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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

After growing 8.7% in 2022, the Malaysian economy has weathered external challenges and expanded an estimated 4% in 2023. The primary driver for growth was robust private consumption, buoyed by a strong labour market. However, exports to key trading allies have significantly weakened, influenced by diminished external demand and the economic deceleration in China. The International Monetary Fund (IMF) anticipates a modest uptick in growth to 4.3% in 2024, with a stable outlook for 2025. This projection is underpinned by the resilience of private consumption and investment, along with a rebound in public spending.

In 2023, the fiscal deficit contracted, although it remained elevated compared to pre-pandemic years (4.9%, IMF). The reduction in COVID-related spending and a decrease in subsidies, primarily attributed to lower oil prices, played a significant role in lowering public expenditure in the 2023 budget, despite a substantial rise in development expenditure aimed at tackling persistent long-term economic challenges. The 2024 budget is poised to adhere to fiscal consolidation principles, emphasizing the anticipated shift towards targeted fuel subsidies to constrain public expenditure. While persistent public deficits (around 4.5%) may contribute to an increase in public debt, the situation remains manageable, given that a significant portion of the debt is held in local currency by residents. Overall, the debt-to-GDP ratio increased to 66.9% in 2024 (from 65.6% one year earlier) and is expected to remain stable over the forecast horizon. Both headline - estimated at 2.9% in 2023 - and core inflation showed signs of moderation, with the latter decreasing more gradually. Projections suggest a further moderation to 2.7% in 2024; however, uncertainties persist, notably due to subsidy reform considerations.

Malaysia is on track to achieve high-income status by 2026. The country has one of the highest standards of living in Southeast Asia and a low unemployment rate estimated at 3.6% in 2023 (IMF), but the youth unemployment rate is more than triple (11.7%, World Bank) and rural youth is not counted statistically. Despite substantial reductions in poverty and a narrowing of income gaps among ethnic groups over the past five decades, notable regional disparities persist in both income and human capital outcomes in Malaysia. The country's low tax revenues, standing at 12% of GDP, fall significantly below the upper-middle-income country average of 18%. This limited fiscal capacity constrains opportunities for pro-poor initiatives and investments that could spur inclusive growth. Overall, the IMF estimated the country's GDP per capita (PPP) at USD 37,083 in 2023.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	407.03	430.90	465.54	502.27	537.16
GDP <i>(Constant Prices, Annual % Change)</i>	8.7	4.0	4.3	4.4	4.4
GDP per Capita <i>(USD)</i>	12,466	13,034	13,913	14,837	15,691
General Government Balance <i>(in % of GDP)</i>	-6.2	-4.9	-4.5	-4.5	-4.5
General Government Gross Debt <i>(in % of GDP)</i>	65.6	66.9	66.9	67.0	67.5

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
Inflation Rate (%)	n/a	2.9	2.7	2.3	2.1
Unemployment Rate (% of the Labour Force)	3.8	3.6	3.5	3.5	3.5
Current Account (billions USD)	12.52	11.64	13.15	14.56	15.41
Current Account (in % of GDP)	3.1	2.7	2.8	2.9	2.9

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Since gaining its independence in 1957, Malaysia has successfully diversified its economy from agriculture and commodity-based to solid manufacturing and service sectors. It had a labour force of 16.1 million people out of a 32.97 million population in 2023. Agriculture employs around 10% of Malaysians and contributes to 8.9% of GDP (World Bank, latest data available). Malaysia is the second main producer of palm oil and tropical wood, and the fifth largest exporter of rubber. The country has successfully developed its economy based on raw materials and has significant reserves of oil, gas, copper and bauxite. Malaysia's crude palm oil production was estimated at around 17.9 million mt-18.5 million mt in 2023, weighed down by lower yields from ageing palm oil trees (S&P).

Industry contributes to around 39.1% of GDP and employs nearly 28% of the active population (World Bank). Malaysia is one of the world's largest exporters of semiconductor devices, electrical goods and appliances, and the government has ambitious plans to make the country a key producer and developer of high-tech products, including software. The country is a major outsourcing destination for components manufacturing, after China and India. It has attracted significant foreign investment, which played a major role in the transformation of its economy. During the initial eleven months of 2023, the Industrial Production Index (IPI) experienced a more moderate growth of 1% compared to the corresponding period in the preceding year (Jan-Nov 2022: 7.1%). This upturn was driven by positive contributions from the electricity (2.3%), manufacturing (0.9%), and mining indexes (0.6%).

The service sector employs the majority of the active population (over 62%) and accounts for 50.9% of GDP (World Bank) which is due mainly to healthcare services, transport, distributive trade and tourism. Tourism was the third biggest contributor to Malaysia's GDP, after manufacturing and commodities, with over 7% of GDP and 26.1 million foreign tourists in 2019, according to Tourism Malaysia. Nevertheless, the sector is still recovering from the COVID-19 pandemic: an increase in tourist arrivals in Malaysia in 2023 has led the government to adjust its year-end tourism target for the same year to 19.1 million, up from the initial goal of 16.1 million, and is targeting for tourist arrivals to surpass the pre-pandemic level in 2024.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	9.6	28.3	62.1
Value Added (in % of GDP)	8.9	39.2	50.8
Value Added (Annual % Change)	0.1	6.6	11.3

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Malaysian Ringgit (MYR) - Average Annual Exchange Rate For 1 USD	4.15	4.30	4.04	4.10	4.20

Source: World Bank - Latest available data.

FOREIGN TRADE

Malaysia is well known for its openness to international trade, which represents roughly 131% of its GDP (World Bank, latest data available), making the country vulnerable to external demand. Malaysia mainly exports electrical & electronics products (38.2% of the total in 2022, up by 30.2% to MYR 593.49 billion, driven by robust demand for semiconductors due to the acceleration of global technology upcycle and business digitalisation). In the same year, exports of agricultural goods were valued at MYR 120.94 billion and comprised a 7.8% share of total exports; whereas mining goods had a share of 7.5%. Increases in exports were seen for all products except rubber products as well as crude fertilisers and crude minerals. The three primary import categories included: intermediate goods (54.4% share, driven by robust imports of primary fuel and lubricants), capital goods (9.3%), and consumption goods (8%, expanding by 24.1%, primarily due to increased imports of processed food and beverages for household consumption - data Malaysia External Trade Development Corporation).

China remained as the largest import source since 2011, followed by Singapore, Taiwan, the U.S. and Japan. These markets contributed 54.1% to Malaysia's total imports. Meanwhile, imports from ASEAN accounted for 24.6%, while those from the EU had a share of 7% (data Malaysia External Trade Development Corporation). As per exports, Singapore (15%), China (13.6%), the United States (10.8%), Japan (6.3%), Hong Kong SAR, and China (6.2%) were the main destinations (Comtrade). The government supported the creation of the Trans-Pacific Partnership (TPP), a multilateral free-trade agreement negotiated between Asia-Pacific and North American countries. The treaty, signed by Malaysia and eleven other nations in order to boost inter-regional trade, was renamed the [Comprehensive and Progressive Agreement for the Trans-Pacific Partnership \(CPTPP\)](#) after the withdrawal of the United States in January 2017. It was signed in March 2018 but the Malaysian government has not set any deadline for ratifying. In 2020, Malaysia has signed the [Regional Comprehensive Economic Partnership \(RCEP\)](#) with 14 other Indo-Pacific countries. This free trade agreement is the largest trade deal in history, covering 30 per cent of the global economy. It includes the Association of Southeast Asian Nations (ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and ASEAN's free trade agreement partners (Australia, China, India, Japan, New Zealand and the Republic of Korea). The RCEP covers goods, services, investment, economic and technical cooperation. It also creates new rules for electronic commerce, intellectual property, government procurement, competition, and small and medium-sized enterprises.

According to WTO data, exports of goods amounted to USD 352.4 billion and imports reached USD 294.3 billion in 2022. With regard to services, Malaysia exported USD 31.6 billion and imported USD 44.6 billion. The overall trade balance was estimated to be positive by 7.2% of GDP (World Bank). According to preliminary figures from the Ministry of Trade and Industry, from January to October 2023, Malaysia's overall trade exceeded the MYR 2 trillion milestone, totalling MYR 2.181 trillion. Exports constituted MYR 1.186 trillion, and imports were valued at MYR 995.55 billion. Trade, exports and imports each posted an 8% decrease compared to the corresponding period one year earlier, while trade surplus was lower by 7.9%, amounting to MYR 190.04 billion.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	217,602	204,998	190,860	238,240	294,317
Exports of Goods (million USD)	247,455	238,195	234,766	299,425	352,475
Imports of Services (million USD)	44,602	43,711	33,381	37,080	44,590
Exports of Services (million USD)	40,231	41,089	22,155	21,246	31,683

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	130.4	123.0	116.8	130.6	140.7
Trade Balance <i>(million USD)</i>	28,426	30,123	32,829	42,814	42,162
Trade Balance (Including Service) <i>(million USD)</i>	24,054	27,501	21,603	26,980	29,256
Imports of Goods and Services <i>(Annual % Change)</i>	1.5	-2.4	-7.9	17.7	14.2
Exports of Goods and Services <i>(Annual % Change)</i>	1.9	-1.0	-8.6	15.4	12.8
Imports of Goods and Services <i>(in % of GDP)</i>	61.8	57.8	55.2	61.7	66.9
Exports of Goods and Services <i>(in % of GDP)</i>	68.6	65.3	61.6	68.8	73.8

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	0.9	2.9	4.0	3.3	3.5
Volume of imports of goods and services (Annual % change)	4.3	2.1	4.1	3.5	3.9

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Malaysia is a member of the following international economic organisations: IMF, Asia-Pacific Economic Cooperation (APEC), ICC, Association of Southeast Asian Nations (ASEAN), Commonwealth, G-15, G-77, WTO, among others. For the full list of economic and other international organisations in which participates Malaysia click [here](#). International organisation membership of Malaysia is also outlined [here](#).

Free Trade Agreements

Malaysia is a member of Regional Comprehensive Economic Partnership ([RCEP](#)) signed on 15 November 2020. The complete and up-to-date list of Free Trade Agreements signed by Malaysia can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Singapore	15.0%
China	13.6%
United States	10.8%
Japan	6.3%
Hong Kong SAR, China	6.2%
See More Countries	48.2%

Main Suppliers <i>(% of Imports)</i>	2022
China	21.3%
Singapore	10.5%
United States	7.8%
Japan	6.4%
Indonesia	5.7%
See More Countries	48.3%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

King: Abdullah Sultan Ahmad Shah (since 24 January 2019)
Prime Minister: Anwar bin Ibrahim (since November 2022)

Next Election Dates

King nomination: 2024
Parliament: 2027

Current Political Context

Malaysian politics has been relatively stable over the last decades. The Barisan Nasional coalition ruled the country since its independence from Britain in 1957, but it lost its hold of the parliament for the first time in Malaysian history in the general election which was held in 2018. The election that took place in 2022 resulted in a divisive political landscape, with none of the three main coalitions – Pakatan Harapan (PH), Perikatan Nasional (PN), and Barisan Nasional (BN) – securing a simple majority. Due to the King’s intervention, PH (81 out of 222 parliamentary seats) and BN (30) agreed to form a coalition government, and PH’s leader and long-time leader of the opposition, Anwar Ibrahim (who had spent over two decades in the opposition and 10 years in prison on politically motivated charges), was appointed as the tenth Prime Minister. The alliance was backed by other smaller coalitions and parties (GPS, Warisan, MUDA, and PBM), as well as independent members of Parliament, which enabled Anwar to win a vote of confidence in December 2022.

Malaysia held six state elections in August 2023, resulting in mixed outcomes for the major political parties. The opposition Pakatan Harapan (PH) coalition won three states (Selangor, Penang, and Negeri Sembilan), while the Perikatan Nasional (PN) coalition won two states (Terengganu and Kelantan), and the Barisan Nasional (BN) coalition won one state (Kedah).

Amid escalating tension between the U.S. and China, Malaysia reiterated its non-aligned status through the Foreign Policy Framework of New Malaysia, and maintains its relationship with both countries despite the South China Sea dispute with Beijing, as it is a major trading partner and an important source of investment.

Main Political Parties

Malaysia's 15th general election (GE15) was held on November 19, 2022, amidst a backdrop of political uncertainty and economic challenges. The election resulted in a hung parliament, with no single party or coalition securing a majority of seats. This outcome reflected the deep divisions within Malaysian society and the growing influence of Islamist politics.

The leading parties in GE15 were the Perikatan Nasional (PN) coalition, led by Prime Minister Ismail Sabri Yaakob, and the Pakatan Harapan (PH) coalition, led by former Prime Minister Anwar Ibrahim. PN, which was formed in March 2020, was a loose alliance of parties that included former members of the Barisan Nasional (BN) coalition, which had ruled Malaysia for six decades until 2018. PH, on the other hand, was a more ideologically unified coalition that included parties from the Malay, Chinese, and Indian communities.

The main parties/coalitions represented in the parliament are:

Pakatan Harapan coalition (82 seats):

- **People's Justice Party (PKR)**: centre-left
- **Democratic Action Party (DAP)**: centre-left, social democracy
- **National Trust Party (AMANAH)**: centre-left, Islamic modernism
- **Malaysian United Democratic Alliance (MUDA)**: multi-racial and youth-centric
- **The United Progressive Kinabalu Organisation (UPKO)**: multiracial political party based in Sabah

Perikatan Nasional coalition (74 seats):

- **Pan-Malaysian Islamic Party (PAS)**: Islamist, far-right
- **Malaysian United Indigenous Party (BERSATU)**: centre-right, nationalism
- **Parti Gerakan Rakyat Malaysia (Gerakan)**: centre

Barisan Nasional coalition:

- **United Malays National Organisation (UMNO)**: right-wing, known for being a major proponent of Malaysian nationalism
- **Malaysian Chinese Association (MCA)**: right-wing, represents Malaysian Chinese contingency
- **Malaysian Indian Congress (MIC)**: right-wing

Other parties:

- **Parti Pesaka Bumiputera Bersatu (PBB)**: right-wing
- **Sarawak United People's Party (SUPP)**: centre
- **Progressive Democratic Party (PDP)**: regionalist.

Executive Power

The head of state is the Paramount Ruler, commonly referred to as the King. The King is selected from nine hereditary rulers (called Sultans) of the Malay states to serve a five-year term; the other four states (which have titular Governors) do not participate in the selection. Following legislative elections, the leader of the party that wins most seats in the lower house of the parliament becomes the Prime Minister to serve a five-year term, subject to approval by the King. The Prime Minister is the head of Government and holds the executive powers which include implementation of the law and running the day-to-day affairs of the country. The Cabinet is appointed by the Prime Minister from among the members of parliament with the consent of the Paramount Ruler.

Legislative Power

The legislature in Malaysia is bicameral. The **parliament** consists of the Senate (the upper house) with 70 seats, out of which 44 are appointed by the Paramount Ruler and 26 are appointed by the 13 state assemblies, to serve three-year terms; and the House of Representatives (the lower house) with 222 seats, its members elected by popular vote to serve five-year terms. The King can dissolve parliament if he wishes, but usually only does so upon the advice of the Prime Minister. In general, more power is vested in the executive branch of government than in the legislative branch. Legislative power is divided between federal and state legislatures. Each state has its own Government, a cabinet with executive authority, and a legislature that deals with matters not reserved for the federal parliament.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Malaysia, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).