

PHILLIP MUTUAL BERHAD

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Charting Malaysia's Future: NIMP 2030 - A Blueprint for Resilient Industrial Transformation and Sustainable Growth

Overview

On September 1st, Prime Minister Anwar Ibrahim introduced the **New Industrial Master Plan 2030 (NIMP 2030)**, an industrial policy for the manufacturing and manufacturing-related services sectors spanning seven years until 2030, focusing on 6 high-impact sectors, namely aerospace, chemicals, electrical & electronics, electric vehicles, pharmaceuticals, and advanced materials. The masterplan aims to generate a substantial impact on Malaysia's economy, with projected contributions of RM587.5 billion to the total GDP by 2030, representing a remarkable growth of 61% compared to 2022. Additionally, the plan targets a 20% increase in employment levels by 2030, and it aspires to elevate the median salary to MYR4,510 by 2030, reflecting an impressive surge of 128.0% from the 2021 level. To note, manufacturing sector accounted for 24.1% of 2022 GDP, the second largest contributor after services, roughly 80% of total exports in 2022 and 17% of employment.

Compared to the previous Industry Master Plans (IMP), the NIMP 2030 takes another transformative strategy, shifting from sectoral-based approach to mission-based approach. The goals and targets are formulated as below:

NIMP Goals and Targets (outcome-based)

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%

Source: NIMP 2030 Booklet

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An estimated total investment of MYR95bn will be required under NIMP 2030. This investment is expected to primarily originate from the private sector, mobilised through private equity, capital markets, and financial markets. Of these investments, the government is expected to contribute RM8.2bn (8.6% of the total) through the NIMP Industrial Development Fund and the NIMP Strategic Co-investment Fund. Additional incentives related to NIMP 2030 will be disclosed during the presentation of Budget 2024 on October 13th, according to MITI.

Another noteworthy facet of NIMP 2030 is its emphasis on addressing social and income inequalities, along with its commitment to enhance Environmental, Social, and Governance (ESG) practices by adopting greener production processes. As part of this strategic initiative, the government aims to accelerate the adoption of electric vehicles (EVs) to hasten the decarbonisation of Malaysia's transportation sector. Concurrently, it seeks to nurture the development of carbon capture, utilisation, and storage (CCUS) as a new potential solution to carbon management. Separately, in the coming weeks, MITI will unveil an ESG Framework aimed at assisting SMEs in enhancing their access to export markets that prioritise ESG considerations. Additionally, this framework will facilitate SME engagement in MNC vendor ecosystems that uphold ESG standards.

Our View

NIMP 2030 outlines Malaysia's prospective path for industrial transformation, serving as a comprehensive plan for fostering resilient industrial development until 2030. We view this as a positive move to bring Malaysia forward but given the relatively short time frame (7 years), its effectiveness hinges on robust collaboration among various pivotal stakeholders, spanning both federal and state governments and agencies. On top of that, the government seems to be cognizant of the challenges and obstacles within the current industrial landscape, such as its heavy reliance on foreign labour and limited rooms of research and development (R&D), hence the plan serves as a high-level strategic plan for the nation's development.

Some may argue that the RM95bn investments (or RM13.5bn annually) may be insufficient in terms of the incremental value it contributes to GDP, and there could be concerns about the private sector's willingness to support it, as out of the total RM95bn required, only RM8.2bn will be provided by the government, while the remainder is expected to be funded by the private sector. However, we should highlight that this view does not construe anything negative as according to the plan, the plan seeks to support industries in advancing their positions in the value chain, building a robust ecosystem, decreasing reliance on external supply chains, and conducting focused research and development in key sectors, which ultimately will benefit the private sector, people and country as a whole.

We are also pleased that NIMP 2030 strives to enhance ESG practices and we firmly believe that placing a strong emphasis on ESG and developing a plan to tackle this matter will pave the way for a more sustainable and responsible approach to development. Additionally, investors are progressively considering ESG in their investment decisions as ESG compliance has become critical. Finally, the plan certainly improves the long-term prospects for GDP growth and overall return profile which would naturally drive market valuation higher in the long term.

Our investment portfolio focuses on quality companies that possess strong fundamentals, including stable earnings and a promising future outlook, and are led by capable management teams. Please click on the [link](#) to learn more or email us at phillipmutual@phillipcapital.com.my if you require any further information.

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