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13TH MALAYSIA PLAN (13MP): RESTRUCTURING NATIONAL DEVELOPMENT FOR A BETTER FUTURE

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Sources: 13MP, Bank Islam

KEY HIGHLIGHTS FROM 13MP

- On 31st July 2025, Prime Minister Dato' Seri Anwar Ibrahim tabled the Thirteenth Malaysia Plan (13MP) for the period 2026 to 2030, with the theme "Melakar Semula Pembangunan" (Restructuring Development), marking a strategic change in Malaysia's national development framework. It outlines 3 core dimensions: 1) High and Sustainable Income, 2) Quality and Inclusive Life, and 3) Sustainable Environment.

- These dimensions are anchored by 4 pillars, consisting of 27 strategic priorities, focused on advancing economic complexity, enhancing social mobility, accelerating public sector reform, and improving societal well-being and environmental sustainability. This plan also aligns with the Ekonomi MADANI framework, reflecting the government's long term commitment to raising the ceiling and positioning Malaysia as a leading Asian economy, strengthening good governance and public sector reform, as well as raising the floor to improve the people's standard of living

- The 13MP sets out a forward-looking roadmap focused on digitalisation, inclusive growth, and strengthening competitiveness. While it outlines clear goals including raising incomes, fiscal consolidation and driving green industrial change, its impact will depend on how well its execution, particularly through coordination between agencies as well as consistent and disciplined policymaking.

- From the global economic context, the Federal government expects the global economy to grow at an average 3.1% per annum from 2026 to 2030, slower than the long-term average of 3.8%. Several risks that could drag the economy include ongoing geopolitical tensions, rising protectionist policies and a more fragmented global economy. The supply chain realignment triggered by Trump tariff policies may lead to reshoring, potentially driving up costs and reducing global efficiency for some time before reaching stabalization. Conflicts between Russia and Ukraine, as well as between Israel and Palestine, are also likely to persist. Additionally the climate change also poses risks that could disrupt supply chains, agricultural production and energy markets. Given these uncertainties, commodity prices are expected to stay relatively stable.

DOMESTIC ECONOMIC PERFORMANCE

- Malaysia's economic growth has rebounded strongly over the past four years (2021–2024), averaging 5.2% per annum as part of its post-pandemic recovery. This follows a sharp 5.5% contraction in 2020 and a subdued average growth of 2.7% during the 11MP. If our current-year forecast of 4.4% is achieved, the economy would fall within the mid-point of the original 12MP target range of 4.5% to 5.5%, delivering an overall average growth of 5.0% across the 12MP period.

- As outlined in the 13MP, Malaysia's average annual growth target remains between 4.5% and 5.5%, the same range set during the 12MP. Private consumption is expected to remain as the key driver of growth, with a projected increase of 5.5%, matching the 12MP figure and highlighting its crucial role in the economy. Its share to GDP is expected to rise to 62.4% in the 13MP period, up from 60.7% previously.

- However, other expenditure components like public expenditure (12MP: 4.6%, 13MP: 3.9%) and private investment (12MP: 6.5%, 13MP: 6.0%) are forecasted to grow more slowly compared to the 12MP period.

Private investment is expected to grow steadily, reaching about 18% of GDP, despite a challenging global environment. Public spending and investment will also increase moderately, by 4.1% and 3.6% respectively. Key projects like NIMP 2030, NETR, and PIKAS 2030 will help drive this growth. Collaboration between the public and private sectors through initiatives like GEAR-uP, along with focused government spending, will further boost investments.

Table 1: Selected Macroeconomic Target, 12MP vs 13MP

Indicator	Average Annual Growth,%	
	12MP (2021-2025)	13MP (2026-2030)
Real GDP (by expenditure)	**5.1**	**4.5 - 5.5**
Private Expenditure	**5.7**	**5.6**
Private Consumption	5.5	5.5
Private Investment	6.5	6.0
Public Expenditure	**4.6**	**3.9**
Public Consumption	4.9	4.1
Public Investment	3.8	3.6
Net Exports	-5.8	2.0
Exports of goods and services	6.9	4.1
Imports of goods and services	8.1	4.3
Real GDP (by Sector)	**5.1**	**4.5 - 5.5**
Agriculture	1.2	1.5
Manufacturing	5.1	5.8
Services	5.8	5.2
Construction	6.5	5.0
Mining	1.1	2.8
Import duties	6.0	4.0
CPI	2.5%	2.0 – 3.0%

Sources: MOE, MOF,DOSM, Bank Islam

- Net exports are projected to rebound, averaging 2.0% growth annually from 2026 to 2030, marking a recovery from the 5.8% contraction seen during the 12MP period, which was largely driven by the global recession and lockdowns during the COVID-19 pandemic. However, export growth is expected to moderate to around 4.1% per year, reflecting a more cautious global trade environment amid persistent geopolitical uncertainties. In line with this softer external outlook, imports and both foreign and domestic direct investment are also expected to grow at a more modest pace.

- Overall, domestic demand will be the main catalyst of growth amid external challenges. The government aims to achieve key targets such as raising Gross National Income (GNI) per capita from RM50,000 currently to RM77,200 by 2030, and increasing the share of employee compensation in GDP from 33% to 40% by 2030. Meanwhile, inflation is anticipated to be in between 2.0% and 3.0% during 13MP.

- By sector, economic growth from 2026 to 2030 will be driven primarily by manufacturing and services, which are projected to expand by 5.8% and 5.2% per year, respectively. The construction sector is expected to be the next fastest-growing, with an average growth rate of 5.0%, followed by mining at 2.8% and agriculture at 1.5%. The 13MP outlines several key initiatives under each sector to support and sustain this momentum over the five-year period.

- Manufacturing and high-value E&E focus. The manufacturing sector is poised to outperform its 12MP performance, driven by initiatives under the National Industrial Master Plan (NIMP) 2030. Malaysia is advancing up the semiconductor value chain, particularly in Integrated Circuit (IC) design, which will enhance the sector's resilience to global trade disruptions. Penang and Selangor are leading efforts to develop IC design hubs. In addition to semiconductors, emerging areas of growth include chemicals, pharmaceuticals, and medical devices.

- Services and labor market dynamics. Backed by robust domestic demand, the services sector remains a key engine of growth. Policy measures such as civil servant salary adjustments, an increased minimum wage, and expanded skills training are expected to lift the share of skilled workers to over 35% and raise employee compensation to 40% of GDP by 2030. These efforts will support income-led consumption and more sustainable economic growth. Consequently, the government is likely to refrain from implementing reform measures that could spark inflation beyond 2026.

- Construction and infrastructure outlook. The construction sector is expected to expand by 5.0%, making up around 5.0% of the country's GDP. The PIKAS 2030 plan highlights 38 ongoing and 41 potential projects that will support long-term demand in construction. The updated Public-Private Partnership (PPP) framwork now covers areas like renewable energy, tourism infrastructure, science and technology, and smart agriculture. Additionally, new rules require projects to have a minimum cost of RM50 million (up from RM25 million) and a concession period of at least 7 years.

- Agriculture and mining revitalization. The agriculture sector is set for a boost under the PIKAS 2030, with smart agriculture being introduced through PPP for the first time. This move aims to improve food security and increase high-value crop production. Meanwhile, the mining sector is projected to bouce back strongly, especially in LNG and crude oil. There is also a significant potential if Malaysia can successfully develop its rare earth element (REE) reserves. To maximize economic benefit, the country require to build the entire value-chain from upstream extraction to downstream processing.

ECONOMIC SECTOR HIGHLIGHTS

Sector	Key Initiatives
Agriculture	• Precision & Smart Farming: Deployment of IoT sensors, drone-based crop monitoring and AI-driven weather forecasting to optimise input use and yields. • Value-Chain Upgrading: Certification and sustainability standards for palm oil, rubber, kenaf, cocoa; support for smallholder replanting and productivity grants. • Agro-food Expansion: Large-scale padi intensification via improved irrigation (PPP), high-yield seed varieties, and post-harvest infrastructure. • Blue Economy in Aquaculture: Advanced feed technologies and integrated fish-seaweed systems. **Targets**: **Increase food self-sufficiency (paddy, vegetables, livestock) by >10 percentage points by 2030.**
Manufacturing	• Industry 4.0 Adoption: Incentives for robotics, additive manufacturing, and digital twins in high-value segments. • Semiconductor Ecosystem: Local wafer fab upgrades, R&D tax credits, joint ventures with global chipmakers. • Green Manufacturing: Energy-efficiency grants, circular economy pilots, and carbon footprint labelling. • Strategic Clusters: Development of aerospace, advanced chemicals, halal pharmaceuticals, and EV components in innovation parks (e.g., Kulim Hi-Tech Park). **Targets: Elevate high-tech export share to 35% of total manufacturing exports by 2030.**
Services	• Digital Economy Platforms: Scale-up of e-commerce enablers, digital lending, and fintech sandboxes. • Tourism & Hospitality: Sustainable ecotourism zones, "High-Income Sustainable Tourism" transformation. • Halal Ecosystem Strengthening: Global halal certification hubs, R&D in halal biotech. • Logistics & Retail Modernisation: Automated warehouses, smart ports, and omnichannel retail incentives. **Targets: Boost digital services exports to RM300 billion by 2030.**
Construction	• Green & Resilient Infrastructure: Mandatory green-building standards, flood-resilient drainage, coastal protection. • Public Transit Expansion: Completion of major MRT/LRT lines, Penang LRT, Pan-Borneo highways, East-Coast Rail Link. • Modular Building Systems (IBS): Adoption in affordable housing and hospitals. • Smart Cities & 5G-enabled Utilities: IoT-based traffic, water and waste-management pilots. **Targets: Deliver 200,000 affordable homes (rented & owned) by 2030.**

Mining	• Renewable Energy Scale-up: Solar farms, floating solar, mini-hydro, and biomass power projects. • Carbon Capture, Utilisation & Storage (CCUS): Incentive scheme for industrial clusters. • Energy Security Diversification: LNG terminal expansions, evaluation of nuclear as clean baseload. • Rare-Earth Element (REE) Value Chain: Downstream processing hub development. **Targets: Achieve 40% renewable share in installed capacity by 2030.**

Sources: 13MP

FISCAL POSITION

- The government is targeting a further reduction in the fiscal deficit to below 3.0% of GDP by 2030, reinforcing its commitment to fiscal consolidation as a key policy priority. This follows a peak of over 6.0% in 2020, driven by extensive stimulus spending during the COVID-19 lockdowns. Notably, the government is on track to meet its 2025 fiscal deficit target of 3.8% of GDP, supported by the gradual rollout of revenue-enhancing measures and ongoing subsidy rationalisation efforts.

- Malaysia's fiscal deficit stood at -4.1% of GDP in 2024, while the federal debt reached 64.6%, just shy of the 65% statutory ceiling. In light of this, the government is expected to adopt a more measured fiscal strategy, with development expenditure (DEVEX) projected to average 3.3% of GDP during the 13MP, down from 4.2% under Budget 2025. This prudent approach is essential to ensure long-term fiscal sustainability and maintain policy flexibility.

- Under the 13MP, the government has allocated RM430 billion in development expenditure, translating to an average of RM86 billion annually, broadly in line with recent years. This level of spending will keep DEVEX at approximately 3.4% of GDP over the next five years. The funds will support critical development programmes, including infrastructure upgrades, public transport systems, the construction of schools, hospitals, and affordable housing, as well as flood mitigation efforts.

- Of the RM430 billion allocation, 52.8% will be channelled to the economic sector, 30.9% to the social sector, 11.8% to security, and 4.0% to administrative functions. Complementing this, an additional RM120 billion will be mobilised through government-linked companies and investment institutions (GLCs/GLICs), while RM61 billion is expected to be financed via public-private partnerships (PPPs), bringing the total development funding envelope to RM611 billion over the 13MP period.

- On the revenue front, the ratio of revenue to GDP is projected to decline to an average of 14.1% during the 13MP period, down from 15.6% in the 12MP and 16.8% in 2024. While total revenue is expected to rise in absolute terms, reaching RM1,820.6 billion or RM364.1 billion annually, a 27.1% increase from the 12MP, this decline in the ratio suggests the absence of significant tax reforms or new revenue streams in the near term. The government appears to be prioritising domestic demand stability by holding off on measures that could trigger inflationary pressures or political resistance.

Table 2: Federal Government Fiscal Condition (RM Million)

Item	Actual					13 MP Target	% of GDP	
	2020	2021	2022	2023	2024	2026-2030	12MP	13MP
Revenue	225,072	233,752	294,357	314,959	324,618	1,820,606	15.6	14.1
Operational Expenditure	224,600	231,516	292,673	311,267	321,509	1,808,308	15.5	14.0
Current Balance	472	2,236	1,684	3,692	3,109	12,298	0.1	0.1
Gross Development Expenditure	51,360	64,257	71,574	96,091	84,012	430,000	4.4	3.3
Net Development Expenditure	50,101	63,265	70,167	95,084	82,275	423,749	4.3	3.3
COVID-19 Fund	38,019	37,711	30,979	-	-	-	0.7	-
Overall Balance	-87,648	-98,740	-99,462	-91,392	-79,166	-411,451		
% to GDP	-6.2	-6.4	-5.5	-5.0	-4.1	< -3.0		

Sources: MOE, MOF, Bank Islam

COMMENTARY

- The 13MP charts a comprehensive and realistic roadmap for structural transformation and fiscal discipline over the next five years. With a targeted GDP growth rate of 4.5% to 5.5% per annum, the plan is aligned with Malaysia's medium-term potential and reflects a continued commitment to post-pandemic recovery and reform. Growth is expected to be driven by resilient private consumption and targeted investments, while the RM430 billion in planned development expenditure underscores the government's commitment to nation-building priorities. On the fiscal front, the aim to reduce the deficit to below 3% of GDP by 2030 signals a balanced approach between growth and sustainability. Private investment is projected to grow at an encouraging pace of 6% annually, but achieving this will require steady investor confidence, structural improvements, and favourable global demand conditions. Notably, the plan's emphasis on digital transformation, particularly in artificial intelligence, data infrastructure, and digital manufacturing, positions Malaysia to capitalise on emerging global trends. At the same time, the strong focus on inclusivity under the Madani framework, especially in areas such as income growth, healthcare access, and alignment betweeneducation and employment, reflects a broader commitment to shared prosperity.

- Despite the comprehensive scope of the 13MP, several concerns remain. Key socioeconomic targets, such as tripling average household income or raising employee compensation to 40% of GDP, are highly ambitious and risk being unattainable without substantial productivity improvements and sustained private sector participation. The plan also falls short of addressing structural revenue challenges, particularly the lack of concrete tax reform to broaden the fiscal base, raising questions about the long-term sustainability of its funding model. With over 600 initiatives and 120 strategies proposed, there is a risk of diluted focus and inefficiencies in implementation unless clear priorities, effective sequencing, and strong delivery mechanisms are established. Moreover, while the plan aspires toward inclusive and equitable growth, critical areas such as policy responses to an ageing population, long-term healthcare financing, institutional governance reform, and deeper transformation of the education system remain underdeveloped. To ensure the 13MP delivers not just short-term growth but also resilience and long-term national competitiveness, these strategic gaps must be addressed with urgency and clarity.

- Overall, the 13MP presents a well-intentioned and forward-looking development blueprint, with strong emphasis on digitalisation, inclusivity, and economic competitiveness. It offers a coherent and pragmatic roadmap amid heightened global uncertainty, aligning with Malaysia's medium-term aspirations. However, the success of the 13MP will hinge not on the number of strategies outlined, but on the government's ability to implement them boldly, consistently, and with discipline. Strong inter-agency coordination, clear prioritisation, and institutional accountability will be critical to translating strategy into impact. The cautious fiscal stance, evident in the lower revenue-to-GDP trajectory, modest development expenditure targets, and measured reform momentum, signals a deliberate effort to prioritise political and economic stability. While this may reduce short-term risks, it also underscores the need for a clear execution framework to ensure meaningful outcomes. In the end, the challenge lies not in plan design, but in implementation backed by policy clarity, stakeholder engagement, and fiscal resilience.