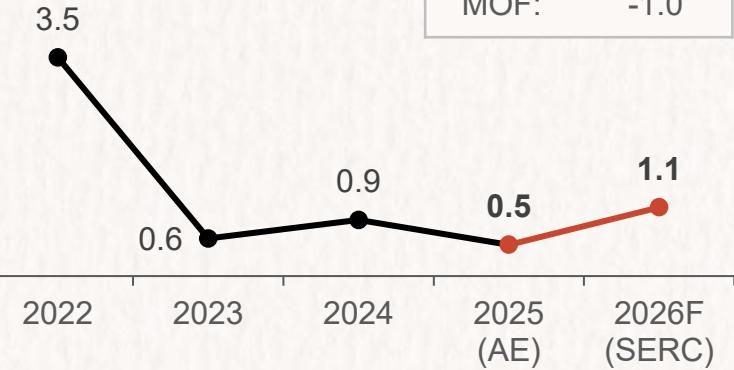
Real GDP growth by sector

%, Year-on-Year

Mining & Quarrying

5.5% of GDP in 2026F

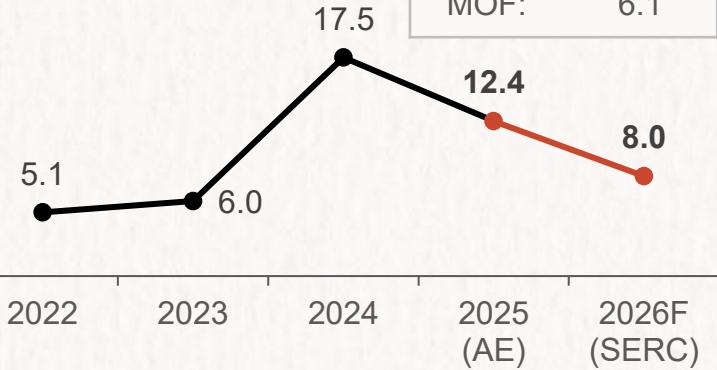
MOF: -1.0



Construction

4.3% of GDP in 2026F

MOF: 6.1



Top 3 key factors:

- + Lower natural gas output amid moderating external demand
- + Partial offset from new gas project commencements
- + Reduced crude oil and condensate production with softer prices
- + Implementation of strategic investment projects under national plans
- + Large-scale transport, energy, and utilities infrastructure projects
- + Affordable housing programmes and targeted home ownership initiatives

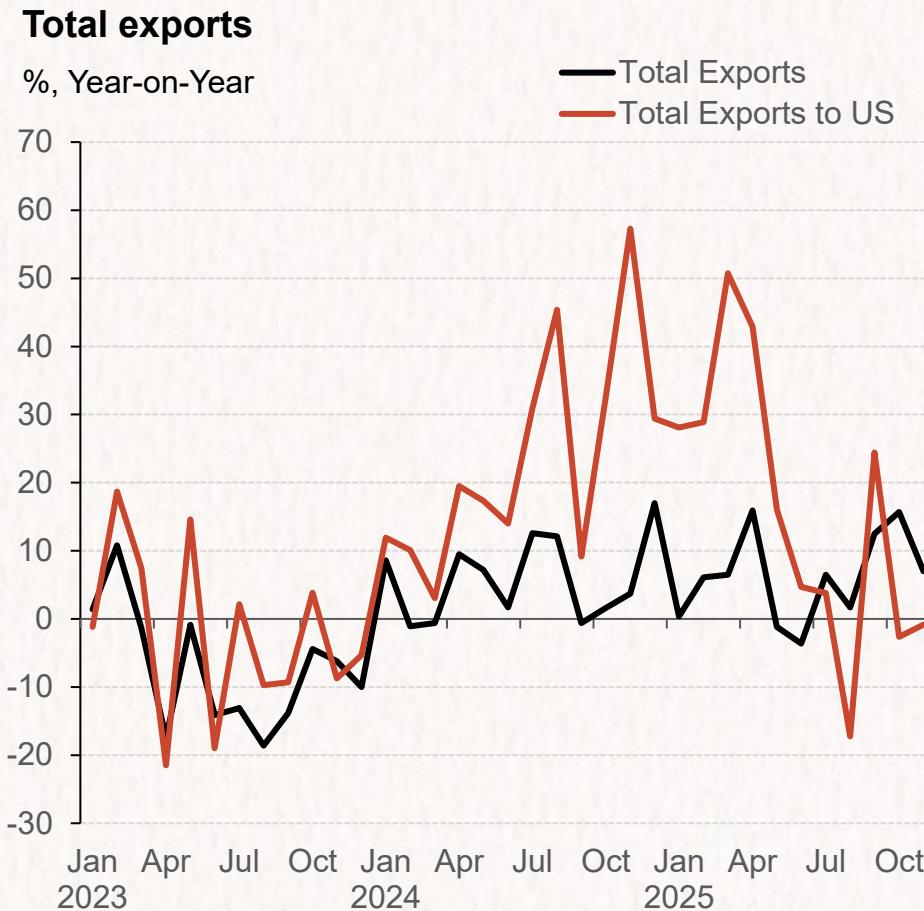
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The percentage share of GDP for each sector in 2026F is based on MOF's estimates

Source: DOSM; MOF



Export prospects remain a wild card; risk of “payback” effects

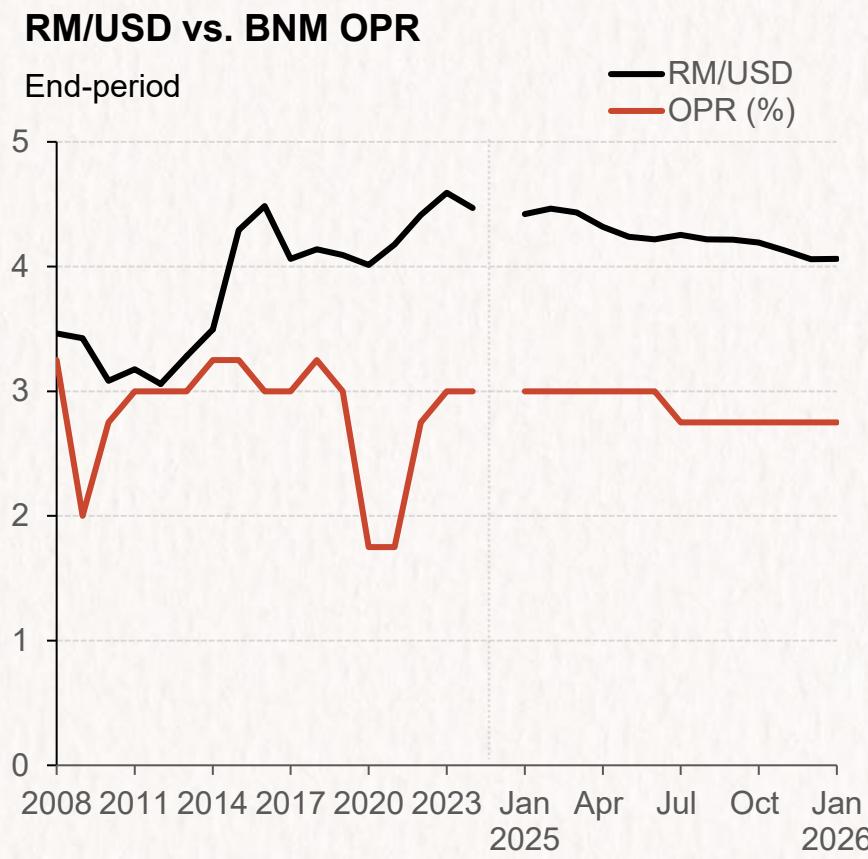


- + Continued strength in electronics and semiconductor exports
- + Gradual improvement in intra-regional trade within Asia
- Weaker external demand from major advanced economies
- Trade and geopolitical uncertainties
- Commodity price volatility

Will the Ringgit continue its momentum in 2026?

The Ringgit's strength is underpinned by sound macroeconomic fundamentals, continued reform momentum, and strong external buffers, supported by **continued trade surplus, sustained FDI inflows, stable sovereign credit ratings, and ample foreign reserves**.

As of 16 Jan 2026, the Ringgit has appreciated 10.1% against the US dollar since end-Dec 2024

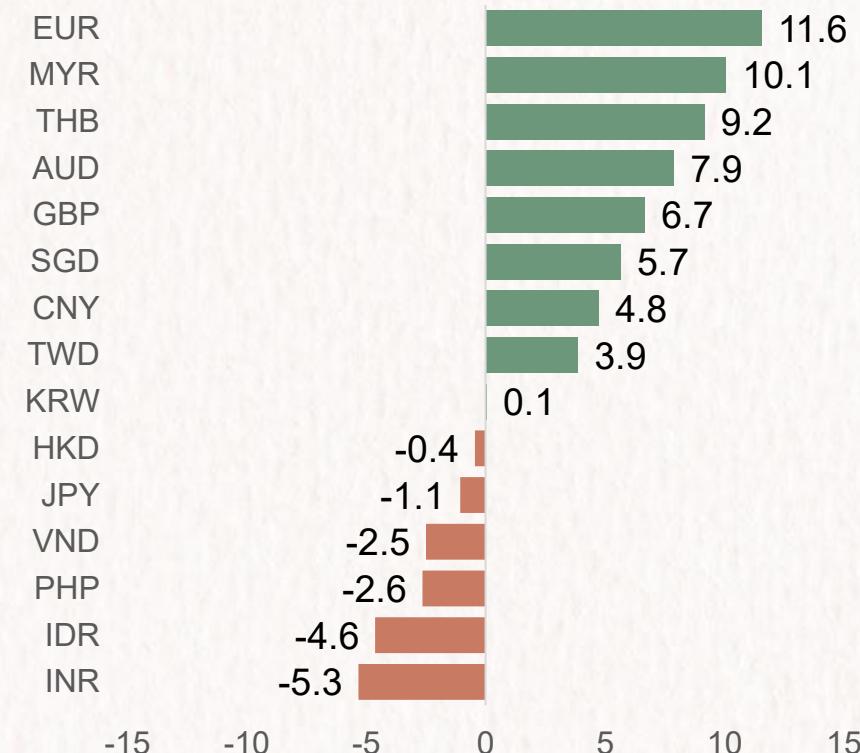


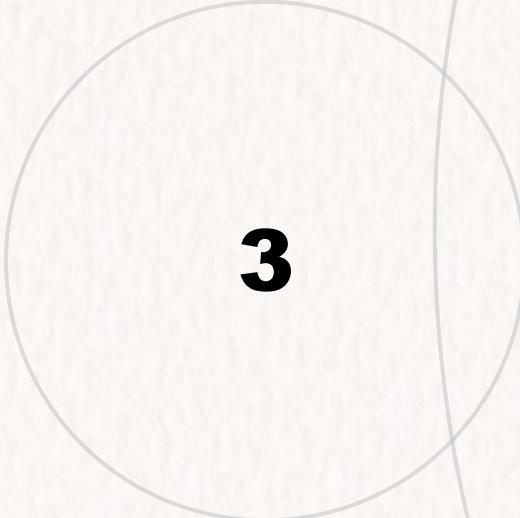
Note: Latest is up to 16 Jan 2026

Source: BNM

Selected currencies against the USD

16 Jan 2026 vs. 31 Dec 2024, % Change





3

Technology Trends Shaping Future Business Competitiveness

Transformative, Adaptive, Competitive

Technology is an adaptive response to evolving business needs, enabling SMEs to compete, scale, and thrive amid uncertainty

Technology as a business response

"We often talk about technology as tools - AI, systems, machines. But in business, technology has always emerged in response to needs."

Technology shapes the way businesses grow & adapt

Technology is an **adaptive response** to business needs shaped by **economic, social, and competitive forces**.

Economic Forces (e.g. cost)

Social & Workforce Forces
(e.g. labour shortage)

Competitive & Regulatory Forces
(e.g. higher standard)

Internet of Things

Cloud Storage

Artificial Intelligence

Forces

Needs

Technology

Outcomes

Reduce human errors
Streamline production
Fulfil compliance (e.g. e-invoicing)

Productivity (do more with less)
Competitive (outperform rivals)
Resilience (absorb shocks)
Scalability (growth without breaking)

Digital transformations to achieve Sustainable Development Goals (SGD)

1. Human Capital

Advances in education and healthcare enable **people** to live self-determined, healthy lives, find decent work, and generate income to sustain themselves, but also to strengthen resilience and undertake climate change mitigation and adaptation.

2. Smart Industry

Responsible consumption and production through initiatives that facilitate the uptake of more service- and circular-economy business models, including mobility as a service and recycling in the production cycle.

3. Decarbonisation & Renewable Energy

An integrated network with **clean, affordable energy** for all through efficiency, renewables, electrification, and carbon capture by 2050.

4. Digital Agriculture

Achieving access to healthy, affordable food and **clean water** while protecting the biosphere through investments in more technologically-advanced sustainable food systems.

5. Smart Cities

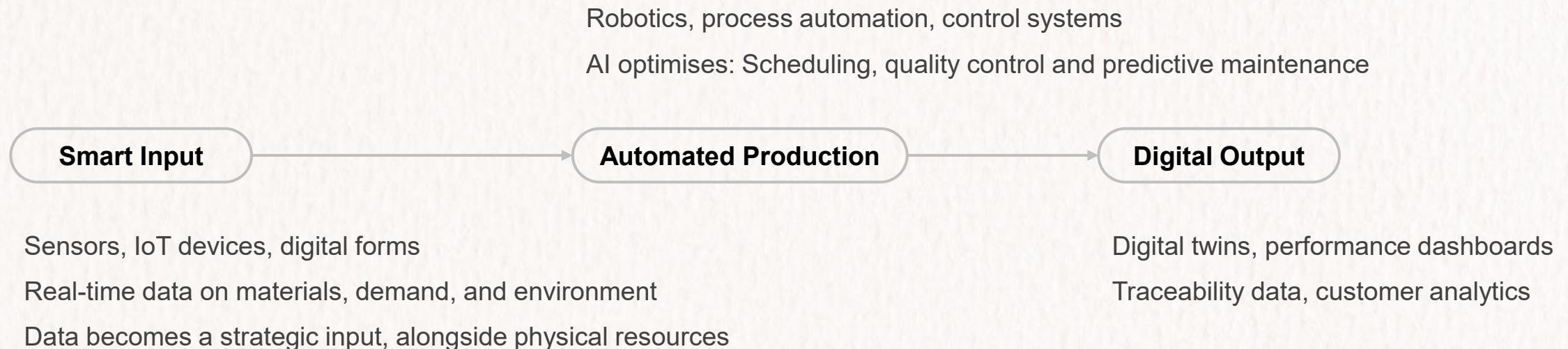
Sustainable cities and communities with high-quality services and **low environmental footprint**, thanks to high connectivity and 'smart' infrastructure to meet the demands of growing urban populations.

6. Digital Government

A digital revolution with the convergence of innovative technologies harnessed to support the SDGs while mitigating negative impacts on work, social cohesion, and human dignity.

What do these technologies mean for businesses?

The IR4.0-enabled process should generally look like:



Technology adoption in Malaysia

Red Hat Survey

 **36%** of Malaysia's businesses are piloting or experimenting with AI, but only **21%** have integrated it across their organisations.

AWS's Unlocking Malaysia's AI Potential 2025

 **27%** of businesses are now using AI.

 **65%** of businesses that have adopted AI report increased revenue, with an average increase of **19%**.

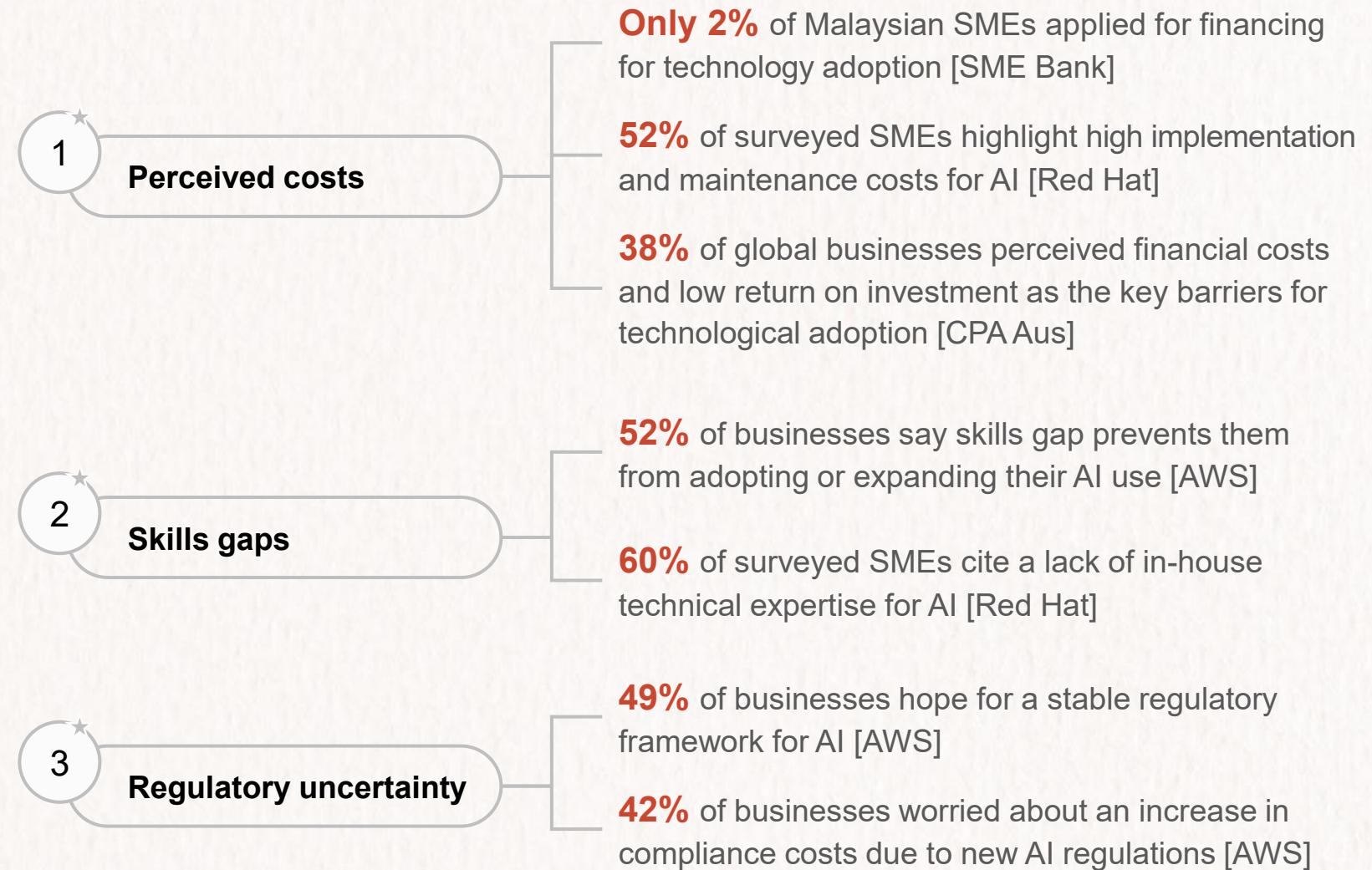
 **72%** say they have already seen significant productivity improvements.

Benefits

CPA Australia Business Technology Report 2025

Technology Adoption Rate	Survey Average	China	Malaysia	Singapore
Data analytics and visualisation software	93%	92%	87%	95%
Artificial Intelligence	86%	92%	85%	92%
Cybersecurity software	87%	91%	73%	69%
Business intelligence software	75%	73%	62%	70%
Enterprise Resource Planning (ERP) software	65%	76%	61%	68%
Customer Relationship Management (CRM) software	72%	61%	55%	59%
Robotic Process Automation (RPA)	25%	50%	34%	38%
Blockchain / Distributed Ledger Technology (DLT)	9%	22%	9%	19%

Barriers to technology adoption



Source: Various sources

Socio-Economic Research Centre

While government support is extensive, actual business uptake, particularly by SMEs, faces hurdles like lack of holistic strategies and infrastructure gaps

-  **Malaysia Digital Acceleration Grant**
-  **SME Technology Transformation Fund**
-  **Additional 50% tax deduction for MSMEs** for expenses related to AI training costs that are recognised by the MyMahir National AI Council for Industry (NAICI) in 2 years
-  **Malaysia Science Endowment (MSE) Trust Fund**
-  **Technology Accelerator and Commercialisation Scheme (TACT)**
-  **Extend tax incentives for automation in agriculture** to include rearing chickens using the closed-house system
-  **Allow a fully Accelerated Capital Allowance (ACA) claim** on Capital Expenditure for Plant, Machinery, and ICT Equipment within two years

And More...

-  **Existing training platform** (e.g. Rakyat Digital) + **additional 3 million opportunities** in the high-tech, digital and energy transition under HRD Corp
-  **Establish the AI Transformation Centre and the Centre of Excellence for Emerging Technologies** to serve as a culturally sensitive R&D and AI centre
-  **Draft the TVET Bill and establish the TVET Commission** to strengthen the TVET ecosystem
-  **Introduce AI fundamentals and related programs** for new curriculum strands in education

And More...

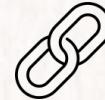


Conclusion

- 1** The dynamics of **TRADE POLICIES, GEOECONOMIC TENSIONS, CAPITAL FLOWS, AND CURRENCY MOVEMENTS** remain key influences on economic and business growth.
- 2** Malaysia's **ECONOMIC AND INVESTMENT PROSPECTS FOR 2026 REMAIN POSITIVE**, supported by domestic demand, strategic investments in key sectors, and ongoing government fiscal consolidation efforts.
- 3** The Government must calibrate policy responses aimed at **BUFFERING NEAR-TERM DOWNSIDE RISKS** while **SUPPORTING MEDIUM-TERM ECONOMIC RESILIENCE**.
- 4** **TECHNOLOGY AND AI ENHANCE GLOBAL REACH, DATA-DRIVEN DECISIONS, AND EFFICIENCY**, crucial for competitiveness and growth as well as for achieving success in business endeavors.



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