



COUNTRY PROFILE

# MALAYSIA



# MALAYSIA – Basic Facts



Languages



Capital

Kuala Lumpur, population  
**1,790,000**

(Department of Statistics, Malaysia 2018)



Political system

Federal parliamentary elective  
constitutional monarchy



GDP

Nominal GDP

**\$ 336.330 billion**

(World Economic Outlook Database, IMF 2019)

GDP per person

**\$ 10,192**

GDP growth rate

**5.9% in 2019**

(World Economic Outlook Database,  
December 2019)



Population

**32,730,000**

(Department of Statistics, Malaysia, May 2020)



Urbanisation

Urban population

**77.2%**

of total population

(2020)

Rate of urbanisation:

**2.13%**

annual rate of change  
(2015-20 est.)

[www.indexmundi.com](http://www.indexmundi.com)



Age structure

0-14

years

**26.8%**



4,504,562

4,246,681

15-24

years

**16.63%**



2,760,244

2,670,186

25-54

years

**40.86%**



6,737,826

6,604,776

55-64

years

**8.81%**



1,458,038

1,418,280

65

years  
and over

**6.9%**



1,066,627

1,184,863

[www.indexmundi.com](http://www.indexmundi.com) (2020 est.)



## Number of registered SMEs and numbers employed in relation to the total number of registered companies






A review of the definition of the Malaysian SME definition was made in 2013 and an SME definition was endorsed at the 14th NSDC Meeting in July 2013.

The definition was simplified as follows:

- Manufacturing: Sales turnover not exceeding RM50 million (US\$ 11.9 million) OR full-time employees not exceeding 200 workers.
- Services and other sectors: Sales turnover not exceeding RM20 million (US\$ 4.75 million) OR full-time employees not exceeding 75 workers.

A business can qualify as an SME if it meets either one of the two specified criteria, namely sales turnover or full-time employees, whichever is lower. Under the definition, all SMEs must be entities registered with SSM or other equivalent bodies, with the exception of:

- Entities that are publicly listed on the main board; and
- Subsidiaries of:
  - Public-listed companies on the main board;
  - Multinational corporations (MNCs);
  - Government-linked companies (GLCs);
  - Syarikat Menteri Kewangan Diperbadankan (MKDs); and
  - **State-owned enterprises.**

 Size of company	 No. of establishment	 % of establishment	 No. of employees	 % of employment
<b>Micro</b>	693,670	75.3		
<b>Small</b>	192,783	20.9	5,700,000	66%
<b>Medium</b>	20,612	2.3		
<b>Non-SME</b>	13,893	1.5	2,936,364	34%
<b>Total</b>	920,878	100	8,636,364	100%

[www.smeinfo.com.my](http://www.smeinfo.com.my)





## Overview



For several centuries, Malaysia has benefited from its location on the trade routes between Europe and Asia, located on one of the most economically and politically important shipping lanes in the world. Malaysia has used this to great effect, transforming its economy from an agricultural and mining dependent region in the early 1970s to becoming an upper middle-income country, with a modern industrial structure. Today, services contribute 55.5% of GDP with manufacturing bringing a further 20.3% in 2018.

The country's economy has been positive for several years with projected growth rates for 2019 of up to 4.8%. The COVID-19 pandemic caused a strong contraction in Malaysia's economy expected to be around 3.1% for 2020, according to figures from the World Bank's Malaysia Economic Monitor. The government responded with a series of stimulus packages, which has helped alleviate the situation to some extent, but has left the country with a higher debt and falling incomes. The crisis has also highlighted the need for reforms of the social services and welfare sectors, where the poor were particularly badly affected. Growth is however expected to resume again in 2021, although slowly.

The economy is however still dependent on the commodity prices of oil and gas, as well as palm oil. Biggest trading partners are China, Singapore, Japan and Thailand.

On the political side, the dominant Barisan Nasional party was ousted after holding power for six decades and replaced by the Pakatan Harapan party. Their programme includes removing the goods and service taxes (GST), streamlining minimum wages and introducing healthcare services for lower-income Malaysians, clamping down on corruption and implementing a review of present and previous large-scale government projects.





## Opportunities and challenges

---

The country's regulatory policies are relatively open for many imported **foods and beverages** and food sales are expected to grow by up to 7% in 2020 (PwC 2015) fuelled by the removal of the Goods and Service Tax in June 2018. The sector is increasingly sophisticated and like all modern societies increasingly influenced by health and convenience trends. There is a greater awareness of nutrition and healthy lifestyle, pushing the demand for functional and minimally processed fresh, organic and natural food. Over the past years, the market has moved towards higher value imported foods and consumers increasingly buy from supermarkets and via home-delivery services, instead of traditional wet markets. The largest chains include Eonsave, The Store, Giant, Billions, and Aeon although since 2015, growth in large supermarkets and hypermarkets has been relatively static, while convenience stores have raced ahead, dominated by 7-Eleven and increasingly FamilyMart.

The **food processing** sector represents 12 % of Malaysia's total manufacturing output and is growing at 3% each year. Several large international food companies have production facilities in the country and the processing industry is considered to be a critical sector for future economic growth. As the country is predominantly Muslim, there is a large requirement for halal food and all products such as beef or poultry require halal certification in order to enter the country, which requires authorisation from the Islamic Development Foundation of Malaysia (JAKIM)

Another growth industry is **tourism**, which represents almost 15% of Malaysia's GDP with the hotel and restaurant industry showing real growth of 54% over the past five years (Euromonitor). The rise in tourism has also promoted an increase in restaurants and the retail sector.

As Malaysia becomes more affluent, there are increased demands for modern **medical care and services** and the country is moving towards more private, specialised services, spending nearly US\$ 400 per capita, double the spending from a decade ago (World Bank 2016). The government spends 10.4% of its fiscal budget on healthcare, which is one of the twelve priority areas for the government. There are 350 hospitals in the country, 150 of which are public, although the public system is overburdened and there are increasing challenges of the aging population. Increasingly, opportunities are present for medical devices where the country already boasts of 190 manufacturers, including many working with local latex and plastics (Malaysian Investment Development Authority 2015). Other medical technologies and digital health are also in rapid growth, as well as care for the aged, fuelled by a combination of both the aging population but also the popularity of the country as a retirement destination, under the Malaysia My Second Home programme and the growth of medical tourism, with medical tourism increasing by over 10% per year. (Malaysia Healthcare Travel Council 2016).

Launched in 2019, the **Smart Cities** Framework is an important Malaysian initiative to deal with increasing urbanisation, environmental degradation, housing, overcrowding and transport via use of IT, cleantech and smart grid technologies, as well as improved transport systems and infrastructure. The framework includes investments focusing on Kulim, Kuala Lumpur, Johor Baru, Kota Kinabalu and Kuching and there are opportunities for SME products and services in sustainable environmental solutions, smart planning and infrastructure and technologies.

While the country is developing at a steady pace, there are some challenges in the market. Due to the current trade tensions between the USA and China, and the effects of the COVID-19 virus, leading to lower commodity prices, the Malaysian economy has slowed slightly, though remains generally buoyant. The country is still in the process of fiscal austerity following the massive 1MDB scandal from the previous government, where ex-PM Najib Razak was accused of channelling US\$ 700 million from a government-run strategic development company, to personal bank accounts. Subsequent investigations show that the scale of corruption was considerably higher than first expected and up to US\$ 4.5 billion appears to have been embezzled. While the case is currently under investigation worldwide, the Malaysian government is faced with an official debt to GDP ratio of 51.8% and total liabilities of 73.5%. The replacement of the Barisan Nasional party in the elections was a direct consequence of the scandal, which heavily implicated a number of people with links to the party. The new PH government goal includes reducing the deficit to 3% in 2020 and 2.8% in 2021. The next few years will include a reduction in public sector expenditure of 1.8% and some tight fiscal policies.

Malaysia has made some progress over the past few years in protection and enforcement of intellectual property rights, and the government has increased resources to combat online piracy, taking down infringing content on domestic sites and arresting people operating or posting links to sites with pirated content. Resources have been allocated by the Ministry of Domestic Trade and Consumer Affairs to a Special Internet Forensics Unit which facilitates enforcement in the IP courts. While the country's IP protection has continually improved, the problems with IP piracy are widespread and the country remains on the US and EU watch lists.

# Summary











Despite the recent financial scandal and the ensuing legal cases, Malaysia continues to be a strong and increasingly modern market. The country has transformed itself from a largely agrarian economy, reliant on raw materials into a modern economy with a strong services and manufacturing sector. There is a good domestic economy and increased demands for higher value products and services, accompanied by changes in retail structure. In 2019, Malaysia became the 12th easiest country in which to do business, improving by three places from the year before, showing the efforts made to modernise.









## Further information and assistance can be obtained from:

- There is a comprehensive list of useful trade links here.
- The Matrade Portal includes lists of suppliers of goods and services as well as information related to import/export process, regulations for specific products, relevant laws and other useful information. You can access it here.



## Trade figures by country

 Largest import partner	 Trade value thousand USD (WITS 2018)	 Partner share %
 China	43,315,860	19.93
 Singapore	25,474,006	11.72
 USA	16,093,851	7.40
 Japan	15,728,775	7.24
 Thailand	12,034,865	5.54



  

 Largest export partner	 Trade value thousand USD (WITS 2018)	 Partner share %
 Singapore	34,471,038	13.94
 China	34,414,744	13.91
 USA	22,525,315	9.11
 Hong Kong	18,482,718	7.47
 Japan	17,109,996	6.92

## Trade figures by product

 Largest exports by 6-digit HS code	 Value USD (thousands) WITS 2018
854211 Monolithic integrated circuits, digital	42,898,716
271000 Petroleum oils, etc, (excl. crude); preparation	16,287,659
271111 Natural gas liquified	9,943,656
270900 Petroleum oils and oils obtained from bituminous	9,466,030
847330 Parts and accessories of automatic data process	6,989,663

 Largest imports by 6-digit HS code	 Value USD (thousands) WITS 2018
854211 Monolithic integrated circuits, digital	27,029,915
271000 Petroleum oils, etc, (excl. crude); preparation	20,228,731
854290 Parts of electronic integrated circuits and mic	7,842,245
270900 Petroleum oils and oils obtained from bituminous	5,717,062
847330 Parts and accessories of automatic data process	3,972,443

Source: <https://wits.worldbank.org/CountryProfile/en/Country/MYS/Year/2018/Summary>



## Import restrictions by country, e.g., quotas or non trade-barriers



Malaysia is considered to be a relatively easy country to trade with and enjoys a high ranking in international lists. There are however a number of import restrictions on agricultural products, animals (living or dead), foodstuff, iron and related products, heavy equipment, vehicles (including motorcycles) and plants.

Halal certification for the importation of meat and poultry is regulated through licensing and sanitary controls and imported products must be approved by Islamic Development Foundation of Malaysia (JAKIM). Pork and pork products may be imported into Malaysia only if the Department of Veterinary Services (DVS) provides an import permit, and the consignment is accompanied by a valid import permit issued by the Malaysian Quarantine and Inspection Services, Malaysia (MAQIS). Malaysia operates a food product standard MS1500:2009 for halal food production, preparation and storage, which is considered much stricter than the multilaterally agreed Codex Alimentarius halal standard. A new voluntary guideline MS2424:2012 has been introduced for halal pharmaceuticals.

As Malaysia is not party to the WTO Government Procurement Agreement, a local Bumiputra (Malay) partner may be needed in order to apply for certain government tenders and contracts. In many cases, it is necessary to have a Bumiputra (Malay) partner.

## Product and Trade indexes

(efficiency of customs clearance, openness to trade and trade tariffs)



The ASEAN Trade in Goods Agreement (ATIGA) aims to achieve free flow of goods in the region resulting in fewer trade barriers and closer economic linkages between the ten Member States, lower business costs, increased trade, and a larger market and economies of scale for businesses. The agreement was signed by the Economic Ministers of the Governments of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam, Member States of the Association of Southeast Asian Nations (ASEAN) on 26 February 2009 at Cha-am, Thailand. From 1<sup>st</sup> January 2010, Malaysia, Brunei Darussalam, Indonesia, the Philippines, Singapore and Thailand) made a complete free trade area and have eliminated import duties on 99 per cent of products in the Inclusion List (except for products listed in the Sensitive and Highly Sensitive Lists). Today, the ASEAN-6 have 99.20% of tariff lines in the Inclusion List at 0% import duty. This means that, only 0.35 per cent of the tariff lines in the Inclusion list incur import duties.

Form D is required in order to benefit from ATIGA preferential tariffs: [download here](#).

Full information can be found [here](#).

On April 23, 2019, the **ASEAN Trade in Services Agreement (ATISA)** was signed at the 25<sup>th</sup> ASEAN Economic Ministers Meeting in Phuket, Thailand, entering into effect 180 days later. It aims at achieving an improvement of the regulatory standards for the services sector in the region, as well as a reduction of unnecessary barriers to the trade in services within ASEAN, and at increasing regulatory transparency in each of the ten member states. The agreement does not commit to a fixed timetable for implementation and enforcement. More information can be found on

<https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/>



# Business dynamism index

(financing to SMEs, costs of starting a business, time of starting a business)



January 2020 figures from the World Bank show that Malaysia is currently ranked a very impressive 12<sup>th</sup> place among 190 economies in the ease of doing business, improving its score from 2019 from 81.3 to 81.5. Malaysia ranks extremely well for ease obtaining construction permits (2) and getting power (4) supplied to new facilities.

According to figures from Transparency International in their 2018 Corruption Perceptions Index, Malaysia is the 52 least corrupt nation out of 175 countries, although the ranking precedes the 1MDB scandal. At the same time, Malaysia is the 27<sup>th</sup> most competitive nation in the world out of 141 countries ranked in the 2018 edition of the Global Competitiveness Report published by the World Economic Forum.

Despite the country's ease of doing business, setting up a company is a not particularly simple and Malaysia ranks 126 out of 180. There are a number of different processes involved, including:

- Search and reserve company name, incorporate of company documents and receive seal, share certificates etc. at the (SSM) one-stop shop from the Companies Commission of Malaysia
- Register for Sales and Service Tax (STT), Royal Malaysian Customs
- Register for income tax and PAYE, Inland Revenue Board of Malaysia (LHDN)
- Register for the Employees Provident Fund, Employees Provident Fund (KWSP)
- Register for Social Security, Social Security Organisation (SOCSO- Perkeso)
- Obtain a business premise license, City Hall.

Note that female entrepreneurs have to receive permission from their husbands under Islamic Family Law, Art. 59(2)(b).

**A full list of the procedures can be seen on the World Bank website:**  
<https://www.doingbusiness.org/en/data/exploreeconomies/malaysia>