

Macro Note

Malaysia: NIMP 2030 - Transforming Into A High-Tech Industrialized Nation

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Global Economics & Markets Research
GlobalEcoMktResearch@uobgroup.com
www.uob.com.sg/research

Julia Goh
Senior Economist
julia.gohml@uob.com.my

Loke Siew Ting
Economist
jasrine.lokest@uob.com.my

- PM Datuk Seri Anwar Ibrahim last Fri (1 Sep) launched the New Industrial Master Plan 2030 (NIMP 2030) that targets to drive industrial development and economic complexity across 21 manufacturing and manufacturing-related services sectors with four new growth areas. The NIMP 2030 aims to increase the manufacturing's value-added by 6.5% to MYR587.5bn, employment by 2.3% to 3.3mn persons, and median salary by 9.6% to MYR4,510 by 2030.
- An estimated total investment of MYR95bn will be required to implement the plan through seven years until 2030 to propel the country's economic growth. The investment will be mainly from the private sector, mobilized from private equity, capital and financial markets. The government will allocate close to 10% of the investments to help catalyse and incentivize those investments via the NIMP Industrial Development Fund and the NIMP Strategic Co-investment Fund. Other incentives in relation to the NIMP 2030 will be announced during the tabling of Budget 2024 on 13 Oct.
- NIMP 2030 is a key component to support the realization of the [Madani Economic Framework](#) with ESG as the overarching theme. With the broad outlines in place (four missions, six goals, four enablers, 21 strategies, 62 action plans), a disciplined and determined execution will be key to its success. NIMP 2030 will be executed in two phases, and the immediate priority will be to strengthen the foundation under Phase 1 (2023-2026) which involves public and private sector collaborations, setting up a governance structure to formalize and implement processes such as funding, industry collaboration and deals, onboarding of identified SMEs to related programs, and kick-start the mission-based projects.

Overview Of NIMP 2030 - Vision And Mission

PM Datuk Seri Anwar Ibrahim last Fri (1 Sep) launched the New Industrial Master Plan 2030 (NIMP 2030) that provides the direction for Malaysia's future in industrial transformation. The vision is to build competitive industries with high complexity, nurture a high income and skilled workforce, drive strong domestic linkages, develop new and existing industry clusters, ensure balanced and inclusive participation, and pave the way for sustainable development.

Despite a strong post-pandemic recovery in manufacturing GDP and trade above prior targets, the government recognizes the challenges in industrial development in Malaysia amid concentration in low-value add activities particularly among SMEs, stagnated labour productivity, and disparities in degrees of manufacturing sophistication. While Malaysia has successfully attracted over MYR400bn of net foreign direct investment (FDI) over the last decade and cumulative FDI position of MYR900bn, the benefits to domestic supply chains and players are marginal and median incomes remain low.

As such, NIMP 2030 aims to address 12 key challenges (covering economic complexity, labour and talents, trade and investments, financing, and MSMEs) and three key trends (geopolitical movements, digitalization and sustainability) that will affect the future of trade and investment globally, including Malaysia. It focusses on building Malaysia's industrial capacity across 21 manufacturing and manufacturing-related services sectors (refer to chart for details), with aerospace, chemical, electrical & electronics (E&E), pharmaceutical, and medical devices being highlighted as five priority sectors. Additionally, there are four new growth areas identified in the NIMP 2030: (i) advanced materials; (ii) electric vehicles (EVs); (iii) renewable energy (RE); and (iv) carbon capture, utilization and storage (CCUS).

NIMP 2030 comprises four missions - (i) increase economic complexity; (ii) tech up for a digitally vibrant nation; (iii) push for net zero; and (iv) safeguard economic security and inclusivity - as well as six visions (goals) that will be complemented by four enablers, 21 strategies and 62 action plans (further details below). The four key enablers are to address systemic and institutional issues that Malaysian industries are facing including financing.

Mission-Based Approach

The NIMP 2030 adopts a Mission-based approach whereby the government has identified nine Mission-based Projects (MBPs) that serves as a starting point and they will work with industries and the private sector to implement including:

- Create global IC designs champions in EV, RE, and AI
- Attract new advanced wafer fabrication in Malaysia
- Deepen from basic to specialty chemical vertical
- Groom champions in 4 game-changing advanced materials
- Transform 3,000 smart factories
- Establish Malaysia as Generative AI Hub
- Create decarbonisation pathways
- Launch locally-manufactured EV
- Deploy large-scale CCUS solutions

These projects transcend multiple sectors across vertical and horizontal capabilities, which is the right move to drive the whole value chain. Ministry of Investment, Trade and Industry (MITI) will continue to work closely with the industry to identify more MBPs through the course of the NIMP 2030.

To measure success, the NIMP 2030 adopts an outcome-based approach to which key top-line targets have been identified, in particular manufacturing value-added is targeted to grow 6.5% CAGR to MYR587.5bn, employment by 2.3% CAGR to 3.3mn persons, and median salary by 9.6% CAGR to MYR4,510 by 2030 (refer chart for details).

Mostly Private-Sector-Led Investments With More Special Incentives

An estimated total investment of MYR95bn will be required to implement the plan through seven years until 2030 to propel the country's economic growth. The investment will be mainly from the private sector, mobilized from private equity, capital and financial markets. This ensures that projects are viable and commercially driven. The government will approach listed government-linked companies (GLCs) and government -linked investment companies (GLICs) for funding of the plan.

For now, the government will allocate close to 10% of the investment requirement or MYR8.2bn from the development expenditure, through the NIMP Industrial Development Fund (NIDF) and the NIMP Strategic Co-investment Fund (CoSIF).

- NIDF is a matching fund focusing on the overall industrial development for the manufacturing and related services sectors, covering (i) research, development, commercialization and innovation; (ii) technology adoption; (iii) licensing or purchase of new or high technology; (iv) talent development or capacity building; (v) international standards or certification; (vi) infrastructure development and upgrading - eco-industrial estates or parks; and (vii) industrial cluster development for regional development. It will be utilized for (i) direct funding for the industrial development programmes; (ii) provision of matching grants for Malaysian companies including SMEs; and (iii) providing partial support to reduce the cost of financing.
- CoSIF is a co-investment fund supporting strategic and high-impact MBPs by crowding private sector financing. This will (i) increase the pool of capital to support the MBPs; and (ii) reduce the risk profile for investors and increase attractiveness of projects to raise capital in the equity and bond markets, as well as leverage alternative financing. The funds will be launched from 2024 onwards with an overarching structured governance together with Ministry of Finance (MOF) and Ministry of Economy (KE).

Funding aside, the government will decide special incentives to incentivize investments, foster growth and drive competitiveness in the specialty industries identified in the NIMP 2030. They will be announced during the tabling of Budget 2024 on 13 Oct. The Promotion of Investment Act (PIA) will be refreshed in line with the tax incentive review undertaken by MOF, and shift from sector-centric approach to Mission-based approach that is in line with national priorities such as RE and digital economy. The government will also review the investment evaluation criteria leveraging the cost-benefit analysis (CBA) to align to the NIMP 2030 Goals.

On the other hand, the government will introduce a multi-tiered levy mechanism to gradually phase out the reliance on foreign low-skilled workforce and accelerate the adoption of automation. The government will also establish a monitoring mechanism to track the effectiveness and impact of the levy mechanism to ensure it is continuously reviewed and refined based on market conditions. The multi-tiered levy mechanism will include the following features:

- Higher levy charges will be imposed on companies that employ more foreign low-skilled labour;
- Tailored levy rates based on sector, whereby sectors with higher share of foreign low-skilled labour will be imposed with higher levy; and
- Gradual implementation to allow industry players to adjust and adapt to the new policy.

Regarding the decarbonisation and environmental sustainability efforts, the government will develop a carbon tax system with an appropriate initial tax rate and a pathway for a gradual increase in tax rate over a set number of years. A carbon accounting model will also be developed to provide guidelines to identify emission sources and measure, verify and report carbon emissions. In addition to that, a new National Mineral Policy will be rolled out to manage the extraction of minerals and ensure a balance between potential economic benefits and environmental sustainability.

Phase 1 (2023-26) And Phase 2 (2027-30) Priorities

NIMP 2030 will be implemented in two phases, Phase 1 (2023-26) to strengthen the foundation and Phase 2 (2027-30) to sustain growth and resilience. The immediate priority will be to strengthen the foundation under Phase 1 that includes:

- Set up and institutionalize governance - involves setting up and formalizing a governance structure, defining processes for funding, industry collaboration

and deals, a steering committee to focus on unblocking challenges related to talent, funding and ease of doing business and set-up of 5 working groups responsible for respective actions plans.

- Establish foundation stones for SMEs - identifies qualified SMEs, which are on-boarded to related programs under NIMP 2030, nurture SMEs.
- Set MBPs to take off - most MBPs have begun implementation while new MBPs will be explored.

A mid-term review will be conducted by end-2026 to review targets and implementation progress of NIMP 2030.

In Phase 2, the plans will shift to accelerate the momentum of the manufacturing industry by driving implementation at scale and addressing gaps from mid-term review findings. Focus will be on creating resilience by diversifying the economic base and creating stronger local linkages.

Comprehensive Blueprint

The NIMP 2030 is a comprehensive blueprint that lays out ambitious targets with a pragmatic plan that is accompanied by a proper governance structure to address implementation concerns. It recognizes the challenges and gaps in Malaysia's economy and industrial journey relative to its peers. Thus, the masterplan is laying the foundations to steer the country on a resilient and sustainable path amid new global trends and realities. Above all, a disciplined and determined execution will be key to the success of this plan.

The NIMP 2030 will help to realise the [Madani Economic Framework](#), which is complemented by the [National Energy Transition Roadmap \(NETR\)](#) that was launched in Jul-Aug. It is also providing a clear and well-rounded direction for the country to achieve a high-tech industrialised nation by 2030, which will subsequently lure more high value-added investments and create high income jobs for citizens. The new approach - Mission-based approach - which is shifting from the sector-based approach previously is also seen as right move to drive the whole value chain of the economic structure.

The most crucial part is implementation, which is emphasized as a "whole-of-nation" approach, is also detailed in the blueprint. It involves both public and private sector collaboration, and prioritizes transparency throughout the implementation of the plan. There will be respective accountabilities defined to ensure collective efforts by various parties, periodic reporting introduced to monitor progress and provide transparency of implementation, as well as engagement and communication between stakeholders.

The governance and monitoring structure includes:

- A National NIMP 2030 Council chaired by the Prime Minister will be responsible for the success and strategic oversight of the plan. The council will review strategies undertaken and endorse annual reports on implementation progress.
- A steering committee with private sector participation will be established to ensure close collaboration between industry players and the government. The steering committee will be responsible for advice and potential corrective actions, resolve ecosystem issues, funding matters, industry deal proposals, facilitate collaborations across Ministries, states, agencies, and private sector.
- A Delivery Management Unit (DMU) via five working groups to monitor the progress of NIMP 2030. DMU will track and monitor progress of the missions, action plans, and projects, resolve strategic and operational issues, manage funding problems, ensure implementation timeliness, proper communication

plan, track and report on utilization of funds, and prepare the annual report for NIMP 2030.







A single interface digital dashboard (with specific metrics and parameters across relevant ministries and agencies, state governments and industry players) will be developed to track and monitor the progress of the NIMP 2030, which is important to have real-time visibility, effective performance tracking, data-driven decision making, and transparency and accountability. This dashboard will be conducted by DMU and support DMU in preparing the periodic progress report of the NIMP 2030 on an annual basis as well as mid-term review at the end of 2026 with proposed potential mediation.

Last but not least, feedback channel will be set up to promote two-way communication and for DMU to respond to any suggestion, recommendation and clarification relating to the NIMP 2030.

New Industrial Master Plan (NIMP) Goals And Targets (Outcome-Based)

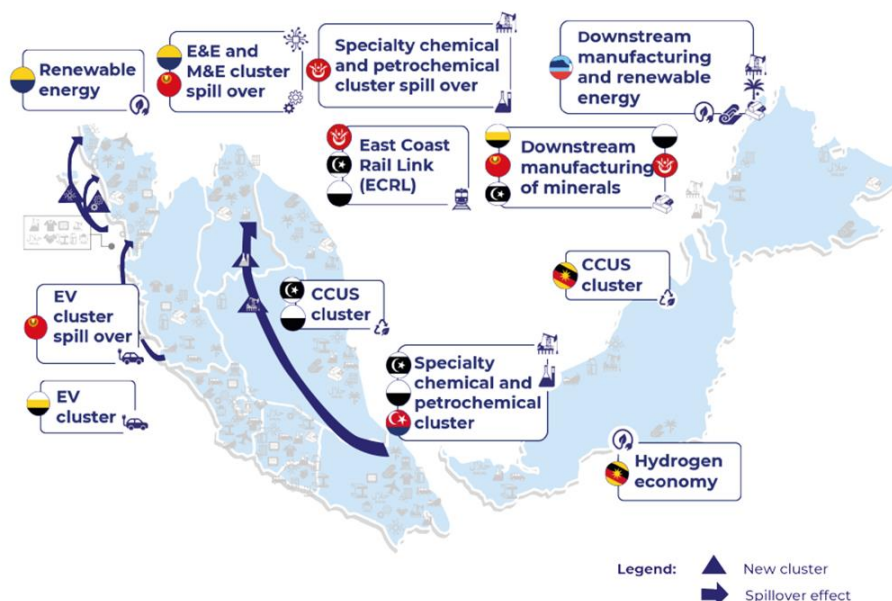
NDC = National Determined Contributions

Source: MITI, UOB Global Economics & Markets Research

NIMP GOALS	OUTCOMES	MEASURES	BASELINE (2021)	TARGETS (2030)
 Increase economic complexity	Sophistication in economic value-added	Value added for complex products or high tech mfg. and services	8.1% (2020)	15%
	Regional innovation hub	Gross expenditure on R&D to GDP	1%	3.5% of GDP
 Create high value job opportunities	High-skilled jobs	Number of jobs created	-	700k jobs from mfg and MRS
	Fair income	Manufacturing median wages	RM1,976	RM4,510
 Extend domestic linkages	Internationally competitive SMEs	Share of SME exports within total exports	11.7%	25%
	Deepened local supply chain integration	Domestic value added in mfg. and services in gross exports	49% (2018)	65%
 Develop new & existing clusters	Accelerated growth in existing core clusters	Global market share in high tech mfg. exports	3%	6%
	Accelerated growth in emerging markets such as 4IR and digital	Global market share in green and digital exports	2%	4%
 Improve inclusivity	Catalysed sectoral and regional development through investments	Total investments (FDI and DDI realised) as a share of state of GDP	Average 13%	25%
	High manufacturing value added participation by less developed States	Increasing mfg. value added in less developed States	22%	30-35%
 Enhance ESG practices	Derisked economy against ESG factors	Country ESG factors rating (Sustainalytics Index)	56.5 (Grade C)	75-100 (Grade A)
	Drive towards Net Zero aspirations	Reduction in Carbon emission intensity based on NDC ¹ goals	33%	45%

Nationwide Industrialization Across All States

Source: MITI, UOB Global Economics & Markets Research



Note: The cluster mapping above is illustrative and not drawn to indicate the exact location of each cluster

21 Sectors Covered In NIMP 2030 With Relevant Sector-Specific Policies, And Four New Growth Areas




Source: MITI, UOB Global Economics & Markets Research

Sectors	Industry	Relevant Sector-specific Policies
Priority Sectors	<ol style="list-style-type: none"> Aerospace Chemical Electrical and Electronics (E&E) Pharmaceutical Medical Devices 	<ol style="list-style-type: none"> Aerospace Industry Blueprint 2010 Chemical Industry Roadmap 2030 Malaysia Plastics Sustainability Roadmap 2021-2030 E&E Roadmap 2021-2030 Malaysian National Medicines Policy
Sectors	<ol style="list-style-type: none"> Digital and Information and Communication Technology (ICT) Automotive Food Processing Global Services and Professional Services Halal Machinery and Equipment (M&E) Manufacturing-Related Services (MRS) Metal Mineral Palm Oil-based Products Petroleum Products and Petrochemicals Rail Rubber-based Products Shipbuilding and Ship Repair (SBSR) Textile, Apparel and Footwear Wood, Paper and Furniture 	<ol style="list-style-type: none"> Industry4WRD: National Policy on Industry 4.0 Malaysia Digital Economy Blueprint Malaysia National Artificial Intelligence Roadmap National Automotive Policy 2020 National Agrofood Policy 2.0 2021-2030 Halal Industry Master Plan 2030 Foresight Study on the Iron and Steel Industry National Mineral Policy National Mineral Industry Transformation Plan 2021-2030 National Advanced Materials Technology Roadmap National Agri-commodity Policy 2021-2030 Malaysian Rail Supporting Industry Roadmap 2030 National Timber Industry Strategic Plan 2021-2025

Additionally, there are four new growth areas identified in the NIMP 2030:

- Advanced Materials;
- Electric Vehicles;
- Renewable Energy; and
- Carbon Capture, Utilisation and Storage (CCUS).

Source: MITI, UOB Global Economics & Markets Research

<p>VISION</p>	<p>Our vision for Malaysia is to have:</p> <ul style="list-style-type: none"> ◆ Competitive industry with high economic complexity ◆ High income and skilled workforce ◆ Strong domestic linkages 	
<p>GOALS</p>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Increase economic complexity</p> </div> <div style="text-align: center;">  <p>Create high-value job opportunities</p> </div> <div style="text-align: center;">  <p>Extend domestic linkages</p> </div> </div>	
<p>MISSIONS</p>	<p>MISSION 1 Advance economic complexity</p>	<p>MISSION 2 Tech up for a digitally vibrant nation</p>
<p>STRATEGIES AND ACTION PLANS</p> <p><i>21 Strategies 62 Action Plans</i></p>	<div style="font-size: 0.9em;"> <p>1.1 Expand to high value-added activities of the value chain</p> <ul style="list-style-type: none"> 1.1.1 Create global IC design champions from Malaysia 1.1.2 Attract global leader to establish wafer fabrication in Malaysia 1.1.3 Shift from basic to specialty chemical 1.1.4 Build Malaysian champions for game changing advanced materials 1.1.5 Identify high value-added opportunities in the aerospace, pharmaceutical and medical devices sectors <p>1.2 Develop entire ecosystem to support the high value-added activities</p> <ul style="list-style-type: none"> 1.2.1 Build strong local SMEs in manufacturing and related services to support the industry champions 1.2.2 Integrate value chains between: <ul style="list-style-type: none"> • M&E and Medical Devices • Semiconductor and EV • Chemical and Pharmaceutical <p>1.3 Establish cooperative 'vertical integration' for global value chain</p> <ul style="list-style-type: none"> 1.3.1 Leverage alliance with ASEAN countries to integrate the semiconductor, advanced materials and clean energy value chain 1.3.2 Develop vertical integration programmes through IndustryConnect conferences <p>1.4 Foster Research, Development, Commercialisation and Innovation (RDCI) ecosystem</p> <ul style="list-style-type: none"> 1.4.1 Assign specific topics and KPIs to universities for industrial-linked R&D 1.4.2 Digitalise IP application and launch enhanced National IP Policy <p>1.5 Increase manufacturing exports</p> <ul style="list-style-type: none"> 1.5.1 Implement national trade advocacy campaign to increase industry utilisation of FTAs 1.5.2 Rejuvenate "Made in Malaysia" branding 1.5.3 Address trade restrictive non-tariff measures (NTMs) and compliance of standards 1.5.4 Update FTA based on geopolitical conditions </div> <div style="text-align: center; border: 1px solid #003366; border-radius: 15px; padding: 5px; margin-top: 10px;"> <p>5 Strategies, 15 Action Plans</p> </div> <p>Mission-based Projects:</p> <ul style="list-style-type: none"> MBP 1.1 Create global IC design champions in EV, RE and AI MBP 1.2 Attract new advanced wafer fabrication in Malaysia MBP 1.3 Deepen to specialty chemical vertical MBP 1.4 Groom champions in 4 game changing advanced materials 	<div style="font-size: 0.9em;"> <p>2.1 Accelerate technology adoption</p> <ul style="list-style-type: none"> 2.1.1 Enhance Industry4WRD programmes to increase technology adoption 2.1.2 Accelerate digital infrastructure rollout (JENDELA) <p>2.2 Shift away from low-skilled labour model</p> <ul style="list-style-type: none"> 2.2.1 Introduce multi-tiered levy mechanism for low-skilled labour to accelerate automation 2.2.2 Introduce automation condition in new Manufacturing Licence <p>2.3 Spur technology innovation</p> <ul style="list-style-type: none"> 2.3.1 Nurture local technology solution providers to support Technology Adoption Programme 2.3.2 Develop generative and industrial AI solution leaders and system integrators 2.3.3 Drive data analytics through a national digital platform for manufacturing <p>2.4 Accelerate government digitalisation and integration</p> <ul style="list-style-type: none"> 2.4.1 Digitalise end-to-end government touch points across business life cycle </div> <div style="text-align: center; border: 1px solid #003366; border-radius: 15px; padding: 5px; margin-top: 10px;"> <p>4 Strategies, 8 Action Plans</p> </div> <p>Mission-based Projects:</p> <ul style="list-style-type: none"> MBP 2.1 Transform 3,000 smart factories MBP 2.2 Establish Malaysia as Generative AI Hub

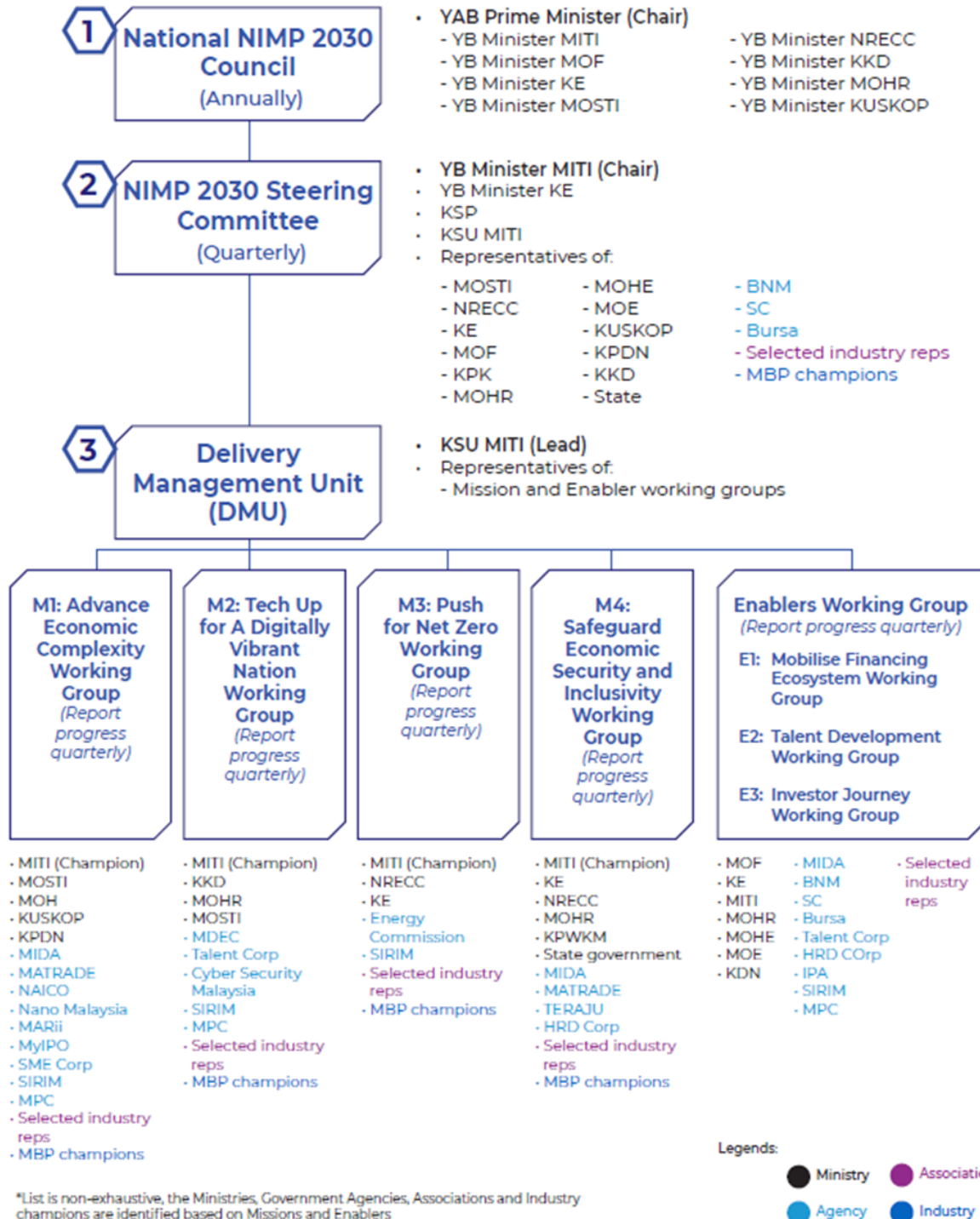
NIMP 2030 Strategic Framework – Mission III, Mission IV And Enablers

Source: MITI, UOB Global Economics & Markets Research



Governance Structure Of The NIMP 2030

Source: MITI, UOB Global Economics & Markets Research



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