MINISTRY OF ECONOMY
DEPARTMENT OF STATISTICS MALAYSIA

MALAYSIAN ECONOMIC STATISTICS REVIEW

SPECIAL EDITION

"NAVIGATING THE ECONOMIC LANDSCAPES"

JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

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Announcement:

ASEAN-Malaysia 2025 Chairmanship: The Department of Statistics Malaysia (DOSM) will chair the 15th ASEAN Community Statistical System Committee (ACSS15) which aims to strengthen the statistical cooperation towards sustainable regional development.

Malaysia, for the first time, ranked as number one (1) globally in the biennial Open Data Inventory (ODIN) 2024/25 report released by Open Data Watch (ODW), surpassing 198 other countries. This achievement marks a significant leap from its 67th position in the ODIN 2022/23 assessment.

The Government of Malaysia has declared October 20th as National Statistics Day (MyStats Day), with the theme 'Statistics is the Essence of Life.' Meanwhile, the Fourth World Statistics Day will be celebrated on 20th October 2025, with the theme 'Driving Change with Quality Statistics and Data for Everyone'.

OpenDOSM NextGen is a medium that provides data catalogue and visualisations to facilitate users' analysis and can be accessed through https://open.dosm.gov.my.

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NOTES FROM CHIEF STATISTICIAN

It is with great pleasure that the Department of Statistics, Malaysia (DOSM) presents this inaugural Special Edition of the Malaysia Economic Statistical Review (MESR), which marks a significant milestone in documenting Malaysia's development journey over the past decades. This edition provides a comprehensive and data-driven narrative of the country's economic evolution, anchored in robust statistical indicators spanning macroeconomic trends, sectoral shifts, labour market dynamics, inflation patterns, and international trade performance.

Throughout the years, Malaysia has undergone a transformative phase with domestic reforms and rapidly changing economic landscape, while navigating global uncertainties. The macroeconomic indicators show a nation striving for stability and resilience, demonstrating significant efforts to overcome challenges and sustain growth. Despite fluctuations in theeconomic growth influenced by external shocks including the health crisis, yet Malaysia has demonstrated a steady path to recovery, underpinned by strong policy responses and adaptive economic frameworks.

At the microeconomic level, Malaysia was has observed encouraging shifts in sectoral contributions, particularly the expansion of services and digital economy-related activities. This signals a structural transformation aligned with the aspiration of becoming a high-value and innovation driven economy. The rise of industrialisation and diversified exports has played a critical role in strengthening the foundation of the domestic economy.

The labour market over the decade reflects the evolving socio-economic fabric of Malaysia. Labour force participation has been growing ever since, especially among women and youth, indicating broader inclusion. Meanwhile, the employment landscape has diversified, with increased employment in high-skilled occupations and a gradual shift towards knowledge-intensive industries. However, challenges remain in addressing skill mismatches and enhancing productivity across all segments of the economy.

Inflation trends over the past years have remained generally contained, with policy measures ensuring price stability amidst global supply chain disruptions and commodity price volatility. In overall, Malaysia's inflation has undergone various phases, influenced by both domestic and global factors. Managing inflation has become increasingly challenging, as rising prices of goods and services are driven by both internal dynamics and external pressures.

Malaysia's international trade performance underscores the country's integral role in global value chains. Trade volumes have grown, supported by diversification in export markets and products, particularly in electrical and electronics, palm oil, and petroleum-related goods. Regional cooperation and trade agreements have also contributed to strengthening Malaysia's global economic linkages.

This special edition encapsulates the performance and challenges of the past decades, grounded in the principles of transparency and data integrity. I would like to extend my appreciation to the dedicated team at DOSM for their continuous commitment to producing statistics for evidence-based policymaking and public understanding.

As we move forward, DOSM will continue to modernise the national statistical system by embracing technology and data science, while strengthening user engagement. Reliable and timely statistics will remain a vital foundation in supporting the government, businesses, academia, and the public to make informed and confident decisions.

ASEAN-Malaysia 2025 Chairmanship: The Department of Statistics Malaysia (DOSM) will chair the 15th ASEAN Community Statistical System Committee (ACSS15) which aims to strengthen the statistical cooperation towards sustainable regional development.

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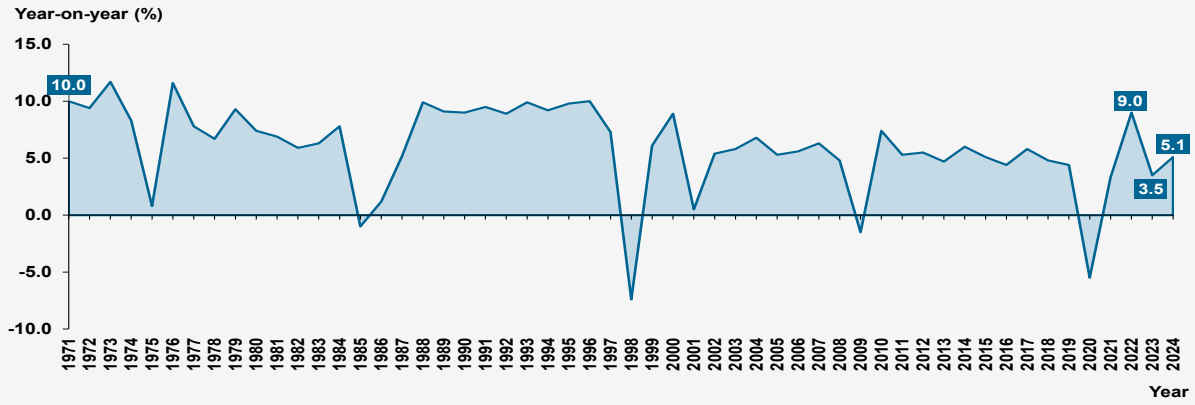
DATO' SRI DR. MOHD UZIR MAHIDIN
Chief Statistician Malaysia
Department of Statistics Malaysia

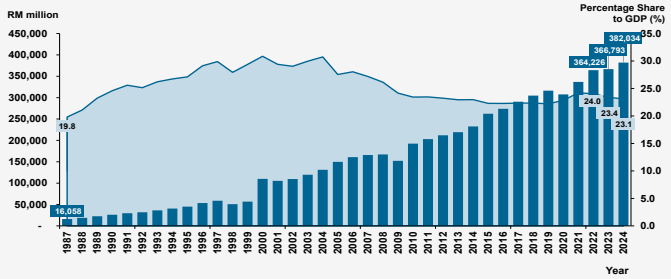
May 2025

KEY ECONOMIC INDICATORS

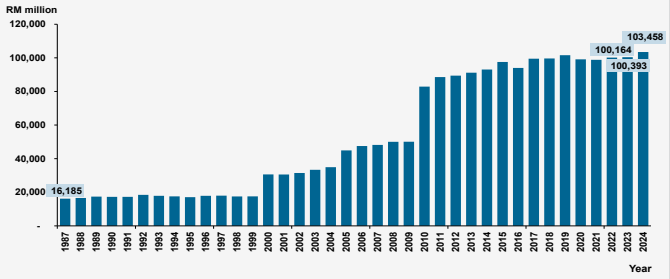
Gross Domestic Product (GDP)



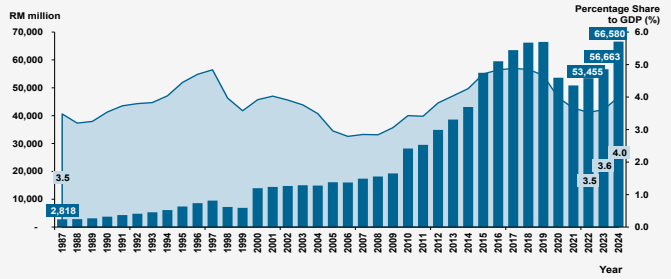
Manufacturing Sector, Value Added



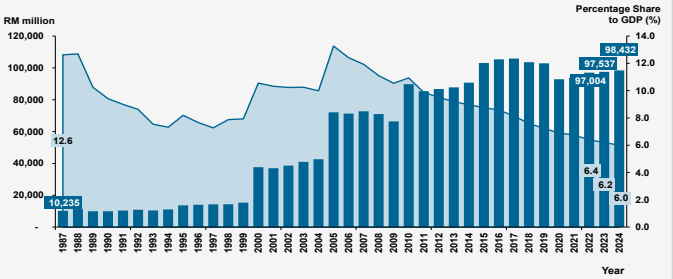
Agriculture Sector, Value Added



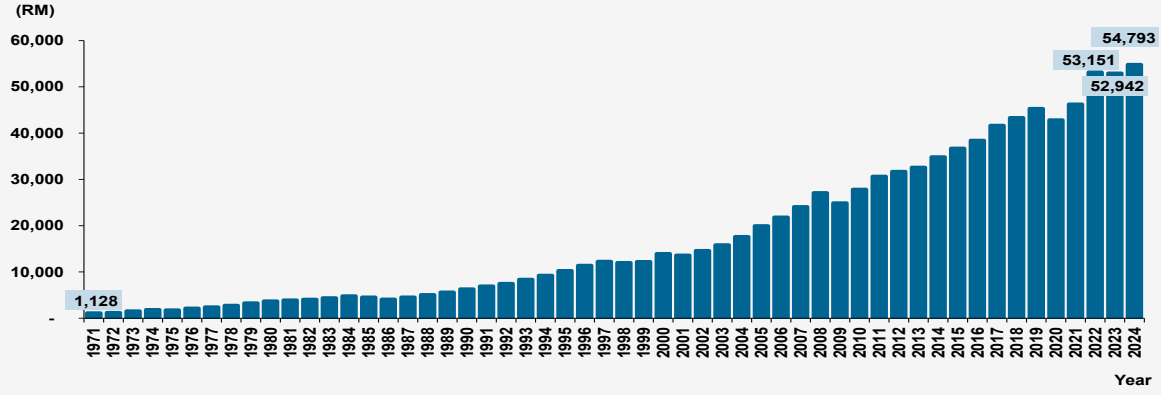
Construction Sector, Value Added



Mining & Quarrying Sector, Value Added

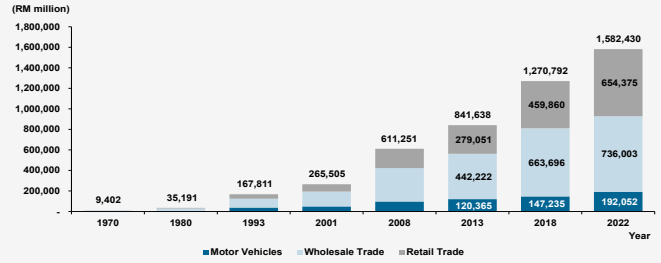


Gross National Income (GNI) per capita

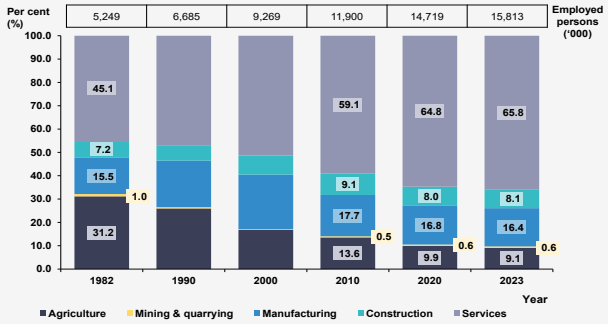


KEY ECONOMIC INDICATORS

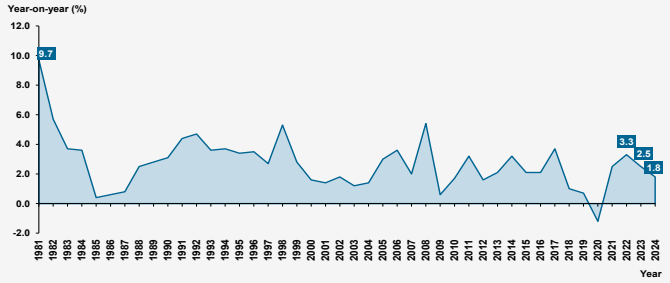
Sales Value of Goods & Services



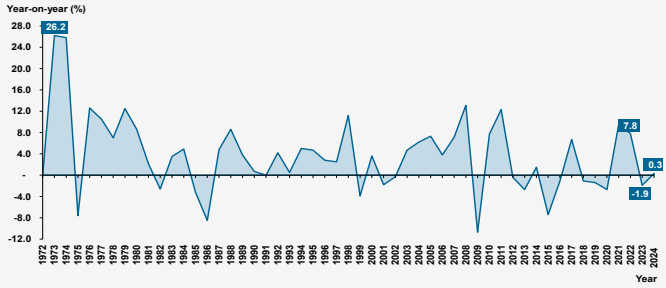
Employed Person



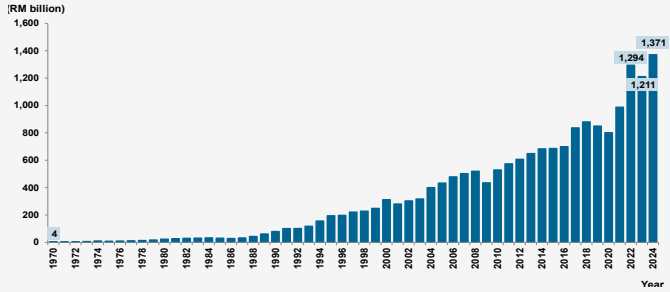
Consumer Price Index (CPI)



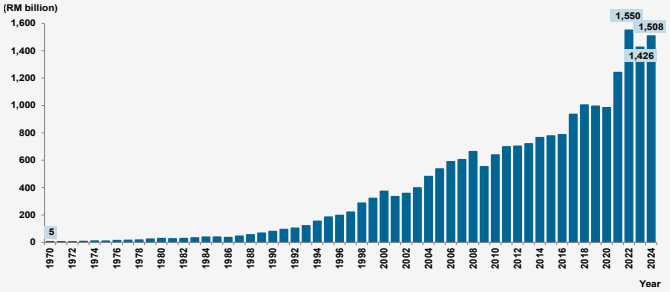
Producer Price Index (PPI) Local Production



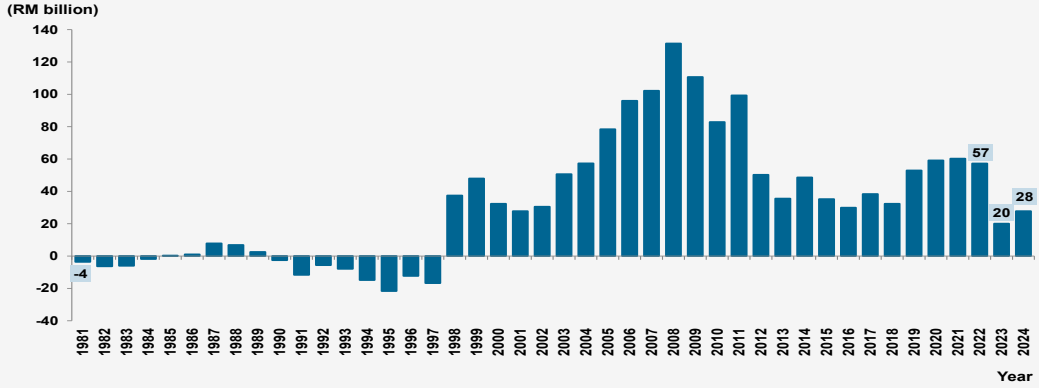
Imports



Exports



Current Account Balance (CAB)



BOX ARTICLE

EVOLUTION OF POPULATION AND DEMOGRAPHICS

Muhamad Fadzil Ismail, Amerudin Abdul Ghani, Nur Azmina Ahmad Zuhkhori,
Zainal Abidin Abd Mutalib, Adam Akashah Ahmad

Population & Demographic Statistics Division

Evolution of Population Census

The world population has increased significantly from one billion in 1800 to 8.1 billion in 2024. Although the world population continues to grow, its growth has slowed since 1950 due to declining fertility rates (Max Roser, 2019). Two well-known factors that affect the population of a region are birth and death rates and migration (Weeks, J. R, 2020).

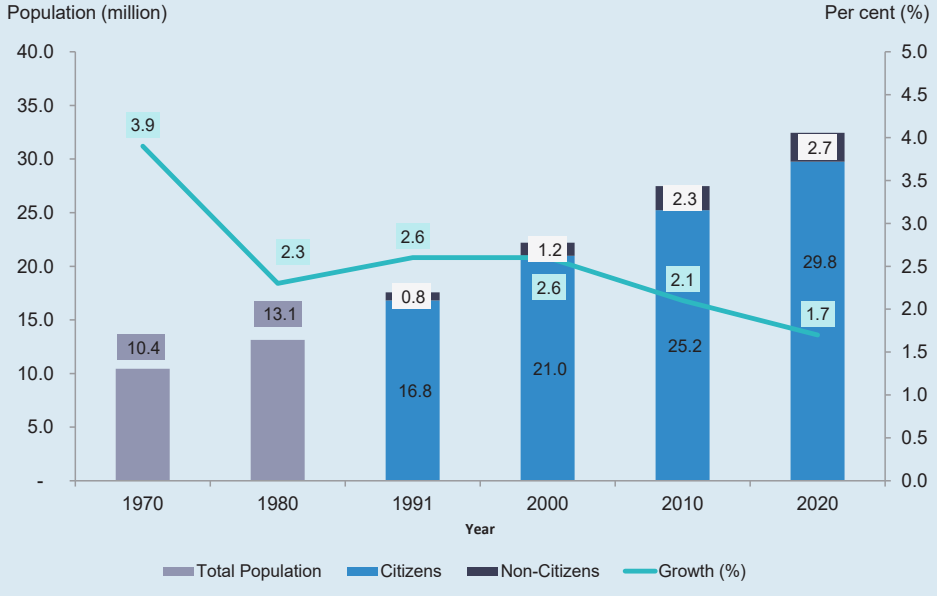
The first Population Census in Malaysia was conducted during the British colonial era in the Straits Settlements (Singapore, Penang and Malacca) in 1840. In 1911, the census was extended to the Federated Malay States (Perak, Selangor, Negeri Sembilan and Pahang). Subsequent censuses were conducted in Malaya in 1911, 1921, 1931, 1947 and 1957.

In 1970, the Department of Statistics Malaysia (DOSM) was mandated to conduct the Population and Housing Census. The main objective of conducting the census is to collect stock and profile data on the population and housing in the country, covering fundamental demographic and socio-economic characteristics down to the smallest geographical level.

The population of the Federated Malay States was estimated at approximately 418.5 thousand in 1891. Since the formation of Malaysia in 1963, there have been six censuses conducted which cover the years 1970, 1980, 1991, 2000, 2010 and latest 2020. Evolution in Census also occurred in the context of the methodology used in data collection, census mapping, processing, analysis and dissemination. The 2020 Census witnessed the utilisation of Geographic Information System (GIS) technology during the mapping stage, which consisted of updating and finalizing the enumeration block (EB) in line with the latest features on the ground. At enumeration stages, the e-Census approach is widely used as it has reached about 30 per cent of households compared to 2010 (1%). On top of that, computer-assisted personal interviewing (CAPI) contributes to an efficient way of data collection and reduces the use of hardcopy questionnaires.

Chart 1a highlights key demographic shifts in Malaysia over five decades, showing a steady population increase from 10.4 million in 1970 to 32.4 million in 2020. The highest population growth rates were recorded between 1980–1991 and 1991–2000 at 2.6 per cent, but this rate declined to 1.7 per cent in 2020, suggesting a demographic transition with lower fertility rates and changing migration dynamics. The proportion of non-citizens increased significantly from 4.3 per cent in 1991 to 8.3 per cent in 2020, indicating a growing reliance on foreign labour and international migration. Based on Current Population Estimate 2024, Malaysia has experienced rapid population growth, increasing from 10.4 million in 1970 to 34.1 million in 2024. The distribution of the population by state indicates that Selangor has the highest population with 7.4 million, followed by Johor (4.2 million) and Sabah (3.7 million).

Chart 1a: Total Population by Citizenship and Growth Rate, Malaysia, 1970 – 2020



Source: Department of Statistics, Malaysia

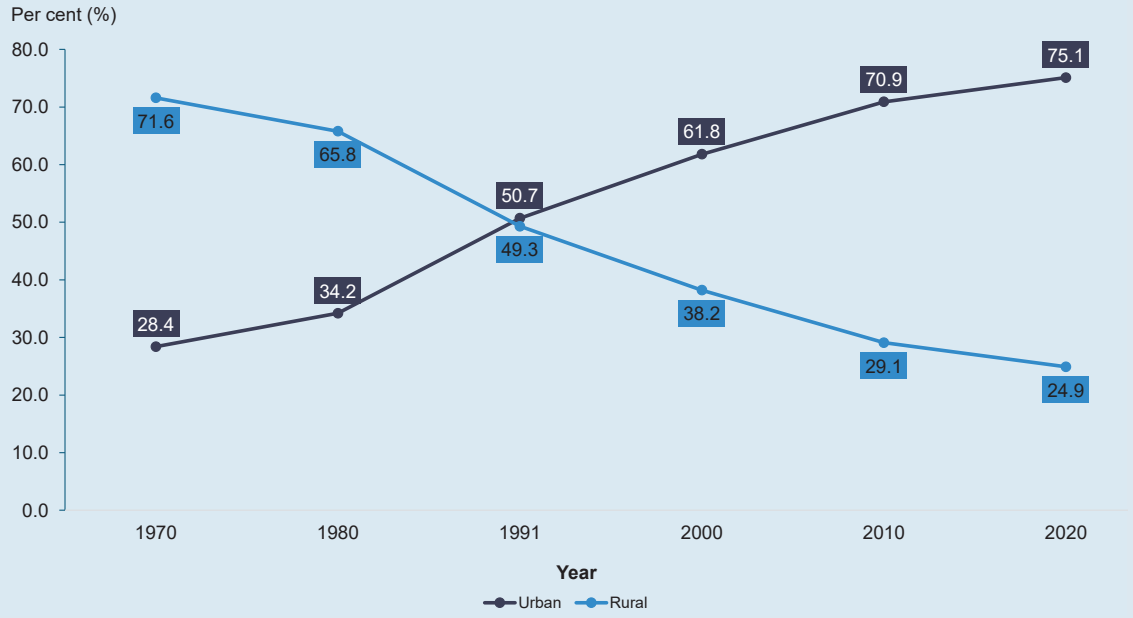
Evolution of Urbanisation

Urbanization is the process of transforming a rural area into an urban settlement. This occurs when urban settlements expand into larger towns and eventually cities. Urbanization also formed from population growth and economic development, which drive rural-to-urban migration and the physical expansion of urban areas (Biłozor & Cieślak, 2021).

According to the DOSM, an urban area comprises gazetted areas and contiguous built-up areas with a combined population of at least 10,000. A built-up area is defined as adjacent to a gazetted area where at least 60 per cent of the population aged 15 and above is engaged in non-agricultural activities.

During British colonization (1786–1957), Malaysia's contemporary urban system was established, with fundamental infrastructure such as utilities and transportation developed to support economic, financial, social and administrative functions. These developments were primarily driven by resource extraction, including rubber and tin. Following independence in 1957, Malaysia's urbanization rate increased significantly from 28.4 per cent in 1970 to 75.1 per cent in 2020, reflecting rapid industrialization, economic diversification and infrastructure expansion. The urbanization rate is projected to reach 85 per cent by 2040, indicating a continuing shift towards an urban-centric population, which will have implications for housing, transportation, environmental sustainability and socio-economic policies.

Chart 1b: Percentage of Urbanization, Malaysia, 1970 – 2020

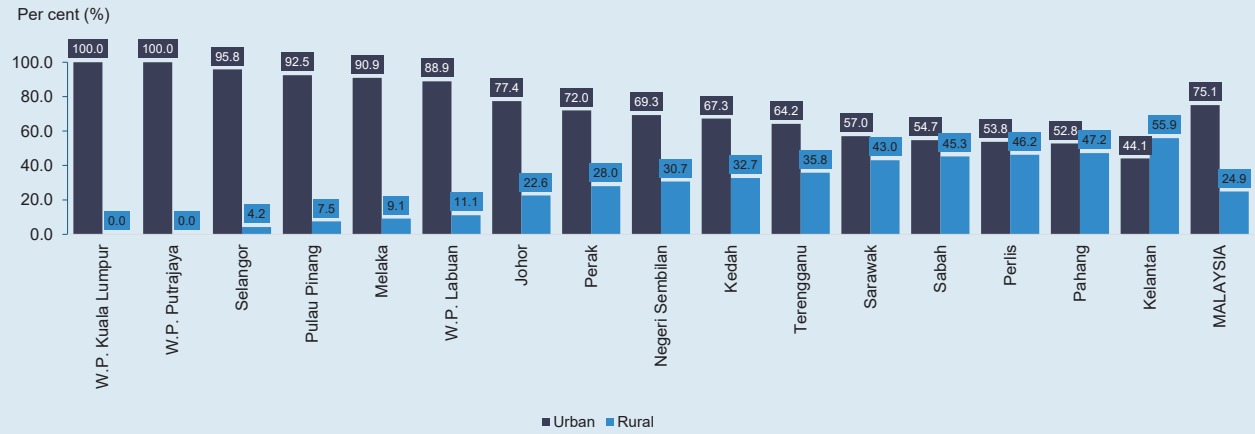


Source: Department of Statistics, Malaysia

Chart 1b shows trend of urbanization from 1970 to 2020, where the percentage of the urban population increased steadily from 28.4 per cent to 75.1 percent. In contrast, the rural population declined from 71.6 per cent to 24.9 per cent over the same period. The intersect point occurred in 1991 when both urban and rural rate were almost equal. The most significant urban growth occurred between 1980 and 2000, indicating a rapid shift towards city living. This trend suggests increasing migration to urban areas due to industrialization, economic opportunities and improved infrastructure.

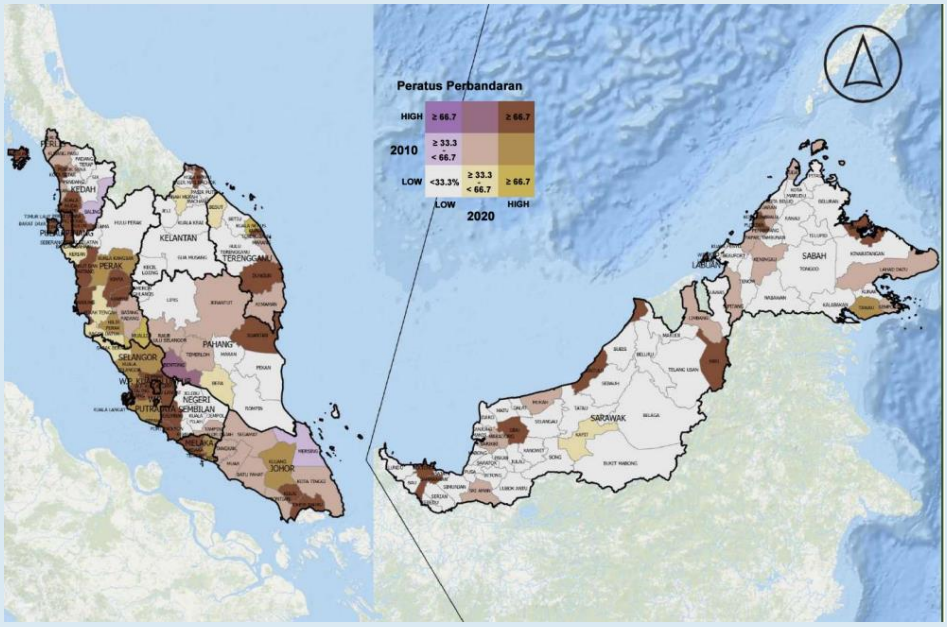
The states with the highest urbanization rates include Selangor (95.8%), Penang (92.5%), Melaka (90.9%), W.P. Labuan (88.9%) and Johor (77.4%). Additionally, W.P. Kuala Lumpur and W.P. Putrajaya have reached 100% urbanization, indicating that these areas are entirely urban as shown in **Chart 1c**. The distribution of urbanization in Malaysia, based on Figure 2, reflects that in 2010 and 2020, the level of urbanization at district level was concentrated in the capital city and dominant on the West Coast of Peninsular Malaysia.

Chart 1c: Percentage of Urbanization by State, Malaysia, 2020



Source: Department of Statistics, Malaysia

Exihibit 1a: Urbanisation Distribution by District of, 2010 and 2020



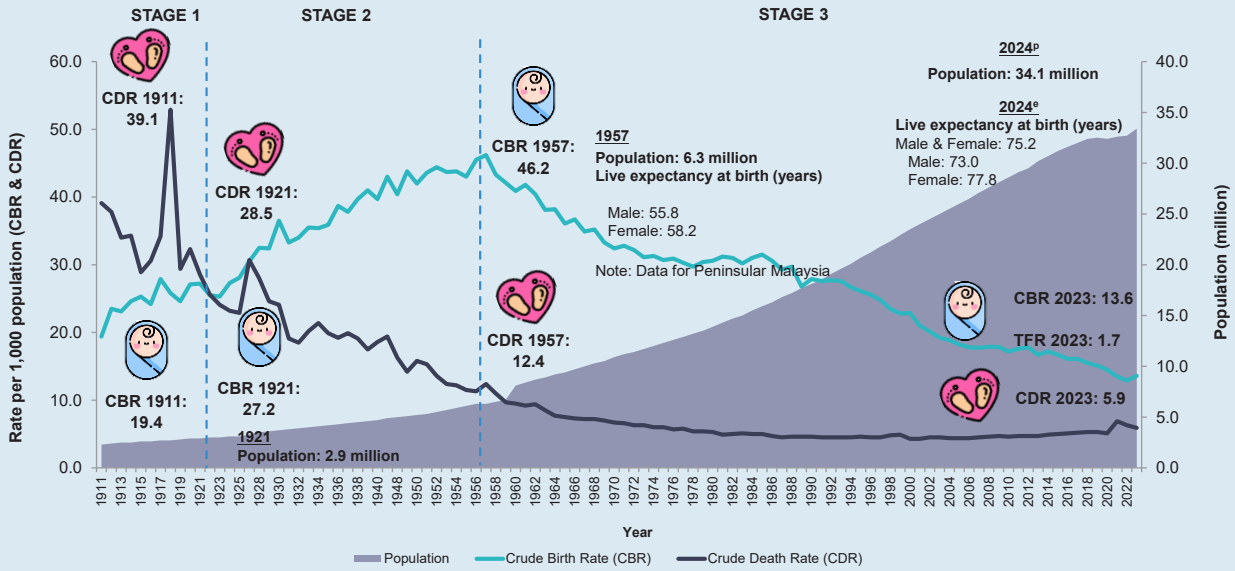
Source: Department of Statistics, Malaysia

Demographic Transition

Demographic transition is a situation where the demographic structure of the population has experienced a change in birth and death rates from high to low rates or vice versa (Smock & Schwartz, 2020). Changes in the demographic structure of the population can be influenced by the socioeconomic factors of a region. The measurement of the demographic position in a country can be seen through the Demographic Transition Model (DTM) which shows the change in population size from time to time with reference to the birth rate and death rate. The two main factors of population aging are due to the continuous decline in births and deaths and will indirectly contribute to the increase in the country's life expectancy (Rudnicka et al., 2020). Among the causes of declining fertility are the increase in the number of women in higher education and the participation of women in the labour force and causing them to marry later or choose not to marry, which will directly shorten the reproductive period and cause fertility rates to decline

According to the National Population and Family Development Board (LPPKN), postponing marriage will directly shorten the reproductive period and cause fertility rates to decline. In general, Malaysia is in the third phase where the transition of the demographic pattern in Malaysia shows the crude birth rate (CBR) declining from 19.4 births in 1911 to 13.6 births in 2023 and the crude death rate (CDR) also declining from 39.1 deaths in 1911 to 5.9 deaths for every 1,000 population in 2023. Life expectancy at birth for males and females respectively recorded an increase from 55.8 years and 58.2 years in 1957 to 73.0 years and 77.8 years in 2024.

Chart 1d: Demographic Transition, Malaysia, 1911 – 2023

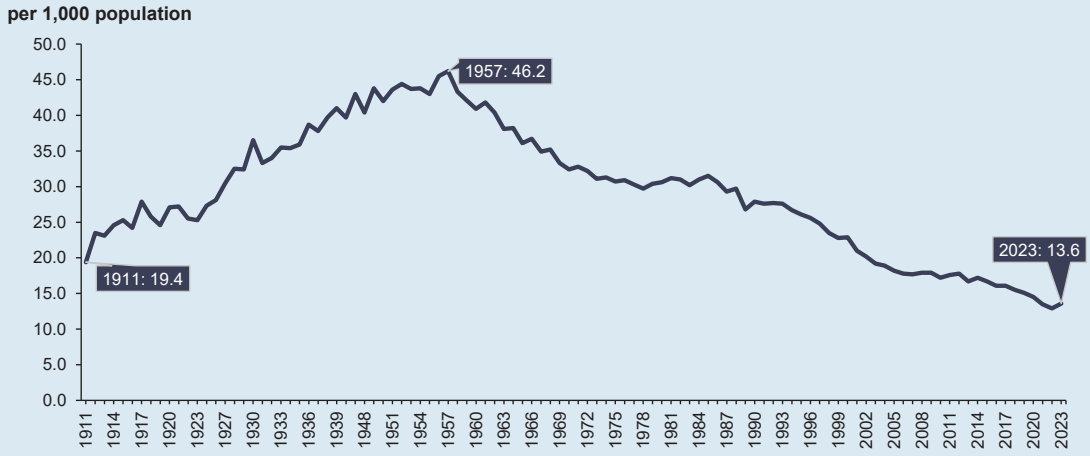


Source: Department of Statistics, Malaysia

Evolution of birth and fertility

In Malaysia, the CBR has gone through two distinct evolutions, namely increasing and decreasing since 1911. The annual CBR showed an increasing trend from 1911 to 1962 (**Chart 1e**). However, the CBR showed a decreasing trend from 1963 to 2023. The highest Malaysian CBR was recorded in 1957 with 46.2 births. By 2023, the CBR had decreased to 13.6 births per 1,000 population. This also reflects the demographic transition in Malaysia

Chart 1e: Crude Birth Rate, Malaysia, 1911 – 2023

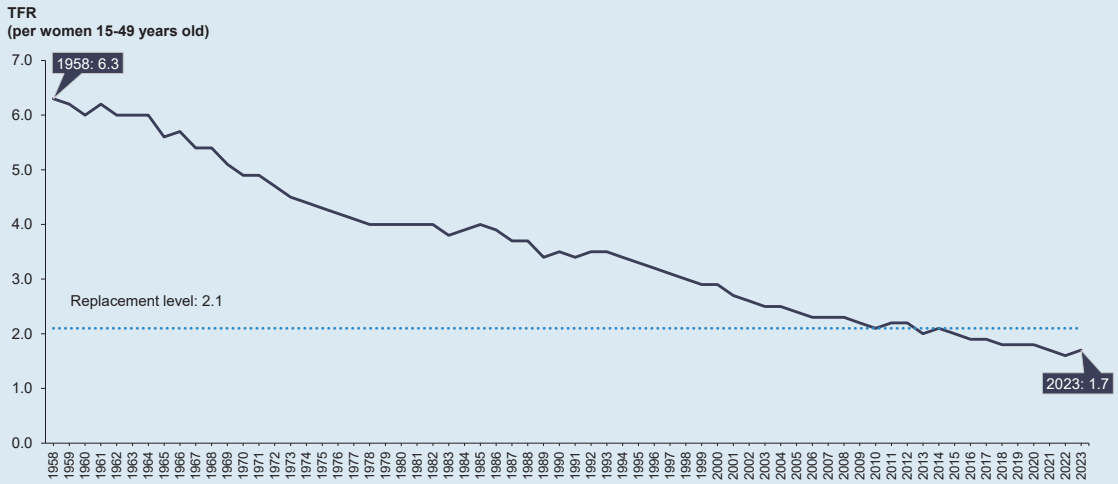


Source: Department of Statistics, Malaysia
Note: Data for 1911-1962 refers to Peninsular Malaysia

Total fertility rate (TFR) is a demographic indicator applied to estimate the average number of children a woman should have during her reproductive years (15-49 years). The replacement fertility level is 2.1 children, which indicates that the average number of children a woman should have during her reproductive years is sufficient to replace herself and her partner.

For the past six decades, Malaysia's TFR has declined significantly from 6.3 children per woman aged 15-49 in 1958 to 1.7 children in 2023 as shown in **Chart 1f**. From 1958 to 2012, Malaysia's TFR remained above the replacement level. However, starting in 2013, the TFR fell below the replacement threshold. Malaysia's TFR has continued its downward trend reaching 1.6 in 2022 and 1.7 in 2023.

Chart 1f: Total Fertility Rate (TFR), Malaysia, 1958 – 2023



Source: Department of Statistics, Malaysia

Note: Data for 1958-1962 refers to Peninsular Malaysia

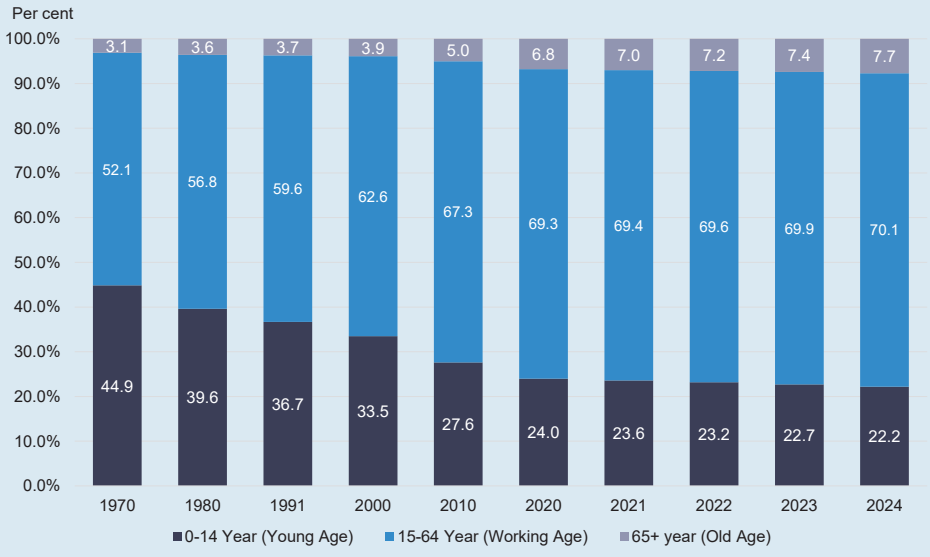
Evolution of population ageing

Populations worldwide are aging, including Malaysia. This trend will impact various aspects of social and economic life. The United Nations (UN) has set three categories of ageing, namely Ageing Society, Aged Society and Super Aged Society, which respectively refer to the population aged 65 and over reaching 7 per cent, 14 per cent and 20 per cent. The percentage of the young population (0-14 years) in 2024 shows a contraction to 22.2 per cent compared to 44.9 per cent in 1970. Meanwhile, the percentage of the working age population (15-64 years) increased to 70.1 per cent in 2024 compared to 52.1 per cent in 1970, thus showing an increase in the country's employment potential. The Malaysian population aged 65 and over in 1970 was recorded at 3.1 per cent and the age trend of this group continues to show an increase to 7.7 per cent in 2024. **Chart 1g** shows that Malaysia reached the aging country in 2021 and the aging cohort continues to grow and approach 8 per cent for the coming Census 2030.

Malaysia is projected to reach Super Aged Society status (based on the UN definition) in 2061 with 20.2 per cent of the population aged 65 and above. Meanwhile, based on Dasar Warga Emas Negara (DWEN) Malaysia's population is projected to reach an aging nation in 2030, with 15.3 per cent of the population aged 60 and over.

The composition of the working-age population (15-64 years) is the largest age group, contributing 69.3 per cent (22.5 million people) of the total population in 2020.

Chart 1g: Population by Age Structure, Malaysia, 1970 - 2023



Source: Department of Statistics, Malaysia

Increased life expectancy and declining birth rates have led to a shift in age structure. This is a global phenomenon where the population growth rate among the young (0-14 years) is slowing, while the population growth rate among the elderly (65 years and over) is accelerating. The scenario of changing the age structure of the population will also have an impact on the decline in the dependency ratio. The decrease in the dependency ratio indicates that the country has the potential to experience a demographic dividend. The dependency ratio is the rate of dependency of the young and old population per 100 working-age population. The total dependency ratio shows a decline from 92.1 (1970) to 44.3 (2020).

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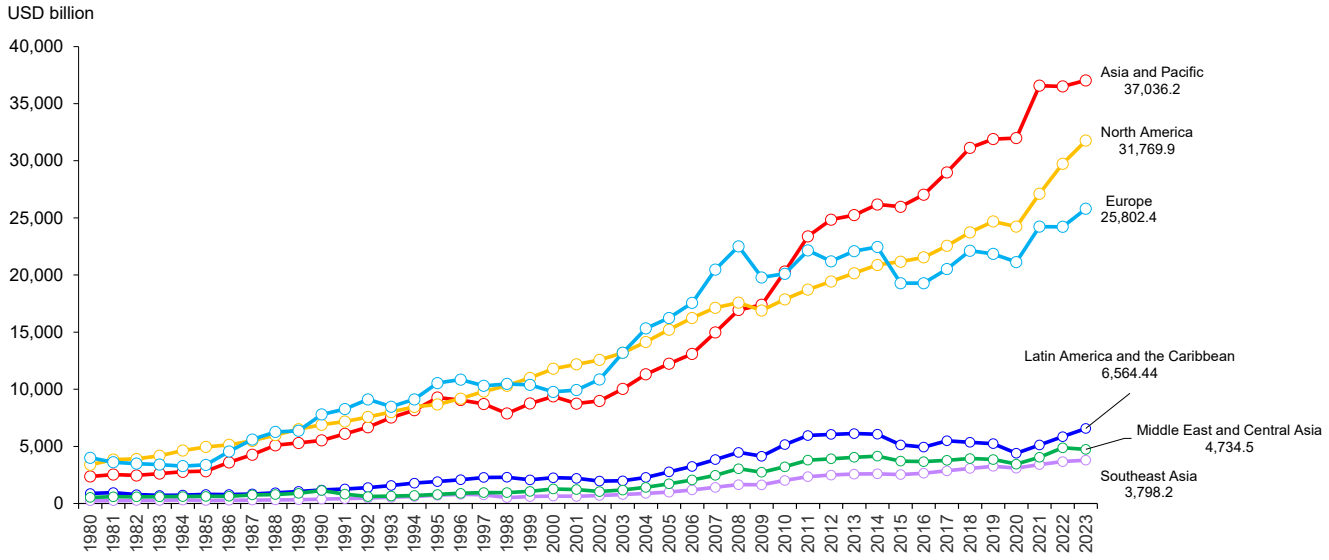
Navigating the Economic Landscapes

Malaysia and International Economic Environment

Global economy has undergone significant changes, reflecting the evolution of trade structures, finance, and industrial development at the international level. Rapid growth, economic crises, and varying economic policies have shaped global economic dynamics, with technological and geopolitical factors playing a crucial role in determining the direction of the global economy. These developments have also impacted the position of countries within the global economic ecosystem, including Malaysia, which continues to adapt its policies and strategies to ensure long-term competitiveness and stability.

The 1970s witnessed economic uncertainty due to the global oil crisis, which triggered high inflation and slow growth. The phenomenon of stagflation also emerged as production costs increased, forcing developed countries to tighten monetary policies. In the 1980s, trade and financial liberalisation, along with free-market policies in the United States and the United Kingdom, accelerated trade growth, foreign investment, and global financial markets. However, economic imbalances, including rising external debt, has increased financial risks. Entering the 21st century, China's rise fuelled global growth, but the 2008 financial crisis triggered a recession, followed by a slow recovery in the 2010s due to geopolitical uncertainties. The COVID-19 pandemic in the 2020s paralysed the global economy, leading to massive stimulus measures, digital transformation, and a greater focus on economic resilience. Chart 1 illustrates Gross Domestic Product (GDP) at current prices by economic region from 1980 to 2023.

Chart 1: GDP at Current Prices (USD billion), 1980 – 2023



Source: World Economic Outlook, IMF

Based on data published by the International Monetary Fund (IMF), the average annual growth rate of the global economy over a 10-year period grew at a slower rate from 3.2 per cent in 1991-2000 to 2.8 per cent in 2011-2020, attributed to Advanced Economies growing at a slower pace of 1.3 per cent. Meanwhile, the Emerging Markets and Developing Economies recorded a higher average annual growth rate of 4.1 per cent for the period 2011-2020. Malaysia, which registered an average annual growth rate of 7.1 per cent in 1991-2000, moderated to 4.0 per cent in 2011-2020 due to the impact of the COVID-19 pandemic in 2020. However, Malaysia demonstrated a recovery after 2020, despite facing a challenging global economic environment (**Table 1**).

Table 1: Real GDP Growth (%) by Country

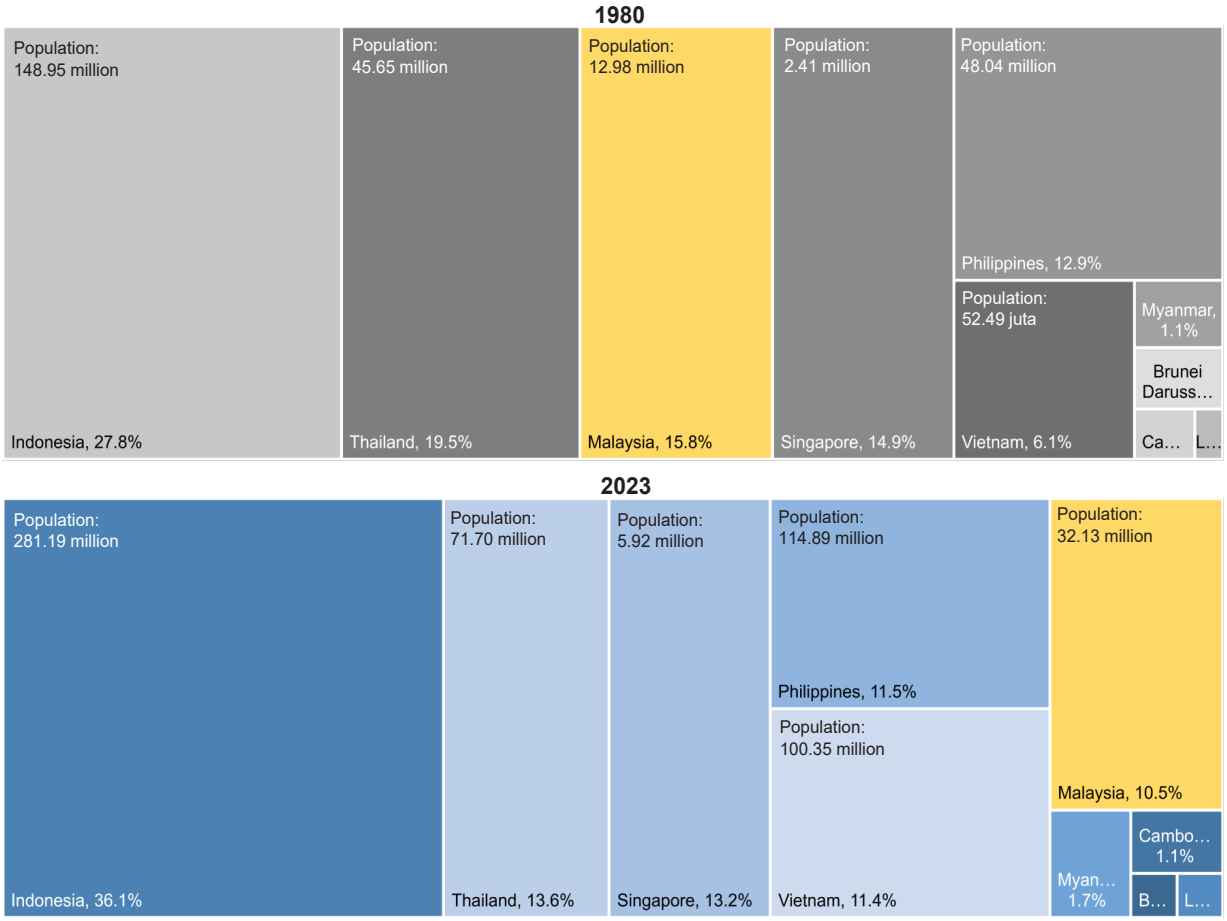
Countries	Real GDP Growth (%)							Average Annual Growth Rate (%)	
	1980	1990	2000	2010	2020	2023e	2024p	1991 - 2000	2011 - 2020
World Output	**2.2**	**3.2**	**4.8**	**5.2**	**-2.7**	**3.3**	**3.2**	**3.2**	**2.8**
Advanced Economies	**1.3**	**3.1**	**4.2**	**3.1**	**-4.0**	**1.7**	**1.7**	**2.9**	**1.3**
United States	-0.3	1.9	4.1	2.7	-2.2	2.9	2.8	3.4	1.9
Euro Area	-	-	3.8	2.1	-6.1	0.4	0.8	2.0	0.6
Emerging Market and Developing Economies	**3.9**	**3.6**	**5.6**	**7.2**	**-1.8**	**4.4**	**4.2**	**3.7**	**4.1**
China	7.9	3.9	8.5	10.6	2.2	5.2	4.8	10.4	6.8
India	6.7	5.5	3.8	8.5	-5.8	8.2	6.5	5.6	5.1
Indonesia	9.9	9.0	5.0	6.4	-2.1	5.0	5.0	4.2	4.6
Thailand	4.6	11.6	4.5	7.5	-6.1	1.9	2.7	4.5	2.2
Vietnam	-3.5	5.0	6.8	6.4	2.9	5.0	6.1	7.6	6.2
Philippines	5.1	3.0	4.4	7.3	-9.5	5.5	5.8	2.9	4.6
MALAYSIA	**7.4**	**9.0**	**8.7**	**7.5**	**-5.5**	**3.5**	**5.1**	**7.1**	**4.0**
Brazil	9.2	-4.2	4.4	7.5	-3.3	2.9	3.7	2.6	0.3
Mexico	9.5	5.3	5.0	5.0	-8.4	3.2	1.8	3.6	0.9
Saudi Arabia	5.8	9.4	4.7	5.0	-3.6	-0.8	1.4	2.7	3.0
Nigeria	-	-	5.5	11.3	-1.8	2.9	3.1	2.1	2.5
South Africa	6.6	-0.3	4.2	3.0	-6.2	0.7	0.8	1.8	0.8

Source: World Economic Outlook, IMF

Note: e – estimation

According to the International Monetary Fund (IMF), Malaysia ranked 37th globally in terms of economic size, with a value of USD399.7 billion in 2023. At the ASEAN level, Malaysia contributed 10.5 per cent to the total ASEAN economy in 2023 as compared to 15.8 per cent in 1980 (**Chart 2**). In addition, the World Bank's 2024 report classified Malaysia as an Upper Middle-Income Country, with a Gross National Income (GNI) per capita of USD11,970 in 2023. This position placed Malaysia at 69th in the world, bringing it closer to achieving High-Income Country status, as defined by the World Bank with a GNI per capita exceeding USD14,005. However, the path to high-income country status became increasingly challenging due to the current global environment, which influenced by various factors such as high debt levels and ageing populations in developing countries.

Chart 2: Percentage Share (%) of Gross Domestic Product (GDP) for ASEAN, 1980 & 2023



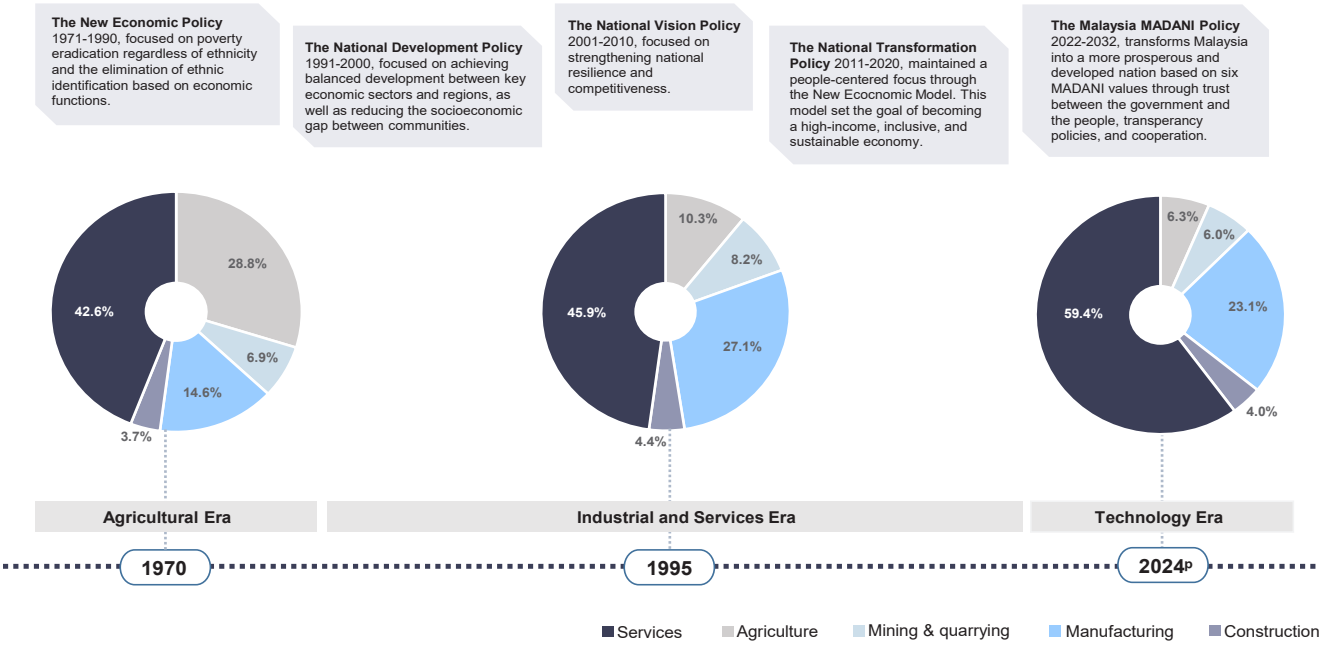
Source: International Monetary Fund (IMF), World Bank (WB)

Malaysia's Economy

Malaysia's rapid and dynamic economic transformation has demonstrated significant achievements over more than five decades. The shift from agriculture and commodity based economy towards a manufacturing and services driven economy has profoundly impacted the country's social and economic structure. Malaysia's transition from an economy reliant on Agriculture and Mining sectors to a diversified economic structure was driven by several key factors, including the introduction of the New Economic Policy (NEP) in 1970. The NEP aimed to reduce poverty and restructure society, focusing on industrial development and encouraging investment in the Manufacturing sector, which helped shift the country's economic focus away from Agriculture and Mining sectors.

The rapid industrialisation process since the 1980s led to significant growth in the Manufacturing sector through technology transfer from foreign countries. This also created new job opportunities, helping to reduce the unemployment rate. Urbanisation played a crucial role as well, with city expansion driving demand for jobs in the Services and Manufacturing sectors, reducing dependence on Agriculture sector. Malaysia's economic structure continued to evolve in the 1990s, when the Services sector emerged as the dominant industry, a position it maintains today. The rapid expansion of the digital economy following the COVID-19 pandemic has further also influenced the landscape of the Services sector (**Chart 3**).

Chart 3: Malaysia's Economic Transformation in 5 Decades



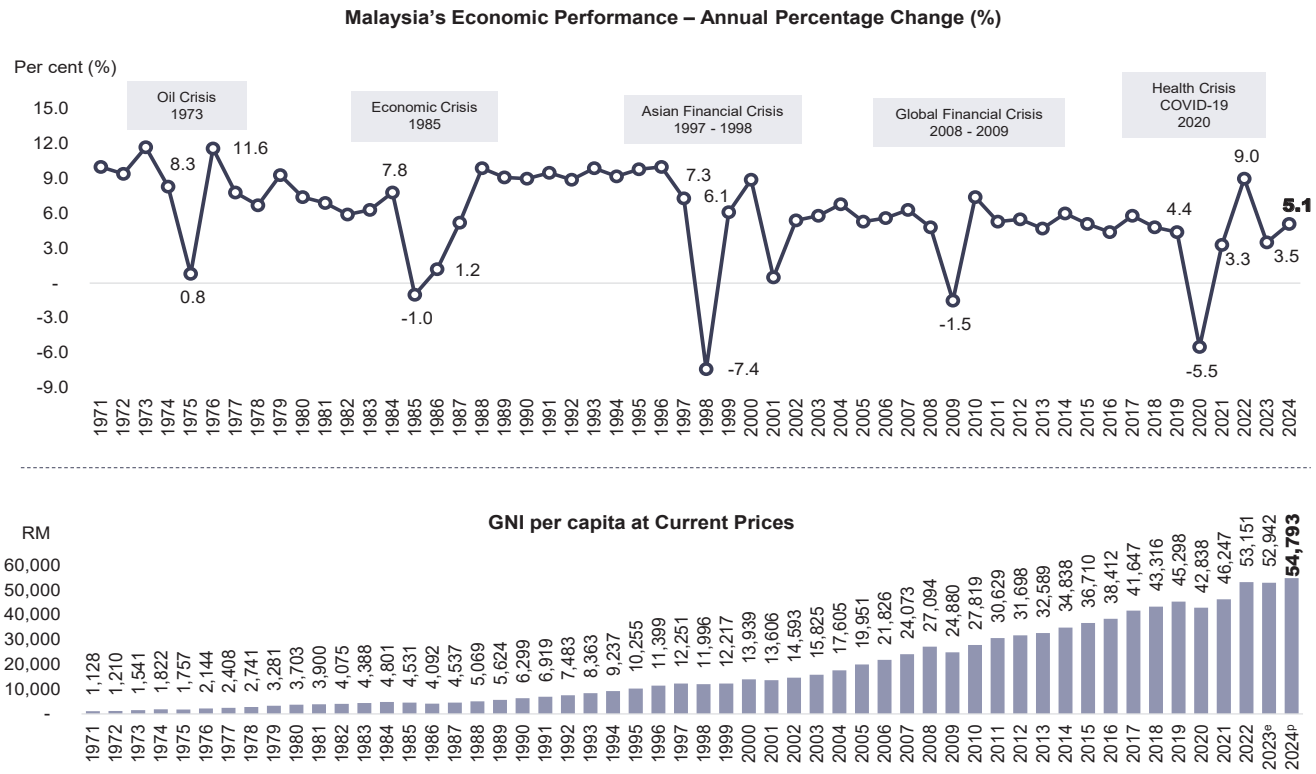
Source: Department of Statistics, Malaysia
Note: Excluding import duties

Malaysia's Economic Performance

Malaysia has faced various crises that have significant impacts on the country and its people. During the 1973 Oil Crisis and the 1985 Economic Crisis, where Malaysia's economy was affected, recording a marginal growth of 0.8 per cent in 1975 and a contraction of 1.0 per cent in 1985. Subsequently, during the Asian Financial Crisis (1997-1998) and the Global Financial Crisis (2008-2009), Malaysia's economic performance declined by 7.4 per cent in 1998 and 1.5 per cent in 2009. More recently, the COVID-19 pandemic, which struck the world in 2020-2021, had a direct impact on global economic security and stability. In 2020, Malaysia's GDP contracted by 5.5 per cent as compared to a growth of 4.4 per cent in 2019. The post-COVID-19 recovery phase was not an easy process, as the pandemic restricted economic activities and disrupted sectoral production through supply and demand shocks. Nevertheless, Malaysia's economy gradually recovered, continuing to record positive growth, driven primarily by the Manufacturing sector and key subsectors within the Services sector. Most recently, the country's GDP grew by 5.1 per cent in 2024 as compared to 3.6 per cent in the previous year.

In line with the economic performance during these crises, Gross National Income (GNI) per capita was also affected, declining in 1975 and 1985 to RM1,757 (1974: RM1,822) and RM4,531 (1984: RM4,801), respectively. Meanwhile, the country's GNI per capita also declined in 1998 and 2009 to RM11,996 (1997: RM12,251) and RM24,880 (2008: RM27,094), respectively. In addition, during the global health crisis, the GNI per capita in 2020 also declined to RM42,838 from RM45,298 in 2019. However, in the post-pandemic period, Malaysia's GNI per capita has shown an upward trend, particularly in 2024, recording RM54,793 as compared to RM52,942 in 2023. These major crises are reflected in GDP statistics, illustrating the economic downturn phases experienced by the country, as shown in **Chart 4**.

Chart 4: Malaysia's Economic Performance and GNI Per Capita, 1971-2024



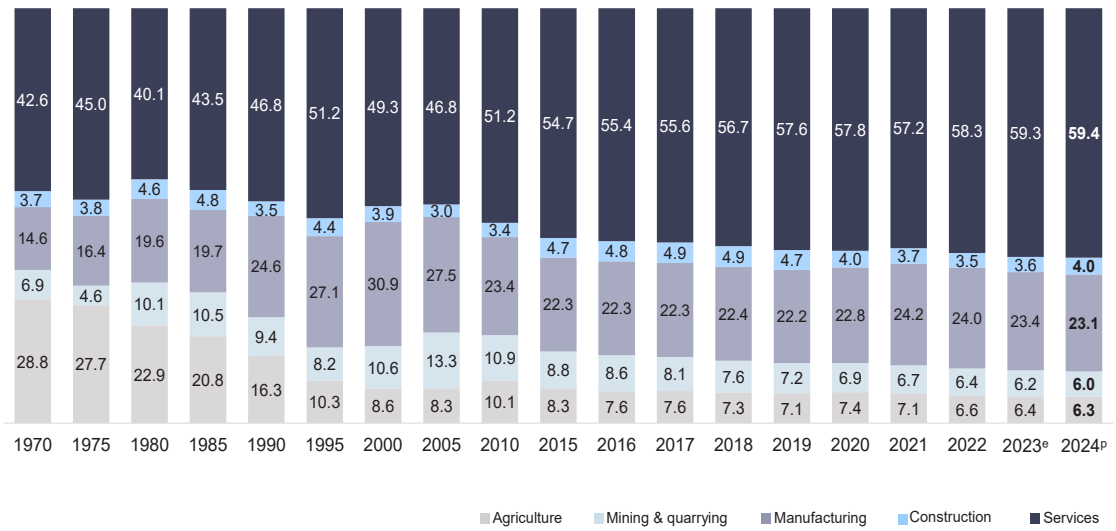
Source: Department of Statistics, Malaysia

Malaysia's Economic Structure

In the early years after independence, the Services and Agriculture sectors were among the main contributors to the Malaysia's economy, with contributions of 42.6 per cent and 28.8 per cent, respectively, in 1970, as compared to the Manufacturing sector at 14.6 per cent. In the Agriculture sector, key crops such as rubber and palm oil, along with other agricultural activities like rice, vegetables and fruits, significantly contributed to the country's economic growth. However, as the nation began to diversify its economy and shift towards industrialisation to increase national income and expand employment opportunities, a structural change in the economy became evident, particularly in 1990. During this period, the Manufacturing sector emerged as the second-largest contributor after the Services sector, accounting for 24.6 per cent of GDP, surpassing the Agriculture sector, which contributed 16.3 per cent.

The Malaysia's Services and Manufacturing sectors have been strengthened through the implementation of various policies such as the National Development Policy, the National Industrial Policy and the National Transformation Policy. The government is also committed to realising the digital revolution and transforming technology for the socio-economic development of the people and the nation. Through this commitment, the Services and Manufacturing sectors remain as the catalyst to the Malaysia's economy today, contributing 59.4 per cent and 23.1 per cent, respectively, in 2024. The combination of these two sectors contributed more than 80.0 per cent to the Malaysia's economy. Additionally, the Agriculture sector contributed 6.3 per cent, while the Mining & quarrying and Construction sectors accounted for 6.0 per cent and 4.0 per cent, respectively, in the same year (**Chart 5**).

Chart 5: Percentage Contribution (%) of Economic Activity to GDP at Constant Prices

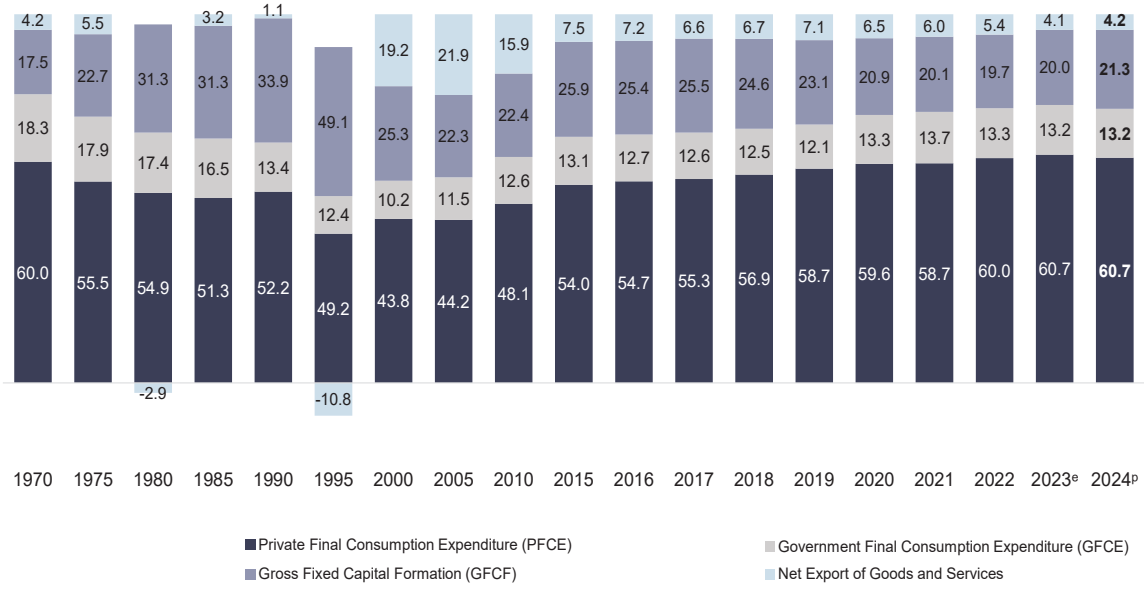


Source: Department of Statistics Malaysia (DOSM)
Note: Excluding import duties

From the demand perspective, economic growth continues to be driven by domestic demand, stimulated by Household expenditure activities and supported by strong Fixed asset expenditure. In the early 1970s, Private Final Consumption Expenditure (PFCE) and Government Final Consumption Expenditure (GFCE) were the main contributors to the GDP, accounting for 60.0 per cent and 18.3 per cent, respectively. This was followed by Gross Fixed Capital Formation (GFCF), which contributed 17.5 per cent that year.

The country's economic structure later evolved, with PFCE and GFCF becoming the primary drivers for more than five decades, together contributing around 80.0 per cent to GDP up to the present. This trend is evident in 2024, when PFCE accounted for 60.7 per cent, followed by GFCF at 21.3 per cent. Meanwhile, GFCE and Net exports contributed 13.2 per cent and 4.2 per cent, respectively. These changes indicate a strong performance in the private sector, driven particularly by high Fixed asset expenditure activity, positive consumer sentiment and a favourable business environment (**Chart 6**).

Chart 6: Percentage Contribution(%) of Expenditure to GDP at Constant Prices

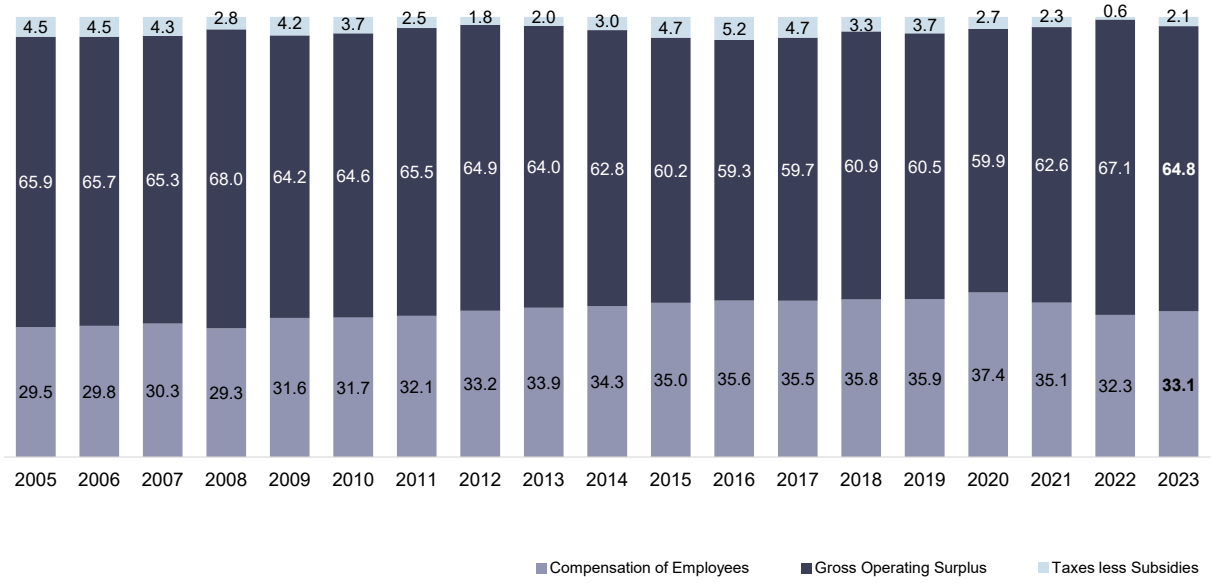


Source: Department of Statistics Malaysia (DOSM)
Note: Excludes changes in inventories & valuables and statistical discrepancies

From the perspective of income received from factors of production, Gross Operating Surplus (GOS) has remained as the main component, with an average contribution exceeding 60.0 per cent from 2005 to 2023. This was followed by Compensation of Employees (CE), which contributed an average of more than 30.0 per cent over the same period.

Recently, the Government has improved the wage and salary structure for workers by introducing various policies such as the Minimum Wage Policy and the Progressive Wage Policy to reduce income gaps and inequalities between employers and employees. As a result, the contribution of Compensation of Employees (CE) increased from 29.5 per cent in 2005 to 33.1 per cent in 2023. Meanwhile, Net Taxes on Production recorded a contribution of 2.1 per cent (2005: 4.5%) during the same period (**Chart 7**).

Chart 7: Percentage Contribution (%) of Income Component to GDP at Current Prices



Source: Department of Statistics, Malaysia

Malaysia's Agricultural Transformation: Between Tradition, Technology and Food Security

The Agricultural sector has been a major contributor to the country's economic growth since the pre-independence era until now. From 1970 to 2024, the sector has undergone various phases of transformation and evolution that reflects its role in national development.

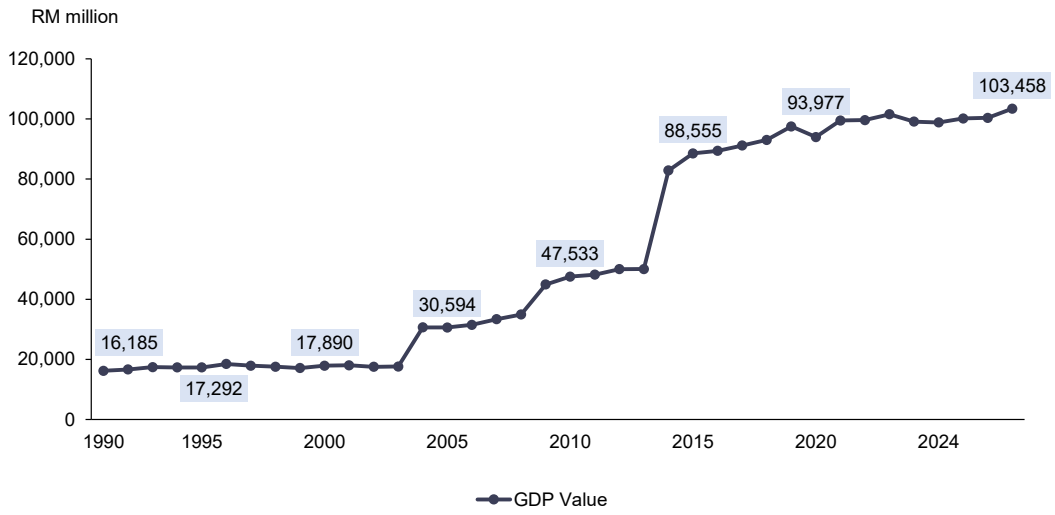
In the 1970s, the Agricultural sector served as the backbone of the country's economy with major commodities such as rubber, palm oil and paddy. The implementation of the New Economic Policy (NEP) in 1971 emphasised the development of the Agricultural sector as a poverty reduction strategy, especially among rural communities. Agencies such as FELDA and RISDA played important roles in land development and increasing agricultural yields. In 1970, the Agricultural sector contributed 28.8 per cent to the country's Gross Domestic Product (GDP).

By the 1990s, the Second National Agricultural Policy (DPN2) was introduced with an emphasis on increasing efficiency and diversification of agricultural products. The sector began to focus on downstream industries, including food processing and the development of agricultural biotechnology. However, due to the rapid growth of the Manufacturing and Services sectors, agriculture's contribution to the GDP declined to 16.3 per cent in 1990, with a value of RM17,308 million.

The Third National Agricultural Policy (DPN3) was introduced in the early 2000s to promote the use of high technology in agriculture, such as fertigation systems, mechanisation, and biotechnology. At the same time, Malaysia expanded the export market for agricultural products, including palm oil and fishery products. The Agricultural sector's contribution to the GDP in 2000 was 8.6 per cent, equivalent to RM30,647 million.

Entering the 2010s, the Agricultural sector underwent significant transformation with the introduction of the concept of smart agriculture and digitalisation. The National Agrofood Policy (DAN) was implemented to strengthen the country's food security and enhance the global competitiveness of the sector. The use of technologies such as artificial intelligence (AI), the Internet of Things (IoT) and drones have increased efficiency and productivity. The government has also implemented various initiatives such as the Smart Farming and Young Agropreneur Programmes to attract the participation of the younger generation. However, the Agricultural sector's contribution to GDP continues to decline to approximately 7.0 percent, reflecting the structural shift of the country's economy towards the Manufacturing and Services sectors.

Chart 8: GDP Growth Trend of the Agricultural Sector, Malaysia, 1987 – 2024



Source: Department of Statistics, Malaysia

AGRICULTURE

Chart 8 shows the GDP growth of Malaysia's agricultural sector from 1987 to the projection for 2024. Overall, these statistics reflect a significant increase, especially after 2000, which is in line with the implementation of the Third National Agricultural Policy (DPN3) and the expansion of export markets such as palm oil and fishery products. The sharp increase in the 2010s also reflects the positive impact of the implementation of modern technology and smart agriculture initiatives. Although the percentage contribution to GDP has declined relatively, the absolute value of the sector's output has continued to increase.

Food security is important to meet local needs. In the era of globalisation, agrofood exports and imports play a major role in ensuring the country's food supply is secured and in contributing to the economic growth through international trade. Malaysia exported agrofoods worth RM46,373.9 million in 2023 such as Coffee, Cocoa, Tea, Spices and Products (RM11,165.6 million), Cereals and Cereal Preparations (RM5,50.6 million) and Fisheries Products (RM4,095.2 million) to the global market. At the same time, the country also imported agrofoods worth RM78,694.8 million in 2023. Among the imported items are livestock feed ingredients (RM8,435.3 million), Vegetables (RM7,035.7 million) and Meat and Meat Preparations (RM7,100.9 million) to support domestic production. The balance between agrofood exports and imports is very important for the food industry and for the competitiveness of Malaysia's agricultural sector at the international level.

Chart 9: Exports and Imports of Agrofood, 2020 – 2023

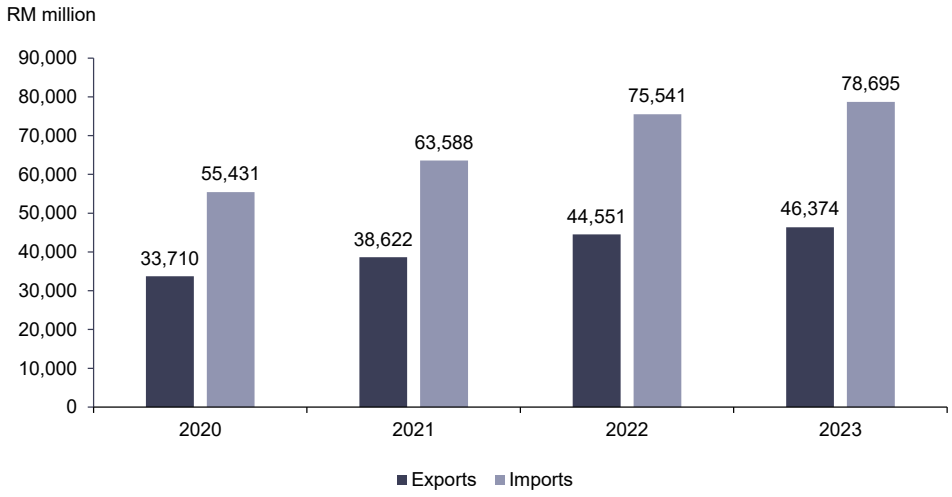


Chart 9 presents Malaysia's agrofood exports and imports performance from 2020 to 2023, indicating that imports have consistently surpassed exports throughout this period. The rising trend import of agrofood products highlights Malaysia's growing reliance on foreign food sources to maintains its food security.

Moving forward, a country's progress is increasingly assessed based on its of food sufficiency and security levels. Therefore, government policies that do not add value need to be reviewed to ensure that the country's food production increases and reduce its increasing dependence on imports. The government and related agencies are urged to lead the entire food value chain of the country, not only in terms of production but also in terms of distribution, processing and marketing. New, innovative approaches need to be implemented to ensure that the challenges of food security can be overcome, especially by 2050 when the country's population is expected to reach 50 million people. The transition from conventional agricultural practices to high-tech approaches is seen as a critical step in meeting the increasing demand for food.

In conclusion, although the percentage contribution of the Agriculture sector to the GDP has decreased in relative terms, its role in ensuring food security, rural development and economic balance remains significant. With proactive policies and adaptation to modern technology such as vertical farming methods, vegetable factories, roof top farming, aquaponics, hydroponics, aeroponics and so on, this sector is expected to continue to contribute strategically to the sustainable development of the country's economy.

Evolution of the Manufacturing Sector in Malaysia

Reflecting on the evolution of the Manufacturing sector in Malaysia, this sector initially focused on basic industries such as food processing, textiles and consumer goods. The New Economic Policy introduced in 1971, along with a series of industrial master plans, outlined the direction for national industrial development by defining key strategies and policies aimed at driving economic growth, enhancing competitiveness, and promoting sustainable practices in the industrial sector. This policy emphasised on infrastructure development and encouraged export-oriented key industries such as electronics, electrical products, automotive parts, and chemicals.

Additionally, starting from 1982, Malaysia's industrialisation was driven by the "Look East Policy", which aimed to emulate the successful economic models of East Asian countries. This policy, along with the establishment of industrial zones such as the Bayan Lepas Free Trade Zone and Pasir Gudang Free Trade Zone, attracted foreign direct investment (FDI) and promoted export-oriented manufacturing industries.

The First Industrial Master Plan (IMP1) (1986-1995) was launched to position Malaysia as a newly industrialised country by prioritising industrial growth, expanding manufacturing activities and developing human resource capabilities. The implementation of IMP1 played a crucial role in economic restructuring and reshaping the Manufacturing sector towards an industrialisation phase.

The Second Industrial Master Plan (IMP2) (1996-2005) continued Malaysia's efforts to strengthen the industrial sector and transform the national economy based on the successes and lessons learned from IMP1. The key manufacturing sub-sectors targeted under both IMP1 and IMP2 included food and beverages, wood products, rubber products, chemicals and chemical products, and the manufacturing of basic metals and machinery.

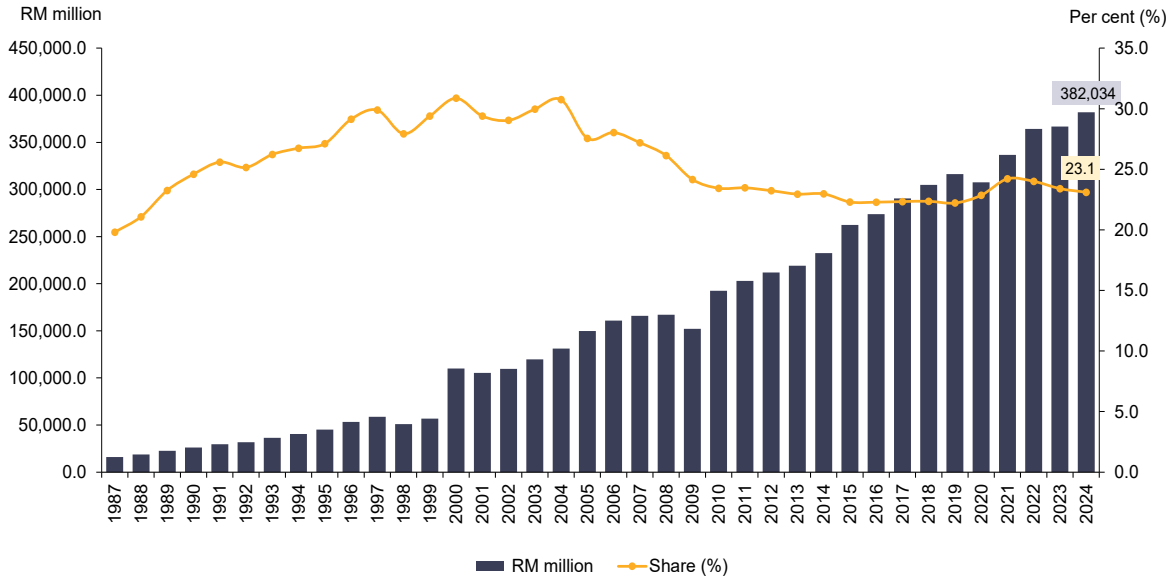
The Third Industrial Master Plan (IMP3) (2006-2020) was developed to address the challenges of rapidly evolving technology and the urgent need for a skilled workforce capable of driving industries such as biotechnology, ICT, aerospace and advanced manufacturing. This required an education system and vocational training programmes aligned with contemporary market needs while fostering lifelong learning. With the goal of strengthening the E&E (Electrical & Electronics) industry, IMP3 focused on increasing the value chain by emphasising high-tech products and components, including semiconductors, consumer electronics, automotive electronics and industrial automation.

In 2020, the Ministry of Science, Technology, and Innovation (MOSTI) formulated several roadmaps to support the adoption of digital technology. These included the National Robotics Roadmap, the National Artificial Intelligence Roadmap, the National Blockchain Roadmap, the National Policy and Strategy Roadmap for Nanotechnology, the National Advanced Materials Technology Roadmap, and the Electrical and Electronics (E&E) Roadmap. Previously, the development of the E&E industry was guided by the Twelfth Malaysia Plan, 2021-2025 (RMKe-12); the Malaysia Solar Industry Roadmap 2030; and Industry4WRD: National Policy on Industry 4.0.

The New Industrial Master Plan 2030 ("NIMP 2030") was formulated by the Ministry of Investment, Trade, and Industry and launched on September 1, 2023. NIMP serves as the industrial policy for the Manufacturing sector and manufacturing-related services, aiming to provide Malaysia with a strategic direction to lead industrial development policies. A total of 21 sectors have been targeted, with five (5) priority sectors namely Aerospace, Chemicals, Electrical and Electronics, Pharmaceuticals, and Medical Devices which act as catalysts in achieving the six (6) objectives outlined in NIMP.

The contribution of the Manufacturing sector recorded a significant increase in its economic contribution, rising from 19.8 per cent in 1987 to a peak of 30.0 per cent in 2000. However, when Malaysia's economy faced a downturn following the global financial crisis in 2009, the contribution of the Manufacturing sector declined to 24.2 per cent. From 2010 to 2024, the Manufacturing sector's contribution remained between 22.2 per cent and 23.1 per cent (**Chart 10**).

Chart 10: Contribution of the Manufacturing Sector to Malaysia's Economy, 1987 – 2024



Source: Department of Statistics, Malaysia

Evolution of the Construction Sector

The Construction sector in Malaysia has undergone rapid evolution since the 1980s, driven by government policies supporting infrastructure development, housing, and mega projects. During the 1980s, the country's rapid economic growth stimulated the sector through the New Economic Policy (NEP), which emphasised infrastructure development and affordable housing. Major projects such as the North-South Expressway and low-cost housing schemes were introduced to improve mobility and public welfare. In the early 1990s, the government introduced privatisation programmes under the National Privatisation Policy, encouraging private sector involvement in major construction projects like KLIA, Petronas Towers and Putrajaya. However, the 1997 Asian Financial Crisis had a significant impact on the Construction sector, causing project delays and rising construction material costs.

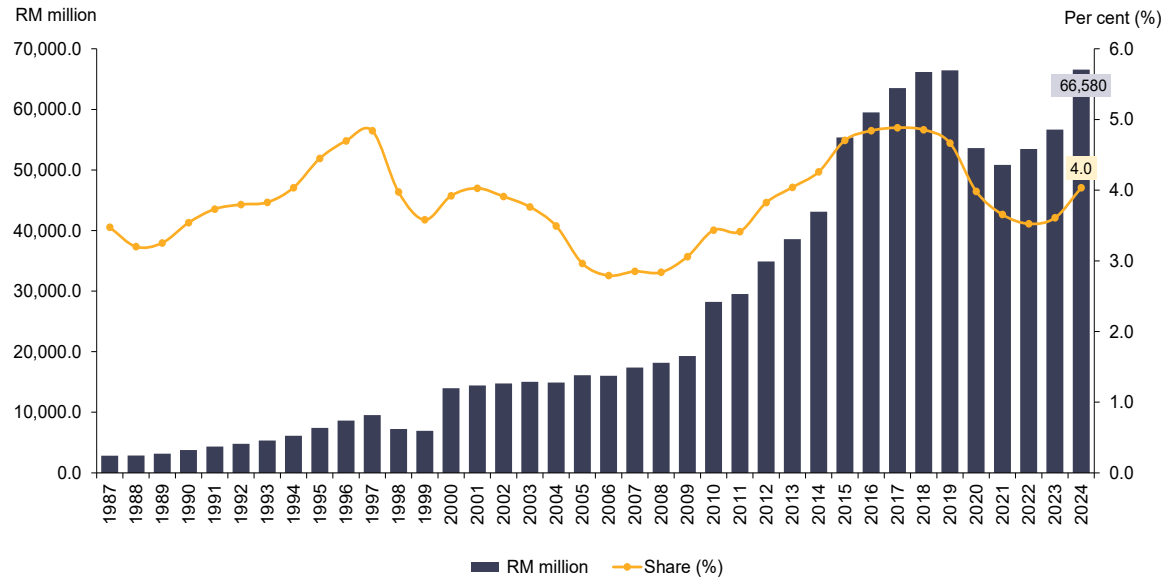
Entering the 2000s, the Construction sector rebounded with government support through the Eighth Malaysia Plan (RMK-8) and economic corridor programmes such as Iskandar Malaysia and the East Coast Economic Region (ECER). Large-scale infrastructure development continued, including the construction of the SMART Highway and KL Sentral, which enhanced urban efficiency. At the same time, the government began promoting modern technologies like the Industrialised Building System (IBS) to improve efficiency and reduce construction costs. This aligned with the National Housing Policy, which emphasised affordable housing development and a balance between supply and demand in the property sector. The Construction sector experienced continuous growth, with gross output value increasing fivefold to RM212.5 billion in 2019. Consequently, the number of workers in the sector increased to 1.30 million. However, due to the COVID-19 pandemic, the sector's gross output value declined to RM173.3 billion in 2020 and further decreased to RM170.8 billion in 2021. This led to a reduction in the workforce to 1.24 million in 2020 and 1.19 million in the following year.

During the 2010s, Malaysia's Construction sector underwent digital transformation with the introduction of smart technologies such as Building Information Modelling (BIM) and the adoption of green building materials to support sustainable development. Policies such as the Green Building Index (GBI) and the Construction Industry Transformation Programme (CITP) 2016-2020 accelerated the adoption of sustainable construction practices. Mega projects like MRT, LRT3, and the Pan Borneo Highway became the key growth drivers, supported by government and private sector investments. However, global economic uncertainties and rising construction material costs posed challenges to the industry, necessitating innovation in technology and more efficient project management approaches.

The year 2020 was a major challenge for the Construction sector due to the COVID-19 pandemic, which disrupted supply chains, increased labour costs and delayed projects. The prolonged effects of the pandemic significantly impacted the civil engineering sub-sector due to strict movement restrictions, which disrupted construction activities and slowed project implementation, alongside labour shortages. Only small-scale projects were allowed to operate during this period. As a result, the specialized construction activities sub-sector grew rapidly in 2021, becoming a key contributor to the Construction sector. However, post-pandemic economic recovery has pushed the sector towards digital construction and automation, supported by government initiatives such as the Twelfth Malaysia Plan (RMK-12) and the Malaysia Digital Economy Blueprint (MyDIGITAL). Infrastructure development, such as the Jendela 5G network, and the transition to green construction practices have become primary focuses in ensuring the competitiveness of Malaysia's Construction sector. With the adoption of smart technologies and increased investment in strategic infrastructure projects, the Construction sector is now moving towards greater sustainability and competitiveness in the era of globalisation.

The contribution of the Construction sector to the Malaysia's economy increased from 3.5 per cent in 1987 to 4.7 per cent in 2015 and contributed 4.0 per cent in 2024 (**Chart 11**).

Chart 11: Contribution of the Construction Sector to Malaysia's Economy, 1987-2024



Source: Department of Statistics, Malaysia

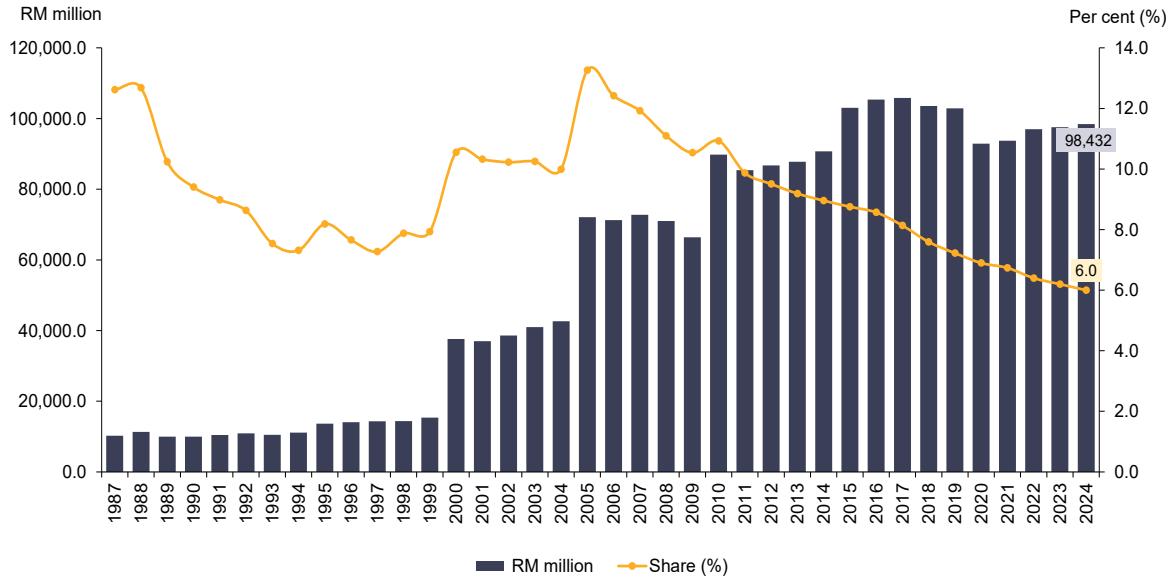
Evolution of the Mining and Quarrying Sector

After independence, the mining activities in Malaysia expanded, which include the extraction of minerals such as gold, bauxite, and iron ore. Meanwhile, tin production, one of the country's earliest mining industries, declined in the 1980s due to falling global prices and the depletion of easily accessible deposits. Additionally, there was a shift towards the production of high-value petroleum and natural gas, in accordance with the Petroleum Mining Act 1966 (Act 95). Since then, this sector has continued to grow and has become a key area for national economic development.

By the mid-2010s, Malaysia had emerged as a significant producer of bauxite, particularly in the state of Pahang. The sharp rise in bauxite production was driven by the increasing global demand, especially from China, which became the world's largest consumer of bauxite due to its rapidly growing aluminum industry, supporting its expanding economy. However, the rapid growth of bauxite mining raised serious environmental concerns. In response, the government imposed a temporary ban on bauxite mining from January 2016 to March 2019 to address these environmental issues.

In recent years, the Mining and quarrying sector has played a crucial role in driving Malaysia's overall economic growth, as reflected in its significant contribution to the country's Gross Domestic Product (GDP). The Mining and quarrying sector contributed 6.0 per cent to the total GDP in 2024, compared to 6.2 per cent in 2023. Meanwhile, this sector's GDP amounted to RM98.4 million at constant prices in 2024, an increase from RM97.5 billion in the previous year (**Chart 12**).

Chart 12: Contribution of the Mining and Quarrying Sector to Malaysia's Economy, 1987 – 2024



Source: Department of Statistics, Malaysia

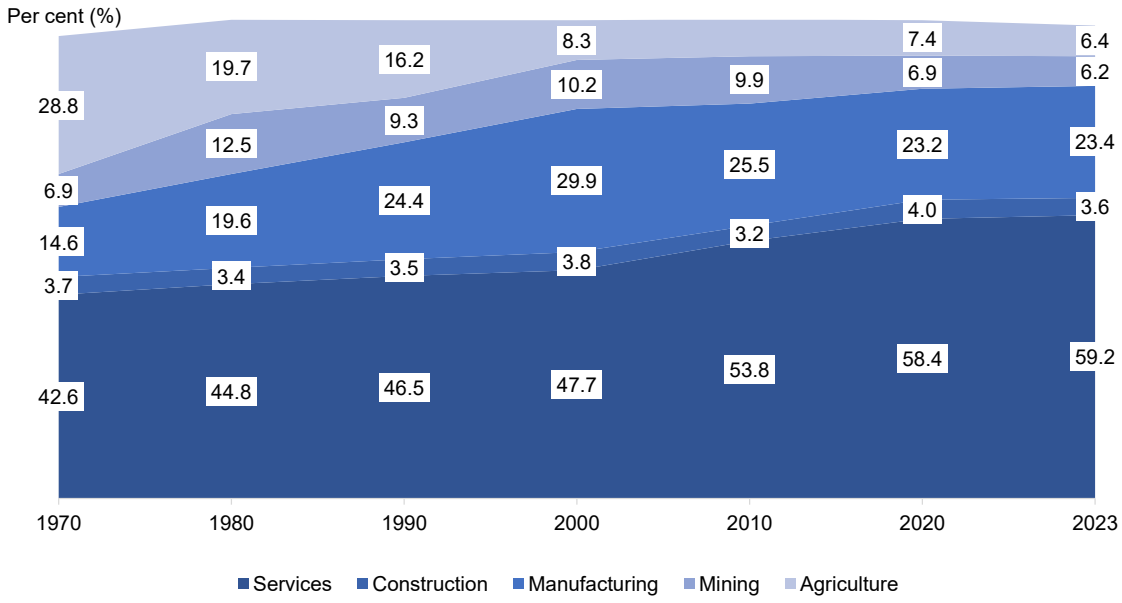
50 Years of Transformation in Malaysia's Retail & Wholesale Landscape

Over the past few decades, Malaysia has experienced a profound economic transformation, transitioning from an agriculture-based economy to one driven by industrialisation and services. Today, the Services sector stands as the primary engine of Malaysia's economic growth, contributing significantly to Gross Domestic Product (GDP), employment, and foreign direct investment (FDI). Within this dynamic shift, the Wholesale & retail trade industry has emerged as a key economic contributor, shaped by changing consumer preferences, rapid urbanisation and supportive government policies. This article examines the evolution of Malaysia's Services sector, the development of its retail landscape, and their combined impact on the nation's long-term economic resilience.

From Agriculture to Services Dominance

In the early post-independence years, Malaysia's economy was heavily reliant on Agriculture, with rubber and palm oil contributing significantly to the GDP and export earnings. In 1970, Agriculture accounted for nearly 30 per cent of the GDP (**Chart 13**), and a large portion of the population was employed in the sector. However, recognising the need for economic diversification, the government introduced the New Economic Policy (NEP) in 1971, aiming to reduce economic disparities and promote industrialisation.

Chart 13: Malaysia' GDP Composition by Sector, 1970 – 2024



Source: Department of Statistics, Malaysia
Note: Excluding import duties

By the 1980s and 1990s, the Manufacturing sector emerged as the key driver of economic growth, supported by policies such as the Industrial Master Plan (IMP). The rise of the electronics and electrical (E&E) sector, particularly in Penang's Free Trade Zone, propelled Malaysia into global supply chains. However, as the global economy evolved, Malaysia's focus began to shift toward Services sector, mirroring the economic trajectories of developed nations.

The Rise of the Services Sector

Today, the Services sector is the backbone of Malaysia's economy. According to the Department of Statistics Malaysia (DOSM), the Services sector has undergone a remarkable transformation, with its contribution to the GDP rising from 42.6 per cent in 1970 to 59.3 per cent in 2023 and 59.4 per cent in 2024. This growth underscores the sector's critical role in driving economic diversification, with approximately 65 per cent of the total employment generated within this segment, highlighting its importance in fostering inclusive economic participation.

Several dynamic and high-growth sub-sectors have emerged as engines of structural change within the Services sector. These include Finance, Information & communications technology (ICT), Tourism, Retail, and Professional services. A pivotal milestone was achieved in 2016, when Malaysia overtook Iran to become the global leader in Islamic banking and finance (IBF), as ranked by the Global Islamic Finance Report (GIFR 2016). Malaysia's Islamic Finance Country Index (IFCI) rose from 73.1 in 2015 to 77.8 in 2016, surpassing Iran's 77.4. This marked a significant shift in global Islamic financial leadership, a testament to Malaysia's proactive institutional and regulatory frameworks.

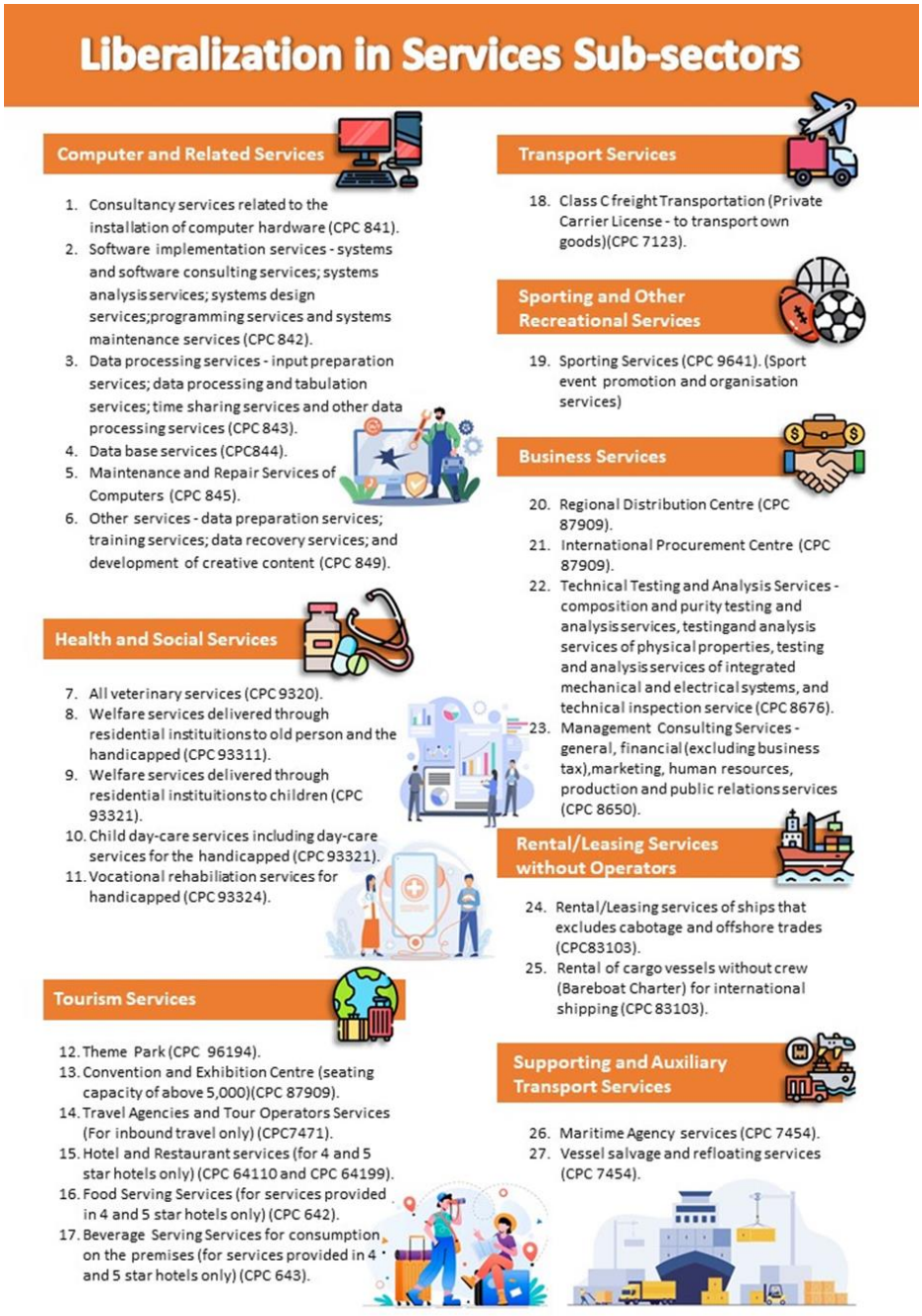
In tandem with its leadership in Islamic finance, Malaysia has also made notable strides in embracing the digital economy. By 2023, the digital sector contributed 23.5 per cent to GDP, spurred by exponential growth in e-commerce and ICT-based services (DOSM, 2023). This momentum is further amplified by strategic investments in digital infrastructure, particularly in the Klang Valley and Johor. These regions have become attractive hubs for international technology firms establishing regional data centres, reinforcing Malaysia's position as a competitive digital and technological nucleus in Southeast Asia.

The sustained expansion of Malaysia's Services sector is underpinned by several strategic drivers:

1. Liberalisation Policies and Economic Diversification

Malaysia's liberalisation of the Services sector commenced in 2009 with the removal of equity restrictions across 27 sub-sectors as depicted in **Exhibit 1**. This marked a deliberate policy shift aimed at enhancing foreign investor participation and stimulating competitive dynamics. The Malaysia Investment Development Authority (MIDA) spearheaded this effort as part of a broader strategy to align Malaysia with global investment trends. In 2011, the government expanded this initiative to cover seven additional broad services sectors, permitting full foreign equity ownership. This policy direction reflected a clear intention to deepen capital inflows and encourage knowledge and technology transfer through foreign expertise. The liberalisation process has been supported by comprehensive national strategies, including the Services Sector Blueprint (2015-2025) and the Twelfth Malaysia Plan (2021-2025). These frameworks emphasise regulatory reform, the adoption of digital technologies, and improvements in infrastructure. Their objective is to reposition the Services sector as a central driver of economic growth and global competitiveness.

Exhibit 1: Services Sub-sectors for Liberalisation



Source: Ministry of Investment, Trade & Industry

Liberalisation efforts in specific sub-sectors such as legal and accounting services, logistics and distribution, private healthcare, and higher education have been instrumental in improving Malaysia's investment climate. These reforms have increased transparency, enhanced service quality, and reduced entry barriers for international firms. By the year 2023, the Services sector contributed 53.1 per cent to Malaysia's total foreign direct investment position (DOSM, 2024). This upward trend signifies the growing strategic importance of Services in attracting external capital and supporting macroeconomic resilience. Furthermore, Malaysia's deeper integration into global value chains has been accompanied by a rise in service-related exports, which reached RM195.0 billion in 2023 (DOSM, 2024). This performance highlights that the country's liberalisation agenda has not only succeeded in attracting foreign investment but has also enhanced the sector's export competitiveness. Overall, these developments underscored the Services sector's emergence as a key pillar in Malaysia's economic transformation and its sustained engagement in the global economy.

2. Digital Transformation and the E-Commerce Boom

Accelerated digital adoption has reshaped Malaysia's Services landscape, driving structural shifts across various industries. With internet penetration surpassing 90 per cent and mobile broadband subscriptions reaching 44.5 million in 2022, digital platforms have enabled rapid expansion in e-commerce and digital financial services. The Malaysia Digital Economy Corporation (MDEC) projects that the digital economy will contribute 25.5 per cent to GDP by 2025, reflecting its growing role in the national economy.

This digital transformation has not only enhanced productivity but also created new economic opportunities, particularly through the rise of technology-driven enterprises. Malaysia's digital economy is increasingly shaped by a vibrant startup ecosystem, that is actively disrupting traditional markets through innovative technologies and agile business models. Currently, the country hosts over 2,000 startups, with e-commerce and online marketplaces accounting for approximately 25 per cent of this total. In 2022 alone, Malaysian startups secured USD665 million in private funding, with e-commerce and marketplace ventures capturing nearly half of the total investment volume (Twimbit, 2023). This surge in entrepreneurial activity underscores the pivotal role of digital innovation in driving the next phase of Services sector growth.

3. Data Centre Expansion

Malaysia's Services landscape is undergoing a profound transformation, driven by accelerated digital adoption, strategic policy reforms, and a surge in global investments. The sector, long a pillar of the national economy, is now at the forefront of Southeast Asia's digital revolution. In the first ten months of the year, Malaysia secured RM141.7 billion in digital investments, three times the total for 2023 (Mida, 2024). This momentum has positioned the country as a regional frontrunner, drawing in global tech giants such as Microsoft, AWS, Google, and Oracle, whose collective investments exceed USD23.3 billion (MIDA, 2024). Knight Frank's Data Centre Research Report 2024 confirms Malaysia's dominance, ranking the nation first in the SEA-5 Data Centre Opportunity Index for the second consecutive year. With a record annual take-up of 429MW, Malaysia now leads in regional infrastructure readiness and digital capacity. This expansion is concentrated in high-growth corridors like the Klang Valley and Johor, where world-class digital infrastructure, reliable energy supply, and investor-friendly policies converge. Initiatives such as the Green Lane Pathway and the Corporate Renewable Energy Supply Scheme (CRESS) have streamlined regulatory processes and fast-tracked access to sustainable power, offering critical incentives for energy-intensive data centre development.

4. Tourism and the Hospitality Ecosystem

Tourism continues to play a vital role in Malaysia's Services sector, serving as a key driver of economic activity, foreign exchange earnings, and employment generation. Since the first Visit Malaysia Year in 1990, which attracted 7.4 million international tourists, the sector has undergone significant expansion. Tourist arrivals peaked in 2019 at 26.1 million, generating receipts totalling RM86.1 billion, underscoring the sector's capacity to contribute meaningfully to the national economy. By 2023, tourism's economic footprint had grown substantially, contributing RM275.8 billion to the national GDP, equivalent to 15.1 per cent of the GDP (DOSM, 2024). The sector also played a central role in the labour market, accounting for 21.4 per cent of total employment, or approximately 3.4 million individuals. These figures reflect the sector's broad multiplier effects, particularly its capacity to stimulate demand across industries such as transportation, hospitality, retail and cultural services.

Although the COVID-19 pandemic temporarily disrupted global travel and caused a significant contraction in tourism-related activities, Malaysia's tourism sector is steadily recovering. The government has set an ambitious target of attracting 23.5 million international tourists by 2025, with the potential to generate an estimated RM100 billion in economic impact (2023:RM75.8 billion). This target reflects renewed confidence in the sector's resilience and underscores its strategic role within Malaysia's broader economic development agenda.

Charting the Development of Malaysia's Wholesale & Retail Sector

The Wholesale & retail sector in Malaysia has experienced significant changes over the last fifty years, reflecting the overall economic development of the country. The industry's evolution, which commenced in the 1970s, has transformed it into a substantial player in the Services sector, currently accounting for 37.9 per cent of private services. This development has been influenced by various structural changes, including urbanisation, demographic shifts, rising income levels, and advancements in technology.

In the year 1970, the industry documented a cumulative total of 19,852 establishments. Retail trade emerged as the predominant sector, constituting 62.9 per cent with 12,485 establishments. This was succeeded by Wholesale trade, which represented 31.9 per cent, totalling 6,325 establishments. In contrast, the Motor vehicle was relatively insignificant, comprising only 5.2 per cent with 1,042 establishments as illustrated in **Table 2** The robust presence of Retail trade reflected the consumption patterns of a largely agrarian society; wherein essential goods were chiefly disseminated via conventional retail avenues. The constraints on Motor vehicle-related trade can be attributed to limited income levels, underdeveloped infrastructure, and a relatively modest urban population, with only 27 per cent of individuals residing in urban areas.

Table 2: Number of Establishments and Share (%) by Sub-sector, 1970 - 2022

Year	Number of Establishments				Share (%)		
	Motor Vehicles	Wholesale Trade	Retail Trade	Total	Motor Vehicles	Wholesale Trade	Retail Trade
1970	1,042	6,325	12,485	19,852	5.2%	31.9%	62.9%
1980	3,002	11,367	12,252	26,621	11.3%	42.7%	46.0%
1993	12,549	20,586	143,885	177,020	7.1%	11.6%	81.3%
2001	31,800	16,386	153,660	201,846	15.8%	8.1%	76.1%
2008	43,396	39,065	199,260	281,721	15.4%	13.9%	70.7%
2013	53,004	57,050	260,664	370,718	14.3%	15.4%	70.3%
2018	62,387	79,428	327,209	469,024	13.3%	16.9%	69.8%
2022	66,929	85,283	323,354	475,566	14.1%	17.9%	68.0%

Source: Department of Statistics, Malaysia

Notes:

The data in 1970 only covered establishments in urban areas of Peninsular Malaysia.

The data in 1980 only covered establishments in Peninsular Malaysia

By the year 1980, the total count of establishments had increased to 26,621, indicating initial indicators of diversification and the impact of industrial policies. Retail trade continued to dominate as the largest segment, comprising 12,252 establishments. However, significant expansion was observed in the Motor vehicle, which experienced a near tripling to reach 3,002 establishments, alongside Wholesale trade, which saw a remarkable increase of 79.7 per cent, totalling 11,367 establishments. The observed shifts indicated a transformation in consumer demand, which corresponded with Malaysia's early efforts to industrialise as part of the New Economic Policy. From 1980 to 1993, the sector experienced significant and rapid expansion.

In 1993, the number of establishments experienced a significant increase, reaching 177,020, while the Retail trade sector expanded dramatically, growing more than elevenfold to encompass 143,885 outlets. This era was marked by robust economic expansion, a burgeoning middle class, and a notable rise in consumer expenditure. The Retail sector effectively accommodated a significant portion of this demand, bolstered by the emergence of new shopping malls and the expansion of branded retail chains. In the interim, the number of Wholesale trade establishments increased to 20,586. As of 2001, the total number of establishments increased to 201,846. Retail trade maintained its dominance with a total of 153,660 outlets, while the Motor vehicle trade experienced notable expansion, achieving 31,800 establishments. The increasing demand for automobiles can be attributed to the rise in disposable incomes, enhancements in road infrastructure, and elevated levels of urbanisation.

The years 2001 to 2013 represented a phase of structural deepening within the sector. The total number of establishments reached 370,718 by 2013, reflecting significant growth across all segments. Retail trade comprised 260,664 establishments, representing more than 70 per cent of the sector. The Motor vehicle trade increased to 53,004, indicating a rise in private vehicle ownership and enhanced consumer mobility. By 2010, Wholesale trade experienced a resurgence, reaching 57,050 establishments, facilitated by enhanced supply chains and the expansion of intermediary businesses catering to both domestic and export markets. By 2010, urbanisation increased to 71 per cent, modifying consumption patterns and strengthening the growth trajectory of the sector. The development of hypermarkets, department stores and speciality shops during this period indicated a shift towards more structured retail formats.

The latest period has been influenced by digitalisation and the sector's response to technological disruptions. In 2018, the total number of establishments was 469,024, including 327,209 retail outlets. Wholesale trade reached 79,428, while Motor vehicle maintained an upward trajectory with 62,387 outlets. In spite of the COVID-19 pandemic's impact, the sector exhibited notable resilience. In 2022, the total number of establishments experienced a minor increase, reaching 475,566. Retail trade constituted 323,354 establishments, accounting for 68 per cent, while Wholesale trade increased to 85,283, representing 17.9 per cent. Additionally, Motor vehicle expanded to 66,929, making up 14.1 per cent. The structural distribution indicates the maturation of all three components and a more balanced composition within the domestic trade sector.

From 1970 to 2022, the total value of sales of goods and services (DT) increased significantly from RM9.4 billion to RM1.6 trillion (**Table 3**), highlighting Malaysia's shift from a predominantly agrarian economy to a contemporary, consumption-focused and service-oriented economy. The 1980s heralded a pivotal phase of diversification and industrialisation in Malaysia, driven by the New Economic Policy (NEP), which sought to eliminate poverty and reform societal structures. During this period, the total value of trade expanded nearly fourfold, reflecting the rising prominence of the Wholesale and Retail trade subsectors alongside the Motor vehicle industry. In particular, the Wholesale trade sector experienced a significant growth, increasing from RM7.1 billion in 1970 to RM24.5 billion in 1980. This surge highlights the expansion of supply chains and the growing demand for distribution services, which paralleled the broader momentum of industrialisation.

Table 3: Sales of Goods & Services by Sub-sector, 1970 – 2022

Year	Sales of Goods & Services			
	Motor Vehicles	Wholesale Trade	Retail Trade	Total
1970	780.4	7,056.7	1,564.8	9,401.9
1980	5,260.5	24,507.9	5,422.9	35,191.3
1993	38,506.3	85,787.4	43,517.2	167,810.9
2001	48,861.7	144,991.9	71,651.4	265,505.0
2008	97,145.1	325,908.3	188,197.5	611,250.9
2013	120,365.4	442,221.8	279,051.2	841,638.3
2018	147,235.4	663,696.4	459,860.4	1,270,792.1
2022	192,051.6	736,002.8	654,375.2	1,582,429.6

Source: Department of Statistics, Malaysia

Notes:

The data in 1970 only covered establishments in urban areas of Peninsular Malaysia.

The data in 1980 only covered establishments in Peninsular Malaysia

By 1993, Malaysia had embarked on a new phase characterised by economic dynamism, underpinned by export-led growth and significant infrastructural development. The total value of goods and services transacted amounted to RM167.8 billion, reflecting nearly a fivefold increase since 1980. The increase can be attributed to the robust performance of the Wholesale sector, which generated RM85.8 billion and served as an intermediary between producers and retailers. Simultaneously, the contribution of the Motor vehicle sector increased dramatically, expanding tenfold since 1980 to reach RM38.5 billion. This trend reflects the upward trajectory of household incomes and an escalating demand for mobility solutions. The timeframe spanning 2001 to 2022 experienced considerable growth across all sub-sectors, especially in the aftermath of the 2008 global financial crisis and throughout the era of digital transformation. The Wholesale trade sector experienced an impressive increase, reaching RM736.0 billion by 2022, propelled by enhanced trade liberalisation, regional integration and Malaysia's participation in global value chains. The Retail trade sector experienced remarkable expansion, escalating from RM71.7 billion in 2001 to RM654.4 billion in 2022. This growth illustrates the rising trend in private consumption, ongoing urbanisation, and the emergence of e-commerce, which have collectively transformed consumer behaviour and retail business frameworks.

The Motor vehicle sector, while the smallest of the three, exhibited steady growth, from RM48.9 billion in 2001 to RM192.1 billion in 2022. This upward trend underscores the ongoing growth of Malaysia's middle class alongside the strategic government initiatives established by the National Automotive Policy, which have fostered local assembly and stimulated private vehicle purchases. The data spanning from 2018 to 2022 is particularly significant, given that it encompasses the effects of the COVID-19 pandemic. In the face of global disruptions, Malaysia's domestic trade sector exhibited notable resilience, expanding from RM1.3 trillion to RM1.6 trillion. This resilience can be explained by the rapid advancement of digital technologies, the implementation of government stimulus measures, and the flexibility exhibited by consumers and businesses. The pandemic accelerated the expansion of online retail platforms and contactless service delivery, thereby enabling the continued functioning of economic activities.

The evolution of Malaysia's domestic trade sector over the last fifty years is more than a story of growth; it illustrates the country's ability to adapt to shifting economic landscapes, evolving consumer behaviours and rapid technological advancements. In 1970, the sector employed just over 129,000 individuals. By 2022, this number had grown significantly to more than 2.17 million, underscoring the sector's expanding role in employment and its growing contribution to national development (**Table 4**). Concurrently, total wages and salaries experienced a remarkable increase from RM222.2 million to a substantial RM76.18 billion. The 1970s and 1980s marked a significant period of expansion for the Wholesale trade and Retail trade sub-sectors, driven by the forces of industrialisation and urbanisation. The Motor vehicle sub-sector, initially a marginal contributor with fewer than 10,000 employees in 1970, commenced its growth trajectory as household income increased and vehicle ownership became more attainable.

Table 4: Number of Persons Engaged and Salaries & Wages by Sub-sector, 1970 – 2022

Year	Number of Persons Engaged				Salaries & Wages			
	Motor Vehicles	Wholesale Trade	Retail Trade	Total	Motor Vehicles	Wholesale Trade	Retail Trade	Total
1970	9,708	51,321	68,083	129,112	18.5	158.3	45.4	222.2
1980	24,327	94,472	62,843	181,642	96.2	641.9	148.6	886.6
1993	90,589	227,189	434,968	752,746	1,181.5	4,586.1	2,125.9	7,893.5
2001	147,878	179,540	512,185	839,603	1,673.7	3,330.0	3,149.4	8,153.2
2008	234,213	383,257	851,500	1,468,970	3,740.9	8,518.6	10,278.8	22,538.3
2013	268,372	442,795	988,741	1,699,908	5,803.6	13,336.1	19,818.0	38,957.7
2018	308,763	519,588	1,174,487	2,002,838	8,045.0	20,700.3	34,127.5	62,872.9
2022	332,829	567,945	1,270,739	2,171,53	9,371.9	23,915.5	42,893.8	76,181.2

Source: Department of Statistics, Malaysia

Notes:

The data in 1970 only covered establishments in urban areas of Peninsular Malaysia.

The data in 1980 only covered establishments in Peninsular Malaysia

A significant turning point occurred in the 1990s, as Malaysia embraced a more consumption-driven economy. The retail workforce skyrocketed from 62,843 in 1980 to 434,968 in 1993, while total wages in the domestic trade sector ballooned to RM7.9 billion, underscoring growing consumer demand and modernised retail formats. The 1990s marked a pivotal moment, as Malaysia shifted towards a more consumption-oriented economic model. The retail workforce experienced a substantial increase from 62,843 in 1980 to 434,968 in 1993, accompanied by a significant rise in total wages within the domestic trade sector, which reached RM7.9 billion. This trend highlights the expansion of consumer demand and the evolution of retail formats during this period. However, by 2001, the sector's growth faced significant challenges. Despite a continued increase in employment, which reached 839,603 workers, total wages saw only a modest rise to RM8.15 billion, remaining just above the levels recorded in 1993. This stagnation illustrates the persistent repercussions of the Asian Financial Crisis (1997–1998), which led to a significant decline in domestic demand and compelled numerous enterprises to halt hiring or curtail wages. The global slowdown of the early 2000s, intensified by the dot-com bust, had a significant impact on Malaysia's trade-dependent economy, resulting in a more measured recovery in labour compensation.

In light of these obstacles, the domestic trade sector demonstrated notable resilience. From 2008 to 2022, the sector experienced a major shift, propelled by advancements in digital technology, the rise of e-commerce, and the evolution of urban logistics. By 2022, retail employment experienced a significant increase, reaching over 1.3 million, while wages saw a remarkable rise from RM10.3 billion to RM42.9 billion. The Motor vehicle sector experienced significant expansion, evidenced by increases in both employment and wage disbursements, indicative of Malaysia's progressively mobile and consumer-driven demographic. The significant increase in wages in relation to employment over the past decade indicates productivity improvements and a shift towards roles that add greater value. From 2013 to 2022, there was a notable increase in employment by 27.7 per cent, accompanied by a remarkable rise in total wages of 95.5 per cent. This indicates that the sector is not only expanding its workforce but also providing enhanced compensation.

Redefining the Future of Wholesale & Retail Trade

The evolution of Malaysia's Wholesale and Retail Trade sector is a testament to the nation's economic maturity and adaptability. Backed by liberalisation policies, digitalisation efforts and strategic investment incentives, these industries have grown into vital engines of national development. However, beneath this outward success lie structural vulnerabilities that demand closer scrutiny. The sector's over-reliance on consumer spending and Motor vehicle sales exposes it to cyclical demand shocks, while the dominance of large retail chains and online platforms threatens to marginalise small and medium enterprises (SMEs), who remain critical to domestic trade dynamism. Without deliberate intervention, this imbalance may widen, compromising both economic inclusivity and sustainability.

Moving forward, Malaysia must move beyond celebrating growth figures and instead focus on fostering inclusive and resilient transformation. The next phase of development requires a digital ecosystem that empowers, rather than excludes. Policy priorities should include accelerating SME digital onboarding, enhance last-mile logistics infrastructure, and embedding sustainability practices across the value chain, from green retail operations to responsible sourcing. Equally crucial is enhancing digital literacy among the workforce to ensure that retail employees are not left behind as automation and AI technologies reshape the industry. Strengthening labour protections in the expending gig and platform economy is also essential to prevent the erosion of job quality.

As the heart of Malaysia's future retail and services landscape lies a fundamental question: who truly benefits from this transformation? For the sector to serve as a genuine pillar of equitable development, it must deliver not only profitability but also broad-based opportunities. Wage growth must be equitably distributed across regions and enterprise sizes, while SMEs must be supported through targeted financial, technological and regulatory interventions to remain competitive. As Malaysia advances toward high-income nation status, the emphasis must shift from volume-driven expansion to value-driven inclusivity, only then can the domestic trade sector secure its role in driving long-term role, equitable and sustainable national prosperity.

Malaysia's Export and Import Trade Performance by Decade

Malaysia's trade landscape has experienced rapid growth since the 1970s, with both exports and imports increasing significantly. A decade-by-decade analysis of trade data shows that Malaysia continues to record positive developments in international trade, reflecting the country's economic competitiveness across various key sectors. This article aims to provide an overview of Malaysia's trade performance in terms of export and import volumes, as well as trade balance.

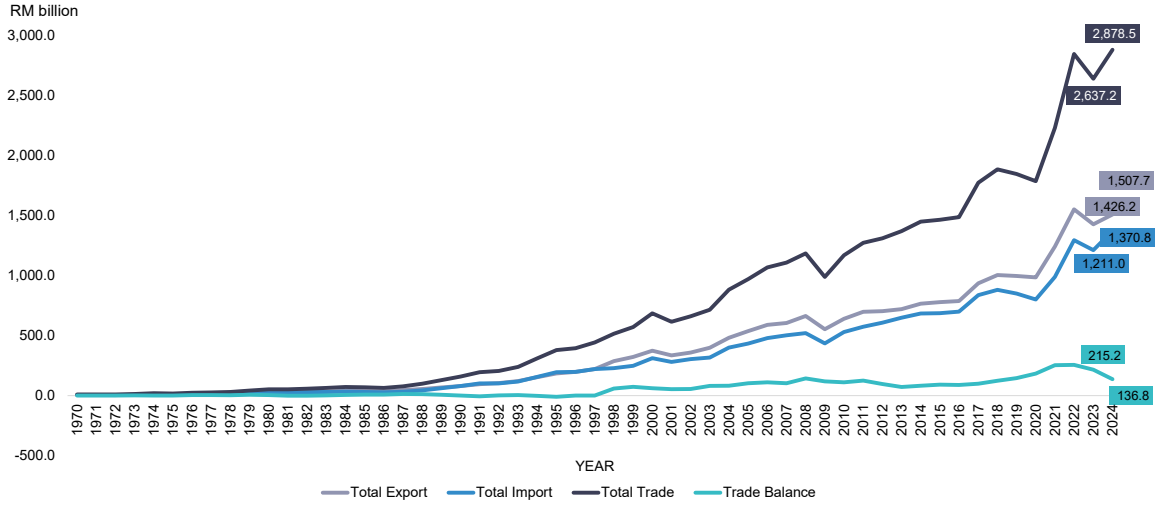
From 1970 to 2024, Malaysia's export volume has grown consistently, with significant expansion beginning in the 1990s, where the electronics and electrical sector played a crucial role in boosting the nation's export value. In parallel, import volumes also increased in line with the country's demand for raw materials, machinery, and industrial equipment to support domestic economic growth. Despite the rise in imports, Malaysia has maintained a trade surplus, indicating the strength and competitiveness of its export sector.

Based on analysis from 1970 to 2024, Malaysia has experienced rapid trade growth. In the 1970s and 1980s, the country's trade was largely driven by commodity exports such as palm oil, rubber and tin. During this time, imports primarily consisted of raw materials to support the expanding manufacturing sector.

Entering the 1990s and early 2000s, Malaysia underwent a significant economic transformation shifting towards high-tech industries including electronics and semiconductors. Penang and Selangor emerged as key hubs for the production and export of high-tech products. Imports also increased with the inflow of raw materials and electronic components to support this industry.

From 2010 to 2024, Malaysia's trade trends have continued to grow, with increased exports of manufactured products, including electronic and chemical equipment. At the same time, imports also rose in line with domestic needs and demand for industrial raw materials, as shown in **Chart 14**.

Chart 14: Malaysia's Trade Value, 1970-2024



Source: Department of Statistics, Malaysia

Malaysia's Trade in the 1970s

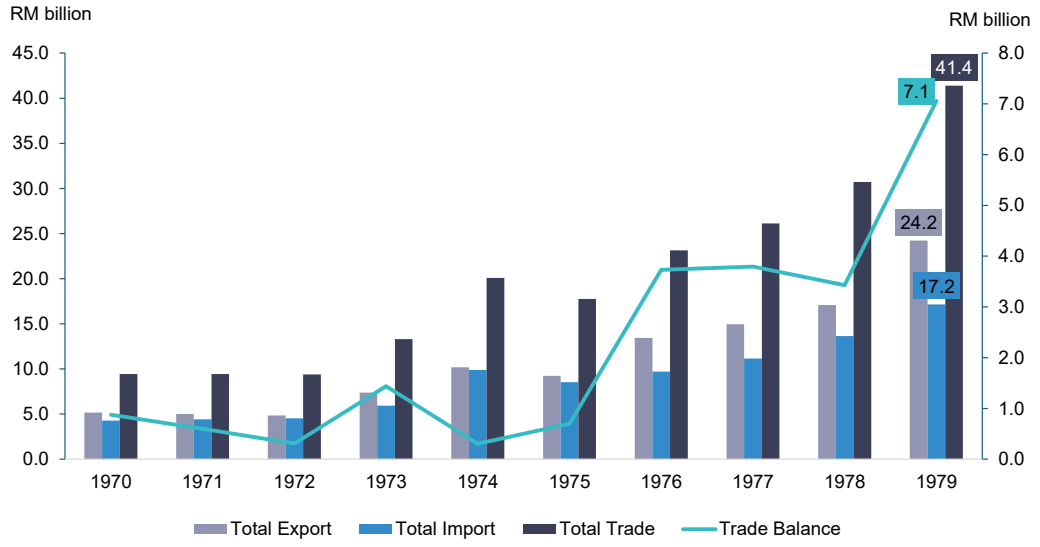
Overall Trade Performance

Malaysia's trade during the period from 1970 to 1979 recorded significant growth, with total trade rising from RM9.5 billion in 1970 to RM41.4 billion in 1979. This growth was primarily driven by the expansion of the agricultural sector, particularly rubber and tin, which were the main contributors to exports.

At the beginning of the decade, the country's trade was relatively balanced, with exports amounting to RM5.2 billion and imports at RM4.3 billion, resulting in a trade surplus of RM0.9 billion. However, trade growth remained moderate until the mid-decade, with total trade gradually increasing to RM20.1 billion in 1974. This reflected steady but controlled economic activity during that period.

In the second half of the decade, Malaysia's trade experienced rapid growth, mainly driven by a surge in exports, which increased from RM9.2 billion in 1975 to RM24.2 billion in 1979. Although imports also rose from RM8.5 billion to RM17.2 billion during the same period, the faster export growth rate led to a larger trade surplus, reachingRM7.1 billion in 1979. Malaysia's export competitiveness appeared to strengthen, driven by growth in the industrial sector as illustrated in **Chart 15**.

Chart 15: Malaysia's Trade, 1970-1979

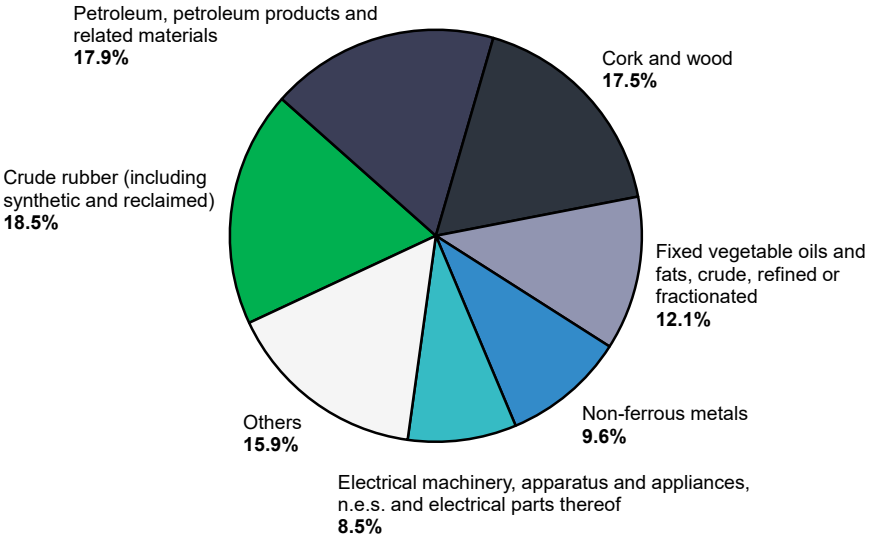


Source: Department of Statistics, Malaysia

Exports and Imports by Product

Malaysia's exports in the 1970s peaked in 1979, recording the highest export value of RM24.2 billion, while imports stood at RM17.2 billion, bringing the total trade value to RM41.4 billion. Raw rubber exports amounted to RM4.5 billion, contributing 18.5% of total exports. This was followed by exports of petroleum, petroleum products, and related materials at RM4.3 billion (17.9%). Wood and cork products recorded RM4.2 billion (17.5%), while vegetable oils and fats contributed RM2.9 billion (12.1%). Additionally, non-ferrous metals totalled RM2.3 billion (9.6%), as illustrated in **Chart 16**.

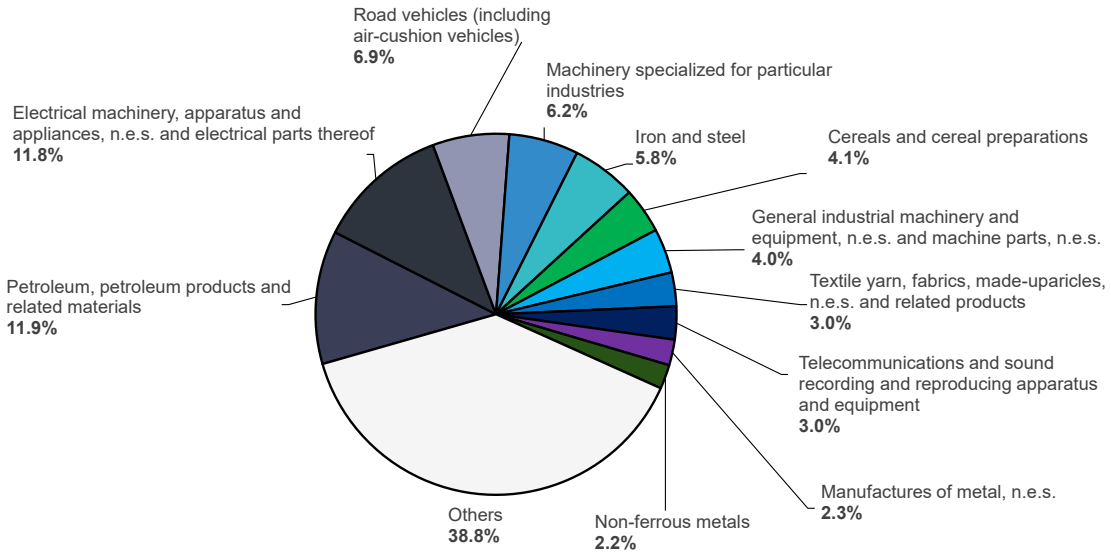
Chart 16: Contribution of Export Value by Major Products, 1979



Source: Department of Statistics, Malaysia

Imports of electrical and electronic products totalled RM2.6 billion, accounting for 15.4% of total imports. This was followed by petroleum, petroleum products, and related materials at RM2.0 billion (11.9%). In addition, imports of road vehicles amounted to RM1.2 billion (6.9%), while machinery specialized for particular industries totalled RM1.1 billion (6.2%). Imports of iron and steel were recorded at RM0.1 billion (5.8%), as shown in **Chart 17**.

Chart 17: Contribution of Import Value by Major Products, 1979



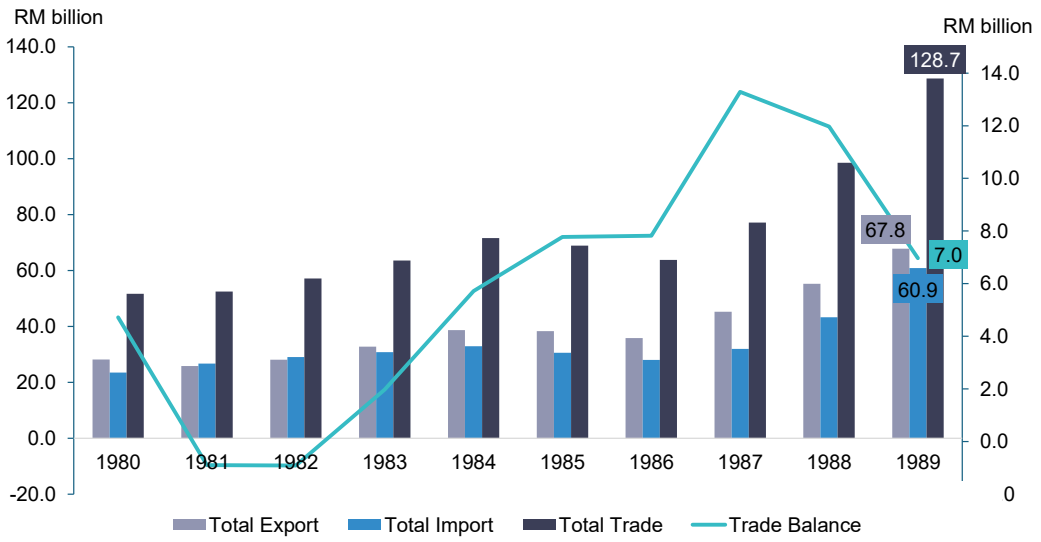
Source: Department of Statistics, Malaysia

Malaysia's Trade in the 1980s

Overall Trade Performance

Entering the 1980s, Malaysia's trade from 1980 to 1989 showed significant growth, driven by the country's shift towards heavy industrialisation. Total trade rose from RM51.6 billion in 1980 to RM128.7 billion in 1989. Early in the decade, Malaysia recorded export values of RM28.2 billion and imports of RM23.5 billion, resulting in a trade surplus of RM4.7 billion. However, the trade balance declined in 1981 as import values exceeded exports, nearly eliminating the trade surplus. This shift was due to structural changes in the economy following the implementation of the Heavy Industrialization Policy (HIP) in 1980, which focused on developing the automotive, iron and steel, chemical, and machinery sectors. This transition led to a significant increase in the import of raw materials, machinery, and technology to support the growth of heavy industries. Nevertheless, trade performance began to recover after 1982, with a gradual increase in total trade reflecting steady economic growth. In the latter half of the decade, Malaysia's trade expanded rapidly, driven by a surge in exports, which rose from RM40.9 billion in 1985 to RM67.8 billion in 1989. Although imports also increased from RM32.8 billion to RM60.9 billion during the same period, the higher growth rate of exports contributed to a trade surplus of RM13.3 billion in 1987, before slightly decreasing to RM7.0 billion in 1989. This trend illustrates Malaysia's strengthening export competitiveness, spurred by the development of the industrial sector and the country's emphasis on heavy industries (**Chart 18**).

Chart 18: Malaysia's Trade, 1980-1989 (RM billion)



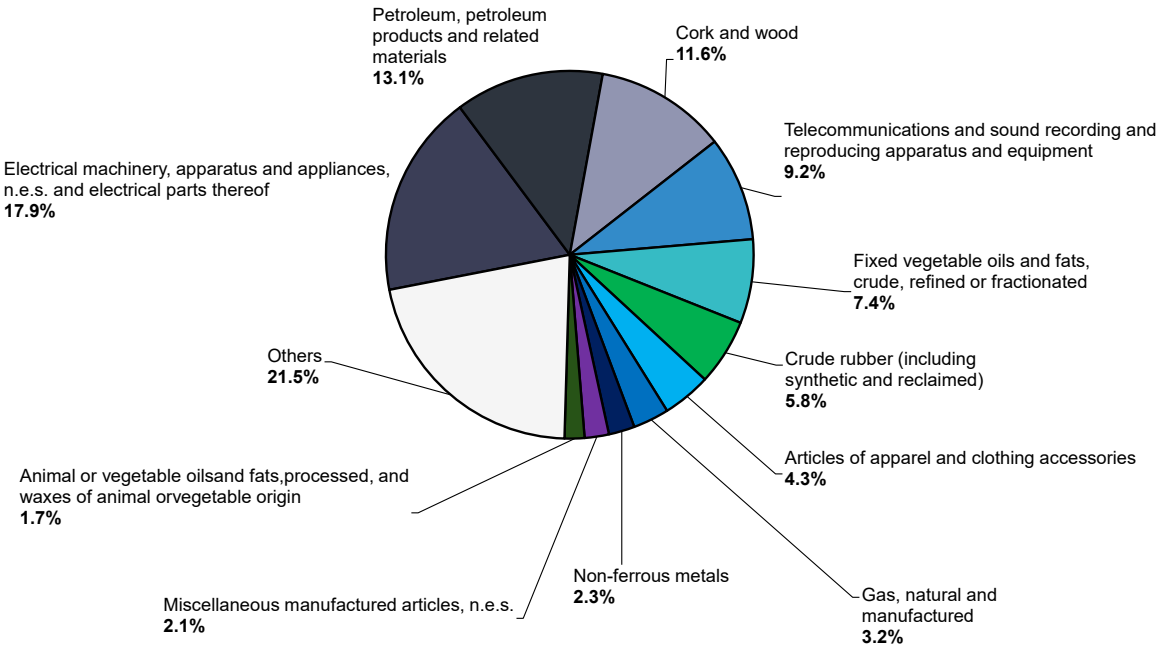
Source: Department of Statistics, Malaysia

Exports and Imports by Product

In 1989, Malaysia's export value reached its highest point at RM67.8 billion, while imports stood at RM60.9 billion. This brought the total trade value to RM128.7 billion, marking a significant increase in Malaysia's international trade activity.

The highest export contributor was machinery, appliances, and electrical equipment including parts, which recorded RM12.1 billion (17.9%). This was followed by petroleum and related materials at RM8.9 billion (13.1%). Meanwhile, cork and wood exports stood at RM7.9 billion (11.6%). Telecommunication and sound recording/ reproducing equipment accounted for RM6.2 billion (9.2%), and vegetable oils and fats, both crude and refined, contributed RM5.0 billion (7.4%). Other product categories made up the remaining exports, as illustrated in **Chart 19**.

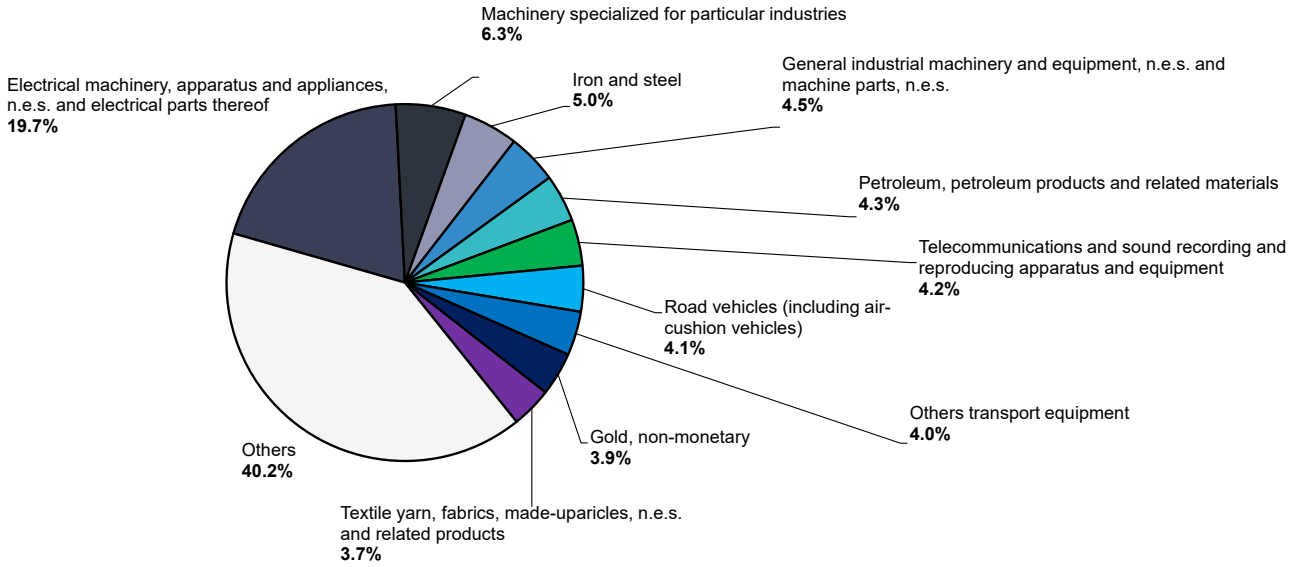
Chart 19: Contribution of Export Value by Major Products, 1989



Source: Department of Statistics, Malaysia

The largest import in 1989 was machinery, appliances, and electrical equipment including parts, valued at RM12.0 billion, accounting for 19.7% of total imports. This was followed by machinery specialised for specific industries at RM3.9 billion (6.3%). Meanwhile, iron and steel imports totalled RM3.0 billion (5.0%), and general industrial machinery and equipment including parts recorded RM2.8 billion (4.5%). Additionally, petroleum, petroleum products, and related materials amounted to RM2.6 billion (4.3%), as shown in **Chart 20**.

Chart 20: Contribution of Import Value by Major Products, 1989



Source: Department of Statistics, Malaysia

Malaysia's Trade in the 1990s

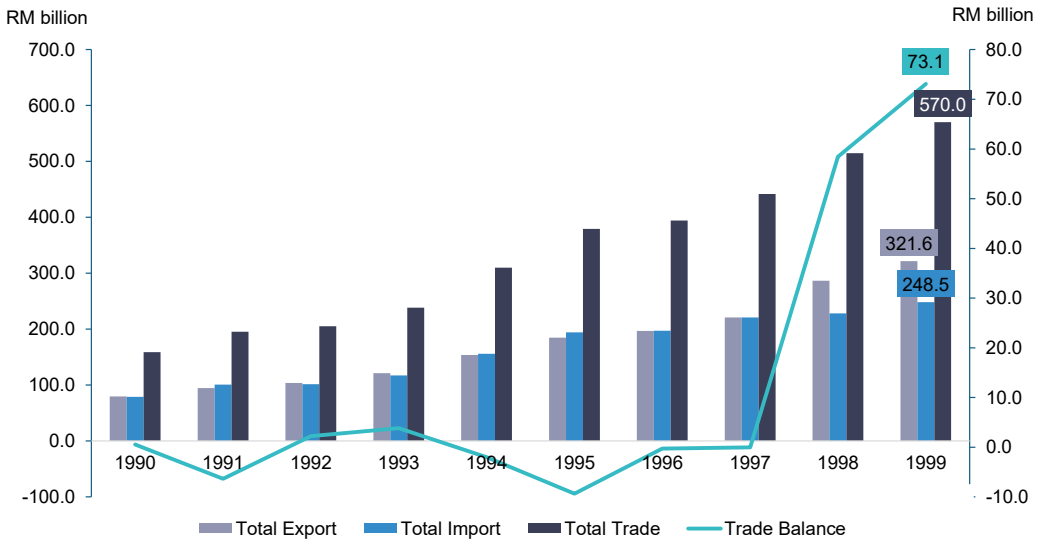
Overall Trade Performance

Malaysia's trade performance from 1990 to 1999 recorded substantial growth, with total trade increasing from RM158.8 billion in 1990 to RM570.0 billion in 1999. This growth was driven by the strengthening of the export-oriented industrial sector and rising global demand for technology-based manufactured products.

At the start of the decade, trade expanded moderately, with exports valued at RM79.7 billion and imports at RM79.1 billion in 1990, resulting in a modest trade surplus of RM0.5 billion. However, the trade balance fluctuated in the early 1990s, including trade deficits in 1991 (-RM6.3 billion) and 1994 (-RM2.0 billion), due to rapid growth in the import of capital and intermediate goods to support industrial development.

Furthermore, from mid-1995 to 1997, the trade balance weakened due to the early effects of the Asian Financial Crisis, which exerted pressure on the country's economy and trade. During the decade's second half, trade expanded rapidly with export growth outpacing imports. In 1998, exports surged to RM286.6 billion, while imports stood at RM228.1 billion, generating a trade surplus of RM58.4 billion. This upward trend continued in 1999, with the surplus growing to RM73.1 billion. This growth reflects Malaysia's increasing competitiveness in international trade, driven by the expansion of the manufacturing sector (**Chart 21**).

Chart 21: Malaysia's Trade, 1990-1999



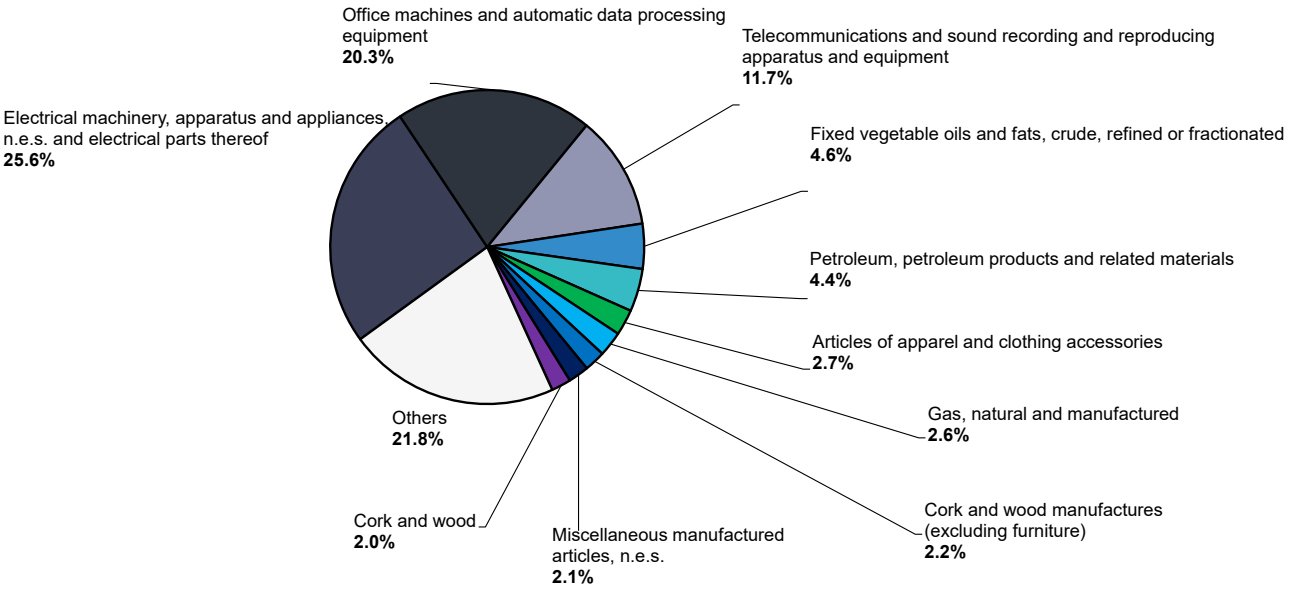
Source: Department of Statistics, Malaysia

Exports and Imports by Product

In 1999, Malaysia recorded exports of RM321.6 billion and imports of RM248.5 billion, with total trade amounting to RM570.0 billion. Exports of selected major products showed that machinery, appliances, and electrical equipment including parts were the largest contributors, valued at RM82.4 billion (25.6%), followed by office machines and automatic data processing equipment at RM65.2 billion (20.3%).

Additionally, telecommunication and sound recording/reproducing equipment totalled RM37.6 billion (11.7%), while vegetable oils and fats, both crude and refined amounted to RM14.9 billion (4.6%). Petroleum, petroleum products, and related materials also contributed RM14.9 billion (4.4%), highlighting the importance of the electronics, information technology, and commodity sectors in the country's exports (**Chart 22**).

Chart 22: Contribution of Export Value by Major Products, 1999

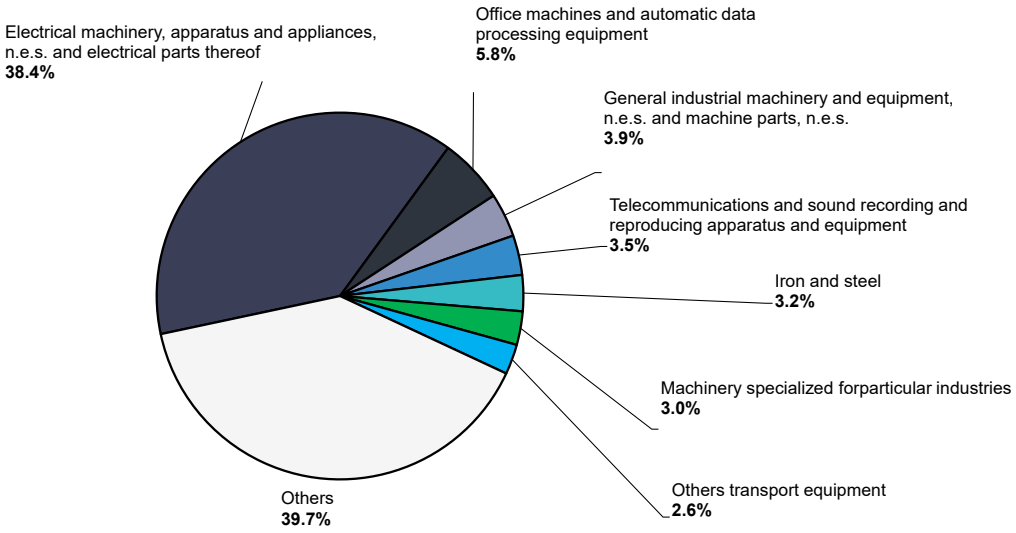


Source: Department of Statistics, Malaysia

In 1999, imports of selected major products showed that machinery, appliances, and electrical equipment including parts recorded the highest value at RM95.3 billion (38.4%). This was followed by office machines and automatic data processing equipment, which total RM14.3 billion (5.8%).

General industrial machinery and equipment amounted to RM9.6 billion (3.9%), while telecommunication and sound recording/reproducing equipment reached RM8.7 billion (3.5%). Additionally, iron and steel imports totalled RM7.9 billion (3.2%), as shown in **Chart 23**

Chart 23: Contribution of Import Value by Major Products, 1999

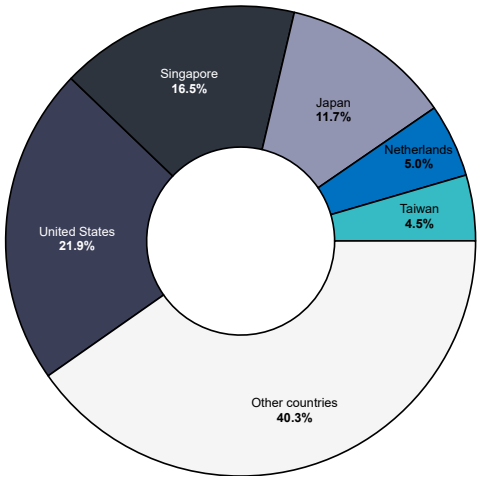


Source: Department of Statistics, Malaysia

Contribution of Malaysia's Exports by Major Trading Partners, 1999

In 1999, the export distribution percentage showed that the United States of America (USA) had the largest share, with RM37.8 billion (21.9%) of total exports. Singapore ranked second with RM53.1 billion (16.5%), followed by Japan with RM37.8 billion (11.7%). The Netherlands recorded RM16.2 billion (5.0%), while Taiwan had RM14.5 billion (4.5%). A total share of RM129.6 billion (40.3%) was exported to other countries, as shown in **Chart 24**.

Chart 24: Contribution of Malaysia's Export by Major Trading Partners, 1999

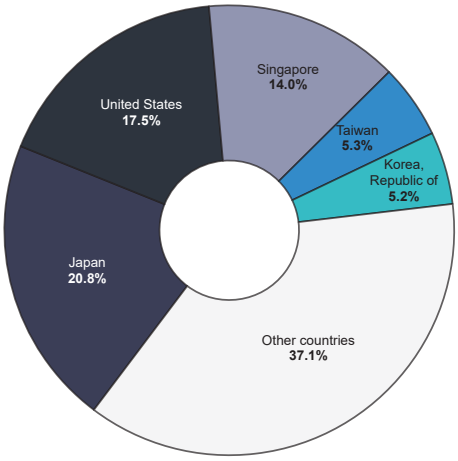


Source: Department of Statistics, Malaysia

Contribution of Malaysia's Import by Major Trading Partners, 1999

In terms of import distribution percentage in 1999, Japan recorded the largest share with RM51.7 billion (20.8%), followed by the USA with RM43.4 billion (17.5%). Singapore accounted for RM34.8 billion (14.0%), while Taiwan contributed RM13.2 billion (5.3%), and the Republic of Korea recorded RM13.0 billion (5.2%). A significant portion of imports, totalling RM92.3 billion (37.1%), came from other countries, as shown in **Chart 25**.

Chart 25: Contribution of Malaysia's Import by Major Trading Partners, 1999



Source: Department of Statistics, Malaysia

Malaysia's Trade in the 2000s

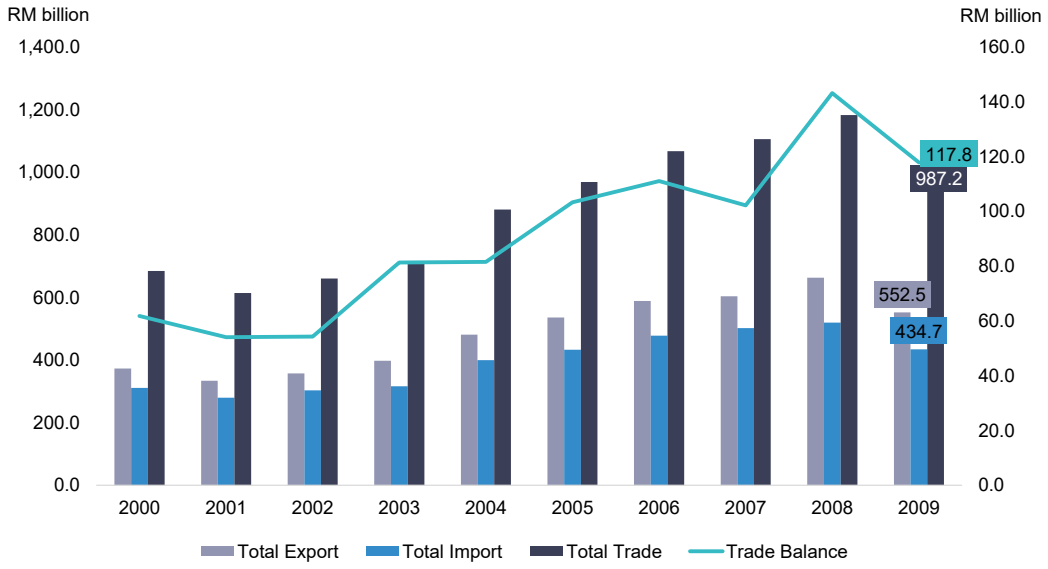
Overall Trade Performance

Entering the new millennium, Malaysia's trade between 2000 and 2009 recorded significant growth, with total trade increasing from RM684.7 billion in 2000 to RM1.2 trillion in 2008.

In the first years of the decade, the country's trade was relatively balanced, with exports valued at RM373.3 billion and imports at RM311.5 billion, resulting in a trade surplus of RM61.8 billion. However, total trade gradually increased, reaching RM714.4 billion in 2003, supported by rising global demand for Malaysia's electrical and electronic goods.

In the later years of the decade, Malaysia's trade continued to grow rapidly, with exports rising from RM481.3 billion in 2004 to RM663.0 billion in 2008. This surge was driven by strong global demand for electrical and electronic products as well as commodities such as palm oil and petroleum. While imports also increased from RM399.6 billion to RM519.8 billion during the same period, the higher export growth contributed to a trade surplus of RM143.2 billion in 2008. Among the key factors behind this robust growth were the expansion of the manufacturing sector and high global demand for electronic goods (**Chart 26**).

Chart 26: Malaysia's Trade, 2000-2009



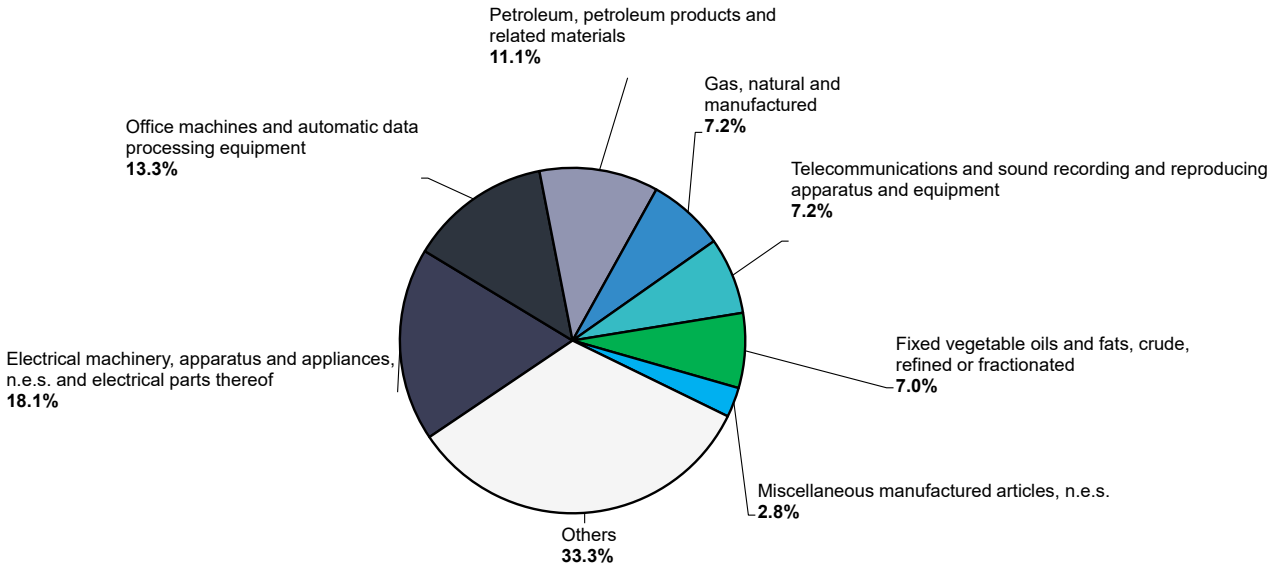
Source: Department of Statistics, Malaysia

Exports and Imports by Product

Malaysia recorded its highest export value of the 2000s in 2008, with exports reaching RM663.0 billion and imports amounting to RM519.8 billion, resulting in a total trade volume of RM1.2 trillion.

The top export product was machinery, appliances, and electrical equipment, which contributed RM120.1 billion (18.1%). This was followed by office machines and automatic data processing equipment at RM83.8 billion (13.3%), and petroleum, petroleum products, and related materials at RM73.9 billion (11.1%). Additionally, natural gas and telecommunications equipment including sound recording and reproducing apparatus both recorded equal export values of RM47.6 billion (7.2%), as illustrated in **Chart 27**.

Chart 27: Contribution of Export Value by Major Products, 2008

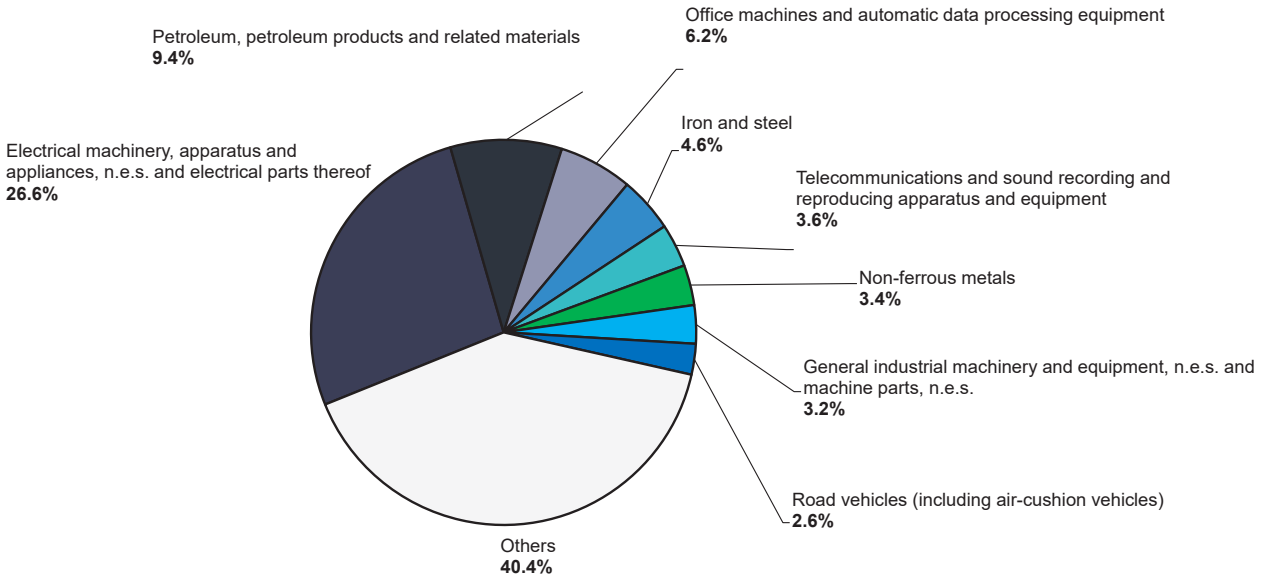


Source: Department of Statistics, Malaysia

Imports of machinery, appliances, and electrical equipment recorded a total of RM138.5 billion, contributing 26.6 per cent of import value in 2008, followed by petroleum, petroleum products, and related materials at RM48.6 billion (9.4%).

In addition, office machines and automatic data processing equipment amounted to RM32.2 billion (6.2%), while iron and steel contributed RM24.1 billion (4.6%). Imports of telecommunication equipment including sound recording and reproducing apparatus were recorded at RM18.9 billion (3.6%), as shown in **Chart 28**.

Chart 28: Contribution of Import Value by Major Products, 2008

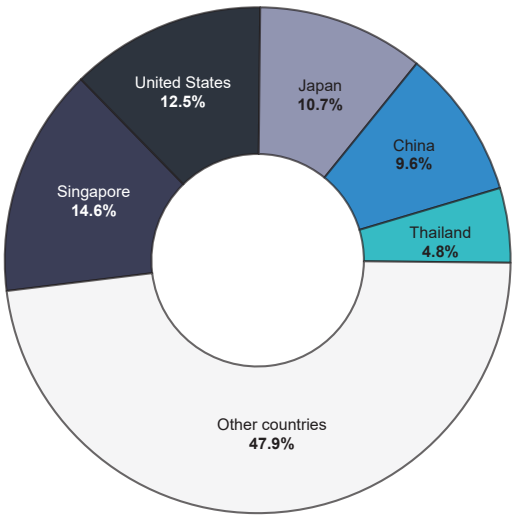


Source: Department of Statistics, Malaysia

Malaysia's Export Contribution by Major Trading Partners, 2008

In terms of export percentage distribution in 2008, Singapore recorded the largest share with RM97.0 billion (14.6%) of total exports. The USA ranked second with RM82.7 billion (12.5%), followed by Japan with RM70.7 billion (10.7%). The People's Republic of China recorded RM63.4 billion (9.6%), while Thailand accounted for RM31.6 billion (4.8%). A total of RM317.5 billion (47.9%) was exported to other countries, as shown in **Chart 29**.

Chart 29: Malaysia's Export Contribution by Major Trading Partners, 2008

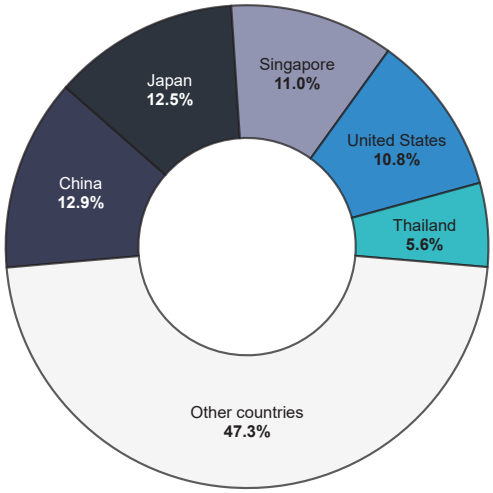


Source: Department of Statistics, Malaysia

Malaysia's Import Contribution by Major Trading Partners, 2008

Meanwhile, for import percentage distribution in 2008, the People's Republic of China recorded the largest share with RM66.9 billion (12.9%), followed by Japan with RM64.9 billion (12.5%). The Republic of Singapore accounted for RM57.1 billion (11.0%), while the USA contributed RM56.1 billion (10.8%), and Thailand recorded RM29.2 billion (5.5%). The majority of imports, amounting to RM245.6 billion (47.3%), came from other countries (**Chart 30**).

Chart 30: Malaysia's Import Contribution by Major Trading Partners, 2008



Source: Department of Statistics, Malaysia

Malaysia's Trade from the 2010s to 2024

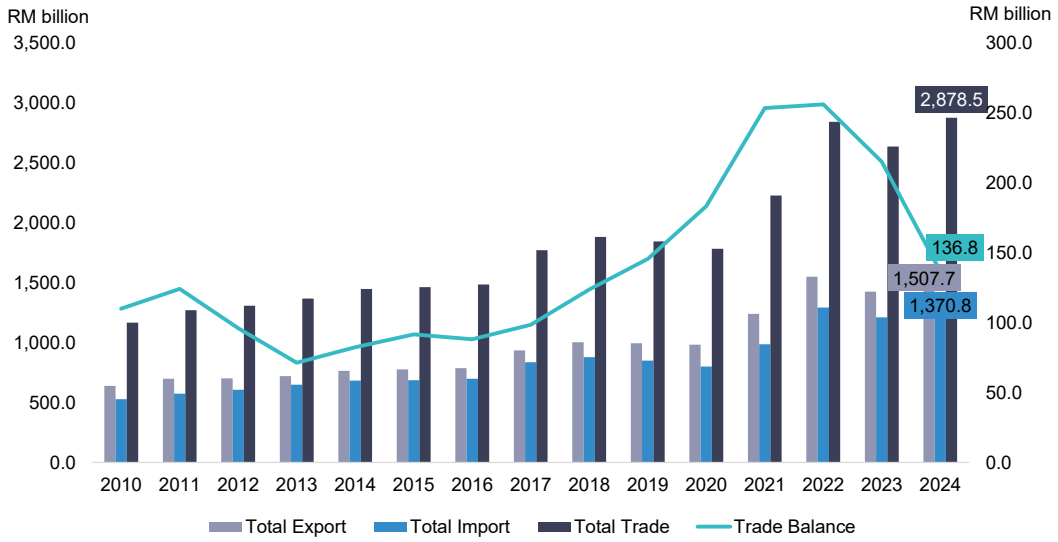
Overall Trade Performance

Malaysia's trade from 2010 to 2024 recorded rapid growth, with total trade rising from RM1.2 trillion in 2010 to RM2.9 trillion in 2024. In the early part of the decade, trade expanded strongly with exports valued at RM638.8 billion and imports at RM528.8 billion, resulting in a trade surplus of RM110.0 billion.

By the mid-decade, exports continued to rise, reaching RM1.6 trillion in 2022, while imports also grew in tandem. This growth was driven by global demand for Malaysia's high-technology products and the recovery of the global economy following the financial crisis. However, trade experienced fluctuations in 2023 and 2024 due to a decline in demand for key commodities. In 2023, total trade reached RM2.6 trillion with the trade surplus increasing to RM215.2 billion, while in 2024, total trade is projected to reach RM2.9 trillion, with the surplus narrowing to RM136.8 billion.

Overall, Malaysia's trade performance remained strong, supported by the competitiveness of its exports in the electrical and electronics sector, as well as the industry's ability to adapt to global market dynamics (**Chart 31**).

Chart 31: Malaysia's Trade, 2010-2024

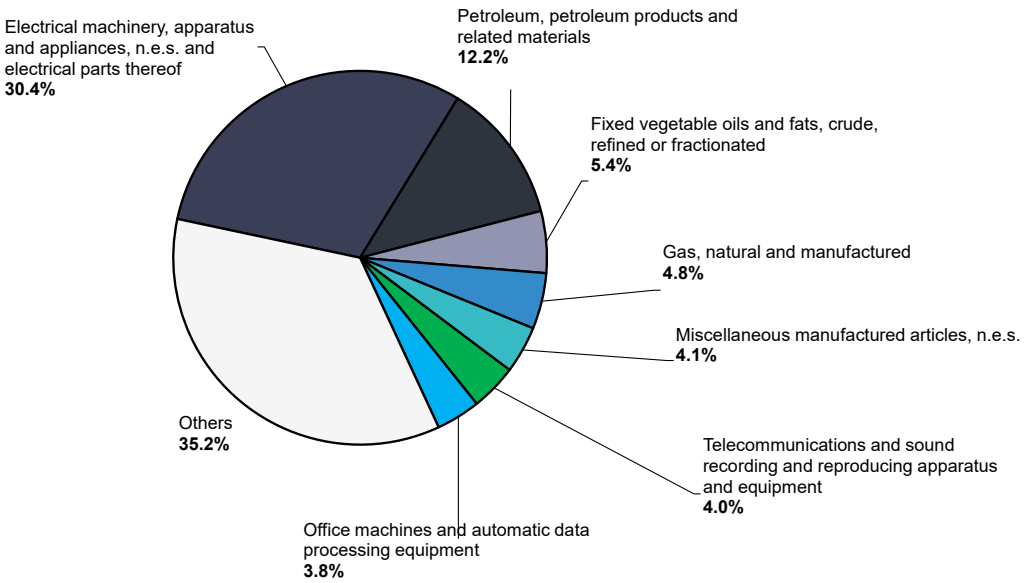


Source: Department of Statistics, Malaysia

Exports and Imports by Product

Malaysia recorded exports worth RM1.6 trillion and imports amounting to RM1.3 trillion, with a total trade value of RM2.8 trillion in 2022. Exports of machinery, appliances, and electrical equipment and parts stood at RM471.4 billion (contributing 30.4%), followed by petroleum, petroleum products, and related materials at RM189.4 billion (12.2%). Exports of vegetable oils and fats amounted to RM83.0 billion (5.4%), while natural and manufactured gas totalled RM75.0 billion (4.8%). Miscellaneous manufactured articles recorded RM63.4 billion (4.1%), as shown in **Chart 32**.

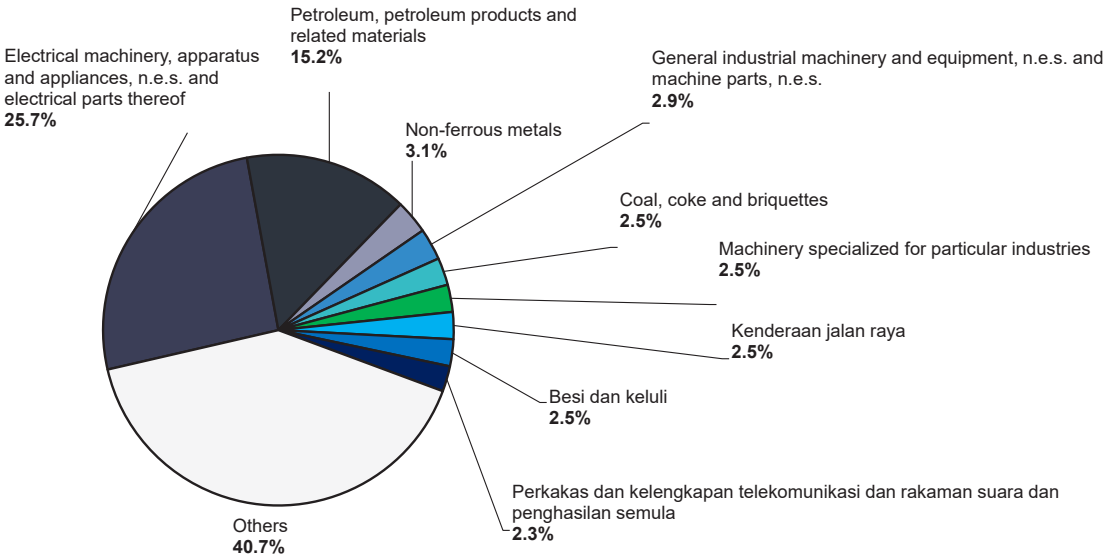
Chart 32: Contribution of Export Value by Major Products, 2022



Source: Department of Statistics, Malaysia

Imports of machinery, appliances, and electrical equipment, including parts and accessories, recorded a total of RM332.8 billion (accounting for 26.4%). This was followed by petroleum, petroleum products, and related materials amounting to RM196.06 billion (15.2%). Non-ferrous metals recorded RM40.73 billion (3.2%). Meanwhile, general industrial machinery and equipment and parts totalled RM37.84 billion (2.9%), while imports of coal, coke, and briquettes amounted to RM32.65 billion (2.5%), as shown in **Chart 33**.

Chart 33: Contribution of Import Value by Major Products, 2022

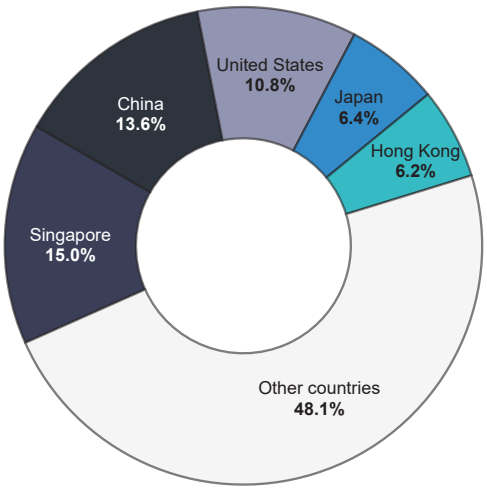


Source: Department of Statistics, Malaysia

Contribution of Malaysia's Export by Major Trading Partners, 2022

In 2022, Singapore recorded the highest export share with RM232.5 billion (15.0%). The People's Republic of China followed with RM210.6 billion (13.6%), while the USA contributed RM167.2 billion (10.8%). Japan recorded RM98.7 billion (6.4%), and Hong Kong accounted for RM95.6 billion (6.2%). Other countries made up the largest portion, with a total of RM745.4 billion (48.1%), as shown in **Chart 34**.

Chart 34: Contribution of Malaysia's Export by Major Trading Partners, 2022

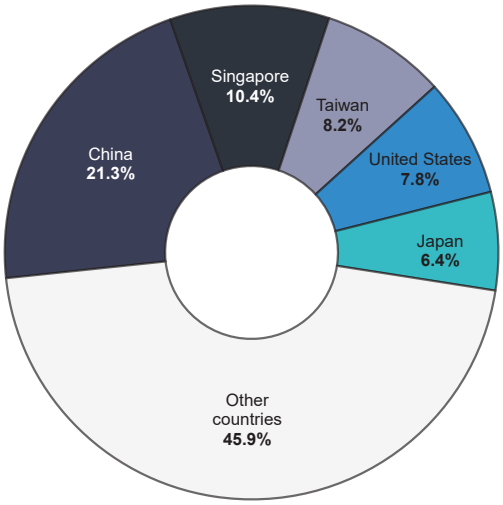


Source: Department of Statistics, Malaysia

Contribution of Malaysia's Import by Major Trading Partners, 2022

In 2022, the People's Republic of China recorded the largest share of imports with RM275.8 billion (21.3%), followed by Singapore with RM135.0 billion (10.4%). Taiwan accounted for RM106.0 billion (8.2%), while the USA contributed RM100.0 billion (7.8%), and Japan recorded RM83.0 billion (6.4%). The majority of imports, totalling RM593.3 billion (45.9%), came from other countries, as shown in **Chart 35**.

Chart 35: Contribution of Malaysia's Import by Major Trading Partners, 2022



Source: Department of Statistics, Malaysia

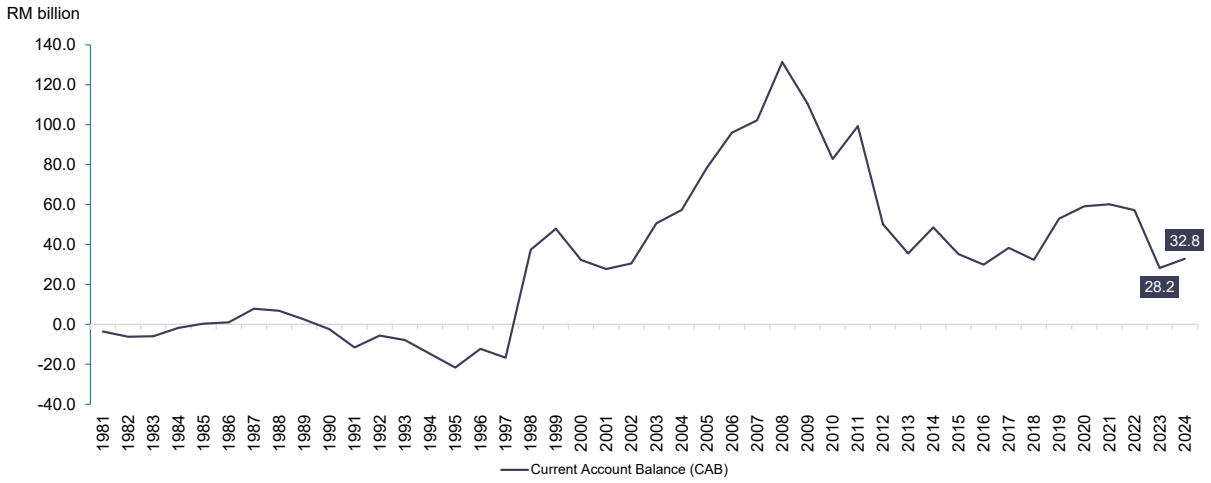
Navigating Malaysia's Performance Balance of Payments

Trends in Current Account Balance, 1981-2024

The **Current Account Balance (CAB)** is a key component of Malaysia's Balance of Payments (BOP), reflecting the nation's economic transactions with the rest of the world. In other words, it represents the country's financial position in the global economy. A surplus indicates that a country is saving more than it spends internationally, while a deficit suggests reliance on foreign capital to finance domestic consumption and investment. The four main accounts of CAB are Goods, Services, Primary Income, and Secondary Income.

Malaysia's CAB has demonstrated resilience over the decades, transitioning from persistent deficits in the 1980s to a sustained surplus from the late 1990s onwards. Malaysia's CAB continued to record a deficit of RM21.6 billion in 1995, reflecting trade imbalances and high capital outflows despite growing export performance. However, by the late 1990s, strong export growth and industrialisation policies transformed the CAB into a surplus. In 2008, Malaysia achieved its highest-ever CAB surplus of RM131.4 billion within the 1981-2024 timeline, fuelled by strong global demand for commodities and robust export revenues. Despite the global financial crisis, both exports and imports increased, reflecting the resilience of Malaysia's trade sector during this period. This positive momentum continued for over two decades by recording RM27.7 billion in 2024. The CAB in 2024 was predominantly spurred by net exports of goods at RM114.5 billion. Although external shocks have periodically impacted the balance, Malaysia's diversified trade portfolio and export-driven economy have ensured stability. Moving forward, maintaining a strong external position will require continuous policy adjustments, strengthened trade agreements, and efforts to boost high-value exports in emerging industries.

Chart 36 Current Account Balance, 1981 – 2024

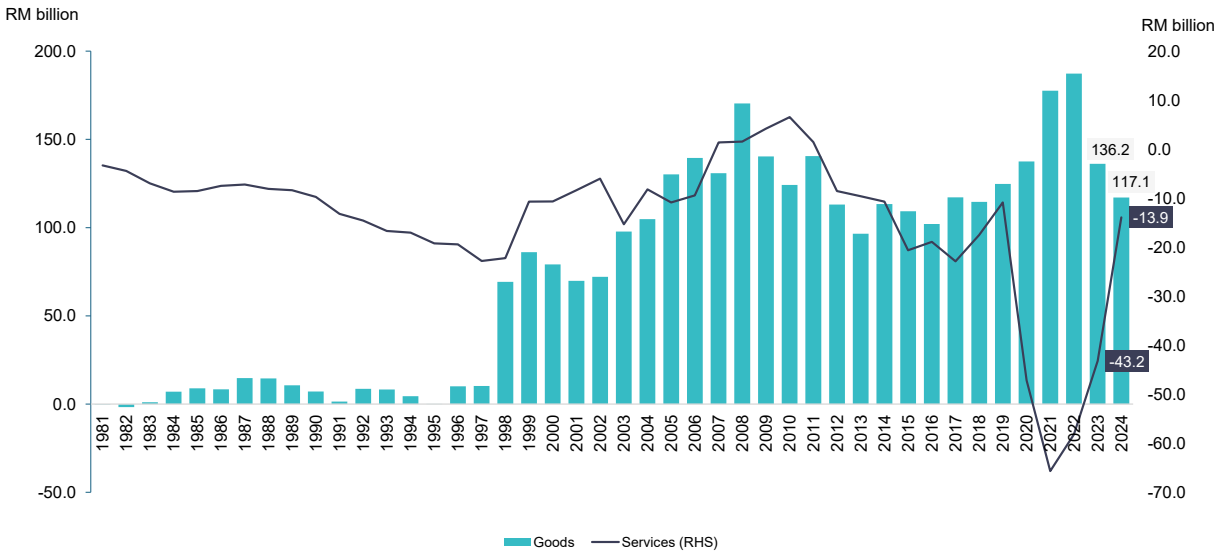


Source: Department of Statistics, Malaysia

The **Goods account** has long played a significant role in Malaysia's CAB. In the early 1980s, the trade balance fluctuated, with deficits recorded in 1981 and 1982 due to higher import levels. However, from the 1990s onwards, trade expanded in line with the Malaysia's export-oriented industrialisation policies, which drove exports growth, particularly in electronics and palm oil sectors. By 1998, the trade surplus increased significantly from RM10.3 billion in 1997 to RM69.2 billion, driven by higher exports. Exports grew substantially from RM374.0 billion in 2000 to RM481.9 billion in 2004, reflecting strong international demand. The trade surplus also improved, reaching its peak at RM139.5 billion in 2006. Nevertheless, the 2008 financial crisis disrupted global trade, leading to declines in both imports and exports.

In 2010, total exports stood at RM602.6 billion, while imports amounted to RM478.4 billion, resulting in a trade surplus of RM124.2 billion. This surplus was further reinforced by the country's active participation in global supply chains, particularly in electronics, oil and gas and commodity exports. During the COVID-19 pandemic, exports surged due to heightened global demand for electronics, medical supplies and semiconductors, driven by the shift to remote work, digitalisation, and the healthcare sector. Additionally, higher commodity prices, supply chain diversification and robust export policies fuelled trade growth, pushing exports beyond RM1.2 trillion in 2022 despite economic disruptions. However, by 2024, the trade surplus declined to RM114.5 billion, likely due to rising import level.

Chart 37: Goods and Services Accounts (Net), 1981 – 2024



Source: Department of Statistics, Malaysia

The Services account comprises components such as Travel, Transport, Financial services, Telecommunications, computer and Information Services, Construction, and Other Business Services. In the early years, from 1970 to the 1990s, Malaysia consistently recorded a services trade deficit, with the gap widening over time as payments for foreign services increased faster than receipts.

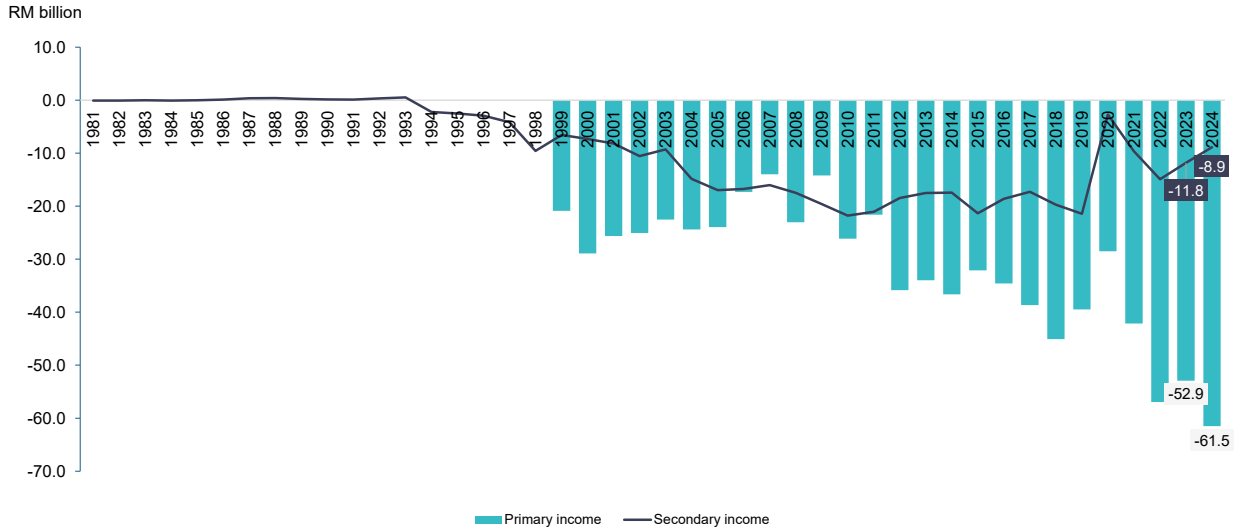
By the late 1990s, as Malaysia's economy became more open and globalised, the services account deficit expanded further, reflecting the country's growing reliance on foreign expertise and services. For example, in 1997, the services deficit reached RM22.8 billion, due to higher payments for investment income, freight and insurance and other services. Subsequently, Travel component started gaining momentum in 1999, registering a surplus of RM11.2 billion in 2000. Throughout the 2000s and 2010s, the tourism industry continued to expand, positioning Malaysia as a top travel destination in the Southeast Asia, attracting millions of tourists annually. This growth aligned with the launch of the "Malaysia Truly Asia" campaign in 2007, commemorating Malaysia's 50th year of independence. Additionally, the rapid expansion of low-cost airlines beginning in the late 1990s and accelerating through the early 2000s, further boosted the travel and tourism sector. As a result of these initiatives, Malaysia recorded a surplus of RM1.4 billion for the first time in 2007, propelled by higher receipts in the travel sector. This positive trend persisted for a few years. However, deficits returned in 2012, amounting to RM8.5 billion, due to rising transport costs, increased reliance on imported professional services and growing payments for intellectual property rights.

A major setback occurred in 2020 and 2021, when the deficit increased dramatically to RM47.2 billion and RM65.7 billion, respectively, primarily due to global disruptions such as the COVID-19 pandemic. Service receipts declined while payments remained high, further exacerbating the trade imbalance. The COVID-19 pandemic had a profound impact on travel component, with deficits of RM7.6 billion in 2020 (2019: surplus of RM30.8 billion). From 2023 onwards, the travel component began to show signs of recovery, supported by the easing of travel restrictions, increasing international arrivals and government initiatives to boost the tourism sector. In 2024, the services account posted a lower deficit of RM11.7 billion, a significant improvement from the RM44.0 billion deficits in 2023. This positive trend was driven by a higher surplus in Travel and Manufacturing services, alongside a reduced deficit in Other business services.

Malaysia's **Primary Income account**, which includes investment income flows, has consistently recorded a deficit from 1999 to 2024. This is mainly due to substantial investment income generated by foreign companies operating in Malaysia.

During the 1990s and early 2000s, the Primary Income deficit widened as more foreign companies invested in Malaysia, reaching RM24.4 billion in 2004. During the COVID-19 pandemic in 2020, the primary income deficit temporarily narrowed to RM28.5 billion as global business activities slowed, reducing the profit repatriation by foreign investors. However, with the post-pandemic economic recovery, the deficit exceeded RM50 billion from 2022 onwards. Over the time, the outward Malaysian investments also grew, leading to higher income receipts of RM91.8 billion in 2024. However, this was insufficient to offset total payments, which reached RM157.9 billion in the same year. Despite ongoing efforts to enhance global presence of Malaysian firms', the primary income remained in deficit, due to the larger investment inflows and earnings of foreign companies in Malaysia compared to the Malaysian companies operating abroad.

Chart 38: Primary and Secondary Income Accounts (Net), 1981 – 2024



Source: Department of Statistics, Malaysia

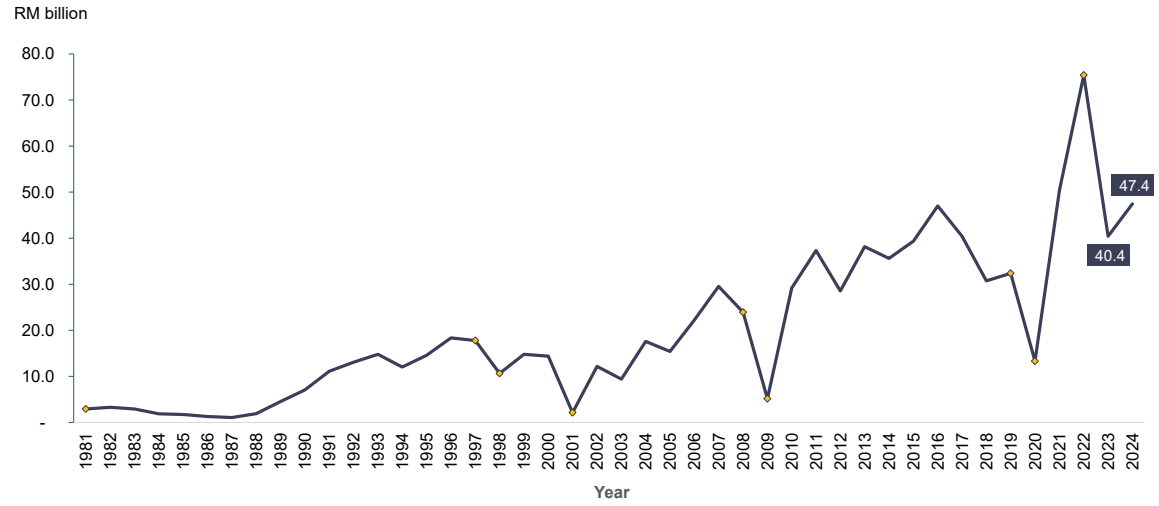
Malaysia's **Secondary Income account** has consistently recorded a deficit from 1981 to 2024. This deficit is primarily driven by remittances sent abroad by foreign workers and Malaysia's financial contributions to international organisations and foreign aid programmes. This account reflects transfers of money without direct economic returns, such as personal remittances and government transfers.

In 2000, Secondary Income registered a deficit of RM7.3 billion, increasing to over RM20 billion by 2010. In recent years, Malaysia's large migrant workforce has contributed to a consistent net outflows as remittances sent to home countries exceeded inward personal transfers. This account posted a lower deficit of RM9.0 billion in 2024, an improvement from RM11.2 billion in 2023. This was led by higher receipts of RM39.1 billion, which grew by 15.4 per cent as against payments of RM48.1 billion.

The Evolution of Foreign Direct Investment in Malaysia, 1981-2024

Foreign direct investment has played a vital role in Malaysia's transformation into a modern and robust nation. It reflects the growing partnership between Malaysia and international companies, driving the country's progress from its modest agricultural roots to a prominent position on the global stage. This narrative trace the steady evolution of FDI through periods of prosperity and adversity, illustrating its enduring impact on Malaysia's economic development.

Chart 39: Foreign Direct Investment (FDI) Performance, 1981 – 2024



Source: Department of Statistics, Malaysia

Malaysia's economic transformation began in the 1980s, shifting from an agriculture-based economy to a manufacturing-driven one with a strong focus on export-led growth. The Look East Policy introduced in 1981 played a crucial role in attracting foreign investments, particularly from Japan and South Korea, accelerating industrial development. Although FDI inflows showed fluctuations, they grew steadily from RM2.9 billion in 1981 to RM7.1 billion by 1990, reflecting the impact of strategic policy reforms and infrastructure expansion. Malaysia actively welcomed foreign enterprises to establish manufacturing ventures, particularly in electronics and semiconductor industries, leveraging its strategic location in Southeast Asia. Consequently, FDI inflows continued to rise, increasing from RM11.1 billion in 1991 to RM14.6 billion in 1995, and reaching RM18.4 billion in 1996.

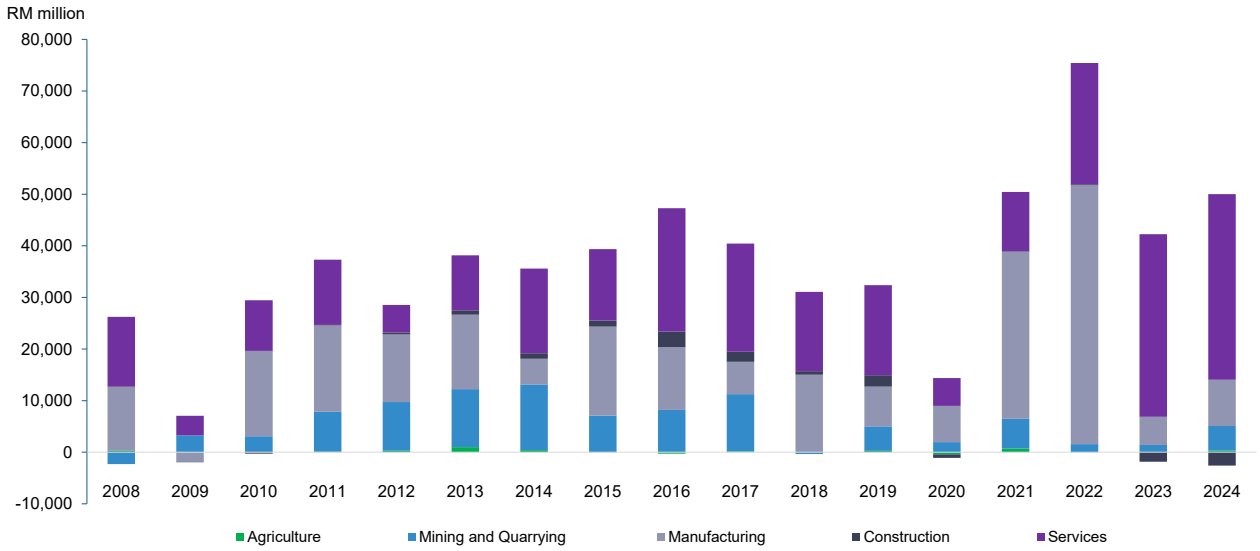
This flourishing period faced disruption when the Asian Financial Crisis struck in 1997, reducing FDI to RM10.7 billion in 1998 as global uncertainties unsettled investors. The crisis triggered massive capital outflows, devaluation of the Malaysian ringgit and loss of investor confidence. In response, the government implemented capital controls, pegged the ringgit to the US dollar, and provided financial support to key industries. As a result of these measures, Malaysia managed to stabilise the economy, but FDI inflows remained subdued, falling to a record low of RM2.1 billion in 2001.

Following the crisis, Malaysia rebounded by shifting towards a knowledge-based economy, focusing advancements in technology, finance and digital services, which attracted substantial foreign investments. This strategic shift led to a resurgence in FDI, rising from RM12.2 billion in 2002 to RM 17.6 billion in 2004, and peaking at RM29.5 billion in 2007. However, the 2008 Global Financial Crisis severely impacted investment flows, causing FDI to drop sharply to RM5.1 billion in 2009.

Despite global uncertainties, Malaysia continued to attract FDI in the high-tech, digital economy and renewable energy sectors. The 2010s witnessed steady inflows, reflecting confidence in Malaysia's long-term potential with a new peak at RM47.0 billion in 2016. However, global tensions such as the US-China trade war (2018-2019), began to disrupt FDI patterns. As companies sought alternatives to mitigate tariffs and geopolitical risks, Malaysia emerged as an attractive destination for firms relocating manufacturing operations from China. The COVID-19 pandemic posed another significant challenge, causing global disruptions to trade and manufacturing and leading to a sharp decline in FDI to RM13.3 billion in 2020.

Nevertheless, a strong recovery followed as international confidence returned. FDI soared to RM 75.4 billion in 2022, driven by manufacturing and services sector. In 2023, global economic caution due to rising interest rates, geopolitical tensions and inflationary pressures led to a moderation in FDI at RM38.6 billion, followed by an increase of RM51.5 billion in 2024. Despite these fluctuations, Malaysia remains a key investment hub in Southeast Asia, particularly in green energy, digital services, and high-tech manufacturing, positioning itself as a critical player in the evolving global economic landscape.

Chart 40: FDI Flows by Sectors, 2008-2024



Source: Department of Statistics, Malaysia
Note: Negative value refers to outflow

Direct Investment Abroad, 2001-2024

Direct Investment abroad (DIA) refers to domestic businesses investing in foreign economies through acquisitions, joint ventures or the establishment of subsidiaries. For a developing economy like Malaysia, DIA supports economic growth by allowing local businesses to access new markets, acquire advanced technology and strengthen competitiveness. It also helps firms reduce dependency on the domestic market while bringing home valuable expertise, technology and capital returns, and boosting the Malaysia's economy in the long run. However, fluctuating DIA trends reflects broader economic challenges, such as financial crises, policy shifts and unprecedented global disruptions like the COVID-19 pandemic.

Looking at the statistics, Malaysian investments abroad consistently record outflows, reflecting capital being directed toward foreign markets. Malaysia's net DIA outflows grew substantially, surging from RM1.0 billion in 2001 to reach RM38.9 billion in 2007 and RM49.9 billion in 2008, showing Malaysian firms' growing global footprint. During this period, Malaysian companies expanded their operations gradually through Equity and investment fund shares. This phase of growth coincided with Malaysia's rapid industrialisation and increasing participation in regional trade agreements, which encouraged local companies to explore new markets.

However, the 2008 global financial crisis disrupted this upward trajectory, triggering a steep decline in 2009 as net investment outflows fell to RM27.4 billion. The downturn was mainly influenced by reduction in capital injection into ASEAN countries and Europe. Widespread economic uncertainty and weakened corporate confidence further dampened investor sentiment, particularly in Financial services and Mining & quarrying sectors.

Following the post-crisis recovery, Malaysia's DIA remained elevated, fluctuating between outflows of RM41.2 billion to RM53.6 billion. The recovery was fuelled by robust outflows in Debt instruments and the continued expansion of Malaysian multinational corporations, predominantly across the Asian region.

Malaysia experienced a downward turn in DIA, starting 2016 till recording an outflow of RM20.6 billion in 2018. This reduction was primarily driven by lower Equity and investment fund shares, particularly among companies in Services, Construction and Agriculture sectors.

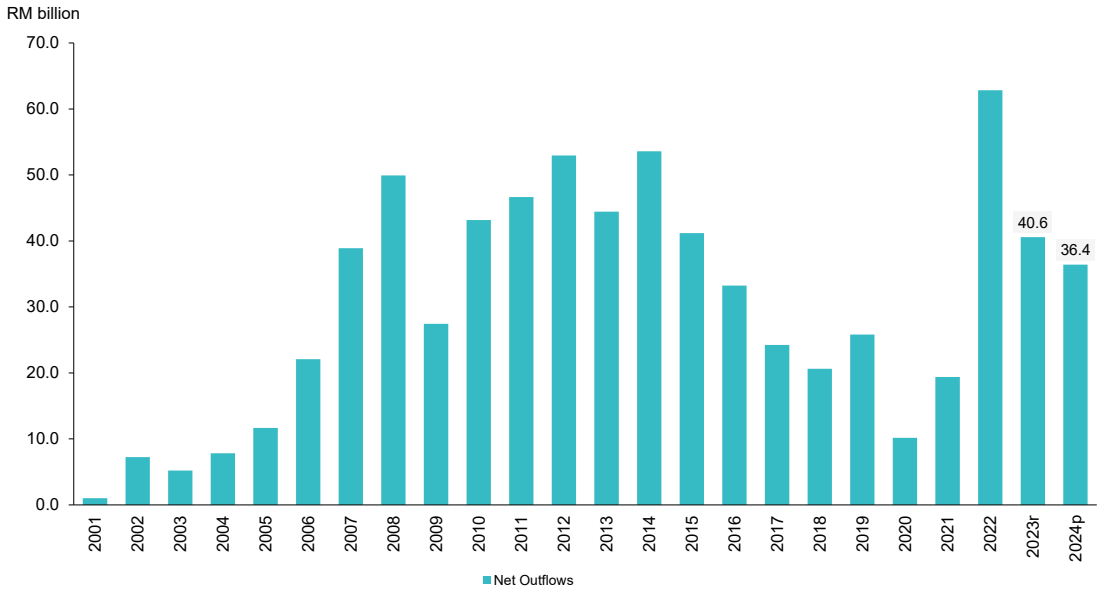
The COVID-19 pandemic further disrupted investment flows, causing net DIA outflows to plunge to RM10.2 billion in 2020, marking the lowest level in nearly two decades. The unprecedented global crisis created economic uncertainty, supply chain disruptions and financial constraints, all of which contributed to lower profit generated by Malaysia's companies abroad. Moreover, Mining & quarrying sector was notably impacted by the decline in global commodity prices.

As global markets recovered from the COVID-19 pandemic, the investment outflows rebounded sharply in 2022, reaching RM62.8 billion, the highest ever recorded since 2014. This surge was largely attributed to higher outflows in Equity and Profit retained abroad. Overall, the primary destinations for DIA were the Netherlands, Indonesia and Singapore. Across the globe, this favourable economic situation signifies renewed investor confidence, recovery of global markets and an improved business climate, encouraged local companies to expand and diversify their overseas ventures.

In 2024, the DIA maintained a moderate pace, reaching RM33.9 billion. The net outflows were higher as against previous year's RM30.1 billion, primarily due to extension of Debit Instruments to abroad. The Services and Mining & quarrying sectors contributed the most to these outflows, with investments primarily directed towards Singapore and Indonesia.

Over the years, Malaysia's DIA has evolved through various economic phases, demonstrating resilience amid financial crises, policy changes and global disruptions. Moving forward, sustaining DIA growth will require supportive policies, strong regional partnerships, and corporate adaptability to global market conditions. Malaysia's role in international investment is set to continue expanding, with a focus on long-term economic diversification and strategic overseas ventures.

Chart 41: Direct Investment Abroad Performance, 2001 – 2024

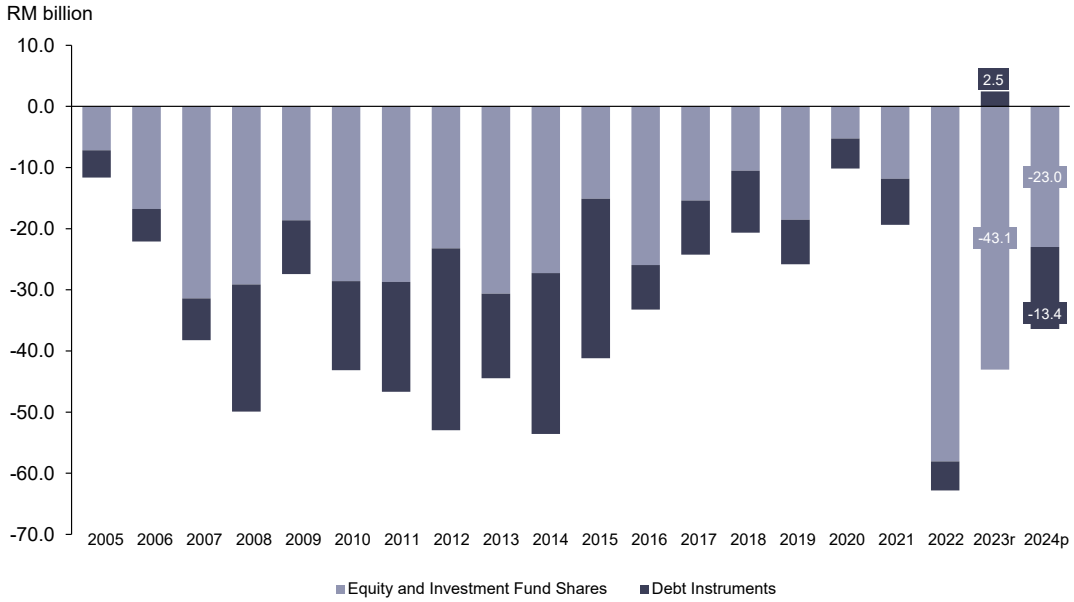


Source: Department of Statistics, Malaysia

Note: p refers to preliminary

: r refers to revision

Chart 42: DIA Flows by Components, 2005-2024



Source: Department of Statistics, Malaysia

Note: Negative value refers to outflow

: p refers to preliminary

: r refers to revision

Inflation over Time

The Consumer Price Index (CPI) measures the percentage change over time in the cost of purchasing a constant basket of goods and services, which represents the average pattern of purchases made by households in a specified time period. The CPI is a method used to measure the inflation rate within an economy. Inflation fluctuates in tandem with economic changes. Commodity price changes, global oil price increases, currency strengthening and geopolitical issues are among the factors contributing to inflation rate in Malaysia. Managing inflation has become increasingly challenging, as rising prices of goods and services are influenced by both domestic and global factors.

Weight of Consumer Price Index

Malaysia has undergone a significant transformation in its economic structure over the past few decades, shifting from an agriculture-based economy to a more industrial and services-oriented economy. This transition reflects the nation's progress across various economic sectors, contributing to national prosperity and development. Consequently, the restructuring of the economy has indirectly increased Malaysians' incomes. As household incomes rise, spending patterns have also evolved. This is reflected through the weights used in the calculation of the CPI (**Table 5**).

Table 5: Weight by Main Group, Consumer Price Index

Main Group		1980=100	1990=100	2000=100	2010=100	
					2010	2024
01	Food & Beverages	36.9	33.7	33.8	30.3	29.8
02	Alcoholic Beverages & Tobacco	4.7	4.3	3.1	2.2	1.9
03	Clothing & Footwear	4.8	4.0	3.4	3.4	2.7
04	Housing, Water, Electricity, Gas & Other Fuels	18.7	20.2	22.4	22.6	23.2
05	Furnishings, Household Equipment & Routine Household Maintenance	5.8	5.8	5.3	4.1	4.3
06	Health	1.2	1.8	1.8	1.3	2.7
07	Transport	16.0	18.6	18.8	14.9	11.3
08	Information & Communication				5.7	6.6
09	Recreation, Sport & Culture	6.4	5.2	5.9	4.6	3.0
10	Education				1.4	1.3
11	Restaurant & Accommodation Services				3.2	3.4
12	Insurance & Financial Services	5.5	6.4	5.5	6.3	4.0
13	Personal Care, Social Protection & Miscellaneous Goods & Services					5.8
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

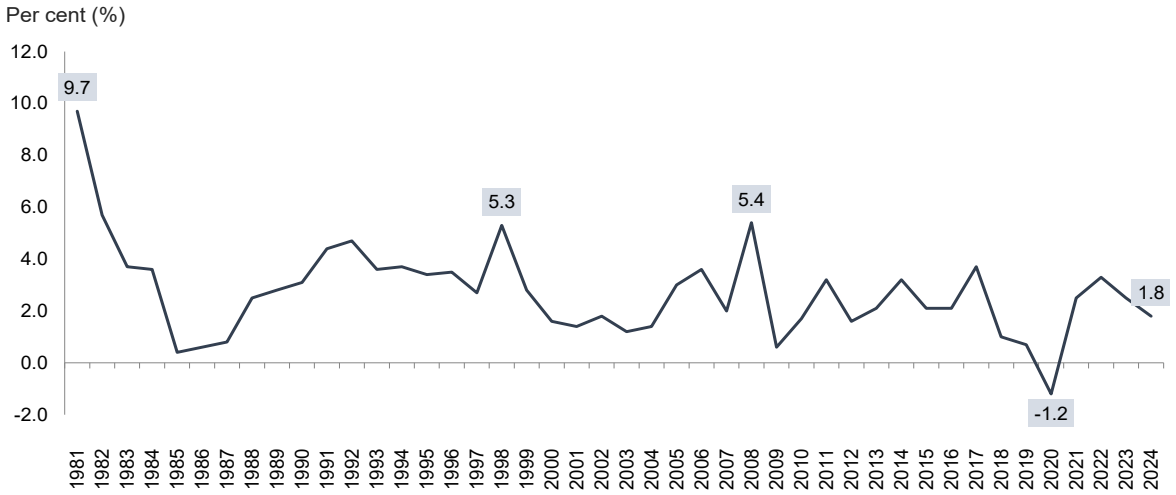
Source: Department of Statistics, Malaysia

Over the past five decades, household expenditures in Malaysia has been largely allocated to Food & Beverages. In 1980, 36.9 per cent of total household expenditure was for this main group and this has decreased to 29.8 per cent in 2024. Conversely, the distribution of expenditure for Housing, Water, Electricity, Gas & Other Fuels; Information & Communication and Restaurants & Accommodation Services has increased respectively over the past five decades.

Inflation Review: Approaching Five Decades

In general, over the period of nearly five decades (1980 to 2024), the Malaysia's annual inflation rate averaged 2.7 per cent, based on the Compound Annual Growth Rate (CAGR) calculation. The highest inflation recorded was in 1981 at 9.7 per cent, while the lowest inflation rate was at a negative 1.2 per cent in 2020 (**Chart 43**).

Chart 43: Overall Inflation, Malaysia, 1981 – 2024



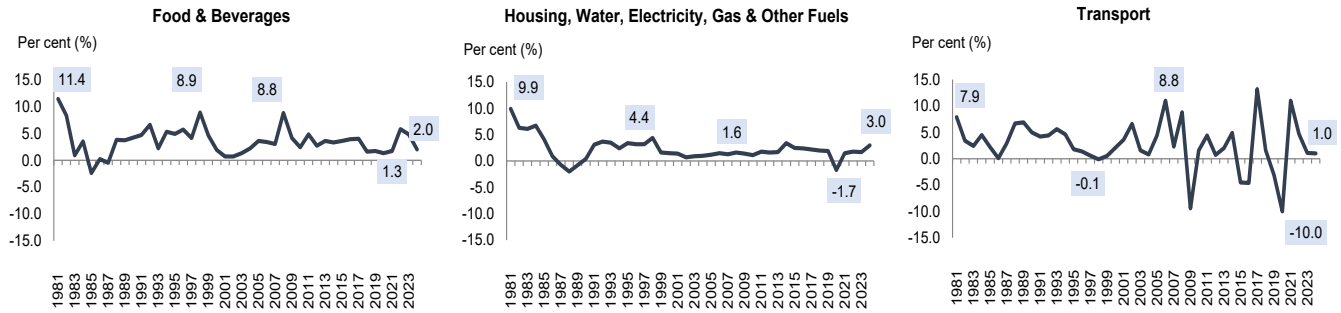
Source: Department of Statistics, Malaysia

The highest inflation recorded over the period of almost five decades, in 1981, was mainly contributed by the Food & Beverages group which increased by 11.4 per cent. The high price increase was recorded mainly by sugar, milk & eggs and fish. The impact of oil price surge in the late 1970s led to an increase of food production and transportation costs, which indirectly put pressure on the inflation of the Food & Beverages group. This situation also impacted the Transport inflation which recorded an increase of 7.9 per cent during the same year (**Chart 44**).

The Malaysian economy has shown the effects of the regional financial crisis that occurred in 1998. Similarly, Malaysia's inflation has experienced a significant increase of 5.3 per cent due to the sudden depreciation of the ringgit and the rising costs of imported goods, notably food items. This situation has driven the inflation for Food & Beverages group which recorded an increase to 8.9 per cent in 1998. Among the intervention measures from the Government is to increase the ceiling prices for several selected foods, namely cooking oil, chicken, flour, sugar, and milk in order to mitigate the rising import cost.

Malaysia's inflation in 2008 followed an upward trend, reaching 5.4 per cent, driven by the impact of the sharp increase in world crude oil prices (Brent), which surged to USD97.64 per barrel in 2008 as compared to USD72.70 per barrel in 2007. In response, the Government abruptly raised fuel prices in June 2008, increasing petrol prices by 78 cents per litre to RM2.70 per litre, while diesel prices rose by RM1.00 to RM2.58 per litre as compared to RM1.58 in the preceding month. Consequently, inflation in the Transport group increased to 8.8 per cent in 2008 (2007: 2.3%).

Chart 44: Inflation for Selected Main Group, Malaysia, 1981 – 2023



Source: Department of Statistics, Malaysia

The COVID-19 pandemic that occurred in 2020, has caused inflation to be at its lowest level for the first time in almost five decades, at a rate of negative 1.2 per cent. This situation is not the same as the financial crises that have hit the world before, such as the 1997 Asian Financial Crisis and the 2007–2008 Global Recession. This situation took a relatively longer time to recover. Overall, this negative 1.2 per cent decrease was due to inflation of Transport (10.0%) and Housing, Water, Electricity, Gas & Other Fuels (-1.7%).

The significant decline in Transport inflation which recorded negative levels was contributed by the Government's reduction in the price of Unleaded petrol RON95 to a lower price of RM1.67 per litre in 2020 as compared to RM2.06 per litre in 2019. In addition, the average price of Unleaded petrol RON97 decreased to RM1.99 per litre in 2020 as against RM2.55 per litre in 2019, while the average price of Diesel declined to RM1.80 per litre as opposed to RM2.18 per litre in the previous year. This is in line with the price of Brent crude oil in 2020 which fell by 33.9 per cent to USD42.30 per barrel from USD64.03 per barrel in 2019. The decline in oil prices was primarily owing to reduced global demand and the oil price war between Saudi Arabia and Russia.

The provision of discounts on domestic electricity bills through the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) implemented in April 2020, directly contributed to the decrease in inflation for Housing, Water, Electricity, Gas & Other Fuels.

The inflation in 2024 increased slower to 1.8 per cent as compared to 2.5 per cent for the same period in 2023. This incline was driven by the Food & Beverages group which moderated to 2.0 per cent as compared to 4.8 per cent in 2023. The base effect and stable prices of various raw materials such as rice, wheat flour, chicken and eggs have eased the inflation.

However, inflation for Housing, Water, Electricity, Gas & Other Fuels increased at a higher rate of 3.0 per cent as compared to 1.7 per cent as recorded in 2023. The increase was contributed by the rise in sewerage charge rates in January 2024. In addition, water tariffs also have been gradually increased across various states starting from February 2024.

Overall, Malaysia's inflation has undergone various phases, influenced by both domestic and global factors. The important of indicators such as inflation can stimulate economic growth, encourage national spending and investment as well as increase business revenues. Through inflation, economic management measures including monetary and fiscal policies, and budget management can be efficiently implemented.

Producer Price Index (PPI) Local Production

The Malaysia Producer Price Index (PPI) Local Production is an output-based index that measures changes in the prices of local goods at the factory gate. This index is used to monitor price movements of local output goods and also serves as a leading indicator for the Consumer Price Index (CPI). The first PPI was compiled for Peninsular alaysia in 1973, using 1972 as the base year. Since then, the PPI has undergone several development phases, not only improving the methodology used but also establishing itself as one of the country's key economic indicators. After the 1972 base year, the PPI has been calculated using base years 1978, 1989, 2000, 2005, and most recently, 2010.

From 1973 to 1983, the PPI Local Production was compiled based on commodity groups using the Standard International Trade Classification (SITC). It covered nine (9) groups, published on a quarterly basis, which were Food & live animals chiefly for food (group 0), Beverages & tobacco (group 1), Crude materials, inedible except fuels (group 2), Mineral fuels, lubricants & related materials (group 3), Animal & vegetable oils and fats (group 4), Chemicals & related products n.e.c. (group 5), Manufactured goods classified mainly by material (group 6), Machinery & transport equipment (group 7) and Miscellaneous manufactured articles (group 8). Between 1972 and 1979, the PPI Local Production rose significantly from 126.2 to 195.4 index point, recording double-digit growth almost every year, except in 1975, which saw a decline of 7.6 per cent (**Table 6**).

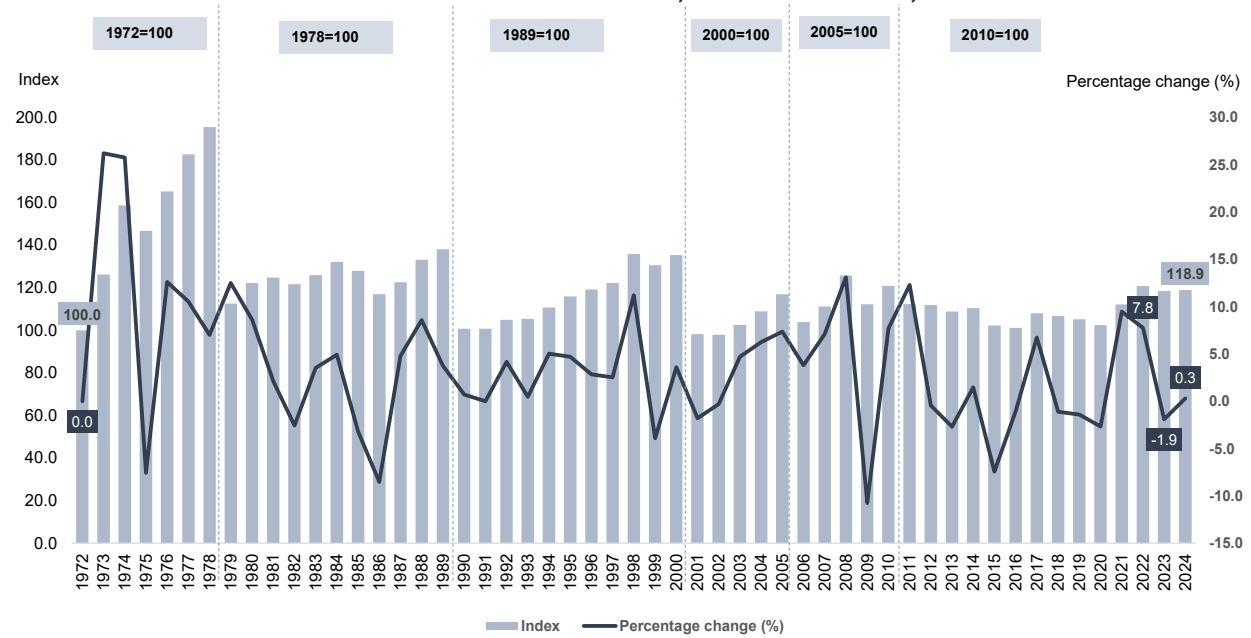
Table 6: Producer Price Index (PPI) Local Production by Sector, 2011-2024

PPI by Sector	2010=100													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	**112.3**	**111.8**	**108.8**	**110.4**	**102.2**	**101.1**	**107.9**	**106.7**	**105.2**	**102.4**	**112.1**	**120.8**	**118.5**	**118.9**
Agriculture, forestry and fishing	119.6	105.9	94.2	95.9	92.2	107.2	114.7	98.7	94.8	109.7	142.8	144.7	124.8	134.7
Mining	136.1	141.1	140.6	134.8	86.1	72.9	90.9	106.8	102.9	65.5	92.5	104.2	98.1	96.1
Manufacturing	109.0	109.0	106.4	108.7	104.8	103.5	109.0	107.0	106.0	105.6	111.4	120.8	120.5	120.1
Electricity and gas supply	103.9	107.2	107.9	119.0	113.5	112.5	114.6	115.9	117.6	117.1	116.6	117.4	117.9	118.6
Water supply	104.2	104.1	106.6	107.6	110.3	114.2	114.1	114.4	111.9	111.7	112.3	115.2	118.0	125.7

Source: Department of Statistics, Malaysia

From 1979 onwards, the PPI Local Production was compiled at the national level, incorporating producer prices from Sarawak, Sabah, and the Federal Territory of Labuan, with 1978 set as the base year (1978=100). Similar to the 1972 base year, the PPI Local Production was compiled based on commodity groups using the SITC, covering eight (8) groups on a quarterly basis. After the rebasing in 1979, the PPI recorded an index point of 112.5 in 1979 and continued its upward momentum, reaching 133.1 points in 1988. Over this 12-year period (1977–1988), Malaysia's PPI for Local Production fluctuated, with the lowest decline of 8.5 per cent in 1986 and the highest increase of 12.5 per cent in 1979 (**Chart 45**).

Chart 45: Annual Producer Price Index, Local Production, 1972 - 2024



Source: Department of Statistics, Malaysia

The PPI underwent another rebasing in 1989, transitioning from quarterly to monthly compilation. This revision expanded coverage to 10 SITC groups, with the addition of Miscellaneous businesses and goods not elsewhere classified group (Group 9). In 1989, the PPI recorded an index point of 138.1, reflecting a 3.8 per cent increase, and maintained its upward momentum until 2000. However, during the 1998 Asian Financial Crisis, the PPI surged by 11.2 per cent compared to 2.5 per cent in 1997, before experiencing a negative trend of 3.9 per cent in 1999.

Malaysia's 1998 recession was triggered by the Asian Financial Crisis (1997-1998), which severely impacted Southeast Asian economies. The key causes included currency devaluation, with the Malaysian Ringgit (MYR) depreciating sharply, from 2.50 MYR/USD in mid-1997 to nearly 4.80 MYR/USD in 1998 and a decline in domestic demand, which reduced consumer spending and business activity, thereby further weakening the economy. As a result, Malaysia's economy experienced its worst recession in history, with GDP contraction and inflation surging due to higher import costs.

To combat the 1998 financial crisis, the government implemented unconventional economic policies. These included banning offshore trading of the ringgit to prevent currency manipulation and increasing government spending to stimulate economic growth and restore investor confidence. These measures helped Malaysia recover faster than expected. By 1999, GDP rebounded, and the PPI decreased by 3.9 per cent, due to the higher base recorded in 1998.

Since 2000, PPI Local Production weights have been updated every five (5) years using Economic Census data. The PPI now covers five (5) economic sectors; namely Agriculture, forestry and fishing sector, Mining sector, Manufacturing sector, Electricity & gas supply and Water supply sectors. Throughout the 2000s, Malaysia continued its industrialisation efforts, focusing on electronics, automotive, and petrochemicals, with the manufacturing sector becoming a key economic driver. Between 2000 and 2005, the PPIs fluctuated, from the increase of 3.6 per cent recorded in 2000, and declined by 1.8 per cent in 2001. However, its recovered to 6.2 per cent in 2004 (**Table 7**).

Table 7: Annual Percentage Change (%) of Producer Price Index (PPI) Local Production by Sector, 2011-2024

PPI by Sector	2010=100													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	**12.3**	**-0.4**	**-2.7**	**1.5**	**-7.4**	**-1.1**	**6.7**	**-1.1**	**-1.4**	**-2.7**	**9.5**	**7.8**	**-1.9**	**0.3**
Agriculture, forestry and fishing	19.6	-11.5	-11.0	1.8	-3.9	16.3	7.0	-13.9	-4.0	15.7	30.2	1.3	-13.8	7.9
Mining	36.1	3.7	-0.4	-4.1	-36.1	-15.3	24.7	17.5	-3.7	-36.3	41.2	12.6	-5.9	-2.0
Manufacturing	9.0	0.0	-2.4	2.2	-3.6	-1.2	5.3	-1.8	-0.9	-0.4	5.5	8.4	-0.2	-0.3
Electricity and gas supply	3.9	3.2	0.7	10.3	-4.6	-0.9	1.9	1.1	1.5	-0.4	-0.4	0.7	0.4	0.6
Water supply	4.2	-0.1	2.4	0.9	2.5	3.5	-0.1	0.3	-2.2	-0.2	0.5	2.6	2.4	6.5

Source: Department of Statistics, Malaysia

Meanwhile, the PPI increased by 7.3 per cent in 2005, before contracting by 10.7 per cent in 2009. This decline was primarily due to the impact of the 2008-2009 Global Financial Crisis on Malaysia's export-driven economy. Despite the slowdown, prudent fiscal policies and a robust banking sector helped mitigate severe economic impacts. The government introduced stimulus packages to sustain domestic demand, leading to a relatively quick recovery. As a result, PPI rebounded to a positive index in 2010.

Although the current PPI uses 2010 as the base year, the weights for the PPI basket were updated using the 2016 Economic Census (reference year 2015) through the chain-linked method. Meanwhile, the PPI by stage of processing is structured after commodities are reorganised and classified based on their processing stages, which include Crude materials for further processing (stage 1), Intermediate materials, supplies and components (stage 2) and Finished goods (stage 3). Additionally, the PPI by commodity section covers nine (9) groups, which are: Food, Beverages & tobacco, Crude materials inedible, Mineral fuels, lubricants, etc., Animal & vegetable oils & fats, Chemicals, Manufactured goods, Machinery & transport equipment, and Miscellaneous manufactured articles.

During the 2010s, Malaysia maintained steady economic growth. Over the decade, the PPI Local Production fluctuated, ranging from a low of negative 7.4 per cent in 2015 to a high of 12.3 per cent in 2011. These fluctuations were highly influenced by Malaysia's primary commodities prices, including crude oil, natural gas, crude palm oil and semiconductor products. However, the COVID-19 pandemic in 2020 caused Malaysia's economy to contract, as lockdowns and global supply chain disruptions severely impacted key sectors, including manufacturing and mining sectors. Consequently, the PPI declined by 1.4 per cent in 2019 and negative 2.7 per cent in 2020. Following the recovery process, the PPI rebounded to 9.5 per cent in 2021, supported by government fiscal stimulus measures aimed at assisting businesses and individuals.

Between 2000 and 2024, Malaysia's economy experienced significant increase, diversification and resilience despite global challenges. In 2024, the PPI increased by 0.3 per cent, rebounding from a 1.9 per cent decline in 2023. This growth was primarily driven by a 7.9 per cent increase in the Agriculture, forestry and fishing sector, compared to a sharp 13.8 per cent contraction in the previous year. According to the Commodity Market Outlook by the World Bank, the overall commodity outlook for 2025 indicates a downward trend, with an anticipated 5.0 per cent decline in prices, followed by a 2.0 per cent decrease in 2026. The downturn is attributed to factors such as oversupply in energy markets, overcapacity in metals and stabilised agricultural prices. Additionally, the U.S. Energy Information Administration (EIA) forecasts that global oil production growth will outpace demand, leading to an oversupplied market.

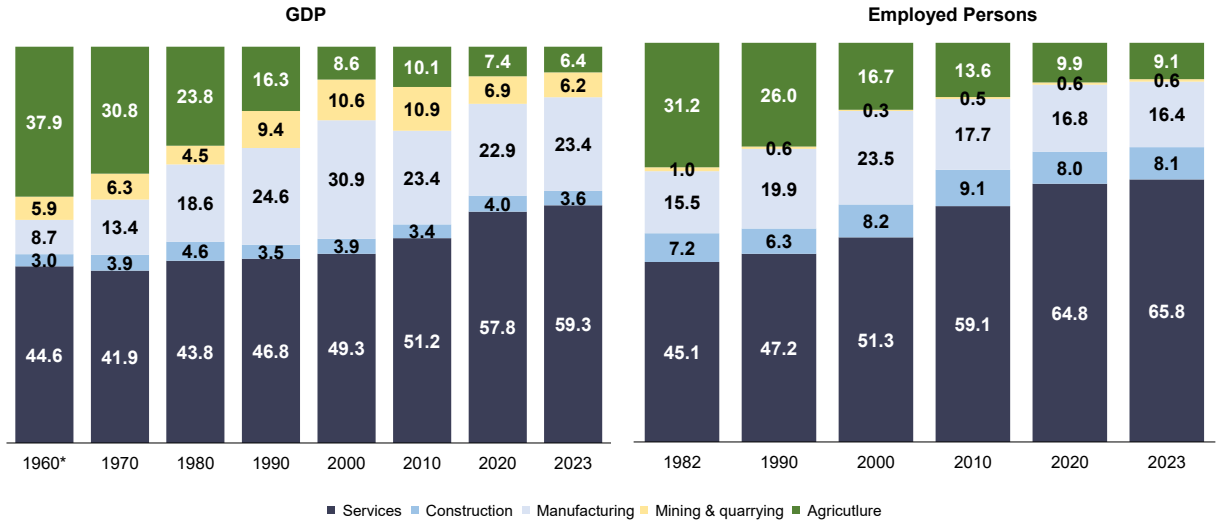
Evolution of the Economy and Workforce in the Agriculture Sector

Changes in Sectoral Contributions since the 1970s

The Malaysian economy has undergone significant changes since 1970, with a clear structural shift from the Agriculture sector to manufacturing and subsequently to the Services sector. This transition has not only affected the contribution of each sector to the Gross Domestic Product (GDP) but has also had a direct impact on the country's workforce patterns. Along with this economic transformation, the national workforce has also undergone a transition in line with the evolving needs of the expanding economic sectors.

At the early stage, the Agriculture sector was a major contributor to the economy and national workforce. However, with the shift towards the Manufacturing sector, which was more industry-oriented, the workforce began to shift to factories and rapidly growing manufacturing industries as a result of foreign investments and government policies that encouraged industrialisation. Subsequently, as the Services sector grew to become the main contributor to the GDP, more workers moved into this sector, particularly in finance, information technology, digital business and professional services (**Chart 46**).

Chart 46: Share (%) of GDP and Employed Persons by Economic Sector



Source: Author's calculation based on GDP and LFS, Malaysia

1970s: Agriculture as the Backbone of the Economy

In 1970s, the Agriculture sector was among the largest contributors to Malaysia's GDP, accounting for 30.8 per cent. Commodities such as rubber, palm oil, and rice were critical to the nation's export revenue, and the sector was a principal source of livelihood, especially in rural areas. During this period, the Manufacturing sector was still in its developmental stages, contributing 13.4 per cent to GDP, while the Services sector accounted for 41.9 per cent. Although Agriculture dominated the economic landscape, the foundations for future diversification were already being laid.

1980s: Challenges in Agriculture and the Rise of Manufacturing

By 1980, Malaysia's economic policy had shifted towards industrialisation, resulting in a decline of Agriculture's share of GDP to 23.8 per cent. The Manufacturing sector's contribution grew to 18.6 per cent, reflecting increased foreign investment and government initiatives promoting industrial growth.

The Services sector also expanded, contributing 43.8 per cent to GDP. Employment data from this period indicate that Agriculture remained a significant employer, though its share began to diminish in line with the structural shift.

1990s: Phase of Industrial Growth

The decade of the 1990s saw accelerated industrial growth, with the Manufacturing sector's contribution to GDP rising to 24.6 per cent. Correspondingly, the Agriculture sector's contribution decreased to 16.3 per cent.

Employment in Agriculture also declined as labour transitioned to Manufacturing and Services sectors. The Services sector continued to expand, accounting for 46.8 per cent of GDP, reflecting Malaysia's increasing economic reliance on trade, finance, and tourism.

2000s: Peak of the Manufacturing Sector

By 2000, the Manufacturing sector reached a peak contribution of 30.9 per cent of GDP, driven by Malaysia's growing role as a major exporter of electronics and automotive products.

Despite decline of the Agriculture sector economic share has shrinked economic share to 8.6 per cent of GDP, this sector continued to provide employment for 16.7 per cent of the workforce, illustrating its labour-intensive nature. Meanwhile, the Services sector strengthened its position, contributing 49.3 per cent to GDP.

2010: Transition Towards Smart Agriculture

In 2010, Malaysia's economy transitioned firmly towards services, with the Services sector contributing 51.2 per cent of GDP and employing 59.1 per cent of workers. The Manufacturing sector's GDP share declined to 23.4 per cent, reflecting a shift towards higher value-added production.

The Agriculture sector contributed 10.1 per cent to GDP and employed 13.6 per cent of the workforce. Notably, the sector began integrating smart agriculture techniques, adopting modern technology and automation to enhance productivity and sustainability.

2020 – 2023: Service-Based Economy and New Challenges

Entering the 2020s, the Services sector further solidified its dominance, accounting for 59.3 per cent of GDP and employing 65.8 per cent of the workforce by 2023. The Agriculture sector's share of employment declined to 9.1 per cent, highlighting ongoing labour migration to other sectors. Nonetheless, the government's National Agrofood Policy 2.0 (2021–2030) underscores continued commitment to revitalising Agriculture by promoting efficiency, competitiveness, and sustainability through smart farming and technological innovation.

The Future of the Agriculture Sector in Malaysia's Economy

Malaysia's economic trajectory clearly reflects a transition from an Agriculture-dependent economy to one driven by industrial and service activities. However, the Agriculture sector remains relevant and strategic in ensuring food security, rural livelihoods, and environmental sustainability.

The Agriculture sector's future depends on accelerating the adoption of smart technologies, increasing productivity with a smaller labour force, and encouraging youth participation through agropreneurship. Strategic investments in research and development, modern farming incentives, and supply chain enhancements are essential to maintaining the sector's relevance in a rapidly evolving economy.

With these strategies, Malaysia's Agriculture sector has the potential to sustain its role domestically while becoming increasingly competitive in global markets.

Profile of the Agriculture Sector Workforce in 2023: Dynamics and Economic Implications

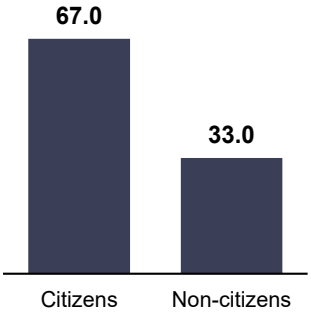
Changes in Malaysia's Agriculture sector not only involve technological advancements and modern farming methods but also transitions in the structure of its workforce, which plays a fundamental role in the sector's development. As part of the country's labour force, the Agriculture sector now consists of 1.44 million employed persons, accounting for 9.1 per cent of Malaysia's total employed persons, according to the Labour Force Survey Report 2023.

Although the sector has experienced a decline in labour force participation over the past few decades, it remains crucial for ensuring food security and supporting the national food supply chain. However, several key challenges need to be addressed, including the sector's reliance on foreign labour, low educational attainment among workers and declining interest from younger generations. Therefore, an analysis of the agricultural labour force is essential to understand the sector's future direction and the strategies required to enhance its competitiveness.

Dependence on Foreign Labour in Agriculture

Malaysia's Agriculture sector still exhibits significant dependence on foreign labour, with 33.0 per cent of the employed persons consisting of non-citizens, while 67.0 per cent are Malaysian citizens (**Chart 47**). This figure highlights that the sector remains unattractive to Malaysians, particularly in subsectors that require manual labour. This situation is closely related to lower wages in agriculture as compared to other sectors such as manufacturing and services.

Chart 47: Share (%) of Employed Persons by Citizenship



Source: Department of Statistics, Malaysia

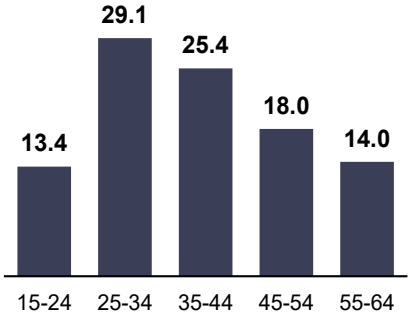
According to Lewis's Dual Sector Development Model, dependence on low-wage labour can slow down the transition of the Agriculture sector towards mechanisation and modern technology. If left unaddressed, this dependancy could have a negative impact on the sector's sustainability, especially in the face of global challenges such as climate change and rising labour costs.

The transformation of Malaysia's Agriculture sector has emphasised the importance of automation and smart farming as a measure to reduce dependence on manual labour. Therefore, the government must formulate more effective policies to encourage the adoption of technology at the plantation level and introduce incentives to attract more local workers to participate in the sector.

Challenges in Attracting Young Generations to the Agriculture Sector

In terms of age group, data from the Labour Force Survey Report 2023 shows that 29.1 per cent of workers in the Agriculture sector are aged 25-34 years, followed by 25.4 per cent in the 35-44 age group. While these age groups still dominate the Agriculture sector, the presence of older workers is also significant, with 18.0 per cent aged 45-54 years and 14.0 per cent aged 55-64 years, making up 32.0 per cent of the total employed persons in Malaysia's Agriculture sector (**Chart 48**).

Chart 48: Share (%) of Employed Persons by Age Group



Source: Department of Statistics, Malaysia

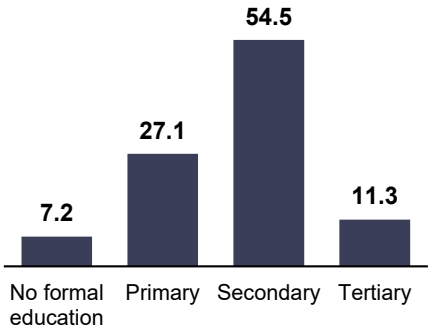
This trend indicates that the sector is heavily reliant on older workers and faces challenges in attracting younger generations. Various studies have explored how modern agriculture can appeal to young people through smart farming, automation, and artificial intelligence (AI). However, the data shows that these advancements have not yet been sufficient to attract young workers on a large scale, as continued efforts are needed in order to ensure workforce sustainability in this sector.

From an economic perspective, Becker's Human Capital Theory (1964) emphasises that investment in education and training is a key to increase workforce productivity. Therefore, the education system should be more focused on technical training in agriculture, in order to ensure that more young workers acquire skills that are suitable for the needs of the industry.

The Need for Training and Technology-Based Education

Education plays a crucial role in shaping the quality of the workforce in the Agriculture sector. Statistics show that more than half (54.5%) of employed persons in this sector have only a secondary education, while 27.1 per cent have a primary education, and only 11.3 per cent have attained tertiary education. More concerning is that 7.2 per cent of agricultural workers have no formal education (**Chart 49**).

Chart 49: Share (%) of Employed Persons by Education Attainment



Source: Department of Statistics, Malaysia

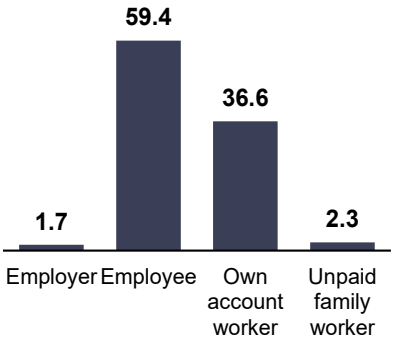
This low level of education presents a major challenge in transforming the Agriculture sector into a more modern and competitive industry. There is a need to enhance access to Technical and Vocational Education and Training (TVET) as one key solution to this issue. A more holistic approach to agricultural education will enable workers in the sector to understand and implement modern technologies, such as the use of agricultural drones, automated fertigation systems, and data analytics for farm management.

Without improvements in education and training, Malaysia will continue to struggle with low workforce productivity in the Agriculture sector, which could ultimately impact the industry's competitiveness on a global scale.

Dominance of Wage Employees and the Lack of Agropreneurs

The employment structure in the Agriculture sector is still dominated by wage employees, accounting for 59.4 per cent of the total employed persons, followed by 36.6 per cent who are own account workers, while only 1.7 per cent are classified as employers (**Chart 50**). This indicates that the majority of workers in the sector still rely on companies or employers, with a lack of agropreneurs who can introduce innovation and expand the sector towards modernisation.

Chart 50: Share (%) of Employed Persons by Status in Employment



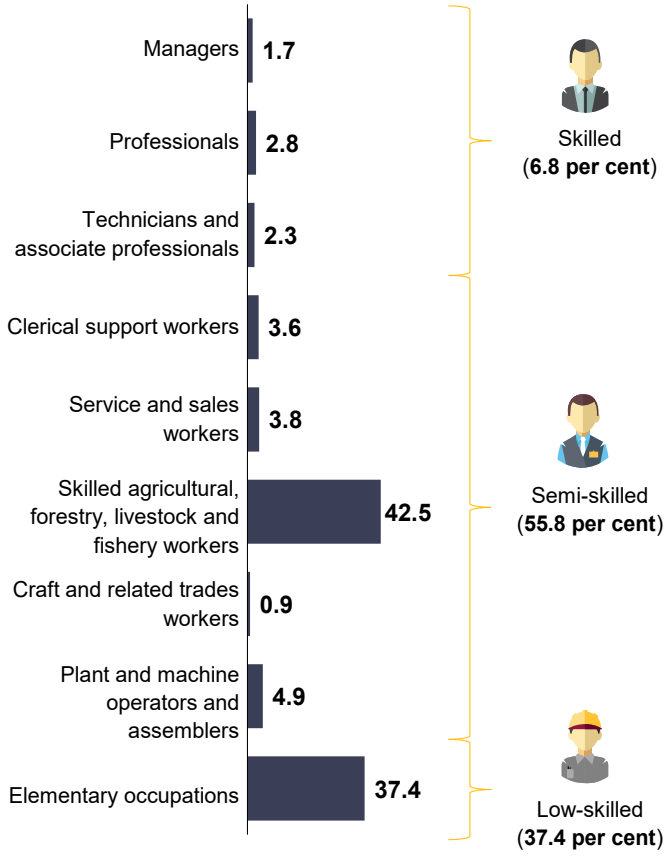
Source: Department of Statistics, Malaysia

From an economic development perspective, the Agriculture sector needs more agropreneurs to drive innovation and implement smart farming technologies. Policies that encourage small and medium scale commercial agriculture should be expanded, including easier access to capital, entrepreneurship training, and tax incentives for modern farmers.

The Need to Improve Workforce Quality and Skills

In terms of skill categories, workers in the Agriculture sector are still dominated by semi-skilled workers, accounting for 55.8 per cent of the total employed persons, followed by low-skilled workers at 37.4 per cent, and only 6.8 per cent who can be categorised as skilled workers (**Chart 51**).

Chart 51: Share (%) of Employed Persons by Occupation & Skill Categories



Source: Department of Statistics, Malaysia

The low percentage of skilled workers clearly illustrates that the sector is still far from achieving the high level of efficiency required in modern agriculture. Compared to developed countries such as the Netherlands and Japan, where agriculture is highly technology-driven and knowledge-intensive, Malaysia still has a large gap to fill in terms of the workforce skills.

CONCLUSION

Malaysia's Economic Evolution: Navigating through Industrialisation and Beyond

Malaysia's economy has transformed dramatically since achieving independence in the year 1957, shifting from a commodity-based structure to one that is driven by manufacturing and now increasingly driven by services. This evolution reflects a systematic policy direction, global economic connection, and shifts in the population of Malaysia. In the early decades, the advancement of Malaysia's economic growth was reliant on exports of rubber, tin and palm oil. However, in the 1980s, with the implementation of industrialisation policies such as the New Economic Policy and later Industrial Master Plans helped redirect the economy towards manufacturing, particularly in electronics. This transition not only attracted foreign investment but also generated employment opportunities and spurred urbanisation. By 2024, over 75 per cent of Malaysians lived in urban areas, a significant increase from just 28.4 per cent in 1970.

The Manufacturing sector laid the foundation for economic modernisation, but since the 1990s, Services have emerged as the primary contributor to the Gross Domestic Product (GDP). Sectors such as finance, tourism and digital services are now the backbone of Malaysia's economy. While this transition has opened doors to innovation and high-value growth, it has also exposed gaps, particularly in productivity, digital readiness and labour skills between traditional and modern industries. On the other hand, the external trade has served as both a catalyst and a vulnerability. Malaysia successfully transitioned from exporting raw commodities to complex manufactured goods. Yet, its economy remains heavily reliant on exports and is thus exposed to global shocks, such as commodity price volatility and geopolitical instability. Events like the Asian Financial Crisis, global recessions, and the COVID-19 pandemic have tested Malaysia's economic resilience and underscored the need for stronger fiscal buffers and more diversified growth strategies.

The COVID-19 crisis, in particular, revealed challenges in supply chains and digital infrastructures. The recovery process has highlighted the importance of building a more resilient and inclusive economy, one that embraces automation, upskilling and adaptable policymaking. Establishing robust social safety nets and data-driven policies is the key to navigating future disruptions effectively.

Demographic changes further complicate the economic landscape. Malaysia is undergoing a demographic transition marked by declining birth rates and increasing life expectancy. The working-age population is shrinking, and the country is on track to become an aging society by 2030. This presents long-term risks and challenges to labour supply and economic vitality, unless mitigated through productivity enhancements, lifelong learning and active aging strategies. Although Agriculture now contributes only about 6 per cent to the GDP, yet it remains vital for rural livelihoods and national food security. Revitalising this sector through modern techniques and value-added production can help bridge the rural-urban divide and promote sustainability.

Looking ahead, Malaysia must confront the challenge of the middle income trap. Future growth will depend on boosting productivity, fostering innovation and transitioning to a digital and green economy. With robust policy implementation, strategic investment in human capital and institutional reforms, Malaysia can continue its journey towards modernisation, ensuring inclusive and sustainable growth in an increasingly dynamic global environment.

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