

Quarterly Economy Tracker (Oct-Dec) 2025

Navigating 2026 Malaysia's Economic Outlook: Resilience and Adaptation

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Agenda

- 1** 2026 Global Growth Outlook – Defying Gravity
- 2** Navigating Malaysia's Economic Outlook – Resilience and Adaptability
- 3** Visit Malaysia 2026 (VM2026) can propel tourism industry to new heights





2026 Global Growth Outlook – Defying Gravity

Resilience, Transition or Disruption?

The global economy enters 2026 with resilience intact, coexisting with significant fragilities, including geopolitical fragmentation, structural frictions, policy uncertainties, and elevated debt burdens

2026 Global outlook: Four forces re-shaping the global economy

A Fragmented Trade System

- **Strategic Rivals:** Competing economic and political blocs as well as supply chains security.
- **US Tariffs Cycle:** Broad-based US tariffs become a built-in assumption over medium-term, persistent restraint on investment and global trade flows.
- **Nearshoring/Friend-shoring Strategies:** Transition costs and supply-chain rigidity weigh on medium-term growth.
- **Policy Uncertainty:** High trade-policy uncertainty erodes risk appetite and delays capex plans.

Financial Conditions

- **Interest-Rate Path:** Gradualism in the Fed's interest rate policy as it balances inflation, labor markets and growing financial stability concerns tied to rising debt.
- **The USD Index Trajectory:** Continued USD index weakness due to cyclical forces and structural issues.
- **Debt and Fiscal Pressures:** Significant risks to financial stability, fueling concerns about sovereign defaults, banks' stability, rising bond yields and increased borrowing costs.



AI Investment

- **US-Led Capex Boom:** AI-driven spending on data centres and chips supports overall investment, mitigating the tariff pressures.
- **Resource Crowding-Out:** High demand for key components by AI causes significant price increases for devices; creating supply constraints and potentially slowing broader digitalization.
- **AI Bubble in the Making?:** High AI technology valuation beyond fundamental, leading to a potential market correction, and could trigger financial instability.

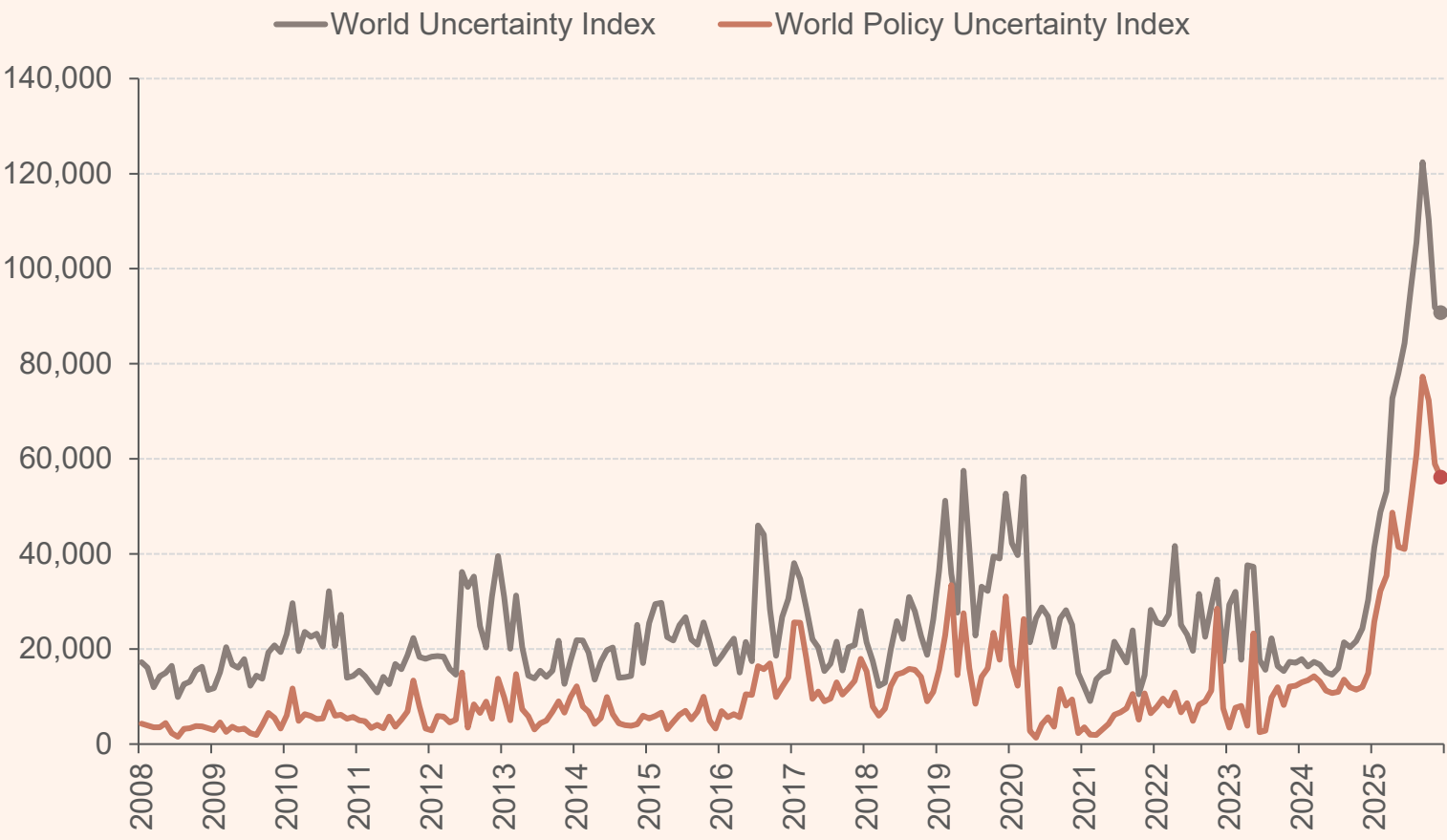
Geopolitical & Climate Disruptions

- **Ongoing Geopolitical Conflicts:** War in Ukraine, tensions in the Middle East, and regional instability disrupt supply chains, energy shocks and lower food output.
- **Shipping Disruptions:** Reroute maritime flows, elevating freight costs, extending delivery times.
- **Climate Hazards:** More frequent and severe extreme weather events disrupt production cycles for food, energy, and minerals.

Policy Uncertainty Index has eased from the peak

This suggests the world economy may have reached a turning point and is set to enter 2026 on a note of cautious optimism

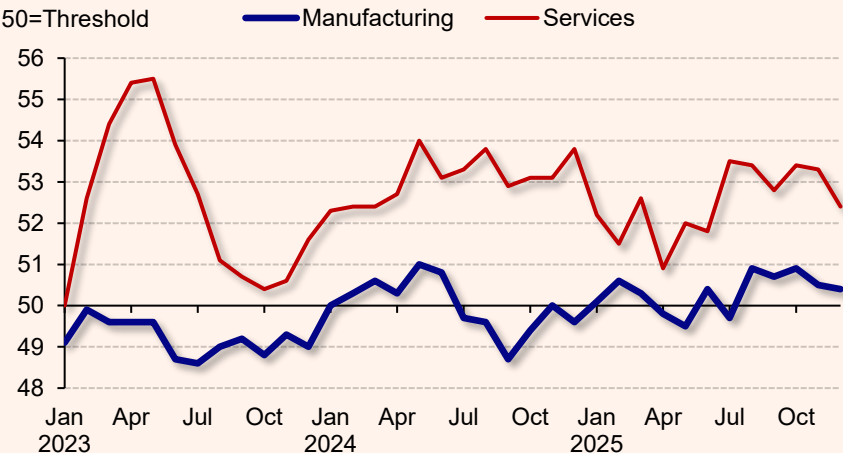
World Uncertainty Index & World Policy Uncertainty Index
Index, GDP weighted average



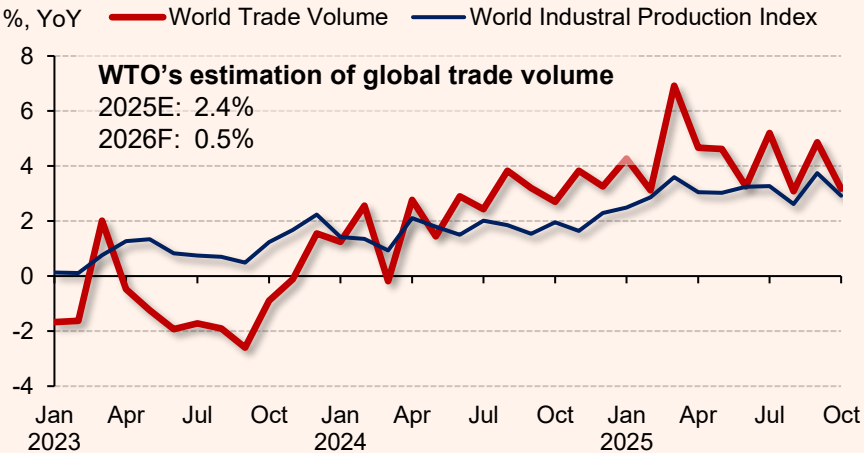
Source: NBER Working Paper

Global current and forward indicators: A mixed trend

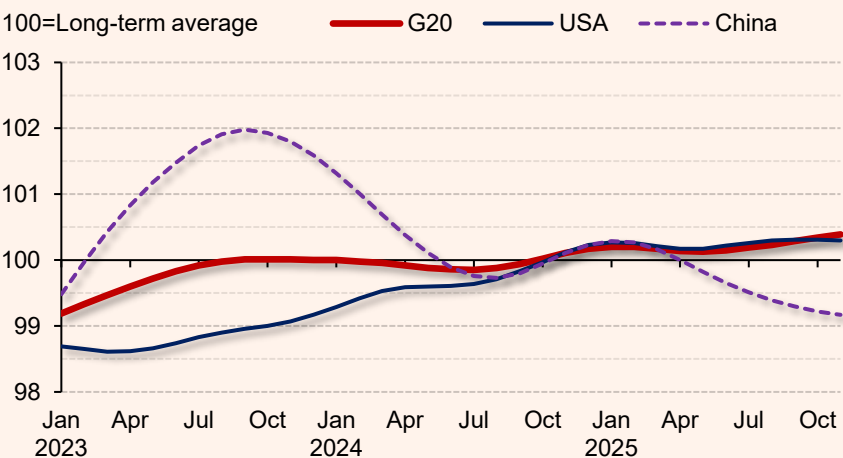
Global PMI for manufacturing & services



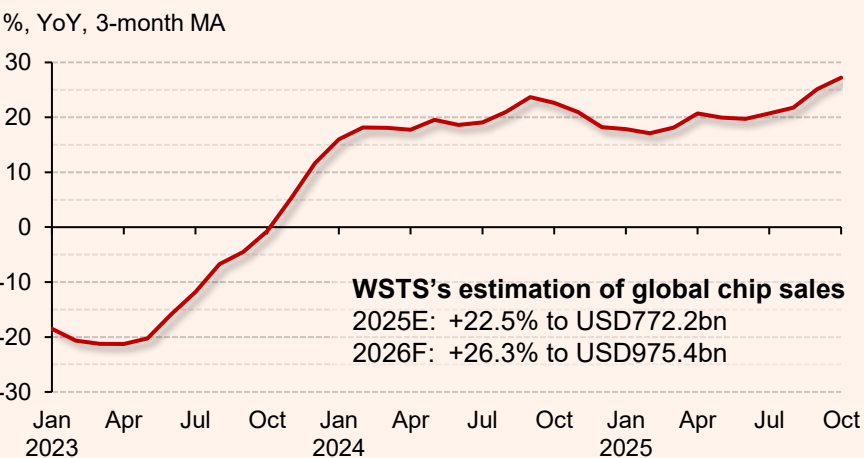
World trade volume and industrial production



OECD Composite Leading Indicators (CLI)



Global semiconductor sales



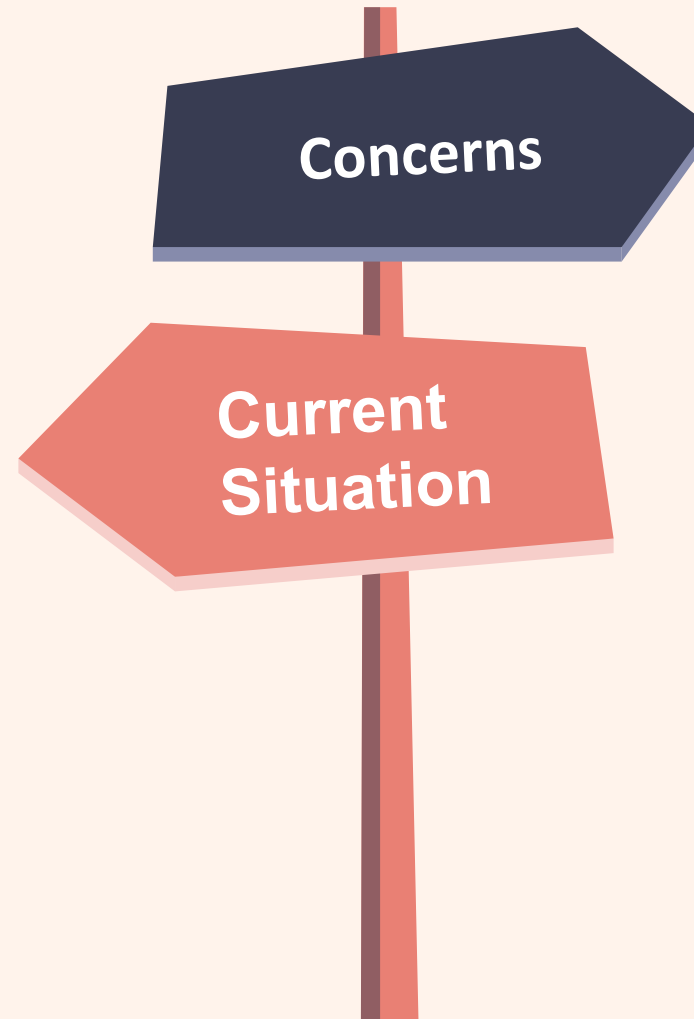
- Global manufacturing PMI dropped to the lowest reading during the current five-month sequence of expansion; global services PMI continued its expansionary path.
- The OECD composite leading indicators indicate growth divergence across major economies.
- The tariff impact is expected to continue weighing on global trade volumes in 2026.
- Global semiconductor sales expanded strongly in 2024-2025, supported by AI boom.

Source: S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands; World Semiconductor Trade Statistics (WSTS)

Global and market outlook 2026 – Reasons to remain cautious

In 2025, there have been fewer severe effects than predicted...

- ✓ Global economy is resilient than feared.
- ✓ Both equity and bond markets experience strong performance.
- ✓ Inflation fears are muted for now.
- ✓ Asian economies showed resilience, with exports boosted by "frontloading".
- ✓ Asian markets have hit record highs, driven by liquidity, rate cuts, a weaker dollar, and the AI boom.



BUT risks and overconfidence linger...

- ✗ The Fed's rate cuts come with caveats due to slowing job growth and elevated inflation.
- ✗ An important vulnerability is that the United States' continuing gains depend on whether today's optimism about AI is sustained.
- ✗ The US could face another government shutdown in 2026! High US debt and fiscal pressures.
- ✗ Southeast Asian export surge is temporary and due for a "payback."

What's global outlook for 2026?



GLOBAL GROWTH

1

Global growth has held up better than expected in 2025 but remains fragile. **Global growth will continue to slow in 2026 amid policy headwinds and risks.** The risks are the shifting trade policy, US inflation risk, the sustainability AI boom, fiscal uncertainty and debt. **The Fed's easing cycle provides a buffer!**



THE US ECONOMY

2

Amid the tariffs impacting purchasing power, **US GDP growth is projected to expand from 2.0% in 2025 to 2.1% in 2026.** Lower energy prices and less-restrictive monetary policy should help cushion consumer demand.

Higher consumer inflation risk could limit the Fed's rate easing. **AI sector has frothy valuations** relative to current earnings



CHINA ECONOMY

3

We expect China's economy to grow moderately in 2026 amid a one-year trade deal truce with the US.

Lingering challenges include **structural headwinds, high youth unemployment, and a weak property market.**



THE FED'S ACTION

4

The Fed chair said that policy rate easing is not on a preset course amid divided Fed voting members' views on the future rate path. With weak labour conditions and persistent inflation on tap, the Fed is likely to lower rates only modestly in 2026. **The Fed funds rate is expected to reach between 3.00%-3.25% by end-2026** (3.50%-3.75% at end-2025).



DOWNSIDE RISKS

5

Elevated uncertainty and trade barriers as well as geopolitical conflicts. Rising government debt and fiscal imbalances in the US may limit policy flexibility and increase sovereign risk premiums. Renewed inflationary pressures could derail the monetary easing path.

High frequency indicators in the US and Eurozone

The United States

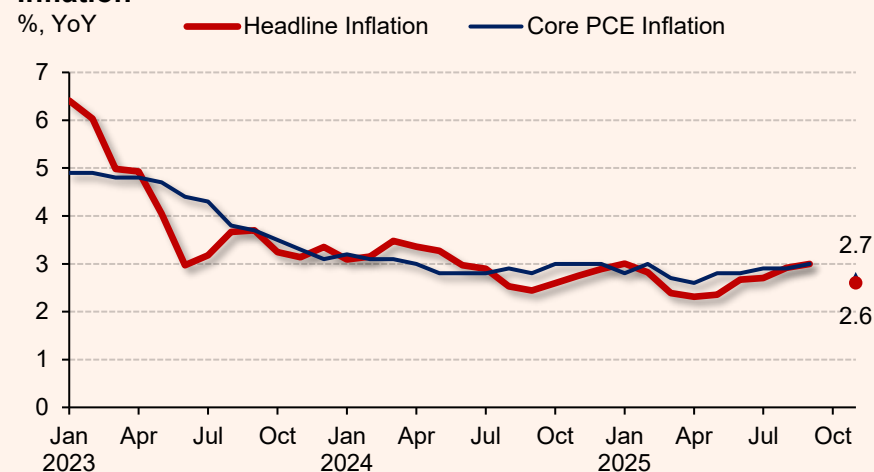
Steady as she goes

- A one-year trade deal truce with the US, lingering concerns remain
- Tariffs' impact on prices mostly still lies ahead
- Concerns about a softening labour market – stalled speed!

Note: Some data for October are not available

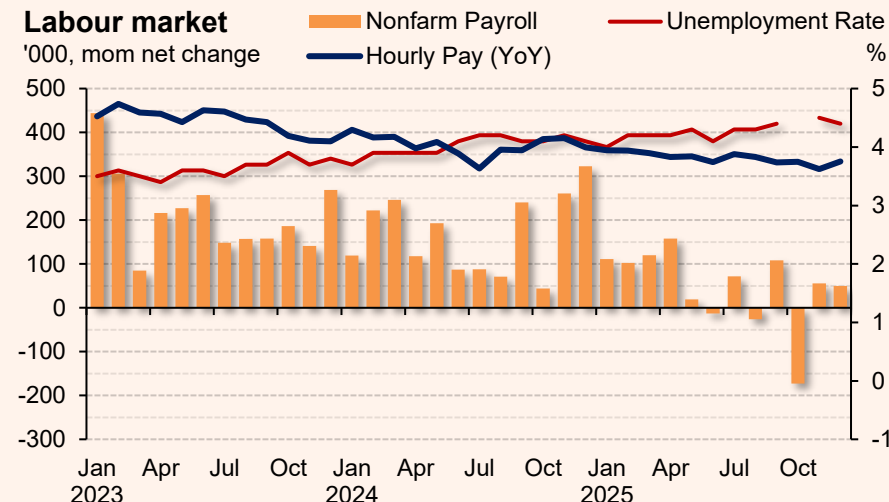
Inflation

%, YoY



Labour market

'000, mom net change



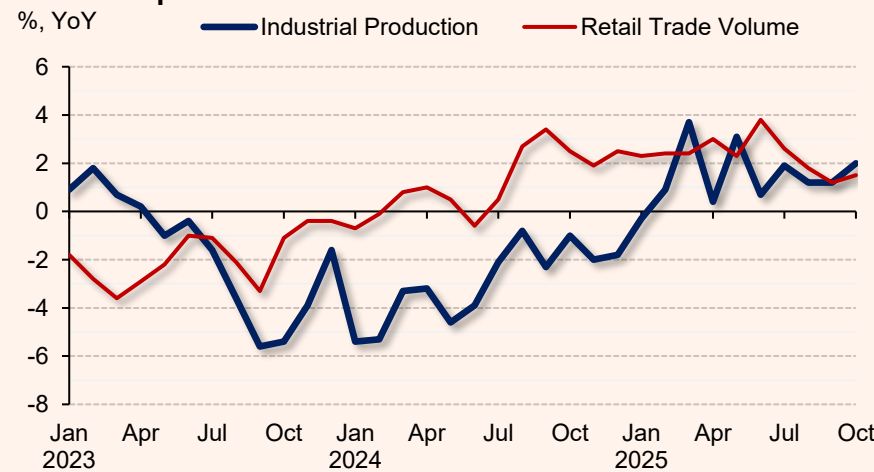
Euro Area

Growth structurally uneven

- Exports showed positive sign
- Germany's debt brake restoration slows growth
- Policy interest rate stays put at 2.0% for four meetings after four round of cuts

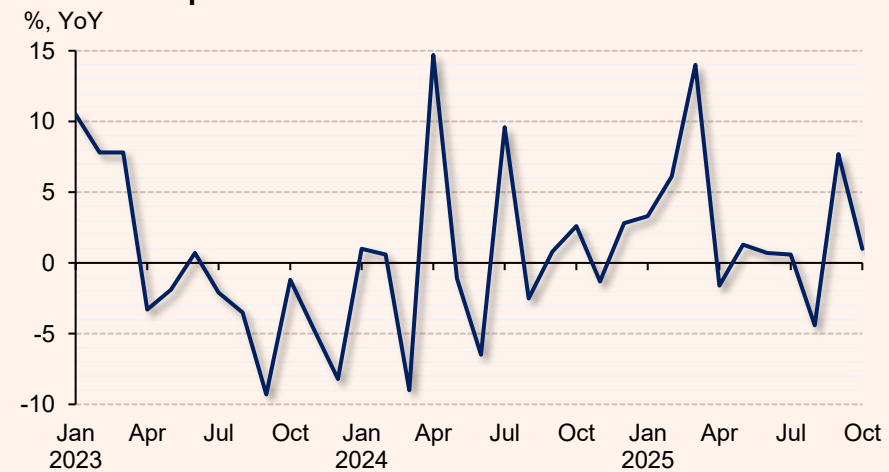
Industrial production and retail trade volume

%, YoY



Extra-EA exports

%, YoY



Source: Institute for Supply Management (ISM); US Bureau of Labor Statistics; US Bureau of Economic Analysis (BEA); S&P Global; Eurostat

High frequency indicators in Japan and China

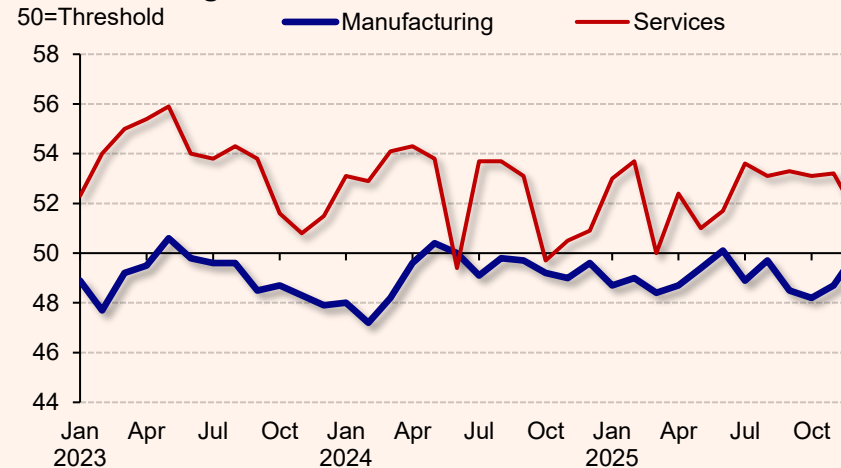
Japan

Massive stimulus-led revival

- Persistent weaknesses in manufacturing growth
- Inflation stays at 2.9% in Nov
- Fiscal stimulus under new leadership should lift growth temporarily

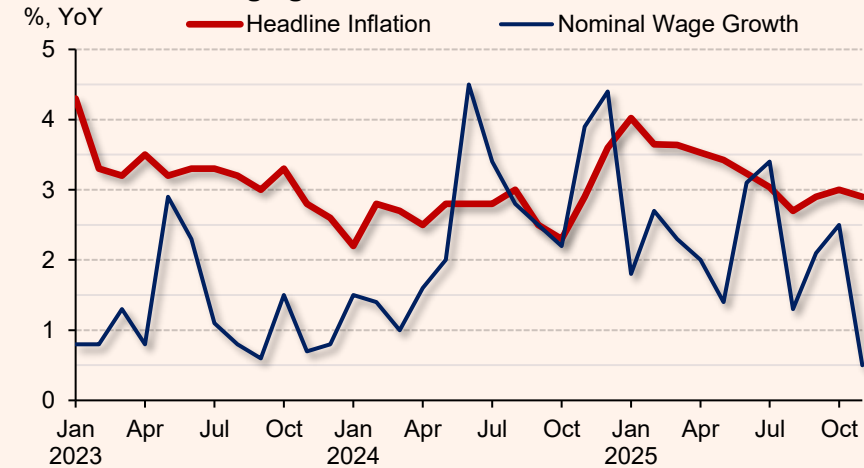
Manufacturing and services PMI

50=Threshold



Inflation and wage growth

%, YoY



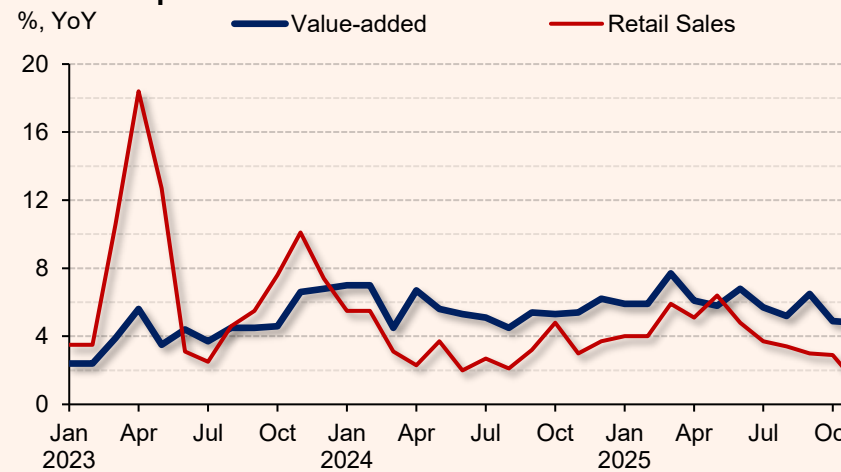
China

Growth transitioning continues

- Exports have registered negative growth in Oct amid the lingering trade policy challenges
- Property downturn continues to weigh on domestic demand
- Shifting towards the services sector to stimulate consumption and growth

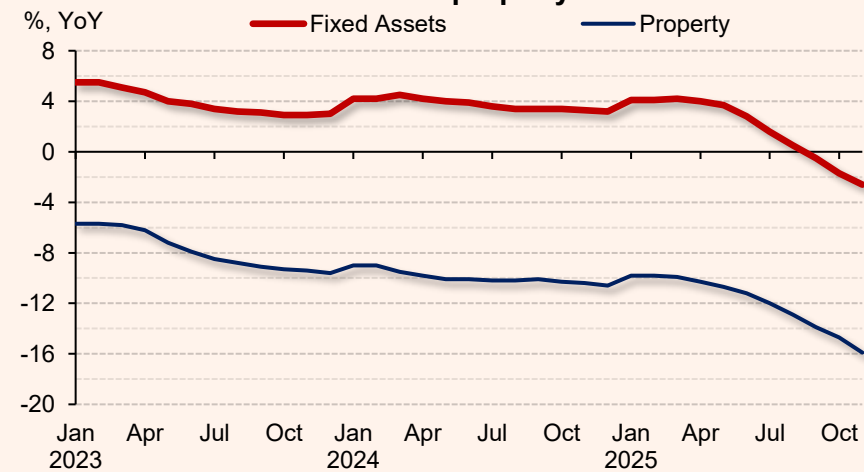
Industrial production and retail trade volume

%, YoY



Accumulated fixed assets and property investment

%, YoY

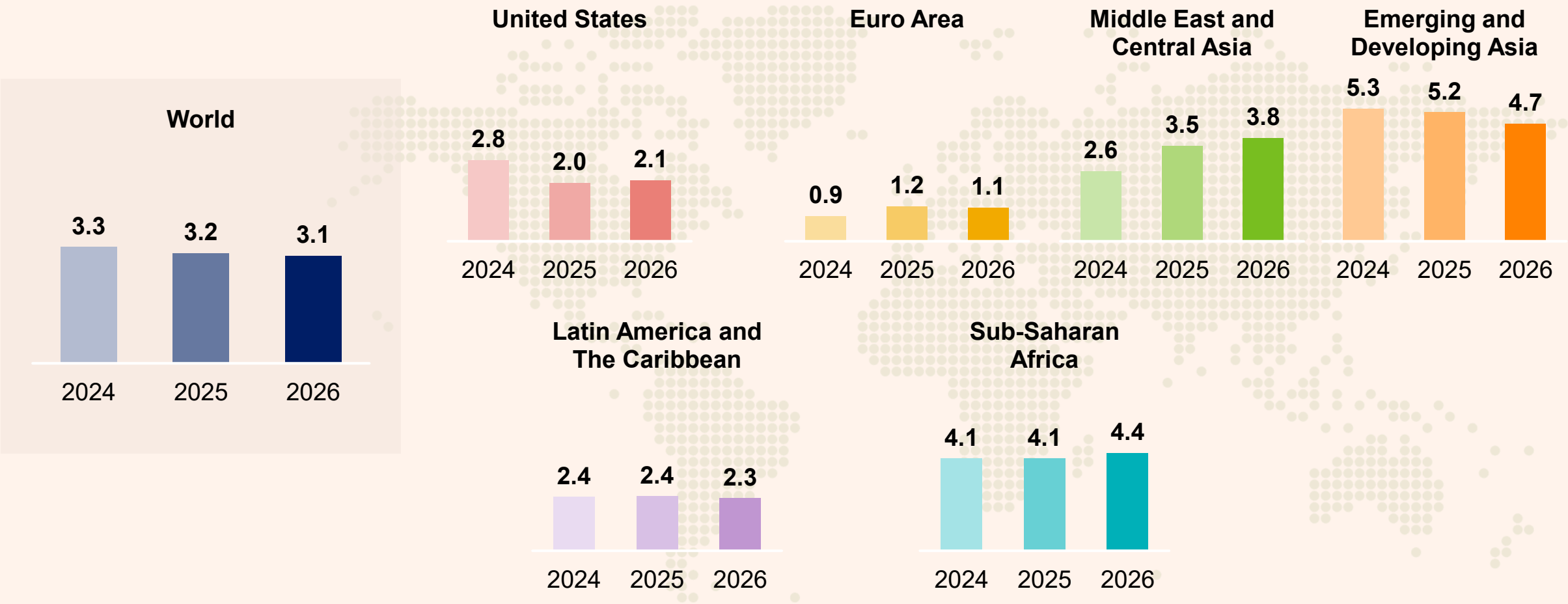


Source: S&P Global; Statistics Bureau, Japan; Ministry of Health, Labour and Welfare (MHLW), Japan; National Bureau of Statistics of China (NBS China)

Diverging growth paths in advanced and emerging economies

World Economic Outlook, October 2025

Real GDP growth, percentage change

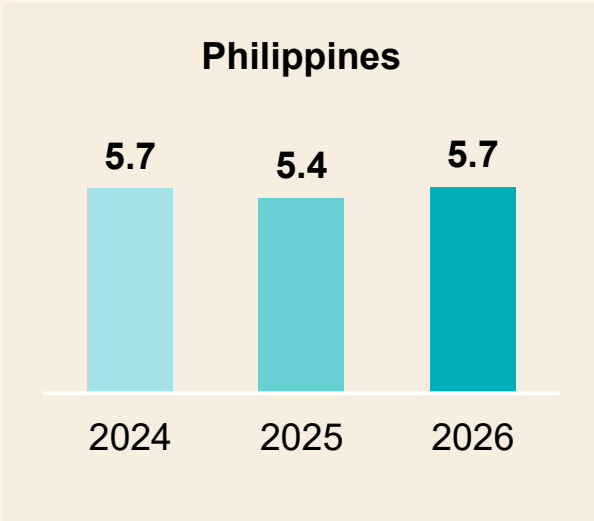
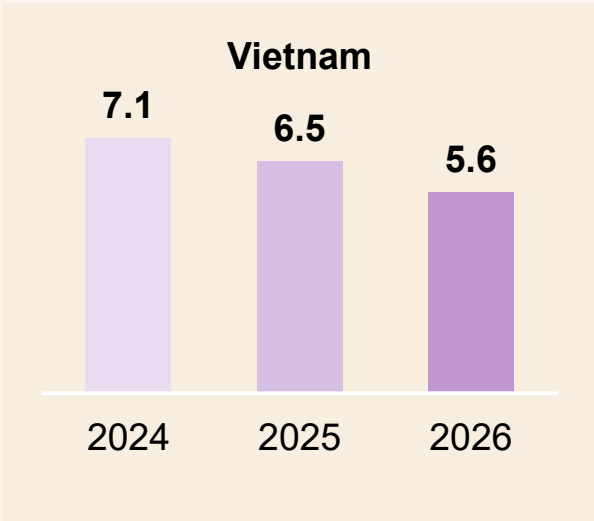
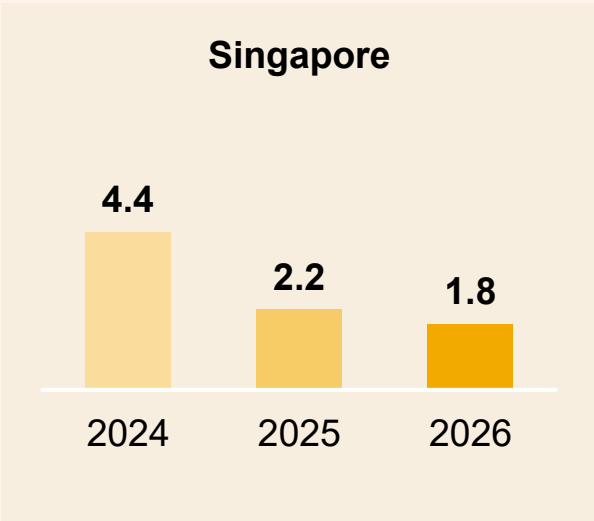
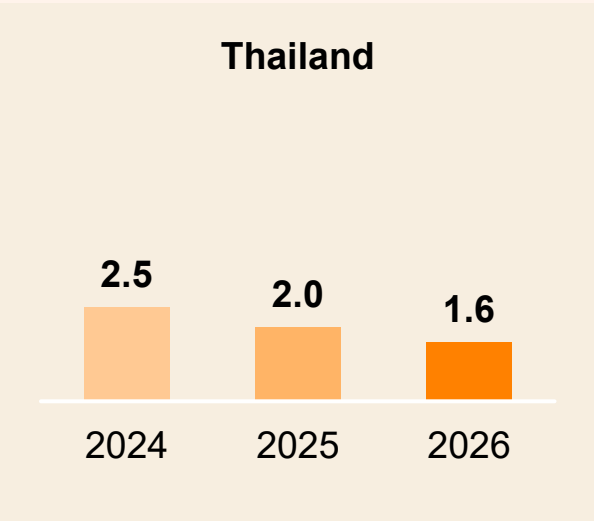
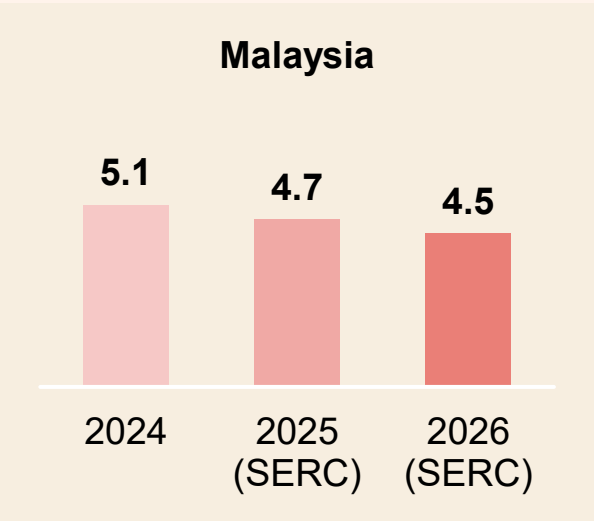
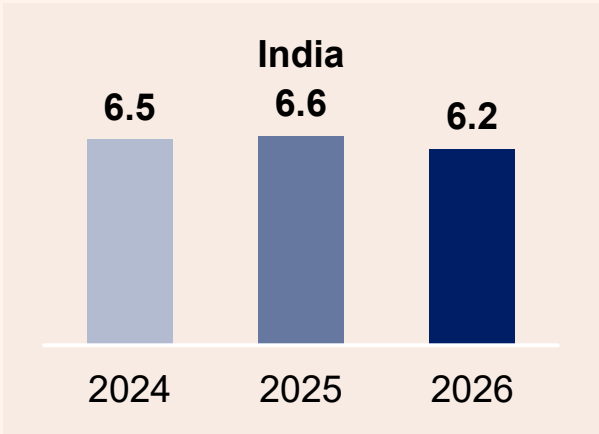
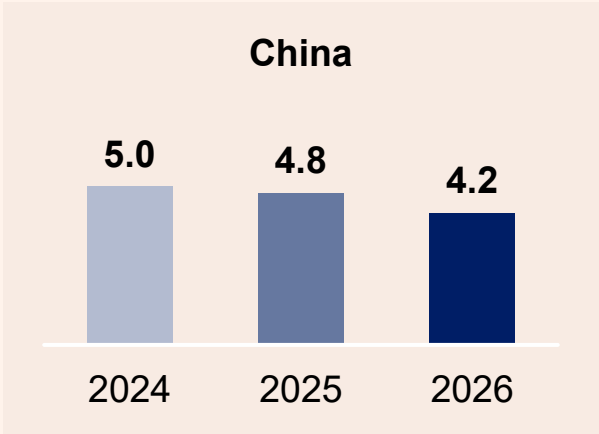


Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.

Source: International Monetary Fund (IMF)

Growth moderates across most regional economies

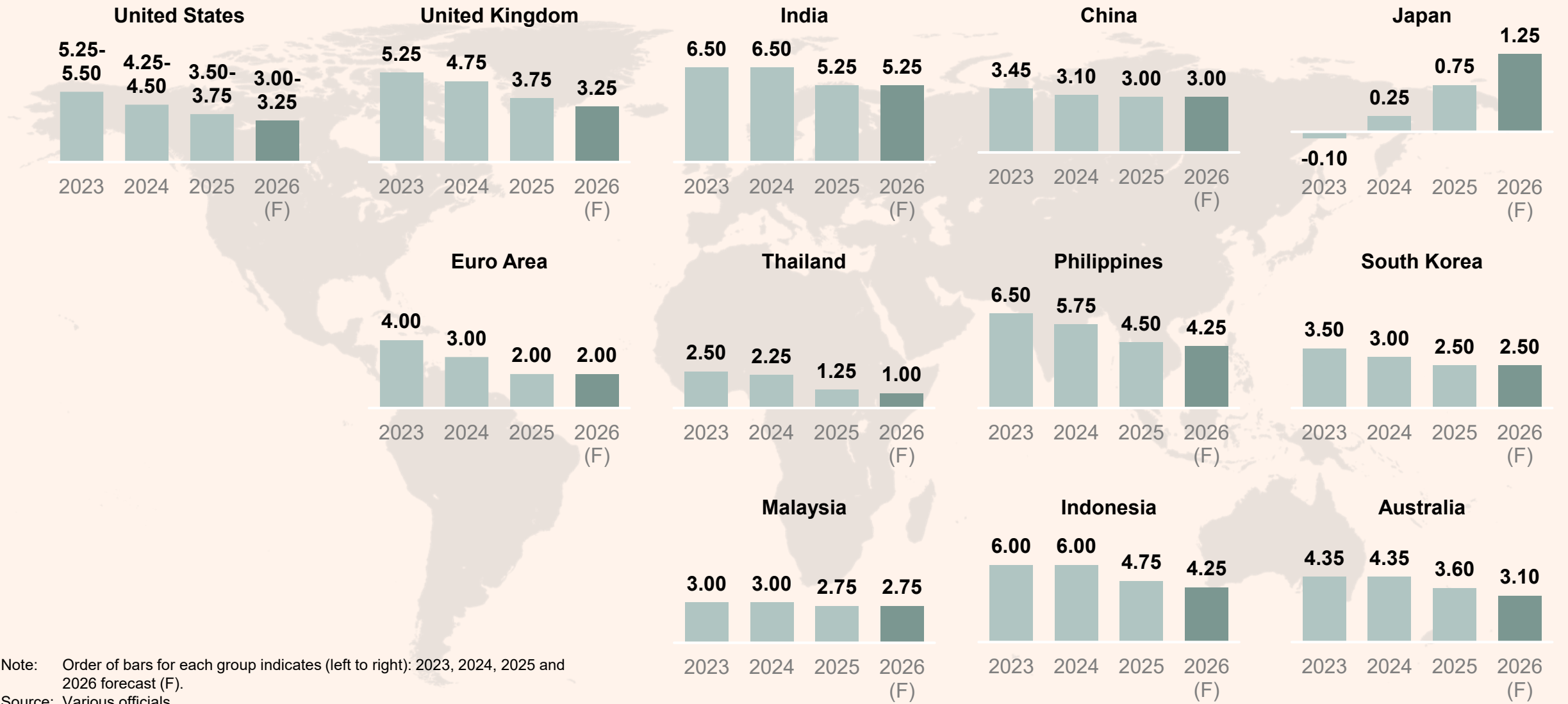
**Selected Asian Countries’
Economic Outlook**
Real GDP growth, percentage change



Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.
Source: International Monetary Fund (IMF)

Less restrictive monetary stance for growth “insurance” and risk management

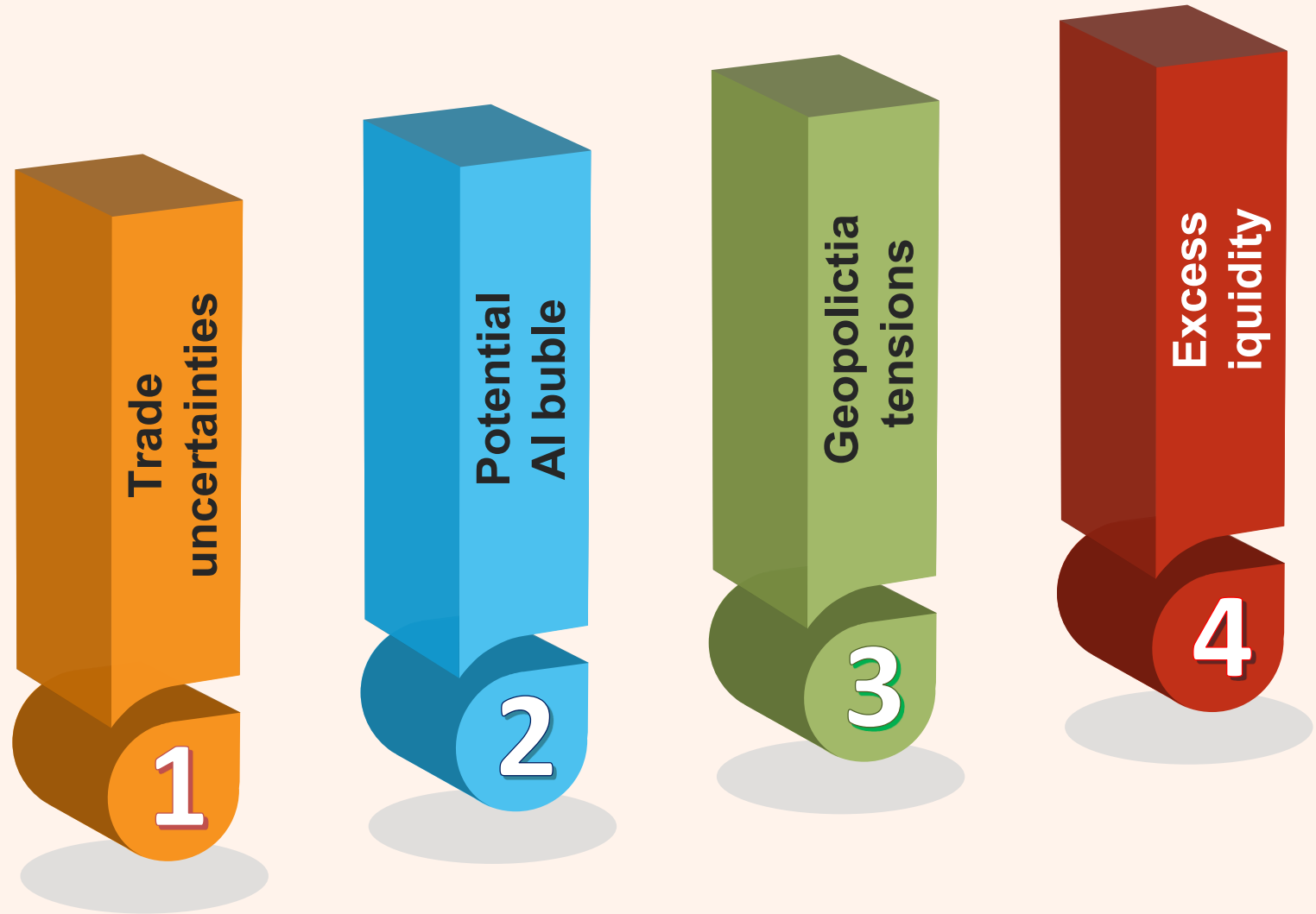
Policy rate (% , end-period)



Note: Order of bars for each group indicates (left to right): 2023, 2024, 2025 and 2026 forecast (F).
Source: Various officials

Several risks could upset the global economy and financial markets

1. A fragile one-year trade truce between the US and China could collapse, deepens uncertainty over the future path of tariffs, including at the sectoral level.
2. The surge in AI-related spending in the US raises fears of a bubble.
3. Ongoing geopolitical tensions add further uncertainty.
4. An abundance of liquidity resulting from cuts in interest rates is often associated with inflationary pressures and the formation of asset bubbles.



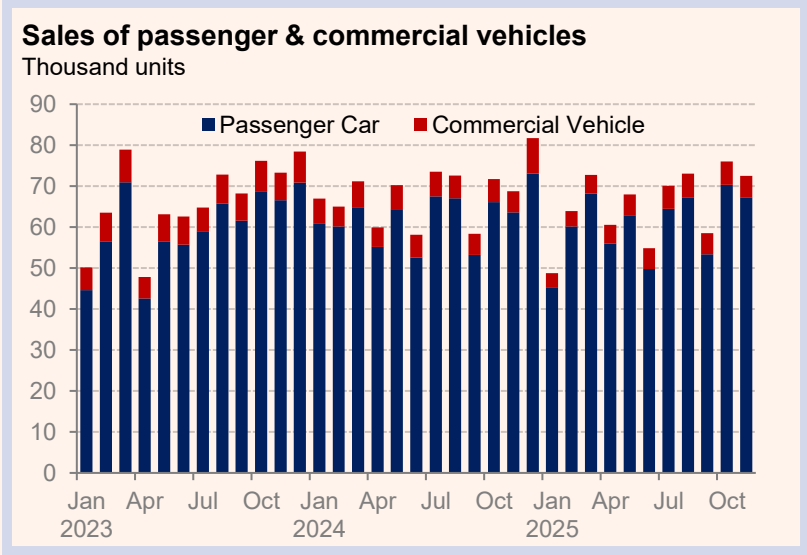
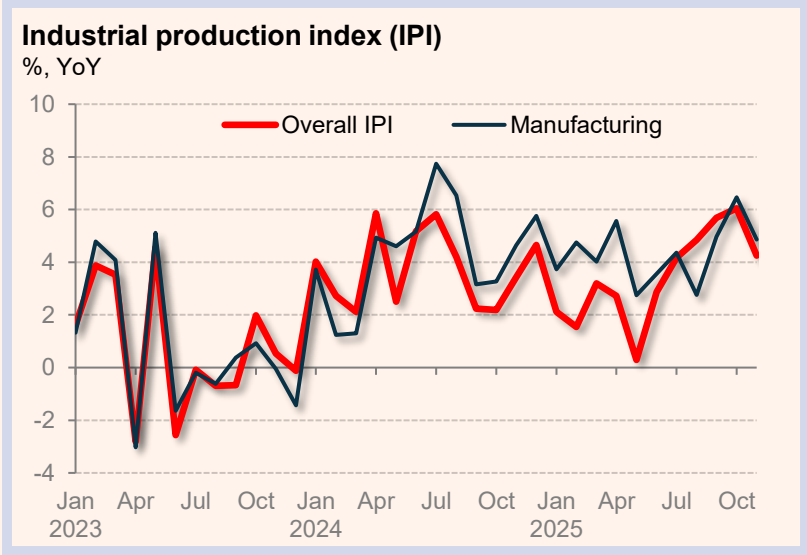
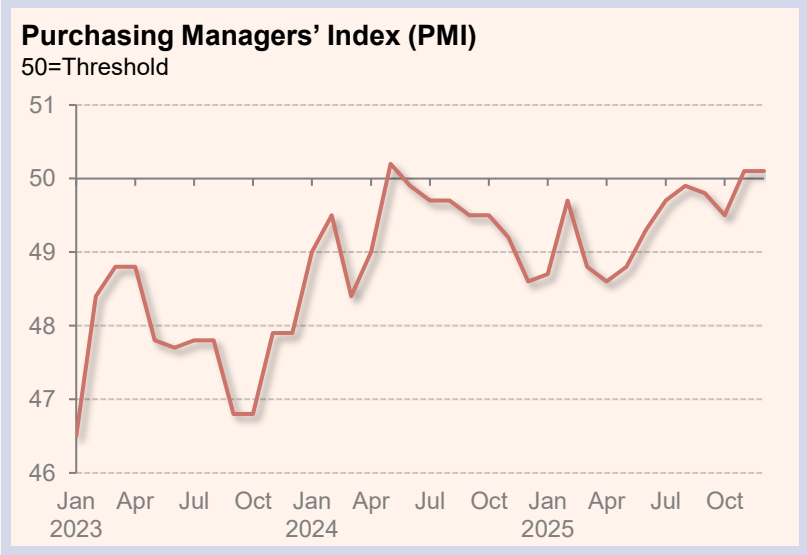
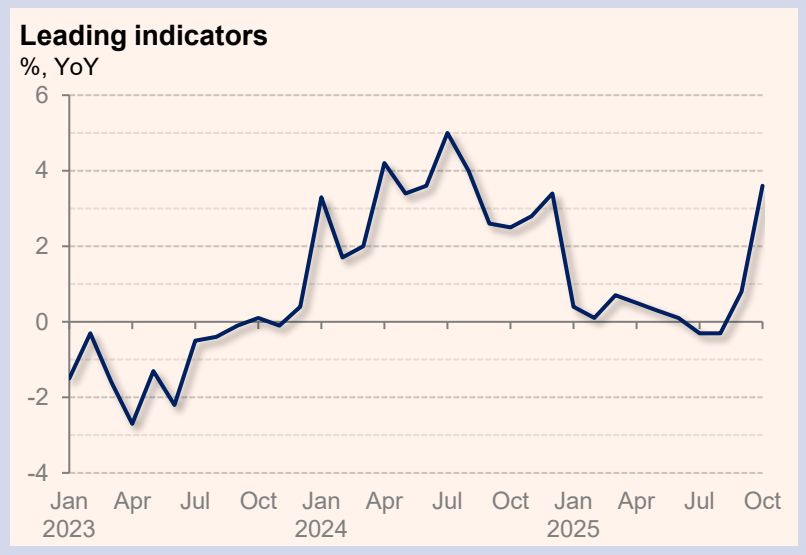


Malaysia's Economic Outlook

Adaptive Resilience

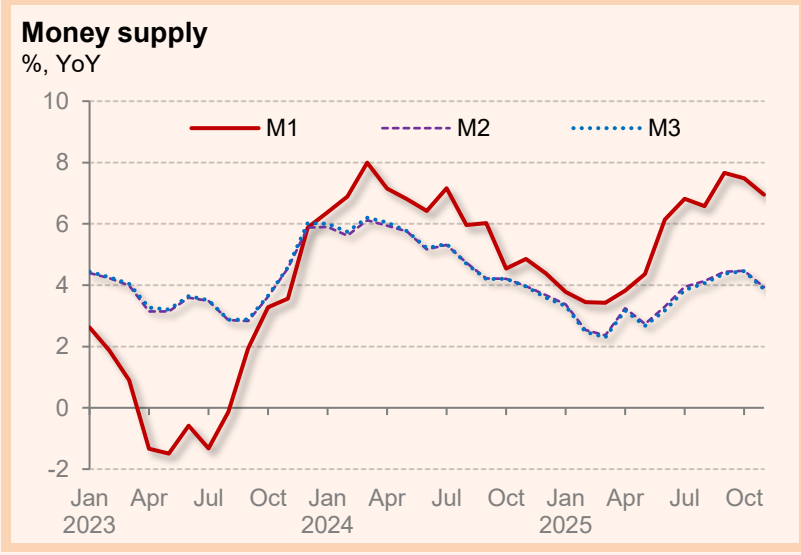
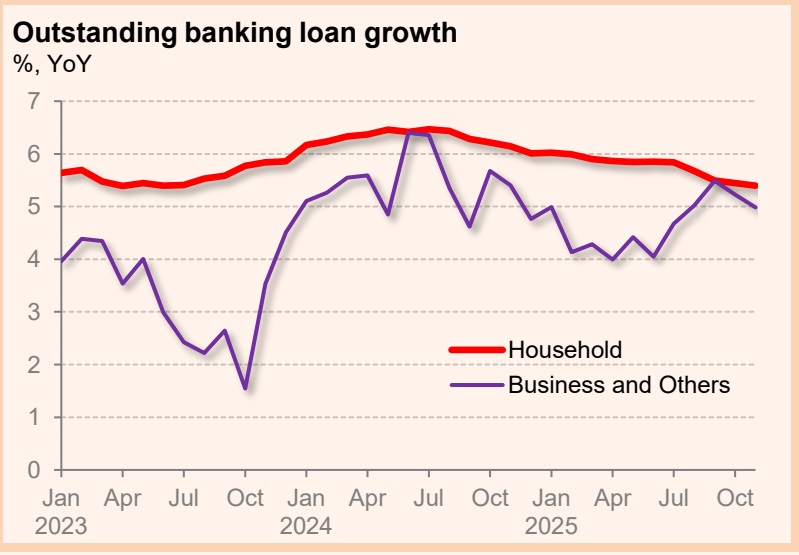
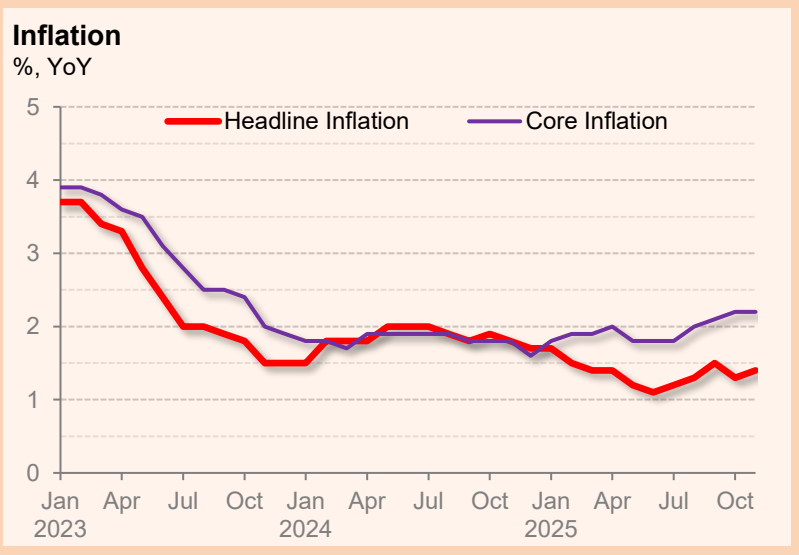
Malaysia enters 2026 on a resilient economic note, anchored by domestic demand, a stable labour market, less restrictive monetary and supportive fiscal measures amid weak exports

Tracking Malaysia's economic indicators



Source: DOSM; S&P Global; Malaysian Automotive Association (MAA)

Tracking Malaysia's economic indicators (cont.)

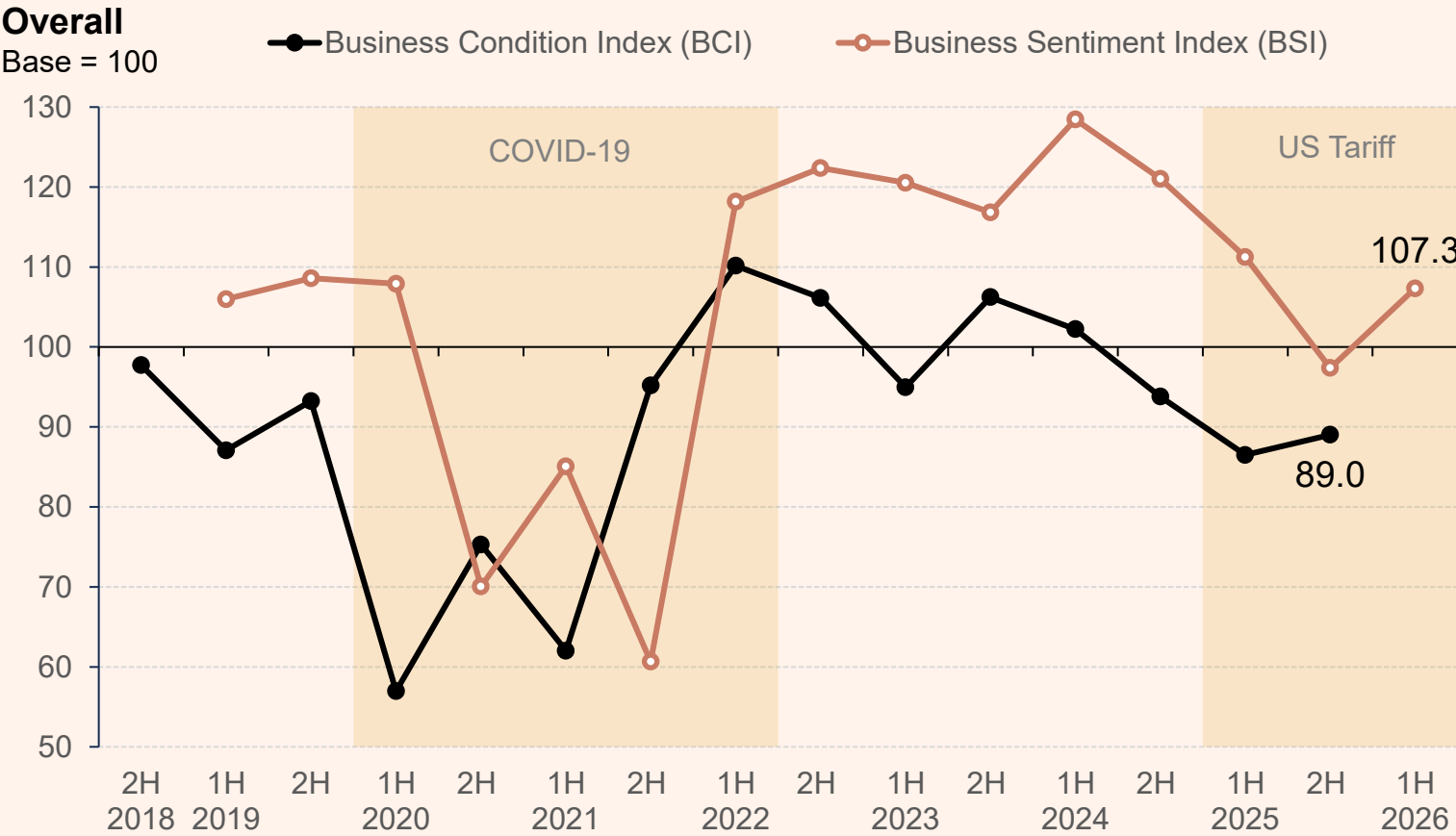


Source: DOSM; BNM

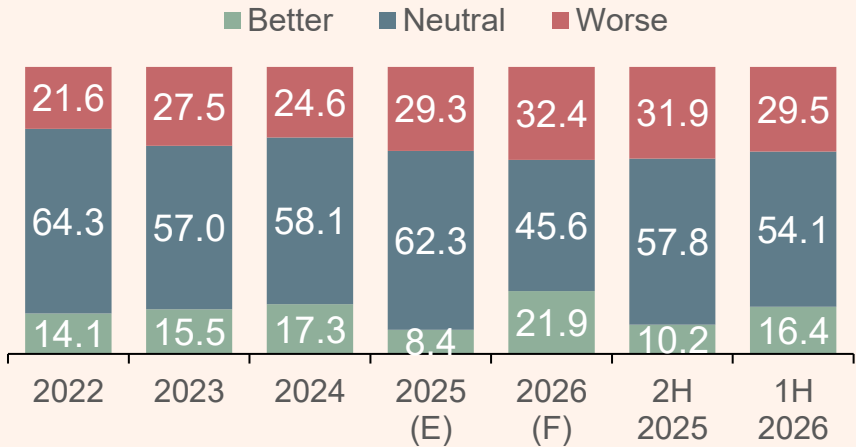
Note: Starting Jan 2024, number of unemployed persons were estimated based on Population and Housing Census of Malaysia 2020.

ACCCIM M-BECS shows that business confidence is showing improvement

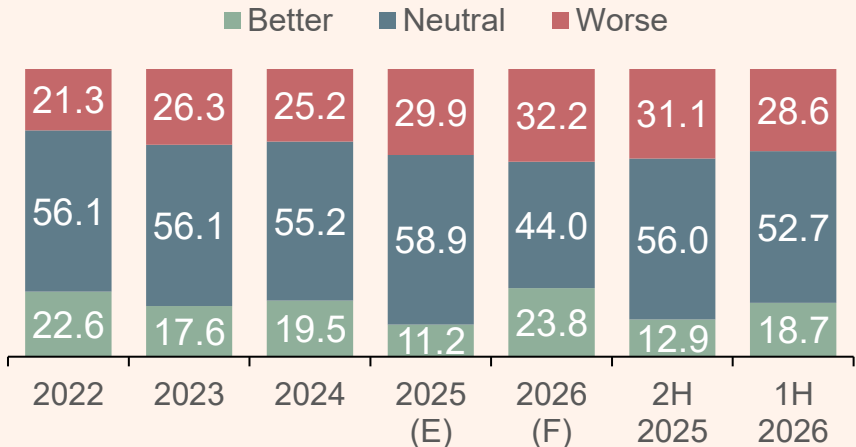
BCI improved to 89.0 in 2H 2025, albeit it remained below the 100 threshold. BSI rebounded to 107.3, signalling positive business outlook for 1H 2026.



Economic Conditions and Prospects



Business Conditions and Prospects

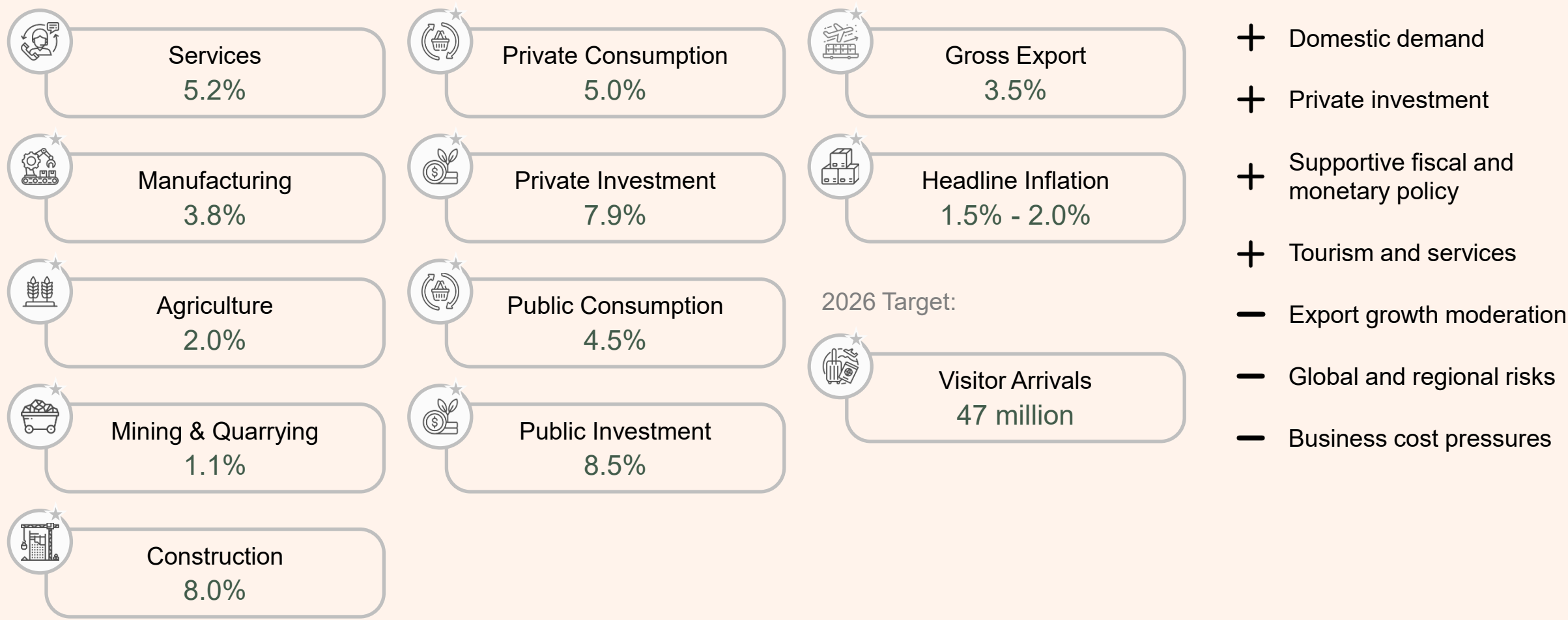


Source: ACCCIM's M-BECS 2H 2025 & 1H 2026F

E=Estimation; F=Forecast

A snapshot of Malaysia's economic numbers in 2026

Estimated GDP growth at **4.5%** in 2026 (estimated 4.7% in 2025; average 5.9% pa in 2022-2024)

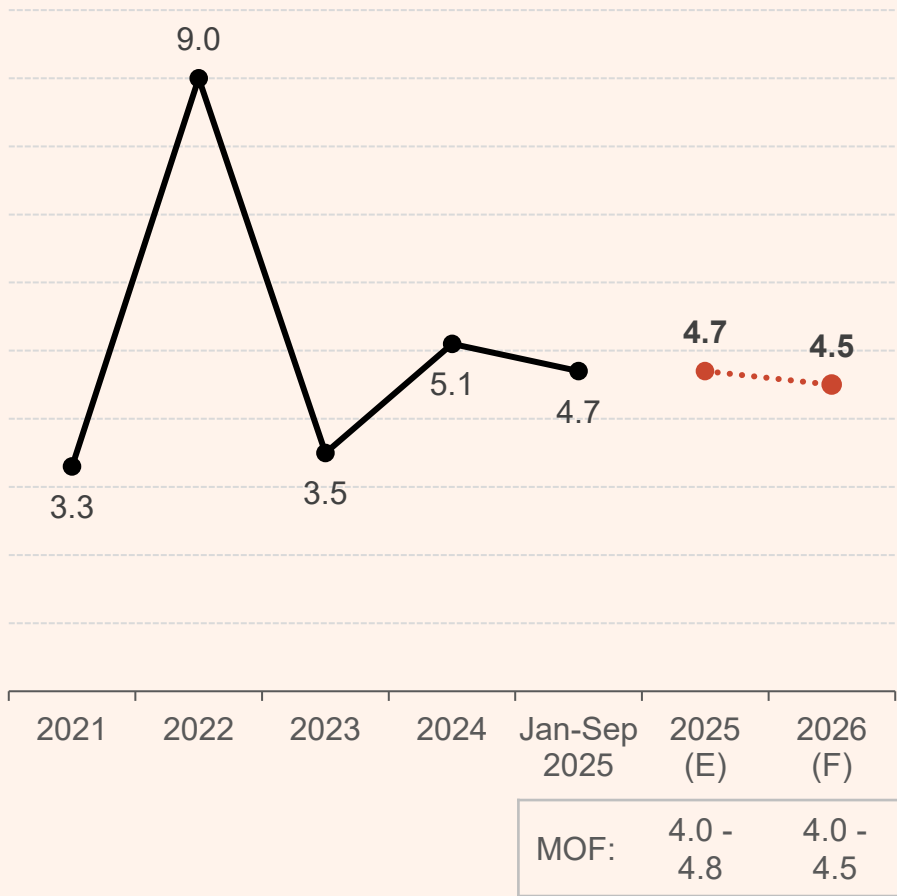


Source: SERC's estimates; Ministry of Tourism, Arts and Culture (MOTAC)

2026 GDP growth: Moderated but remains resilient

Malaysia's real GDP growth

%, Year-on-Year



Note: E=Estimate; F=Forecast.
Source: DOSM; MoF

Key Upside Risks

- Stronger fiscal stimulus in some advanced economies and the Fed's more monetary easing
- Reduced trade tensions
- Faster-than-expected AI adoption driving productivity
- Continued strong demand for E&E
- Robust tourism activity

Key Downside Risks

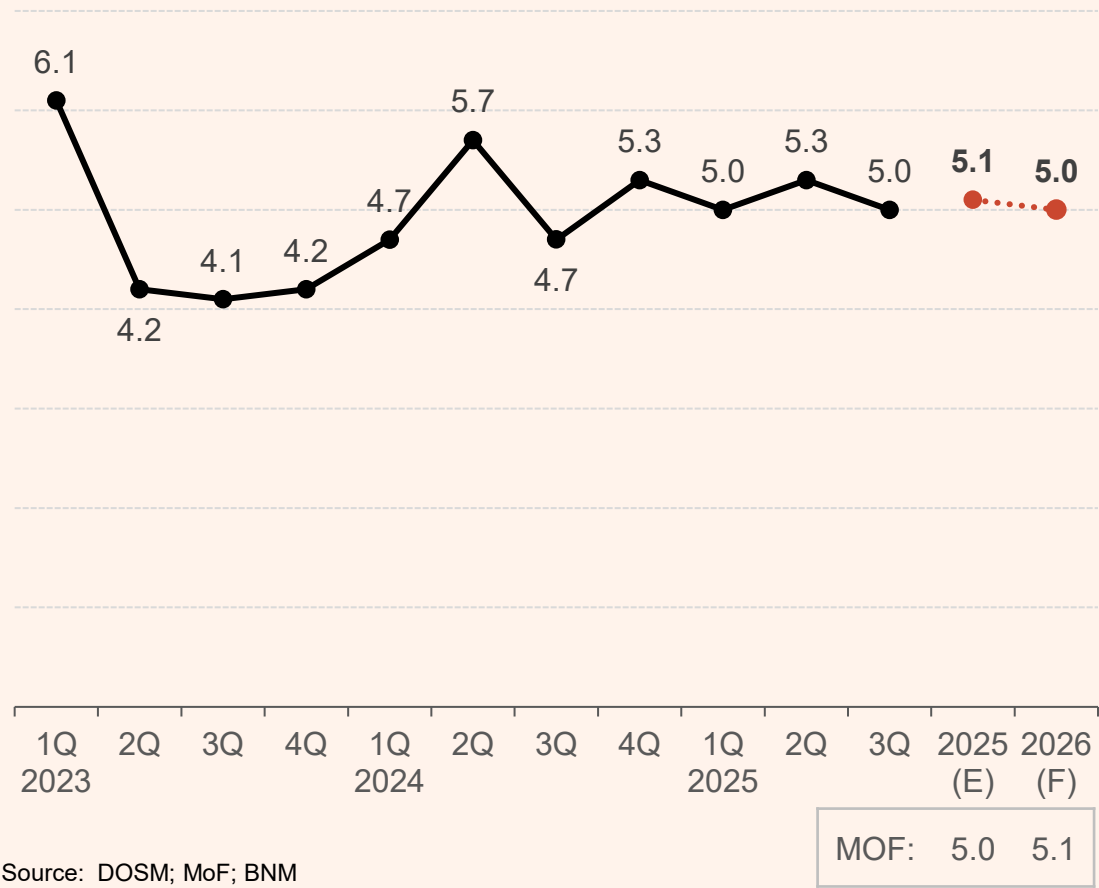
- A full impact of tariffs or further tariffs on global growth and trade
- "Payback" period for exports sharper than expected
- Delays in implementation of projects
- Prolonged uncertainties and increasing business costs weaken investment sentiment

Private consumption: Stay supportive but measured

Drivers: Stable labour market, consumption-based policy ed (e.g. STR & SARA, salary increment for civil servants), Visit Malaysia 2026

Private consumption growth

% , Year-on-Year

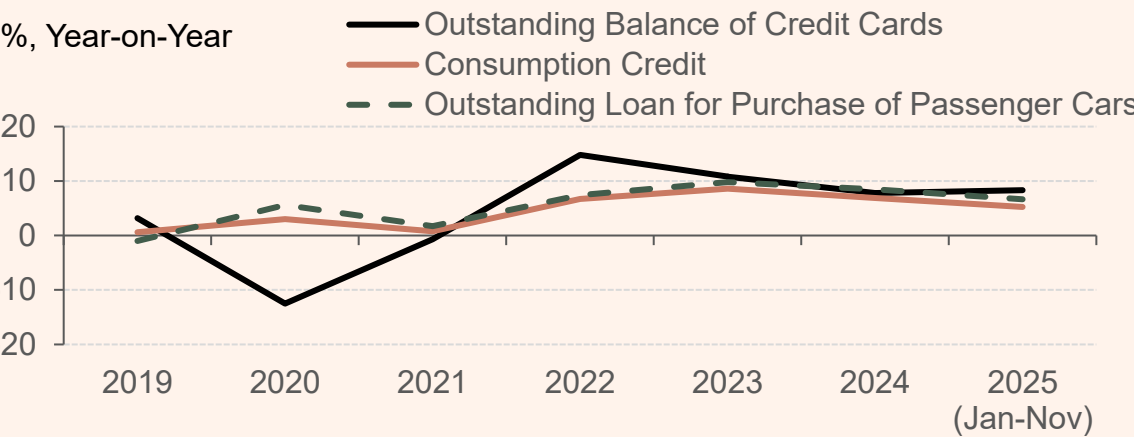


Source: DOSM; MoF; BNM

Risks: Cost-of-living pressures, high household debt, spillover from slowing exports

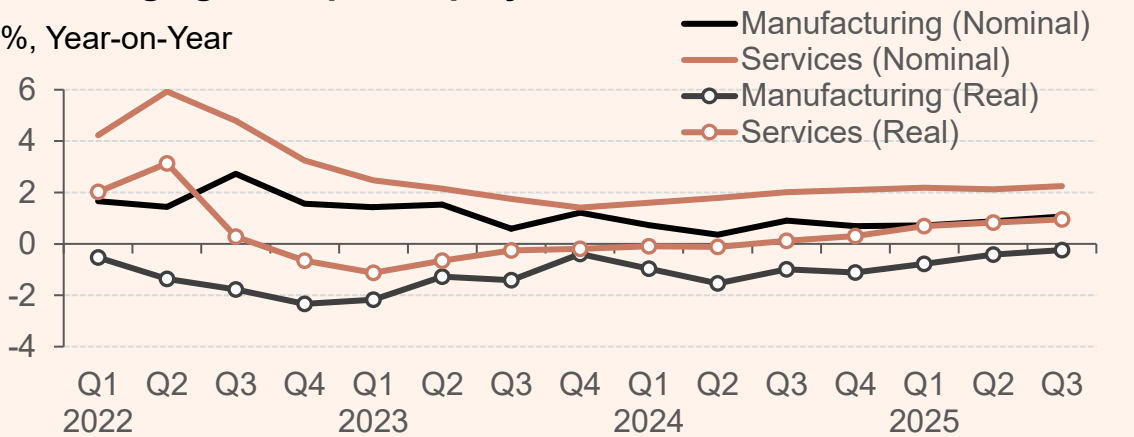
Selected private consumption indicators

% , Year-on-Year



Real wage growth per employee

% , Year-on-Year

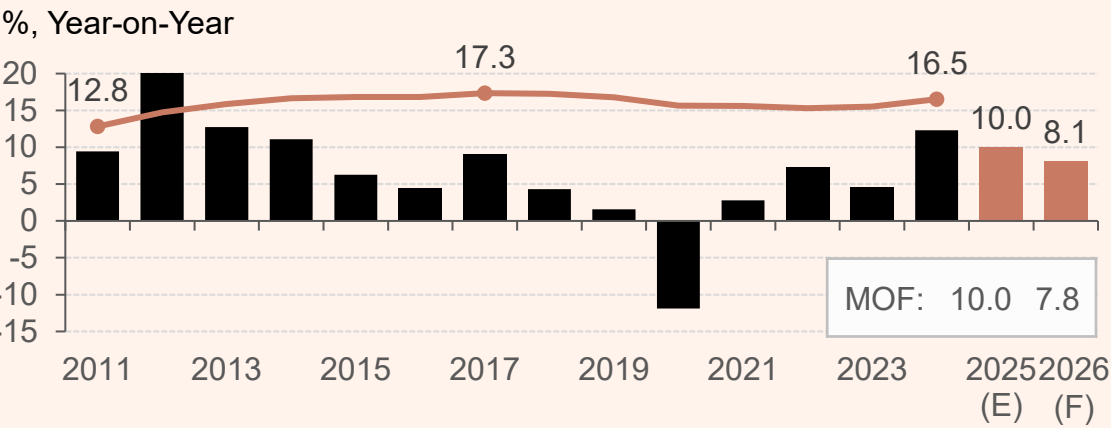


Private investment remains the key growth anchor

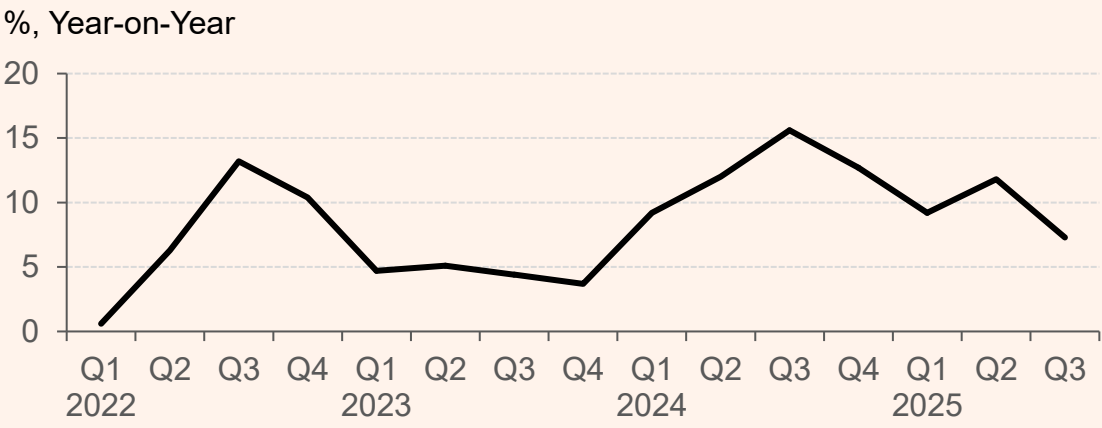
Drivers: Ongoing capacity expansion, technology-related spending, multi-year development programmes

Risks: Delays in project implementation, tighter credit conditions, policy uncertainty

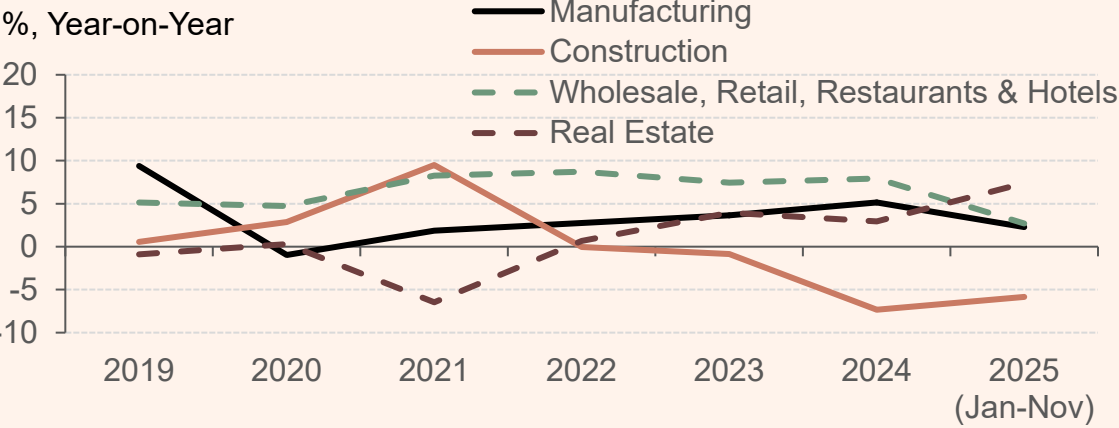
Private investment growth - annually



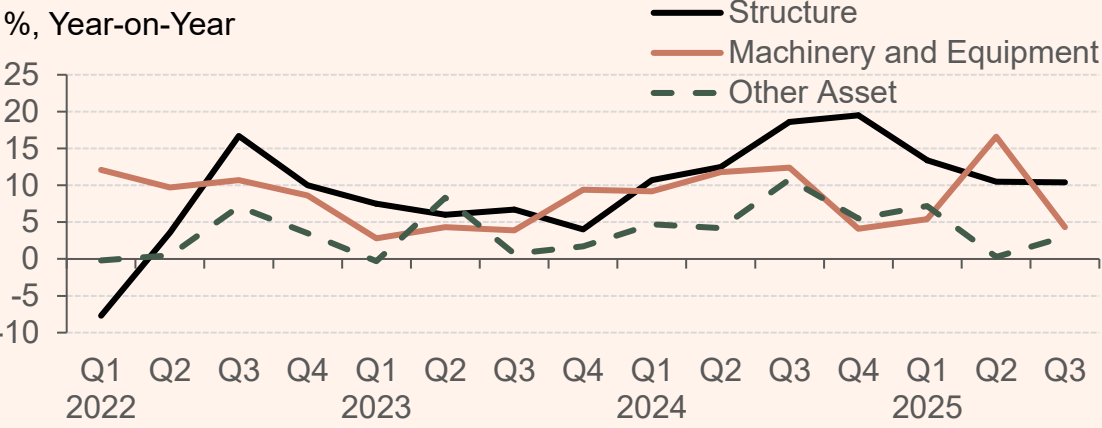
Private investment growth - quarterly



Selected business loans



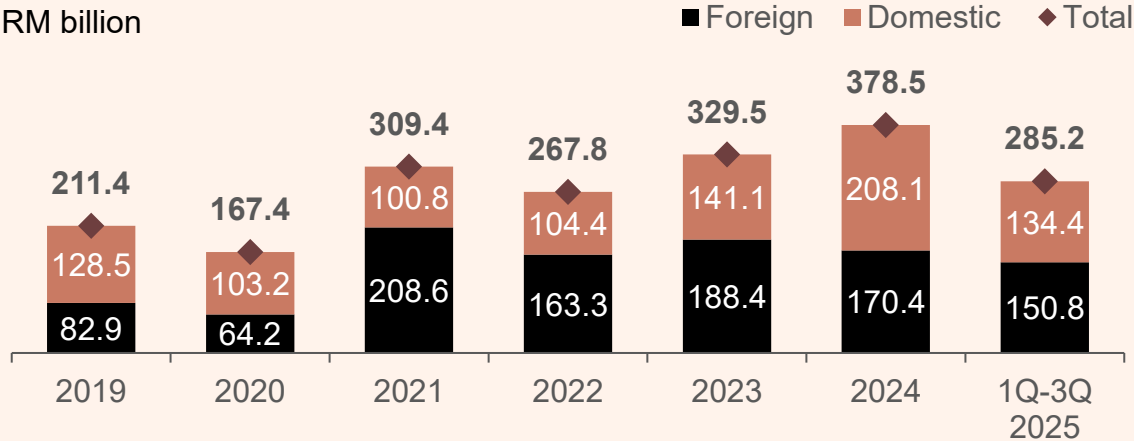
Gross fixed capital formation by type of assets



Source: DOSM; MoF; BNM

Robust investment in high-demand and strategic sectors

Foreign vs domestic approved investment

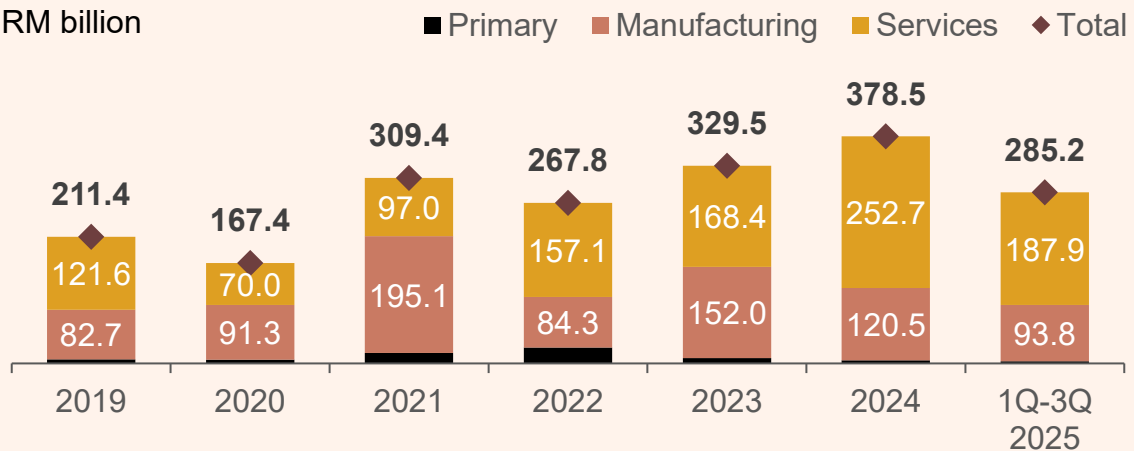


Top 3 highest approved investments by states in 1Q-3Q 2025

RM billion, % change (vs 1Q-3Q 2024)



Approved investment by sectors



Top 3 highest approved investments by sub-sectors in 1Q-3Q 2025

RM billion, % change (vs 1Q-3Q 2024)






Source: MIDA

Business cost pressures in 2024-2025 to persist into 2026


Domestic tax changes and port tariffs			First effective date	Regulatory and compliance			First effective date
1	Capital Gains Tax (CGT) on the disposal of unlisted shares for companies		1 Mar 2024	1	E-invoicing implementation		1 Aug 2024
2	Higher Service Tax rate to 8% for most services		1 Mar 2024	2	Higher monthly salary ceiling to RM6,000 for contributions to PERKESO		1 Oct 2024
3	Higher maximum export duty rate to 10.0% for crude palm oil (CPO)		1 Nov 2024	3	Higher minimum wage to RM1,700 per month		1 Feb 2025
5	Stamp duty on employment contract		1 Jan 2025	4	Enforcement of Speed Limitation Devices (SLD) installation on heavy vehicles		1 Oct 2025
6	Wider coverage in goods under Sales Tax at 5% and 10%		1 Jul 2025	5	2% KWSP contribution for foreign workers		Payroll for October 2025
7	Expansion in Service Tax's scope, including rental services and construction services		1 Jul 2025	<div>Subsidy rationalisation</div> <div>First effective date</div>			
8	Hikes in Port Klang's tariffs by phases (totalled +30%)		1 Jul 2025				
State-Level Business Costs							
1	Increase in assessment fees			1	Diesel subsidy rationalisation		10 Jun 2024
2	Higher quit rent			2	Egg subsidy removal		1 May 2025
3	Hikes in water tariffs			3	Restructuring of electricity tariffs		1 Jul 2025
				4	RON95 petrol subsidy rationalisation		30 Sep 2025

Recalibration of tax-related measures in 2026

Service Tax on rental or leasing services (effective 1 Jan 2026)

-  Rate reduced from 8% to 6%
-  SMEs exemption threshold increased from RM1.0 million to RM1.5 million
-  Newly established SMEs tenants exempt for one year from registration date


Sales Tax for manufacturers (effective 1 Jan 2026)

-  Exemption on raw materials and critical inputs for livestock and agricultural products (e.g., animal feed, fertiliser, pesticide)


Construction services – Non-reviewable contracts

-  Service Tax exemption for contracts signed before 1 July 2025 extended to 30 June 2027



Construction of places of worship (effective 1 July 2025)

-  Full Service Tax exemption for construction of religious and spiritual sites (e.g., suraus, mosques, temples, churches, shrines)


Stamp duty

-  Voluntary disclosure program for six months: 1 Jan 2026 – 30 Jun 2026


e-Invoicing

-  12-month interim relaxation period for taxpayers (until 31 Dec 2026) with an annual turnover of up to RM5 million
-  Allow the issuance of consolidated e-Invoices for wholesale and retailers of construction materials for any single transaction with a value not exceeding RM10,000

Income tax exemption – Section 44(6) ITA

-  IOFs can apply for extension within six months of expiry; automatic 10-year extension for IOFs expiring before 31 Dec 2025 with audit report submission.

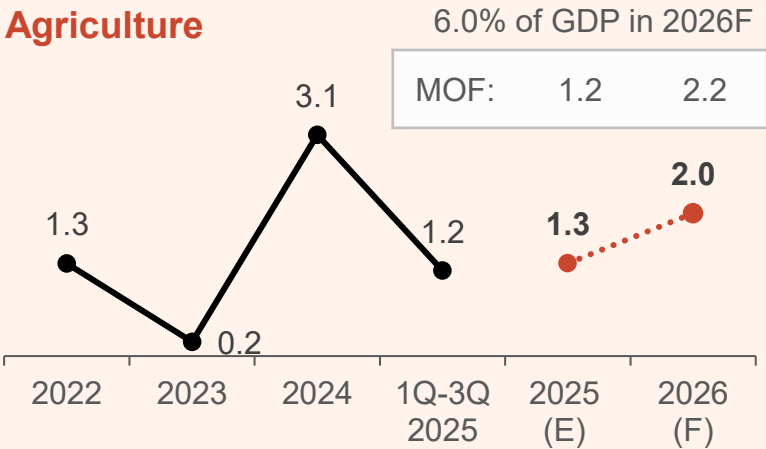
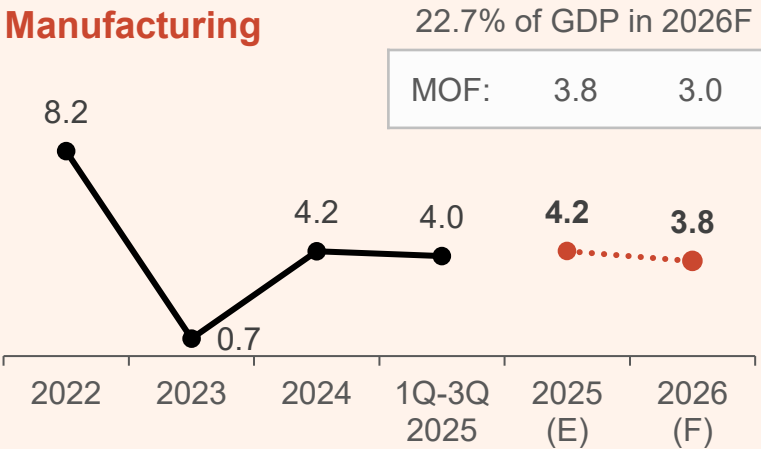
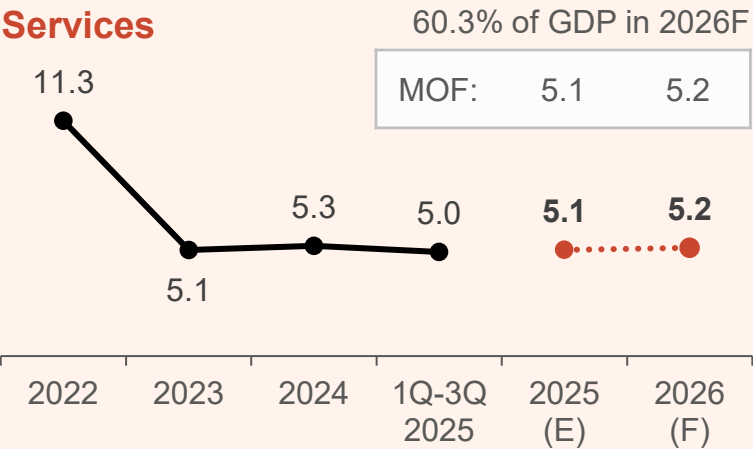
CP500 – Instalment payment for individuals

-  One-year transition period with no penalties; employment-only taxpayers not required to comply but should update YA 2025 reporting.

Source: Prime Minister’s Department; MoF

Sectoral growth: Uneven but broad-based

Real GDP growth by sector
%, Year-on-Year



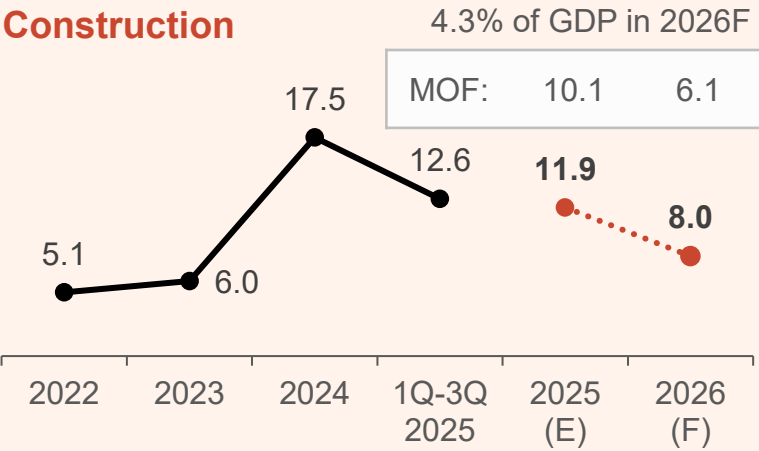
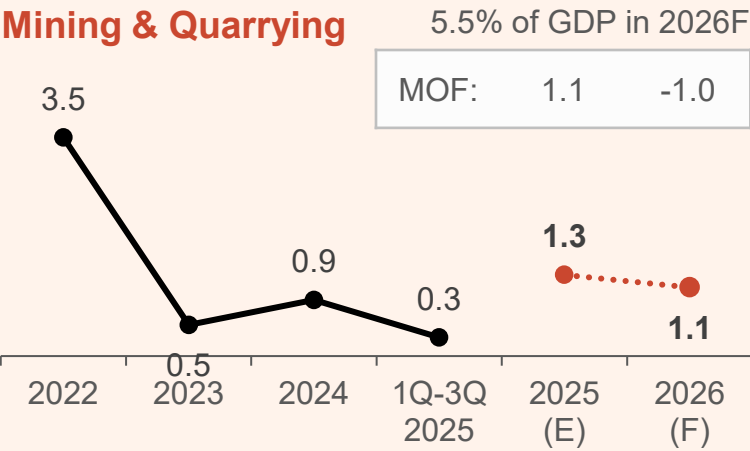
Top 3 key factors:

- + Tourism activities
- + Expansion in transport infrastructure and connectivity services
- + AI adoption, data centres, and cloud computing expansion
- + Global technology upcycle and AI-related semiconductor demand
- + Stable domestic demand supporting consumer-oriented output
- + Food and beverages growth from higher visitor arrivals
- + Higher crude palm oil output from improved yields and extraction rates
- + Rubber subsector recovery driven by higher production
- + Broad-based expansion in livestock, fisheries, and other agriculture

Note: The percentage share of GDP for each sector in 2026F is based on MoF's estimates
Source: DOSM; MoF

Sectoral growth: Uneven but broad-based (cont.)

Real GDP growth by sector
%, Year-on-Year



Top 3 key factors:

- + Lower natural gas output amid moderating external demand
- + Partial offset from new gas project commencements
- + Reduced crude oil and condensate production with softer prices
- + Implementation of strategic investment projects under national plans
- + Large-scale transport, energy, and utilities infrastructure projects
- + Affordable housing programmes and targeted home ownership initiatives

Note: The percentage share of GDP for each sector in 2026F is based on MOF's estimates
Source: DOSM; MoF

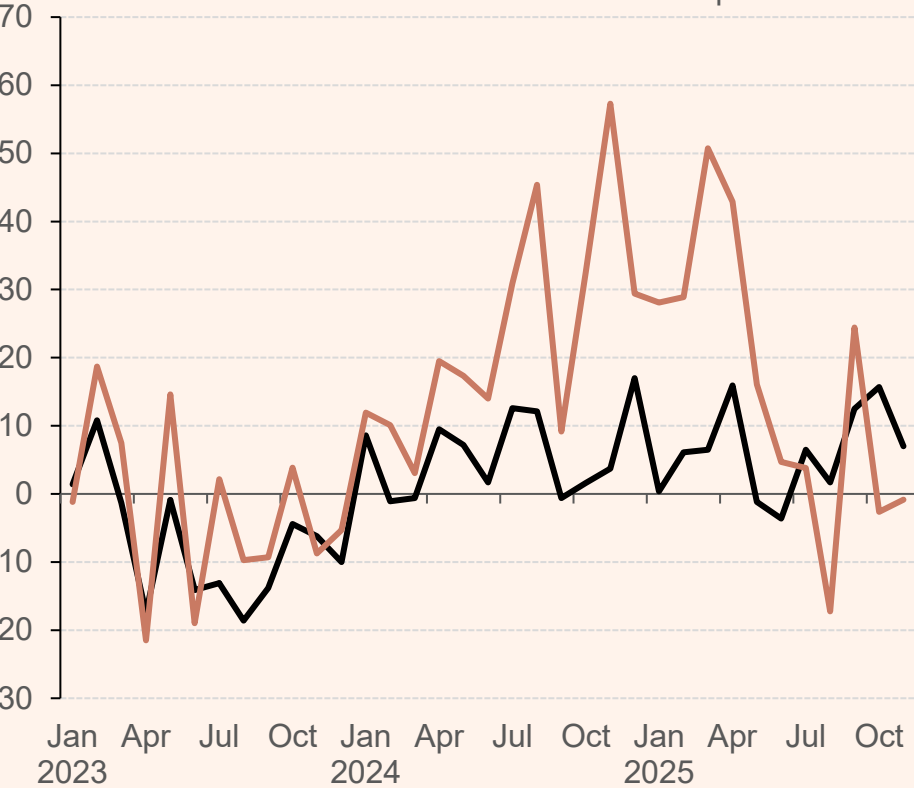


Export prospects remain a wild card; risk of “payback” effects

Total exports

%, Year-on-Year

— Total Exports
— Total Exports to US



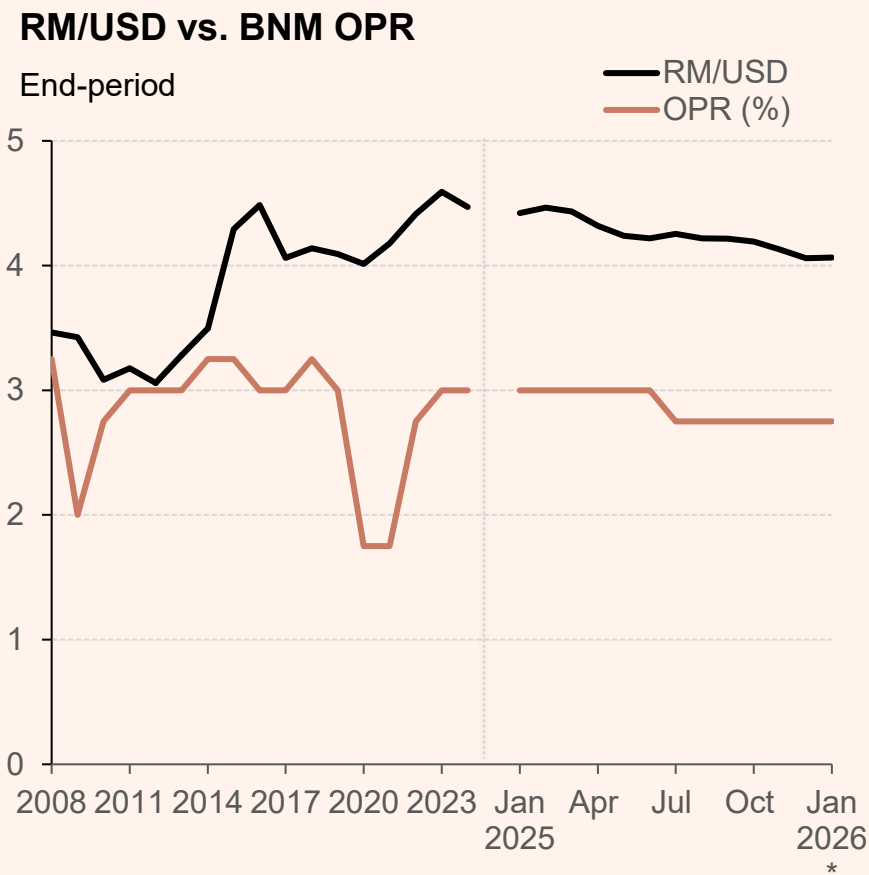
- + Continued strength in electronics and semiconductor exports
- + Gradual improvement in intra-regional trade within Asia
- Weaker external demand from major advanced economies
- Trade and geopolitical uncertainties
- Commodity price volatility

Source: DOSM

Will the Ringgit continue its momentum in 2026?

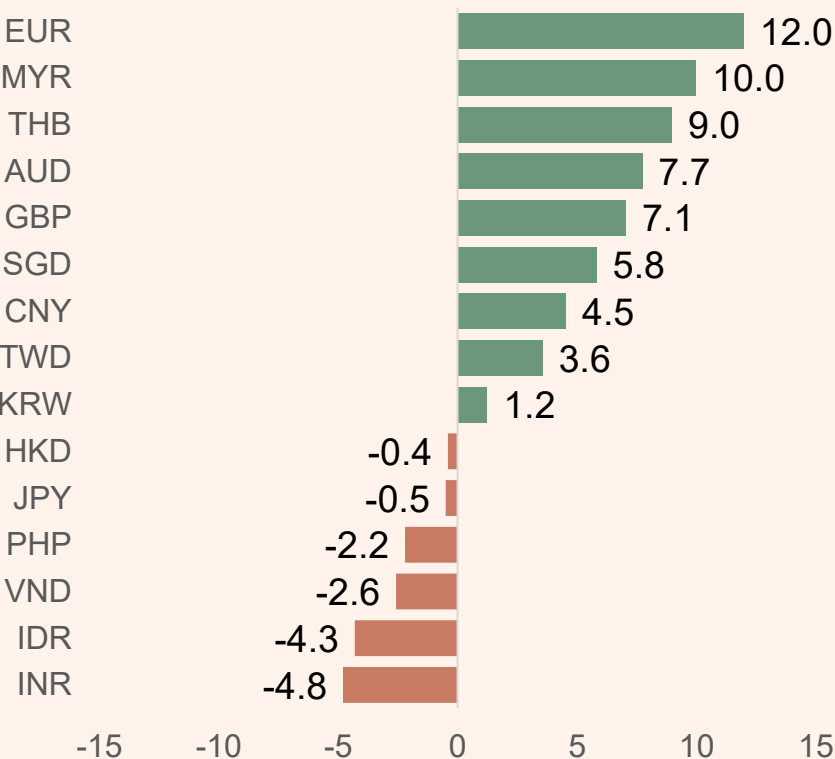
The Ringgit's strength is underpinned by sound macroeconomic fundamentals, continued reform momentum, and strong external buffers, supported by **continued trade surplus**, **sustained FDI inflows**, **stable sovereign credit ratings**, and **ample foreign reserves**.

As of 9 Jan 2026, the Ringgit has appreciated 10.0% against the US dollar since end-Dec 2024



Selected currencies against the USD

9 Jan 2026 vs. 31 Dec 2024, % Change



Note: Latest is up to 9 Jan 2026
Source: BNM

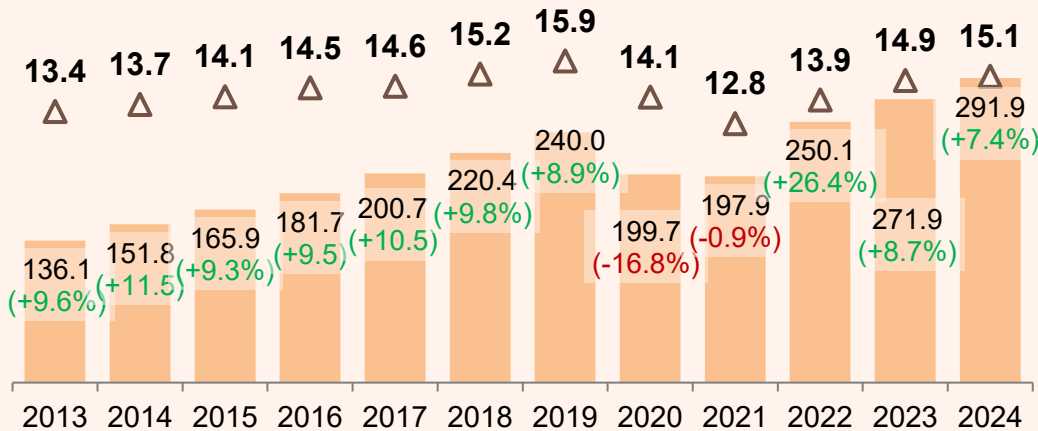


Visit Malaysia 2026 (VM2026)

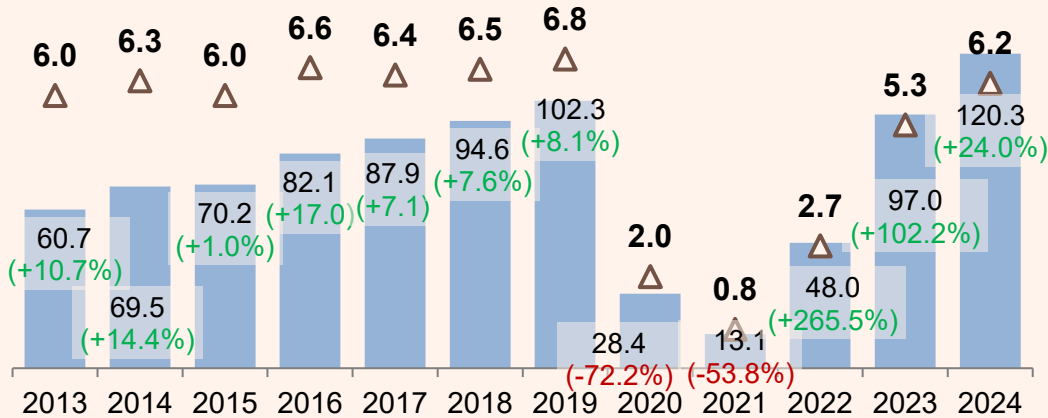
- The Visit Malaysia (VM2026) marks the fifth campaign since VMY was first launched in 1990 (1994, 2007, and 2014).
- VM2026's targets 43 million visitors, nearly 5 million more than the almost 38 million visitors in 2024. In Jan-Aug 2025: 28.2 million visitors (17.8 million tourists).
- Past VMY campaigns have consistently successfully boosted the tourism sector in terms of international tourists and tourists' receipts.
- Tourism is highly competitive globally and within regions like Southeast Asia. Public and private sectors can collectively overcome challenges, optimise resources, and build a more robust, attractive, and sustainable tourism industry.

Tourism is a major economic engine for Malaysia

Gross Value Added (including more indirect impact)
RM billion Δ % of GDP



Tourism Direct Gross Domestic Product
RM billion Δ % of GDP

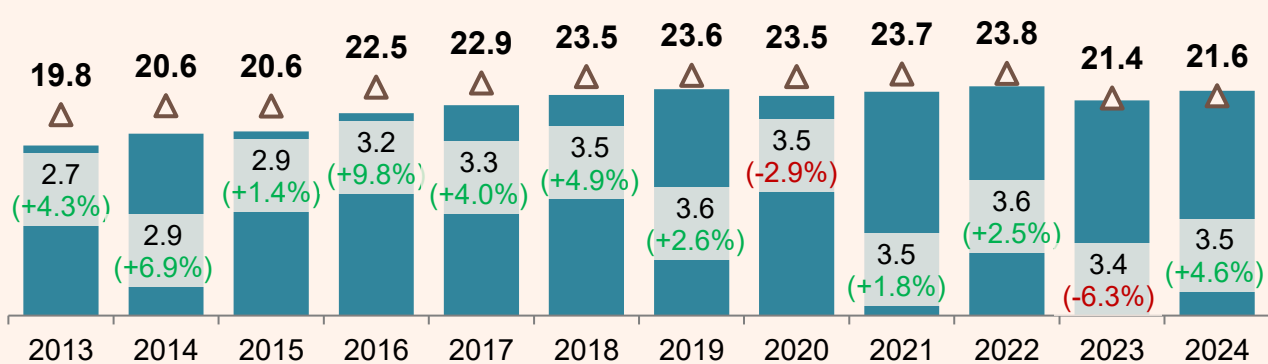


Tourism Direct Gross Domestic Product (TDGDP) measures the direct economic value generated by tourism spending on goods and services like hotels, food, transport, and retail.

Source: DOSM


Gross Value-Added by industry (RM million)	Year			Changes %	
	2019	2023	2024	2024/2023	2024/2019
Retail trade	111,122	145,804	154,456	5.9	39.0
Food and beverage serving services	43,167	45,160	47,726	5.7	10.6
Country-specific tourism characteristic services	29,695	35,434	38,958	9.9	31.2
Accommodation services	26,407	18,705	20,415	9.1	-22.7
Cultural, sports and recreational services	11,307	10,287	11,875	15.4	5.0
Passenger transport services	9,380	7,535	8,473	12.4	-9.7
Retail sale of automotive fuel	4,726	4,893	5,162	5.5	9.2
Travel agencies and other reservation services	4,227	4,109	4,856	18.2	14.9

Employment
million persons Δ % of total employment




Visit Malaysia 2026 (VM2026) can propel tourism industry to new heights

Economic contributions in 2024

 **RM291.9 billion**
gross value-added
(15.1% of GDP)

 **RM120.3 billion**
direct GDP
(6.2% of GDP)

 **3.6 million**
employment
(21.6% of total employment)

 **RM102.2 billion**
international
tourist receipts
(5.3% of GDP)

Source: DOSM; Tourism Malaysia

Visit Malaysia 2026 (VM2026)

Targets:

 **43 million** visitors

 **RM329 billion** tourism receipts
(15.5% of GDP in 2026F)



Will showcase more
than 300 events
throughout the year

Note: GDP for 2026F by MoF

Past Visit Malaysia Year (VMY) campaigns (tourist arrivals and receipts):

VMY1990	VMY1994	VMY2007	VMY2014
↑ 7.1 million (+55.5% vs. 1989)	↑ 7.2 million (+10.7% vs. 1993)	↑ 21.0 million (+19.5% vs. 2006)	↑ 27.4 million (+6.7% vs. 2013)
₹ RM4.5 billion (+60.5% vs. 1989)	₹ RM8.3 billion (+63.8% vs. 1993)	₹ RM46.1 billion (+27.0% vs. 2006)	₹ RM72.0 billion (+10.0% vs. 2013)

Note: A break in series, as historical data are based on tourist arrivals and tourism receipts.

Malaysia has garnered significant recognition and numerous accolades, establishing itself as a premier travel destination

Top Muslim-Friendly Destination 2025



Mastercard-CrescentRating
Global Muslim Travel Index (GMTI)

[Source](#)

Kuala Lumpur

Ranked **10th**
Highest international arrivals
among cities in 2025

**Euromonitor Top 100 City
Destinations Index 2025**

[Source](#)

UNESCO Heritage

Natural Heritage (2)

- Gunung Mulu National Park (2000)
- Kinabalu Park (2000)

Cultural Heritage (4)

- Melaka and George Town, Historic Cities of the Straits of Malacca (2008)
- Archaeological Heritage of the Lenggong Valley (2012)
- The Archaeological Heritage of Niah National Park's Caves Complex (2024)
- Forest Research Institute Malaysia Forest Park Selangor (2025)

[Source](#)

**World top destinations for
medical tourism**
Nomad Capitalist

**Among 11 top destinations
for medical tourism**
Patients Beyond Borders

[Source](#)

[Source](#)

**Best Destination for
Meetings, Incentive,
Conference and
Exhibitions (MICE)**

World Tourism Awards 2025

[Source](#)

**High ranking in
Pacific and Indian Oceans category**

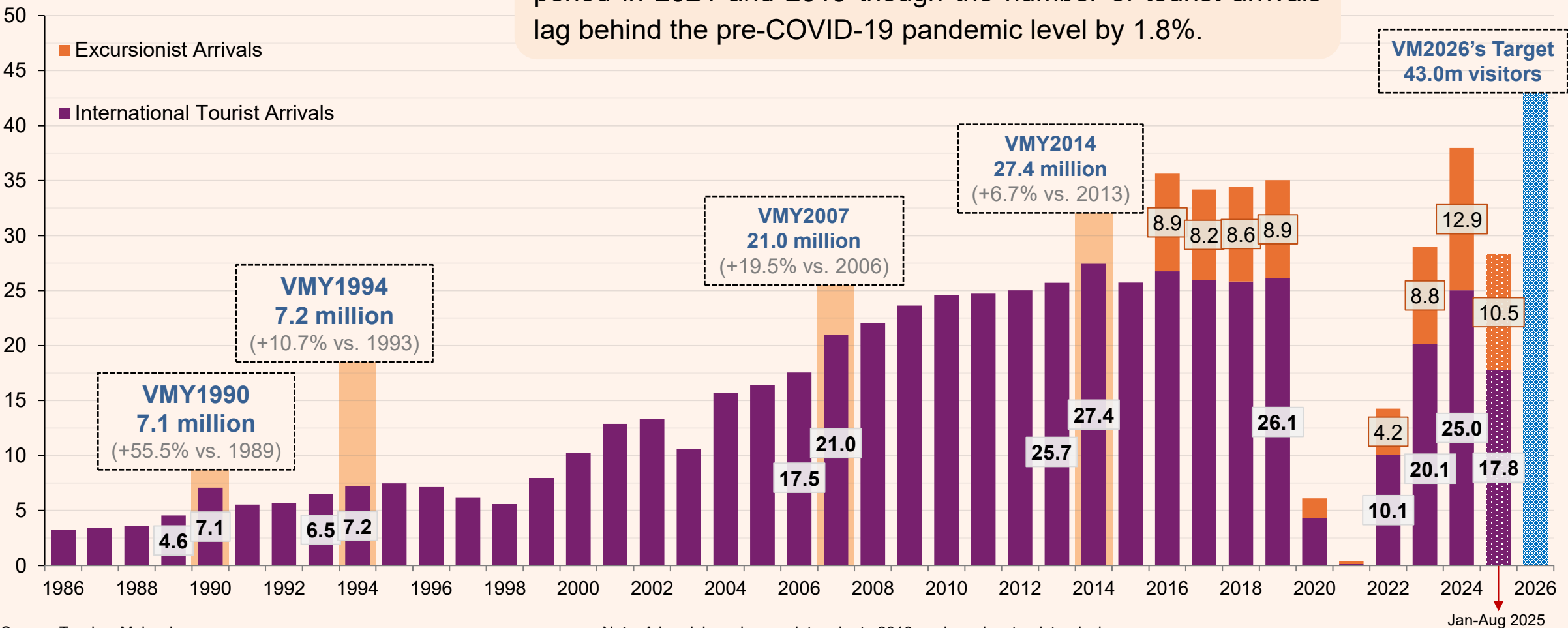
#1 in both Beginners and Best Value
#2 in Snorkelling and Shore Diving
Top 5 in Best Overall and Macro Life
Top 10 for Wall Diving

**Scuba Diving Magazine's 2025
Readers Choice Awards**

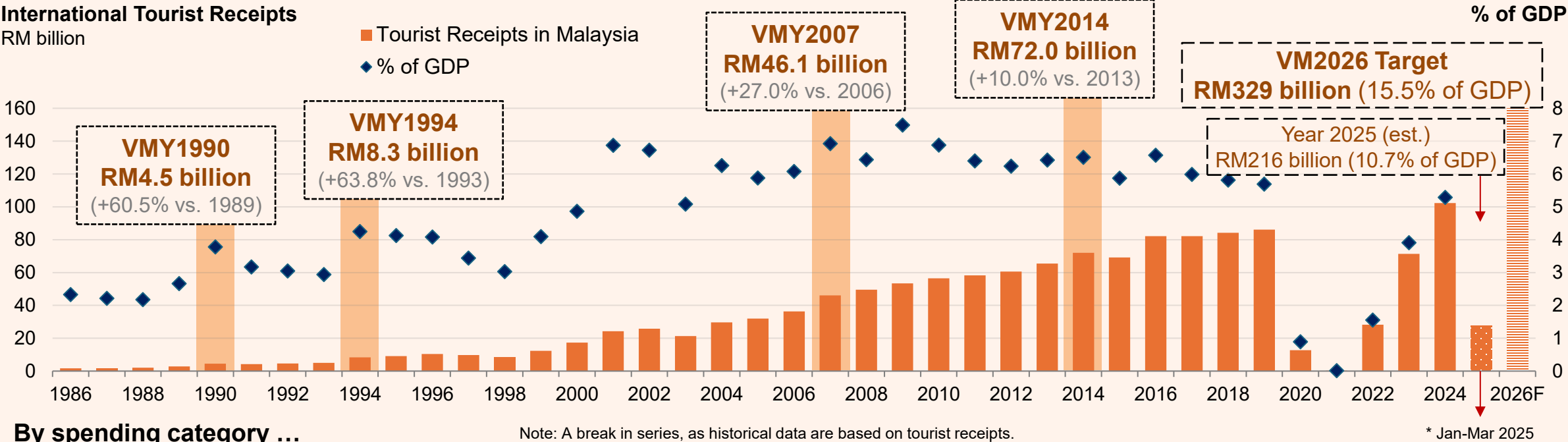
[Source](#)

Previous VMY campaigns have been highly successful

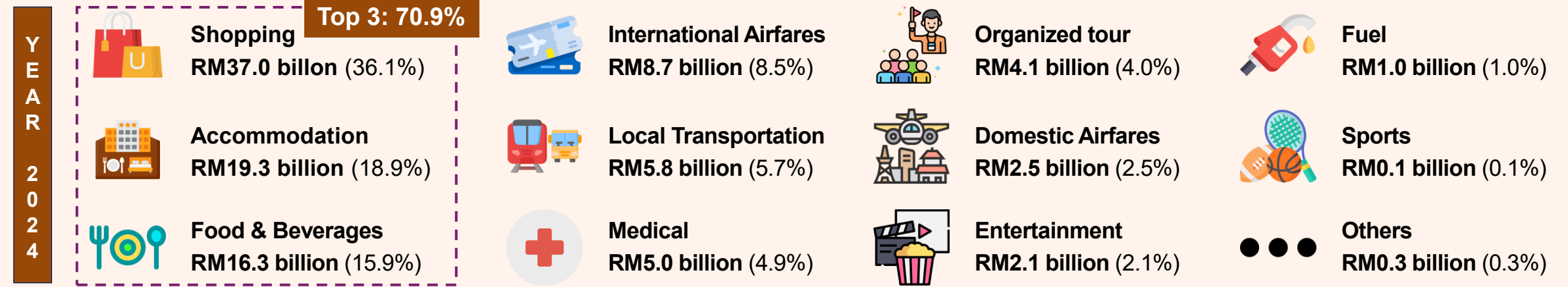
International Arrivals
Million persons



VMY campaigns also boosted foreign exchange earnings



By spending category ...



Source: Tourism Malaysia

Note: Figure in parenthesis indicates % share of total tourist expenditure in 2024.

India and China emerged as key sources of arrivals, thanks to visa exemption

Top 10 visitor arrivals in Jan-Aug 2025

Rank	Source	No. of Visitors (% share)	vs. Jan-Aug 2024	vs. Jan-Aug 2019
1	Singapore	13,956,163 (49.4%)	11,817,202 (47.9%) (+18.1%)	11,821,823 (48.7%) (+18.1%)
2	China	3,258,817 (11.5%)	2,555,951 (10.4%) (+27.5%)	2,334,185 (9.6%) (+39.6%)
3	Indonesia	2,915,063 (10.3%)	2,728,599 (11.1%) (+6.8%)	2,702,674 (11.1%) (+7.9%)
4	Thailand	1,644,747 (5.8%)	1,553,890 (6.3%) (+5.8%)	1,529,177 (6.3%) (+7.6%)
5	India	1,058,019 (3.7%)	863,910 (3.5%) (+22.5%)	546,070 (2.3%) (+93.8%)
6	Brunei	1,005,423 (3.6%)	1,219,986 (4.9%) (-17.6%)	1,095,349 (4.5%) (-8.2%)
7	Philippines	401,203 (1.4%)	370,779 (1.5%) (+8.2%)	390,092 (1.6%) (+2.8%)
8	South Korea	394,312 (1.4%)	382,171 (1.5%) (+3.2%)	523,655 (2.2%) (-24.7%)
9	Taiwan	315,185 (1.1%)	296,649 (1.2%) (+6.2%)	301,998 (1.2%) (+4.4%)
10	Australia	311,622 (1.1%)	281,146 (1.1%) (+10.8%)	278,745 (1.1%) (+11.8%)
	Other countries	2,982,250 (10.6%)	2,595,023 (10.5%) (+14.9%)	2,734,645 (11.3%) (+9.1%)
	Total	28,242,804	24,665,306 (+14.5%)	24,258,413 (+16.4%)

Top 10 tourist arrivals in Jan-Aug 2025

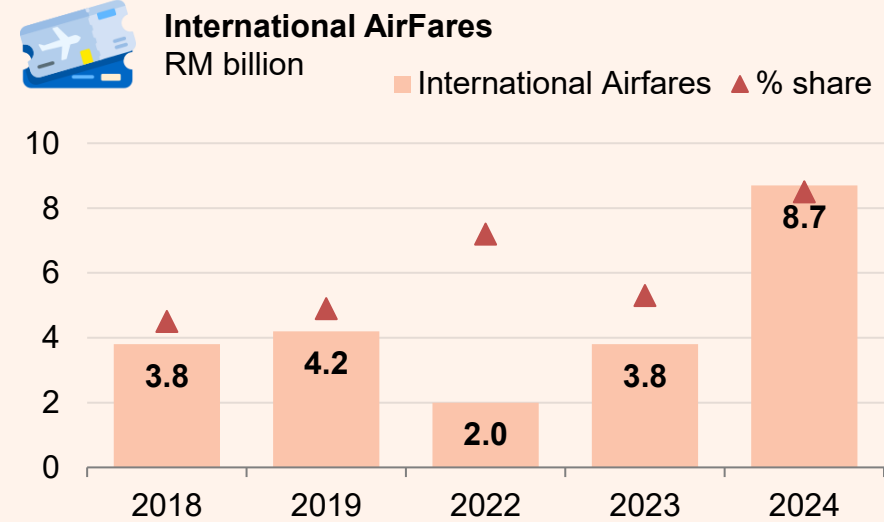
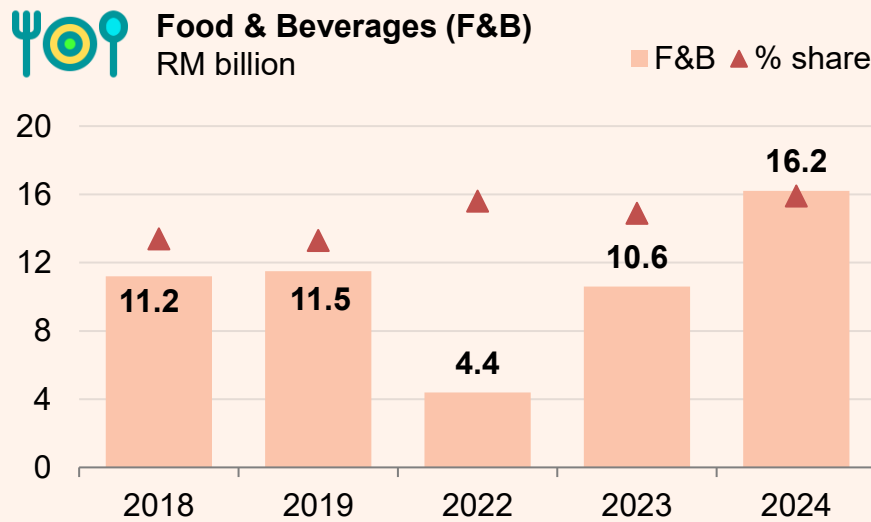
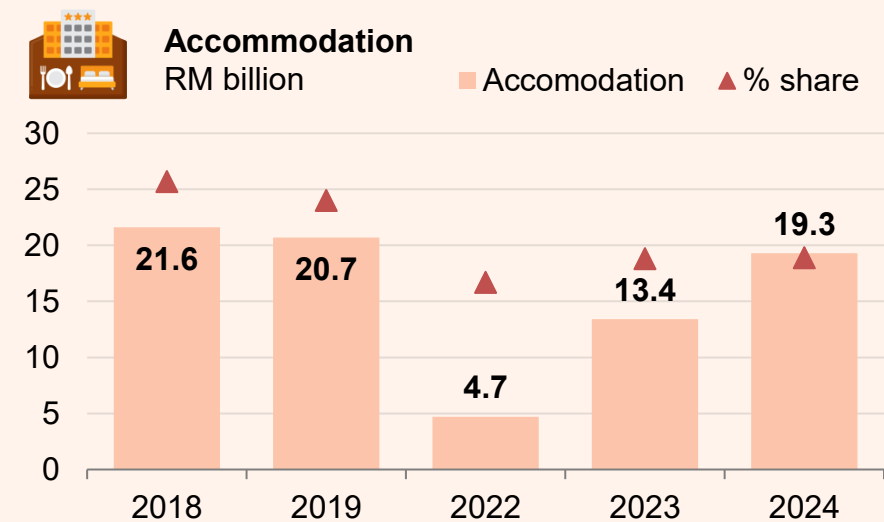
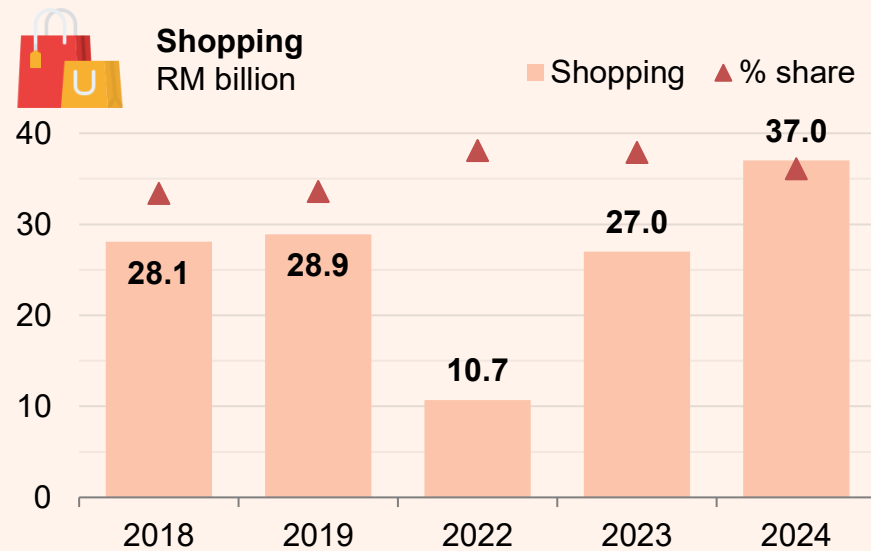
Rank	Source	No. of Arrivals (% share)	vs. Jan-Aug 2024	vs. Jan-Aug 2019
1	Singapore	6,035,105 (33.9%)	5,767,160 (35.1%) (+4.6%)	7,105,754 (39.2%) (-15.1%)
2	China	2,792,558 (15.7%)	2,285,785 (13.9%) (+22.2%)	2,176,822 (12.0%) (+28.3%)
3	Indonesia	2,567,518 (14.4%)	2,399,357 (14.6%) (+7.0%)	2,521,754 (13.9%) (+1.8%)
4	Thailand	1,146,083 (6.4%)	1,089,164 (6.6%) (+5.2%)	1,306,144 (7.2%) (-12.3%)
5	India	836,212 (4.7%)	723,957 (4.4%) (+15.5%)	469,645 (2.6%) (+78.1%)
6	Brunei	658,526 (3.7%)	785,548 (4.8%) (-16.2%)	823,762 (4.5%) (-20.1%)
7	South Korea	326,996 (1.8%)	328,763 (2.0%) (-0.5%)	458,422 (2.5%) (-28.7%)
8	Taiwan	284,325 (1.6%)	271,118 (1.6%) (+4.9%)	273,753 (1.5%) (+3.9%)
9	Philippines	268,054 (1.5%)	262,252 (1.6%) (+2.2%)	284,406 (1.6%) (-5.7%)
10	Australia	263,197 (1.5%)	239,766 (1.5%) (+9.8%)	241,744 (1.3%) (+8.9%)
	Other countries	2,602,617 (14.6%)	2,298,321 (14.0%) (+13.2%)	2,449,904 (13.5%) (+6.2%)
	Total	17,781,191	16,451,191 (+8.1%)	18,112,110 (-1.8%)

Source: Tourism Malaysia

Note: Figures in parentheses show the % share of total arrivals (first row) and the % change for Jan–Aug 2025 over the corresponding period (second row).

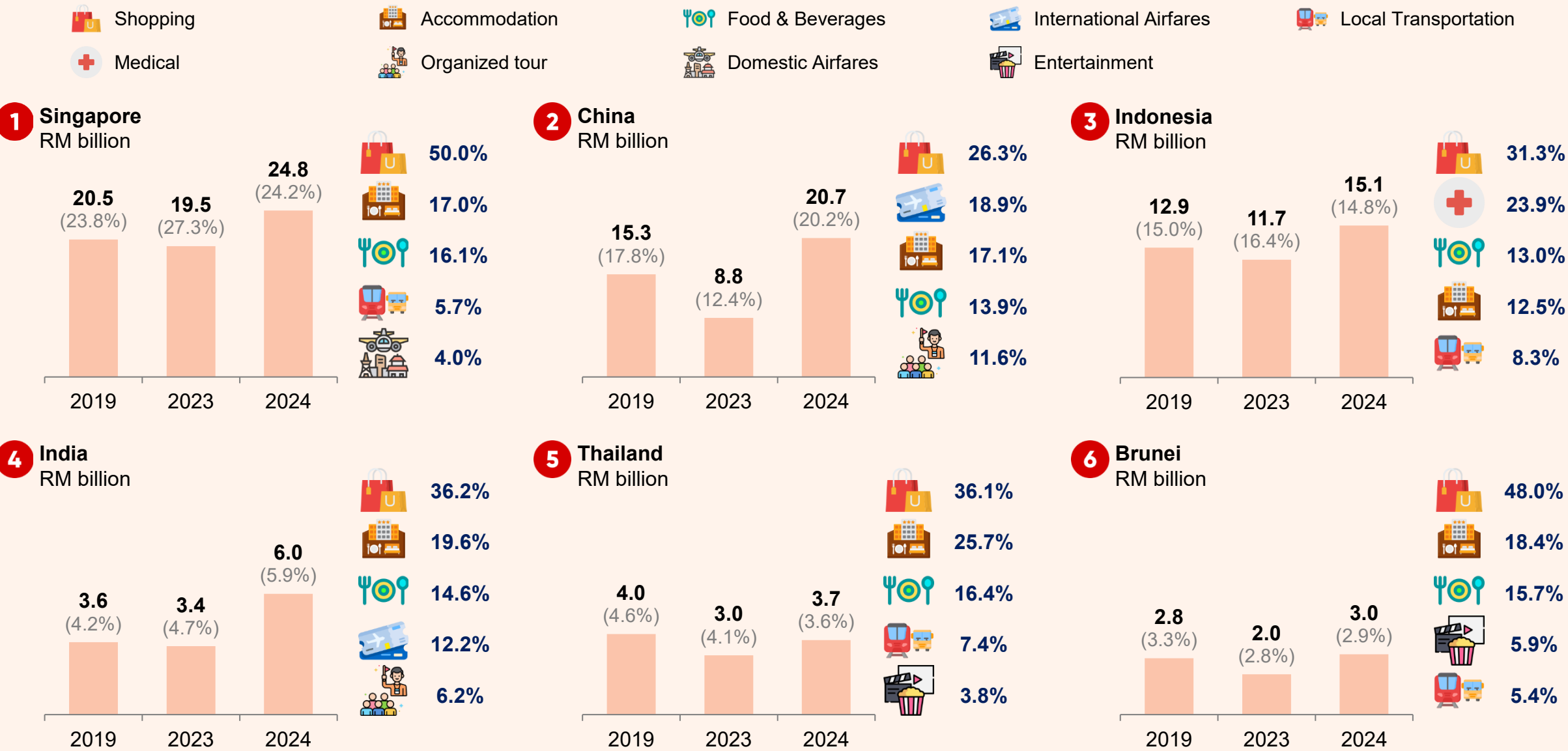
Around 70% of total tourism spending lean towards consumption and services

Top 3 spending categories (shopping, accommodation, and food & beverages) are consumption-related activities, which accounted for an average **71.3% of total tourist receipts** in 2018-2019 and 2022-2024



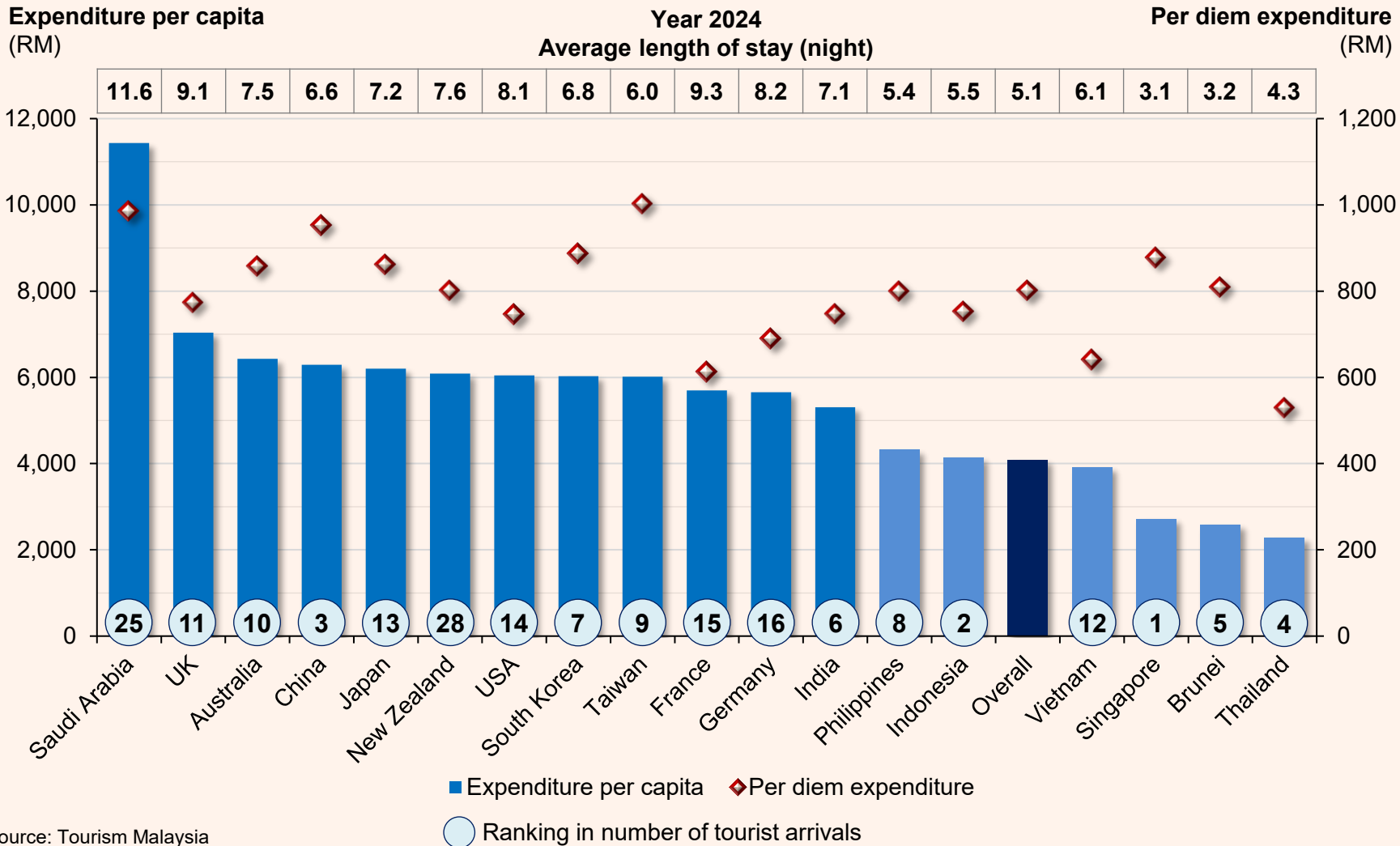
Source: Tourism Malaysia

Top six tourists' expenditures on top 5 categories in 2024



Expenditure per capita by non-ASEAN countries is more prominent

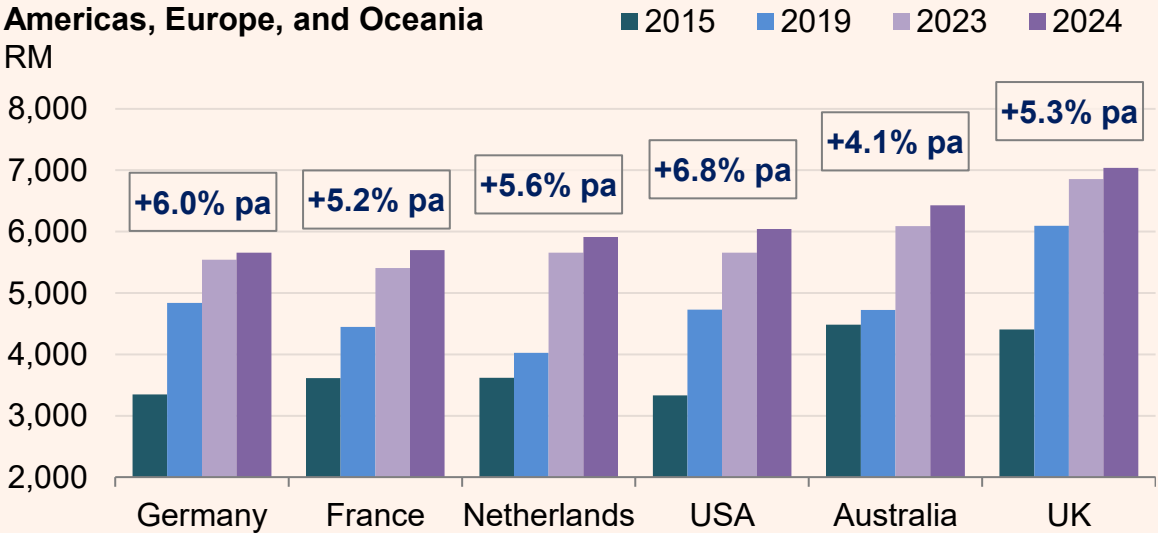
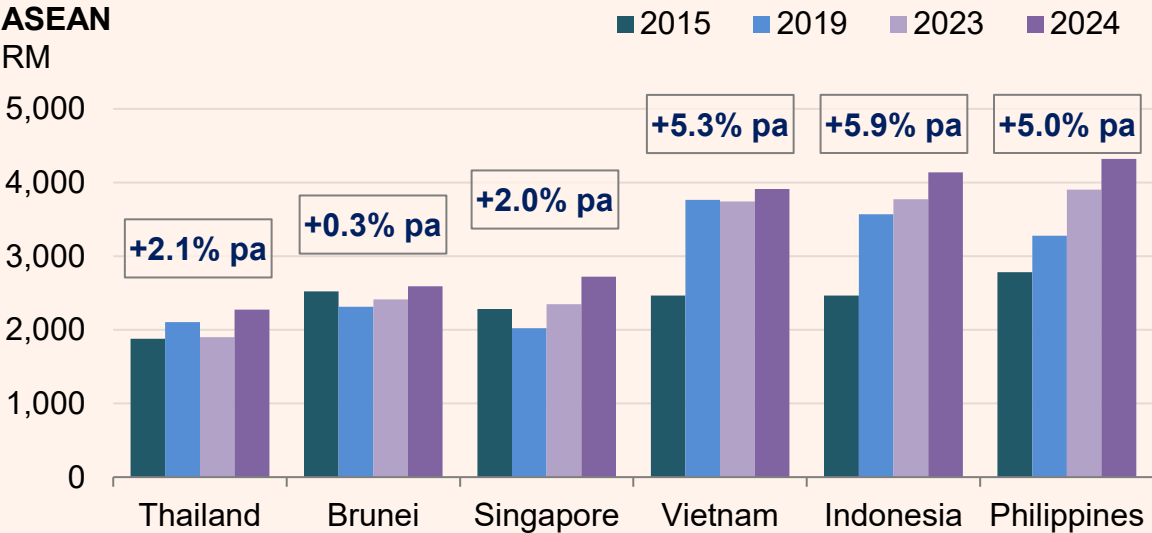
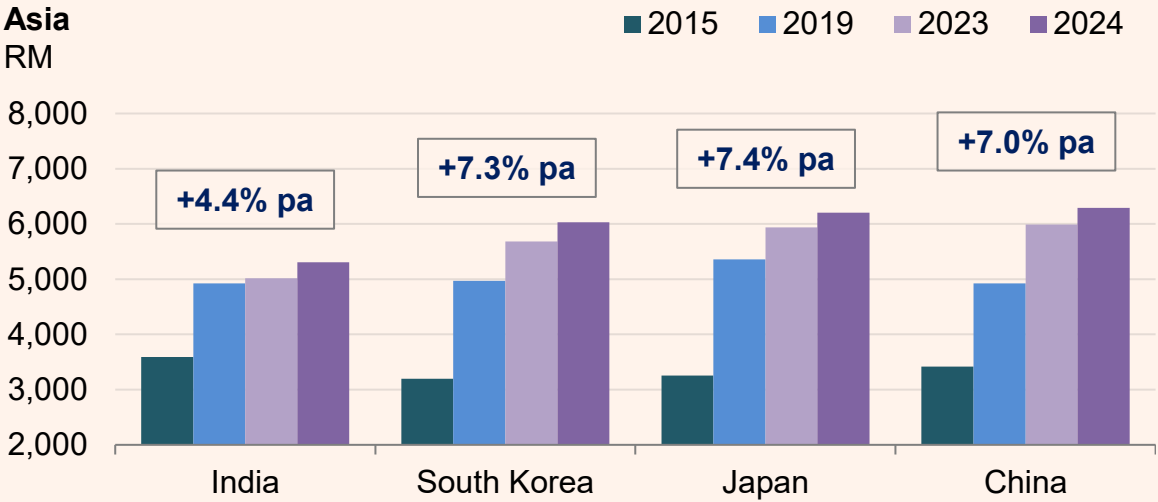
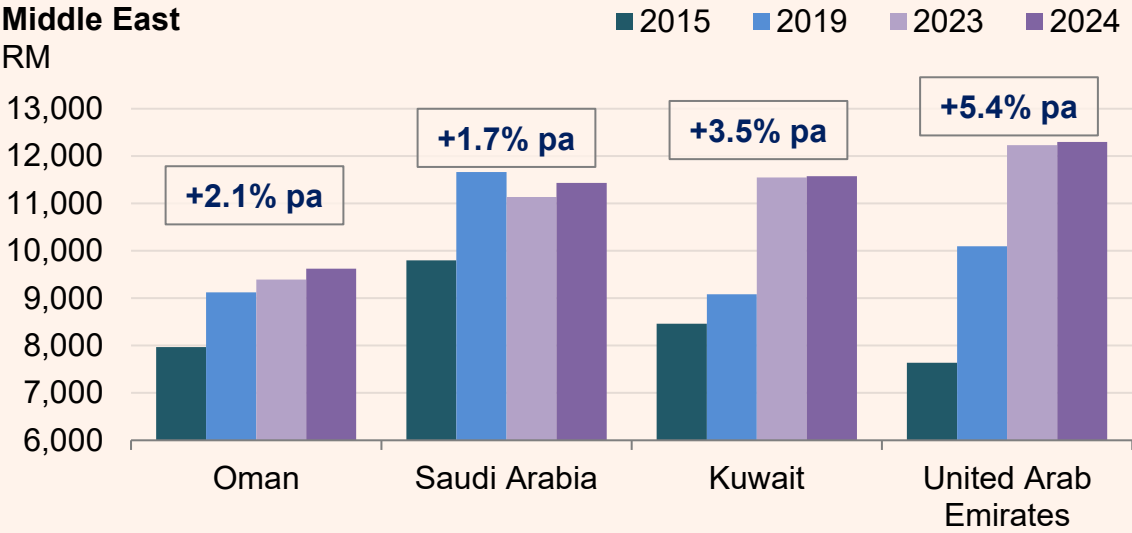
Generally, non-ASEAN's tourists have spent more in Malaysia, largely due to higher number of days stay in Malaysia as per diem expenditure is somewhat mixed among regions.



More focus should be placed on source markets with higher per-diem expenditure and longer lengths of stay, while continuing to attract strong regional (ASEAN) tourist flows

Source: Tourism Malaysia

Expenditure per capita in Malaysia by region (major country)



Source: Tourism Malaysia

Malaysia's National Tourism Policy 2020-2030 (NTP)

The NTP aims to place Malaysia in the world's top 10 destinations for both arrivals and revenue.

The strategic direction is to transform Malaysia's tourism industry by **harnessing public-private sector partnerships** and **embracing digitalisation** to drive innovation and competitiveness towards sustainable and inclusive development in line with the United Nations Sustainable Development Goals.

It is formulated by six (6) Transformation Strategies, and supported by 22 strategic actions and 32 tactics.

Product augmentation

- Ecotourism
- Adventure Tourism
- Youth Tourism
- Sports Tourism
- Cultural & Heritage Tourism
- Community Based Tourism
- Island Tourism
- Coastal Tourism
- Urban Tourism
- Shopping Tourism
- Medical & Wellness Tourism
- MICE
- Cross Border Tourism
- Rural / Agro Tourism
- Cruise Tourism
- Special Interest Tourism
- Muslim Friendly Tourism

Six (6) Transformation Strategies



Strengthen Governance Capacity

4 strategic actions & 8 tactics



Create Special Tourism Investment Zones

2 strategic actions & 5 tactics



Embrace Smart Tourism

4 strategic actions & 4 tactics



Enhance Demand Sophistication

4 strategic actions & 6 tactics



Practise Sustainable and Responsible Tourism

4 strategic actions & 4 tactics



Upskill Human Capital

4 strategic actions & 5 tactics

Committed substantial funds and significant incentives to promote VM2026

Budget 2025

RM400m for VM2026 campaign

Selected measures:

- RM550m to boost tourism promotion in preparation for the Visit Malaysia Year 2026
- RM20m allocation to promote local crafts
- RM60m allocations on museums
- RM110m for improving and equipping tourist hotspots with basic facilities, fostering ecotourism partnerships, and supporting UNESCO nominations:
 - Improving facilities at the Endau Rompin National Park, Johor; Redang Island, Terengganu; and the Tusan Bekenu Beach, Sarawak
 - Forming ecotourism partnerships with UNDP and Habitat Foundation
- RM600m by Khazanah to restore and upgrade the Sultan Abdul Samad and Carcosa Seri Negara, including constructing the bridge that links Perdana Botanical Garden to Carcosa Seri Negara
- RM31m for Malaysian Healthcare Tourism Council (MHTC) for health tourism program
- RM250m for Ecological Fiscal Transfer (EFT) fund
- Malaysia's ASEAN Chairmanship in 2025 will involve hosting over 270 meetings and activities across all states
- RM200m of PENJANA Tourism Financing (PTF)

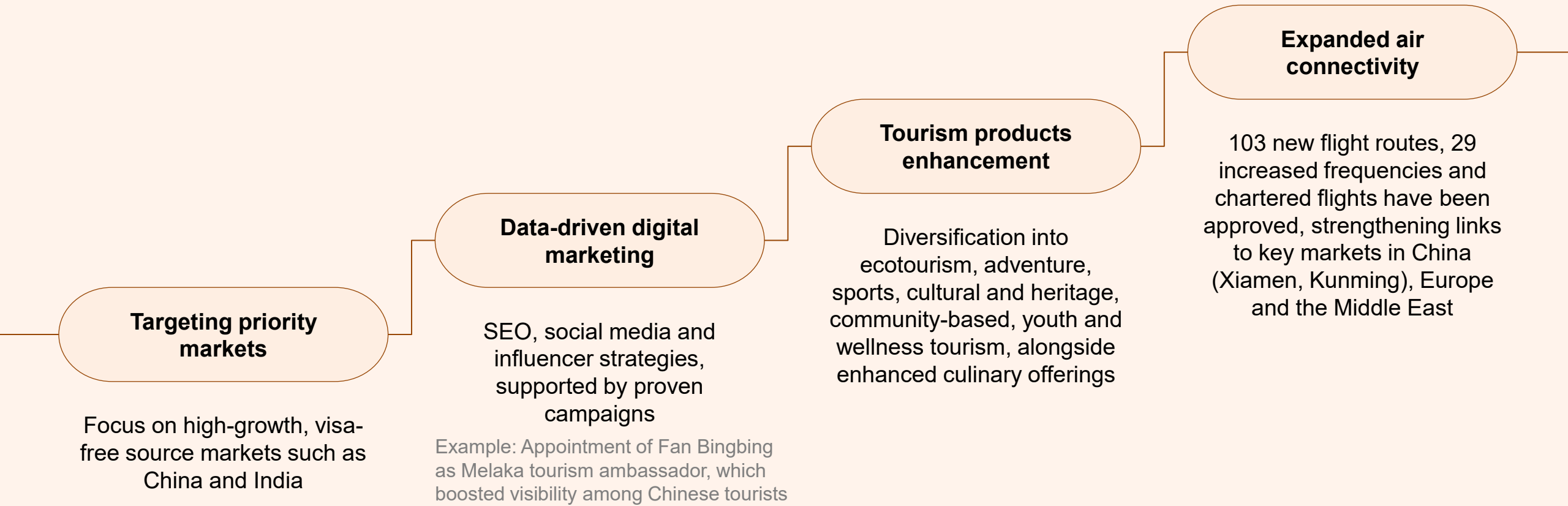
Budget 2026

RM500m for VM2026 campaign

Selected measures:

- RM705m to stimulate the tourism sector:
 - RM500m to ensure the success of Visit Malaysia 2026
 - RM60m to support the promotion, marketing and organisation of tourism events and cultural activities
 - RM50m in matching grants will boost international and charter flights, with MAHB attracting 10 airlines including British Airways, Hong Kong Express, and Jiangxi Air
 - RM20m to boost health tourism programmes by the Malaysia Healthcare Travel Council
- RM1,000 of special individual income tax relief will be given for expenses on entrance fees to local tourist attractions and cultural programmes
- Tax incentives for the sector:
 - Up to RM500,000 tax deductions are given to tourism operators undertake renovation, refurbishment or upgrading premises
 - 100% income tax exemption are given to tour operators on increased revenue from tourism packages
 - 100% income tax exemption for organisers of international conferences, trade exhibitions, or incentive events
 - 50% income tax exemption for organisers of international arts, culture, tourism, sports, and recreation events with foreign participants

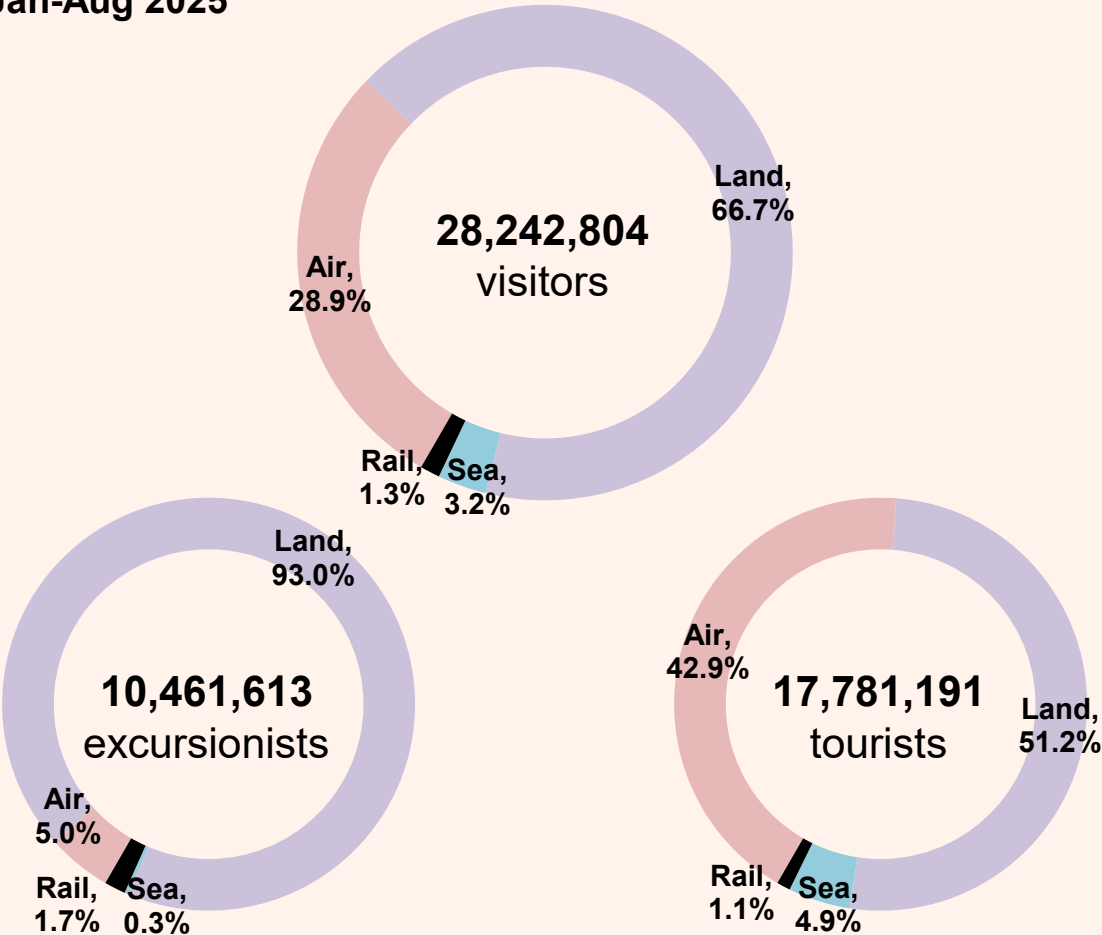
Key actions and initiatives to drive robust tourism



Increased flight capacity will drive more arrivals from mid- and long-haul routes

Arrivals by mode of transport

Jan-Aug 2025



Weekly flight frequency & seat capacity to Malaysia

Year 2024



Flight frequency

3,209 flights

2023: 2,879 flights | **+11.5%**
2019: 3,368 flights | **-4.7%**



Seat capacity

645,494 seats

2023: 582,069 seats | **+10.9%**
2019: 650,571 seats | **-0.8%**

Note: Figure in percentage terms indicates changes relative to the respective year.

Source: Tourism Malaysia

Further support the tourism industry via three dimensions

Sustained efforts beyond the "Visit Malaysia" campaign are vital for fostering long-term tourism success



Industry enablers – Facilitation | Support | Incentives

Proposals

- **Designated digitalisation grants for SMEs tourism**
 - Support the adoption of data analytics, digital marketing, and integrated management tools, helping businesses improve operational efficiency, customer engagement, and competitiveness
- **Grants or discounted access to convention centres** for NGOs and community events that attract foreign tourists
- **Family vacation package incentives**
 - Enable operators to offer more attractive packages for families
- **Targeted incentives for niche segments** such as eco-lodges, heritage craft makers, and boutique MICE venues
- **Special one-year fast-track incentives approval** with automated eligibility checks and quick disbursement of fund, enabling timely investment
- **Remove the cap on vehicle tax exemptions in Langkawi & Labuan**
 - Strengthening compliance through alternative measures such as higher security deposits, exit fees, and enhanced owner traceability mechanisms to curb misuse without jeopardising these islands' attractiveness and tax-free status

Budget 2026



Tax deduction up to RM500,000 for renovation and refurbishment



Tax incentive for organising international incentive trips, conferences and trade exhibitions (New threshold = up to 6x current 500 foreign participants)

Proposals

a) Refine the eligibility thresholds to:

- at least 700 foreign participants for incentive trips annually; or
- at least 700 foreign participants for conferences annually; or
- at least 1,000 foreign participants for trade exhibitions annually.

b) Extend the 100% income tax exemption period to 5 years (YA 2026 to YA 2030) from 2 years currently.

Destination readiness – Infrastructure | Rules | Operations

Proposals

- **Enhancing airport passenger experience**
 - Government has rolled out digital immigration facilitation through the Minimize app, expanded autogate access, and APSS adoption to improve processing speed and visitor experience.
 - Reliable aerotrain services, efficient baggage flow, and well-maintained facilities
 - Translation tools and chatbots at smaller immigration points with limited multilingual officers
- **Airport passengers' experience monitoring**
 - Set KPIs for crowd management at the immigration checkpoints
- **Strengthen hotel-tourist connections**
 - Allowing all luxury coach services from dropping off passengers at hospitality and tourism locations, particularly for routes between Singapore and Kuala Lumpur, Ipoh and Pulau Pinang
- **Tour guides enhancement**
 - Simplify tour guides licensing through shorter renewal processes
 - Modular online training; continuing tourism related education seminars
- **Create multi-state hop package with a unified booking portal**
 - Organise state-level culinary festivals and curated regional food trails to promote Malaysia's culinary tourism
- **Develop niche tourism products**
 - MICE, agrotourism, ecotourism, edu-tourism, and culinary tourism through certification, premium-designed packages, and sustainability guidelines
 - Concerts and musical festival-driven
- **Listing of attractions and cultural programmes** qualifying for RM1,000 individual income tax relief

Tourist activation – Marketing | Connecting | Outreaching

Proposals

- **Consistent marketing**
 - Consistent, and "always-on" marketing approach helps to build brand loyalty, ensuring Malaysia remains top-of-mind for potential travelers
- **Landing rights and increased frequencies**
 - Introduce more direct flights, expand flight capacity, and enhance services on high-demand routes, particularly during peak seasons
- **Promote reciprocal tourism exchange agreements**
 - Focuses on new emerging markets
 - Simplifying travel requirements, coordinating marketing, and encouraging investment
- **Strengthen MM2H for Western/GCC markets**
 - Reintroduce flexibility for retirees (like rent options), offer pathways to work/business ownership, streamline the JS-SEZ/SFZ incentives
- **Develop multi-country travel package**
 - Collaborate with neighbouring ASEAN countries to enable long-duration travellers to explore multiple destinations seamlessly such as cruise tour
- **Implement a verified testimonial programme to drive organic promotion**
 - Offering vouchers or attraction credits for authentic user-generated reviews
- **Identify and engage high-spending source markets**
 - Understand their preferences, and design bespoke packages and premium experiences to attract and retain these tourists
- **Tailored packages for high-value markets**
 - Collaborate with industry to promote travel during shoulder months with tailored packages (e.g. wellness retreats, culinary tours, cultural deep-dives)

THANK YOU

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