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What research houses say about MP13?

The Malaysian Reserve, Malaysia

# What research houses say about MP13?

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Source: Media Mulia

**In housing, 1m affordable units are planned between 2026 and 2035 through federal-state-private collaboration to improve access to safe and comfortable living**

THE federal government has tabled the 13th Malaysia Plan (MP13) in Parliament for debate last week. This is the country's rolling five-year development blueprint for the period from 2026 to 2030.

The document, presented by Prime Minister (PM) Datuk Seri Anwar Ibrahim in his capacity as the finance minister, aims to address the rising cost of living, slow wage growth, the transition to an ageing nation, environmental degradation and the persistent impacts of climate change.

Here are some immediate comments from some research houses.

## CGS International Securities (M) Sdn Bhd

The MP13 aims for a modest growth performance but still emphasises fiscal consolidation and debt reduction.

Some welcomed initiatives include raising the retirement age, expanding the minimum wage criteria and a monthly retirement payout plan.

Guided by MP13, the research house expects Budget 2026 to contain milder development expenditure growth as well as greater emphasis for new growth sectors.

This plan marks the final bid for the government to propel the country towards its generations-long aspiration to join the ranks of high-income nations. Under this plan, the government has projected for income per capita to rise to US$17,740 (RM75,883) by 2030 (2024: US$11,974; the high-income threshold as of 2025 is US$13,935).

The research house thinks MP13 strikes the right balance between priorities of various economic players while providing enough clarity for investors to see Malaysia's medium-term potential. That said, these five-year plans are reflections of the government's wish lists, one that is made without a strategy for execution, in its view. As such, these goals, however lofty, seem to take on an aspirational tone rather than a commitment to implement within the timeframe.

Meanwhile, it noticed that some initiatives, such as implementation of a foreign workers levy, have been recycled several times. Furthermore, the research house sees MP13 rollout happening in the heat of a shifting geopolitical landscape.

As new trade deals are signed, it is yet to be seen whether Malaysia can sail through it economically or if it needs a policy overhaul. Regardless, MP13 paves the way for a new direction for the annual budget.

The research house expects Budget 2026 tabling in October to include elements of MP13, including possibly milder development expenditure growth and greater emphasis on the new focus sectors. Overall, no changes to its 2025F GDP growth forecast of 4.2% year-on-year (YoY).

## BIMB Securities Sdn Bhd

Malaysia's MP13 sets ambitious goals across key sectors to drive inclusive and sustainable growth. The country aims to nearly double its electrical and electronic (E&E) exports to RM1 trillion by 2030 by boosting high-value, high-tech manufacturing. In housing, one million affordable units are planned between 2026 and 2035 through federal-state-private collaboration to improve access to safe and comfortable living.

Meanwhile, on wages, the national minimum wage has been raised twice under the Madani government, from RM1,200 to RM1,500, and then RM1,700 with encouragement for large firms to adopt a living wage of RM3,100, already in practice in government-link companies (GLCs) and government-link investment companies (GLICs). Infrastructure spending will accelerate, with a focus on highway upgrades, public transport and rural connectivity.

Between 2026 and 2030, 2,800km of rural roads will be built or upgraded, alongside key projects such as upgrades to the PLUS Expressway in Johor and Penang, Central Spine Road in Pahang-Kelantan and the ongoing Pan Borneo and Trans Borneo Highways in Sabah and Sarawak.

At the domestic level, structural bottlenecks — such as sluggish digital adoption, misaligned capital deployment and inflexible labour systems — pose challenges to productivity and competitiveness. However, they also signal where reform-driven investments can create long-term alpha. Capital allocation into digital infrastructure, renewable energy (RE) and human capital not only addresses these inefficiencies but also aligns portfolios with the growing momentum around environment, social and governance (ESG) and sustainable investing.

## CIMB Securities Sdn Bhd

In MP13 report, the government outlined plans to reduce the share of foreign workers to 10% of the workforce by 2030 and to 5% by 2035, from about 15% currently. This will be supported by the existing cap of 2.5 million foreign workers.

To facilitate this transition, the multi-tier levy mechanism (MTLM) will be implemented in 2026, with additional levies channelled into a dedicated trust fund to promote automation and mechanisation.

Regulations on foreign worker permits will also be tightened, including stricter eligibility for sectoral and employer transfers. Overall, in the research house's views, the introduction of MTLM and other efforts to reduce foreign worker dependence could be slightly negative for sectors that rely heavily on foreign labour, as it may result in worker shortages and higher operating costs.

Sectors likely to be affected include the services, manufacturing, technology, construction and plantation sectors.

The government will expand its "pro-health" tax to include tobacco, vape products and alcohol, in addition to the existing taxes on sugary drinks. The initiative is aimed not only at generating revenue but also at encouraging healthier lifestyles and curbing the rise in non-communicable diseases (NCDs), which has become increasingly concerning.

The government reaffirmed its energy transition ambitions in MP13, with:

- The establishment of the Energy Transition Fund and RE Programme to accelerate investment in green energy
- Investment in battery energy storage systems (BESS), smart grid technology and electrical interconnection from Sarawak to Peninsular Malaysia
- Expansion of hybrid hydro-floating solar and green hydrogen hubs.

This is positive for Tenaga Nasional Bhd (TNB MK; 'Buy') as significant investments into the national grid will be required to support these energy transition initiatives, which will in turn expand TNB's regulated asset base (RAB) and drive its earnings higher.

## Hong Leong Investment Bank Bhd

The government unveiled MP13 with DE sum of RM430 billion (+3.6%) and GDP growth target of 4.5%-5.5%. The research house views this as pragmatic, given the tough external climate, seeing the significant policy overlap with US President Donald Trump's presidency through 2028, that is already reshaping global economic order.

Furthermore, it is encouraged to see a lower fiscal deficit target at <3% of GDP in 2030; this in its view, is a commitment to responsible public spending and continued reform intent. — *TMR*

## KEY HIGHLIGHTS

- Development expenditure at RM430 billion is a milder increase compared to MP12. As a share of GDP, this marks a historical low. The need to reduce government debt levels and the completion of various mega projects could be a factor
- Fiscal consolidation on track with fiscal deficit at "below 3%" of GDP by 2030. Government debt to be lowered to 60% of GDP by the end of MP13 period
- GDP growth target at 4.5%-5.5%. This is a slight step down from the 5%-6% target in MP12. On the demand side, except for net exports, all sectors are projected to average lower growth compared to MP12 period
- Softer trade performance. Of interest is the projected decline in share of exports to GDP at 140% by 2030 (2024:149%). That said, the current account is projected to be healthy at 2.2% of GDP (2024: 1.5%)
- New focus sectors in MP13 are an emphasis on artificial intelligence (AI), orange (creative) economy and further development of the third sector (ie social enterprises & NGOs)
- Foreign workers' limit to be lowered to 10% of the workforce by 2030 vs 15% currently. A multi-tiered foreign worker levy to be implemented to encourage automation
- Retirement age to be raised in anticipation of an aged society by 2043
- Minimum wage to be expanded to include graduates, semi-skilled workers and vocational graduates
- EPF to explore a monthly payment plan for retirees as an option to the current lumpsum withdrawal option

Source: CGS International Securities

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