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AmInvest Market Update

13th Malaysia Plan

Macroeconomic Context

The 13th Malaysia Plan ("13MP") covering 2026-2030 aims for 4.5-5.5% Gross Domestic Product ("GDP") growth versus 5-6% in 12MP (actual 5.2% average GDP for 2021-2024). This more moderate target likely takes into account a more volatile external outlook due to the uncertain geopolitical and trade environment.

Development expenditure at RM430b (versus 12MP of RM415b, 11MP of RM220b) is a milder increase than in 12MP and is low as a percentage of GDP with the aim of bringing budget deficit to <3% of GDP (2024: 4.1% of GDP, consensus estimate 2025: 3.9% of GDP).

Policy Priorities and Themes

The 13MP sees another push towards the multi-generational aspiration of achieving high-income nation status (latest World Bank definition of USD13,935 per capital gross national income in 2024). The 13MP focuses on a) High-Income and Sustainable Nation, b) Quality and Inclusive Living, and c) Sustainable Environment. To achieve these aims, the Government will be looking towards development of an Artificial Intelligence ("AI")-driven economy, a human-centred social system under the Madani framework, promoting a dignified nation.

The Government aims to improve income distribution, which would also improve consumer demand resilience. To this end the Government has set a target of Compensation of Employee of 40% of GDP by 2030 from 33.1% in 2023, a 7-year Compounded Annual Growth Rate ("CAGR") of 2.7% and plans to implement a higher minimum wage for graduates, semi-skilled workers, and vocational graduates.

Malaysia is experiencing a demographic shift. The Department of Statistics Malaysia ("DOSM") reported that the country will become an ageing society by 2030 with population aged above 60 years surpassing 15% of total population from 11.6% in 2024. As such 13MP is exploring the possibility of raising the retirement age from 60 years currently. In addition, the Employees Provident Fund is exploring the option of a monthly payment to retirees, rather than the current single option of lump-sum withdrawal.

Fiscal Reform & Strategy

The Prime Minister also reiterated the government's commitment to implementing fiscal reforms, increasing revenue, and optimizing expenditure, including re-targeting subsidies to reduce new debt. The MRT3, KL-Singapore High Speed Rail and Light Rail Transit projects that were mentioned in 12MP are not mentioned in 13MP but are on-going and expected to continue.

Continuity is expected for the existing national blueprints of New Industrial Master Plan ("NIMP") 2030, the National Energy Transition Roadmap ("NETR"), and the National Semiconductor Strategy ("NSS") that are aimed at driving industrial modernization and foster green and sustainable economic growth and strengthening Malaysia's position in the global supply chain.

The development of strategic sectors such as AI, semiconductors, green technology and the halal industry would also go towards strengthening trade competitiveness. At the same time, expansion of international market access through free trade agreements and regional partnerships would also improve trade performance.

Bond Market Outlook and Strategy

The 13MP is expected to significantly influence the domestic bond market. Grounded in strategic priorities such as sustainability, infrastructure, and inclusive growth, the following outlines key implications and positioning strategies.

<u>Green Economy & Energy Transition</u>

Government focus on sustainability is likely to drive increased issuance of Green Sukuk and ESG-linked bonds from both sovereign and corporate issuers. This will be supported by rising demand from ESG-focused institutional investors, both domestic and international. This trend is expected to deepen Malaysia's ESG bond market and reinforce its role as a regional leader in Islamic green finance.

<u>Infrastructure & Industrial Upgrades</u>

Strategic investment in infrastructure and digital transformation will likely necessitate increased funding. This is expected to lead to greater issuance of Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), and infrastructure-related corporate bonds. Government-linked companies ("GLCs") and special purpose vehicles ("SPVs") are anticipated to be key issuers. Should 13MP include large-scale projects, upward pressure on yields may arise due to increased government borrowing, particularly at the long end of the curve.

<u>Yield Curve & Duration Strategy</u>

A modest steepening of the yield curve is expected, driven by more long-end issuances. The front-end is likely to remain stable under Bank Negara Malaysia's ("BNM") cautious monetary policy, particularly if inflation remains contained. Strategic positioning may include tactical curve steepeners and a neutral to slightly short/medium duration bias in the 7–10 year segment.

Equity Market Outlook and Strategy

Measures proposed under the 13MP are overall positive for the equity market in sustaining economic growth and domestic consumption, while adhering to a fiscal consolidation path. Beneficiaries include construction/infrastructure, consumer, education, healthcare, renewable energy and technology sectors (see table below).

However, plans to reduce reliance on foreign workers to 10% of the workforce by 2030 and to 5% by 2035 (vs 15% currently) may pose challenges for sectors that currently rely on such labour, including construction, HORECA (Hotel, Restaurant and Catering), manufacturing (including gloves), plantation and technology (especially Electronics Manufacturing Services/EMS players). To facilitate this transition, the government will implement the multi-tier levy mechanism ("MTLM") in 2026, with additional levies channelled into a dedicated trust fund to promote automation and mechanization. Other sectors that are negatively impacted include breweries and tobacco due to a "pro-health" tax and property.

Strategy wise, we view the 13MP as a significant driver to Malaysia's growth over the next 5 years. Whilst we are positive on the proposed initiatives, implementation is key with the beneficial impact stretched over the coming years.

Sector impact with 13MP

Banking (neutral)	A mandatory build then sell ("BTS") model for properties may curb mortgage disbursements and affect interest income, as mortgage lending accounts for circa 38% of banking loans. However, to finance development costs, developers may require greater financing, either in the form of bank loans, project financing or bond financing which may offset the lower mortgage disbursements from house buyers.
Breweries, Tobacco (negative)	A "pro-health" tax will be expanded to include tobacco, vape products and alcohol, in addition to the existing taxes on sugary drinks.
Construction (positive)	The Malaysian government has significantly increased its development expenditure allocation to RM430 billion for the 2026–2030 period i.e. an 8% rise from 12MP. There is additional RM120 billion from government-linked entities and RM61 billion via public-private partnerships ("PPP"). For the construction sector, this translates into a robust pipeline of projects, including the Johor Bahru–Singapore Rapid Transit System, Johor Autonomous Rapid Transit, Penang LRT (Mutiara Line), and the Penang International Airport terminal upgrade. Although the MRT3 was not explicitly mentioned in the 13MP, its formal endorsement and expected implementation in 2027 suggest it remains a key project. The plan also emphasizes flood mitigation (RM20 billion across 103 projects), transit-oriented developments ("TODs") in multiple states, and the expansion of expressways and industrial parks. The revamped PIKAS 2030 framework is expected to accelerate PPP-based projects. Additionally, the rise of data centre

	investments and industrial park developments—particularly in Carey Island, Kulim, and Kerian—will further drive construction demand.
Consumer discretionary (positive)	The 13MP targets an increase in average household income to RM12K/month by 2030 from around RM7K/month in 2024, implying a CAGR of 9.3%. The target for labour compensation share of GDP of 40% has been extended to 2030 (previously targeted for 2025 under the 12MP). Share of labour compensation/GDP was 33.1% in 2023, declining from 37.4% in 2020. Proposal to introduce a monthly EPF pension payout, in addition to the current lump-sum withdrawal option, and is reviewing the mandatory retirement age, with potential new laws on re-employment after retirement. Plans to introduce a higher minimum wage for graduates and semi-skilled workers. The measures above would boost household income and discretionary spending.
Gloves (negative)	The implementation of the Multi-Tier Levy Mechanism ("MTLM") has been rescheduled to 2026 from 2025, with additional levy collections to be channelled into a newly established trust fund. The conditions for issuing Temporary Work Visit Passes will also be tightened. This measure will ensure that local workers are given priority to fill vacant positions. Initiatives will be introduced to encourage employers to provide more accommodation facilities to local workers as a measure to increase the participation of the local workforce. The delay in implementing the MTLM offers temporary relief for glove manufacturers, but the broader direction of government policy suggests that labour costs will continue to rise. Glove makers could speed up automation and digitalisation to replace reliance on labour, but this would also incur higher costs.
Healthcare (positive)	Plans to allocate RM40 billion in development expenditure to the healthcare sector during the 2026–30 period, to reduce out-of-pocket expenses for healthcare services. Targeting a reduction in out-of-pocket health spending to 32% by 2030 and aims to raise primary healthcare expenditure to 32% of total health spending. Major focus areas identified to drive healthcare reforms including: - Implementing Rakan KKM, a standardised private insurance/takaful products, a national health fund, as well as

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	- developing a strategic purchasing platform for medical consumables/devices. - Accelerating the digitalisation of health information management by leveraging big data, AI, and emerging technologies. - Supporting local pharmaceutical and medical device manufacturers in scaling up production capacity, capabilities, and infrastructure to reduce reliance on imported medicines and antibiotics. The increase in development expenditure is expected to primarily benefit the public healthcare sector, but local pharma players should benefit from increased support for localization and reduced dependence on imported drugs.
Plantations (neutral)	According to the Human Resources Ministry, MTLM will apply to all sectors except plantation and agriculture. Instead, to limit planters' reliance on foreign workers and to encourage mechanization, the sector is subject to a quota of one foreign worker for every eight hectares. However, we understand that plantation companies have made great strides in cutting down on their foreign labour requirements and should have no issue in adhering to this quota. High-impact investment and dedicated industrial parks in Chuping, Kota Kinabalu, Kerian, Tok Bali, Carey Island. Regional AI and digital hubs will continue to be developed. While AI and technology have already been adopted for plant breeding in the plantation sector, the use of precision crop monitoring and real-time weather forecasting remains in its early stages. These emerging technologies hold significant long-term potential to enhance yield optimization and operational efficiency.
Property (negative)	<u>Initiatives:</u> • The **build-then-sell** concept will be made mandatory through amendments to Act 118. • A single national agency to consolidate all federal housing programmes to better planning and coordination. The target is to build 1m affordable houses within 10 years. • The Rent-to-Own ("RTO") scheme will be expanded with greater flexibility and more affordable. The government through the 13th Malaysia Plan continues its agenda to provide affordable housing to the citizens. However, the build-then-sell model could reshape Malaysia's property development landscape. Although the measure could help address abandoned housing projects and protect the homebuyers, property developers will need to commit

	significant capital over a period without cash inflow. This would put pressure on the working capital and potentially result in liquidity challenges. Developers with stretched balance sheets may be perceived as higher risk and thus face higher borrowing costs, which would impact profit margins. Due to financing issues, developers with weaker balance sheets may become more cautious in launching projects. Earnings recognition for developers will also be lumpy as revenue will only be recognized upon completion. We expect the government to undertake extensive stakeholder engagement and research before proceeding with the change.
Technology (positive)	Although there may be some negative impact from foreign labour restrictions, measures announced under 13MP are generally positive for the technology sector, as highlighted below. Aiming to become an inclusive and sustainable AI nation by 2030, 13MP aims to promote Malaysia as a regional hub for digital technology manufacturing. AI adoption will be mainstreamed across key sectors including manufacturing, agriculture, healthcare, education, finance, security, housing, and public services, to drive productivity, efficiency, and innovation while strengthening Malaysia's global competitiveness. The plan also emphasises the role of AI in modernising public administration through a more robust GovTech ecosystem, leveraging big data analytics and AI tools to enhance decision-making, increase transparency, and detect non-compliance or abuse of power early on. Plans to elevate Electrical & Electronic export value from RM600b in 2024 to RM1t by 2030 via the High Technology Semiconductor Industry Flagship initiative. This implies a CAGR growth of 10.8%. Implementation of National Semiconductor Strategy ("NSS") alongside New Industry Master Plan ("NIMP") 2030. Supports local tech firms in moving into front-end and design-led activities; Potential to attract more FDI and joint ventures in high-value semiconductor segments.
Utilities (positive)	In the utilities sector, the 13MP reinforces Malaysia's energy transition agenda under the National Energy Transition Roadmap ("NETR"). The renewable energy target has been raised to 35% of installed capacity by 2030, up from the previous 31%. Key initiatives include the development of a third regasification terminal ("RGT3") in Lumut, the integration of Sarawak and Peninsular Malaysia's electricity grids, and the introduction of nuclear energy into the national mix by 2031. The government also aims to expand RE adoption through schemes like the Corporate Renewable Energy Supply Scheme ("CRESS"), Community Renewable Energy Aggregation Mechanism ("CREAM"), and cost-

	reflective electricity tariffs. Waste-to-Energy ("WTE") projects are gaining traction, with Malakoff's Sg. Udang facility serving as a notable example. The upcoming LSS6 solar programme, with a combined capacity of 5.2 GW, is expected to further boost solar investments. Cross-border grid initiatives, such as Sarawak–Johor–Singapore and Vietnam–Kelantan–Singapore, are also being explored to enhance regional energy integration. These developments underpin a new investment cycle in the utilities sector.

Source: 13th Malaysia Plan, Ministry of Economy, Malaysia

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