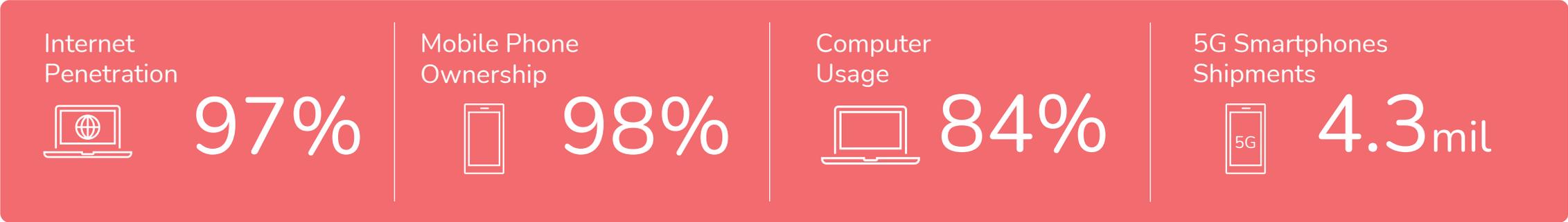


The State of Malaysia Digital Economy 2023

twimbit

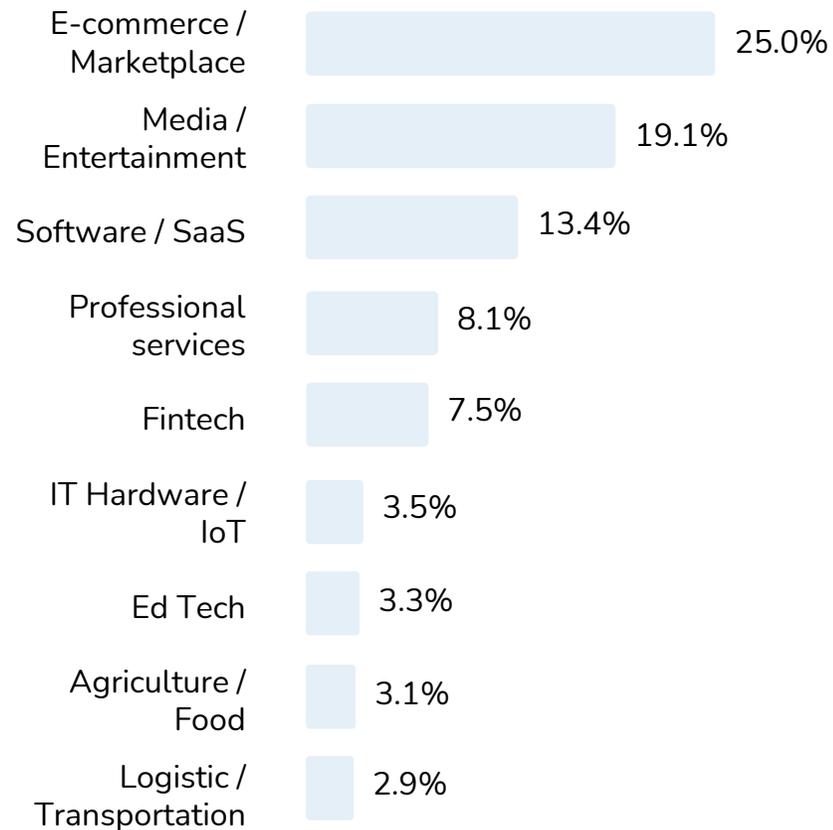


Malaysia in 2022

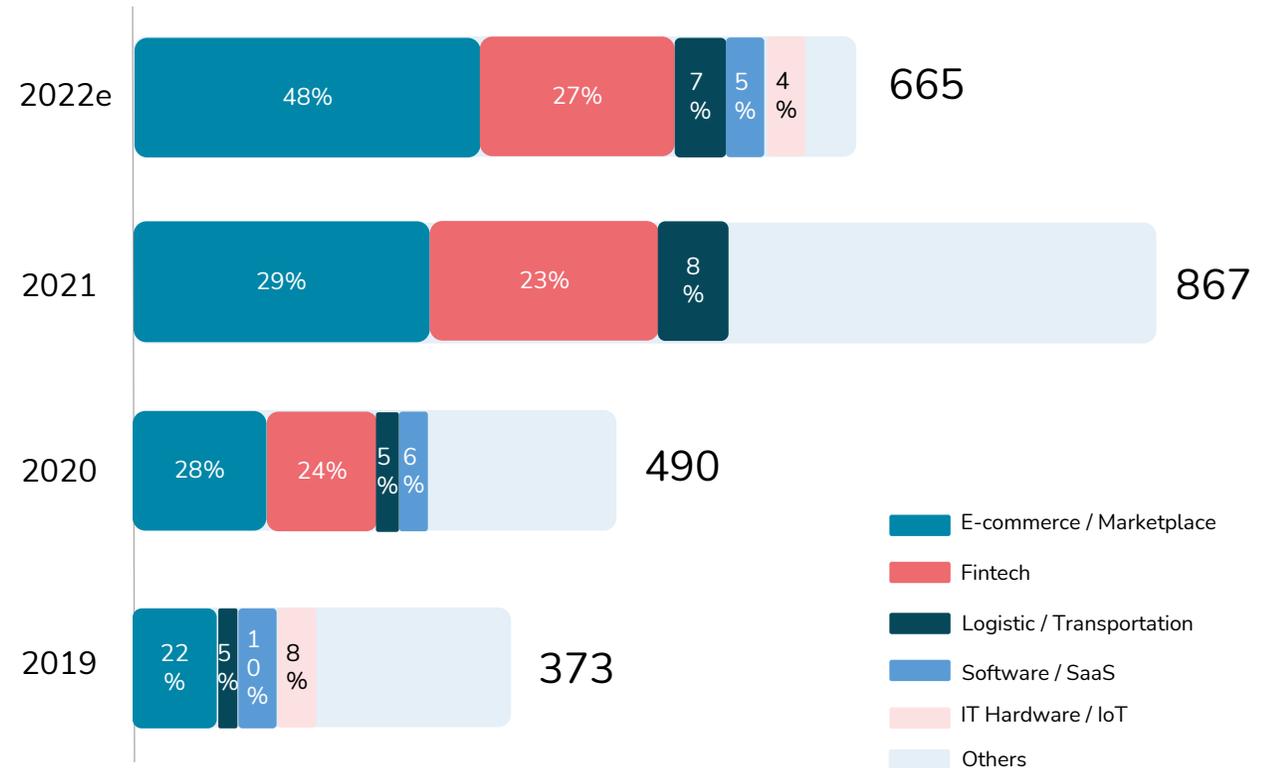


Malaysia Startups Landscape

Number of startups in Malaysia: ~2,063



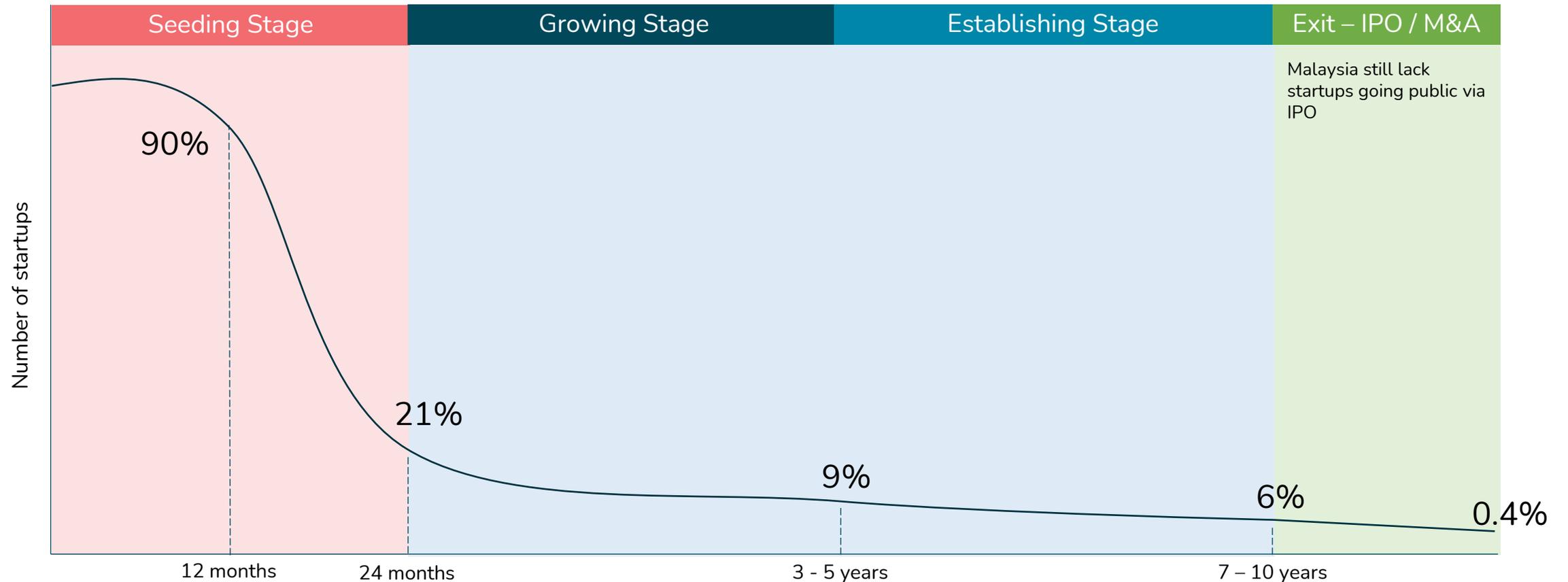
Private funding volume by vertical
(USD million, 2019-2022e)



Source: twimbit analysis, industry reporting

Only 6% of startups in Malaysia manage to survive for ten years, with a mere 0.4% reaching the exit stage

Malaysia startups life cycle and survival rate



Budget 2023 guided by Malaysia Madani aims to accelerate enterprise digitalization and automation



Sustainability

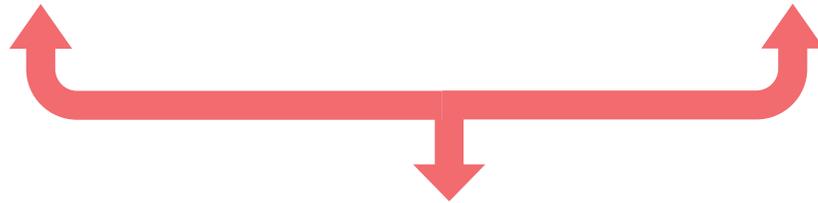
Prosperity

Innovation

Respect

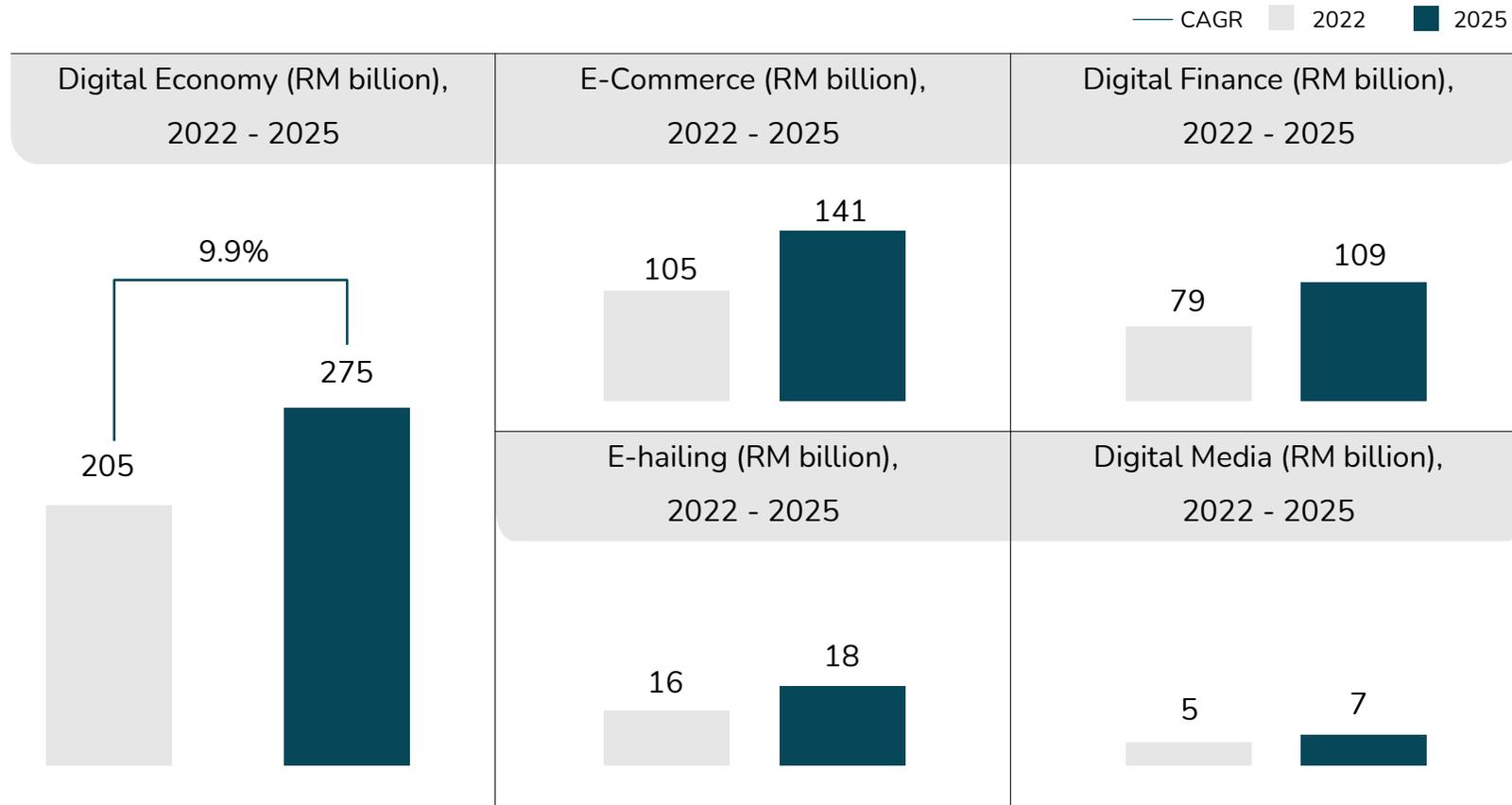
Trust

Core & Compassion



- RM 1 billion funding under Bank Negara to assist MSMEs to automate and digitalize their business
- RM 100 million to support small traders in automating and digitalizing operation
- RM 6 billion strategic funding from Bank Pembangunan Malaysia Berhad to accelerate sustainability agenda and automation
- RM 1.5 billion investments in local startups from GLCs
- RM 20 billion loans to SMEs in technology, agriculture and manufacturing sectors
- RM 725 million to accelerate digital connectivity to 47 industrial areas and 3,700 schools under JENDELA
- Create more data centres through tax allowance, secure infrastructure and clean energy facilities

Malaysia digital economy reached RM 205 billion, 14% of GDP

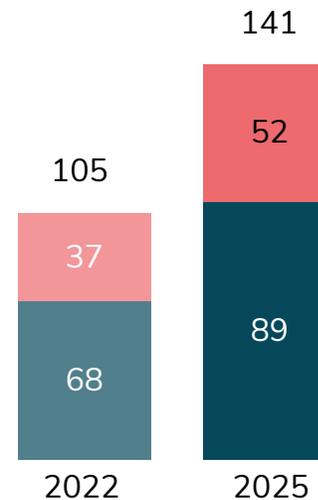


Note: Digital Economy is calculated based on Gross Merchandise Value (GMV) or Gross Transaction Value (GTV)

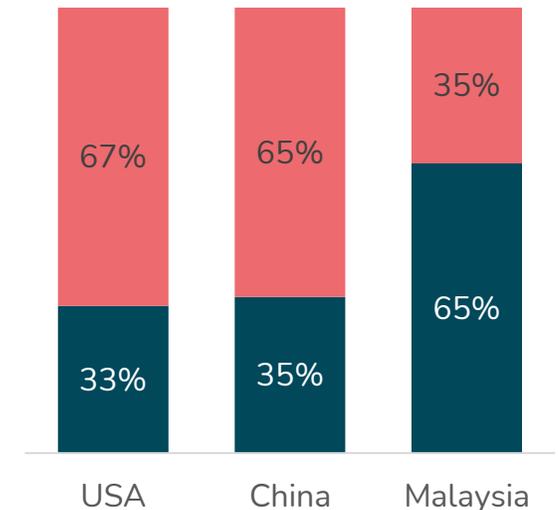
#1 While B2B e-commerce adoption remains low, it is expected to accelerate in the next few years

- e-commerce in Malaysia is primarily focused on B2C transactions, with projections indicating that B2C e-commerce will continue to experience stable growth and reach RM 89 billion by 2025.
- Typically, B2B e-commerce is at least twice the size of B2C e-commerce, but in Malaysia, B2B e-commerce is only half the size of B2C e-commerce, as B2B trading still operates in a traditional way.
- However, there are expectations that the growth of B2B e-commerce will accelerate in the upcoming years, driven by the high adoption of B2C e-commerce.

Malaysia E-commerce Market Size (RM billion), 2022 – 2025^p



E-commerce sales transaction share by business nature (%), 2022^e

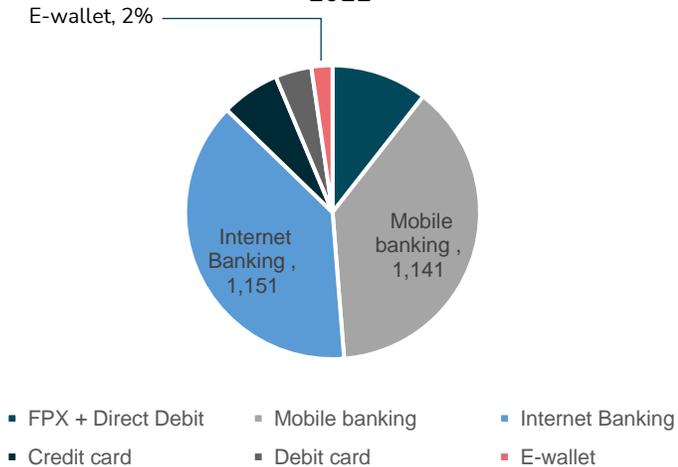


■ B2B ■ B2C

#2 DFS, especially e-wallet platforms, along with the increasing demand for microcredit, are expected to continue driving the growth of digital economy

Malaysians still prefer to make payment with internet and mobile banking, both combined hold the biggest share of e-payment transaction value, as the financial infrastructure of Malaysia is well developed and supported by high internet penetration.

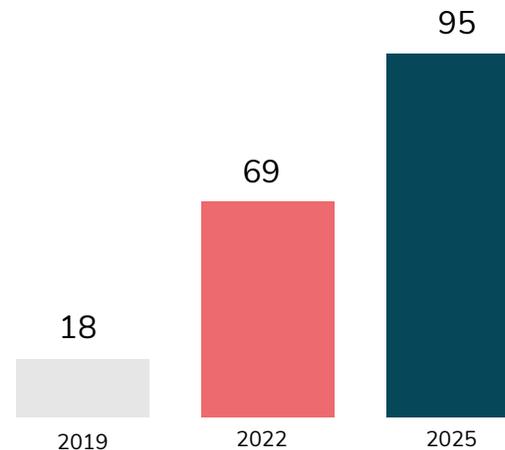
Transaction value by payment types (RM billion), 2022



Source: twimbit analysis, industry reporting

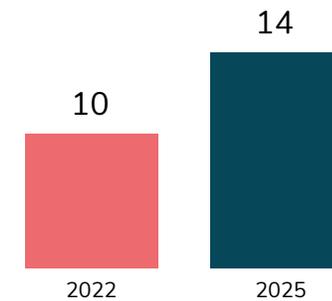
Although e-wallet transactions currently account for only 2% of e-payment transactions, they have gained momentum since the COVID-19 pandemic and are expected to continue growing exponentially in the coming years

E-wallet transaction value (RM billion), 2019 – 2025^E



With 70% of Malaysians lacking credit cards, there is a huge untapped market for digital lending platforms such as BNPL and P2P financing.

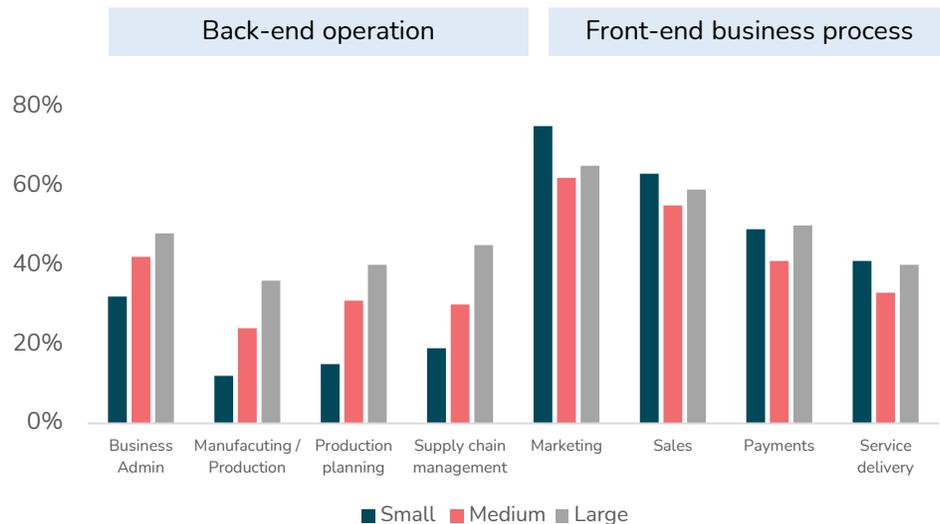
Digital lending transaction value (RM billion), 2022 – 2025^E



#3 Significant opportunity for B2B tech startups to unlock, as digital technology adoption is still lagging, particularly in the back-end operation

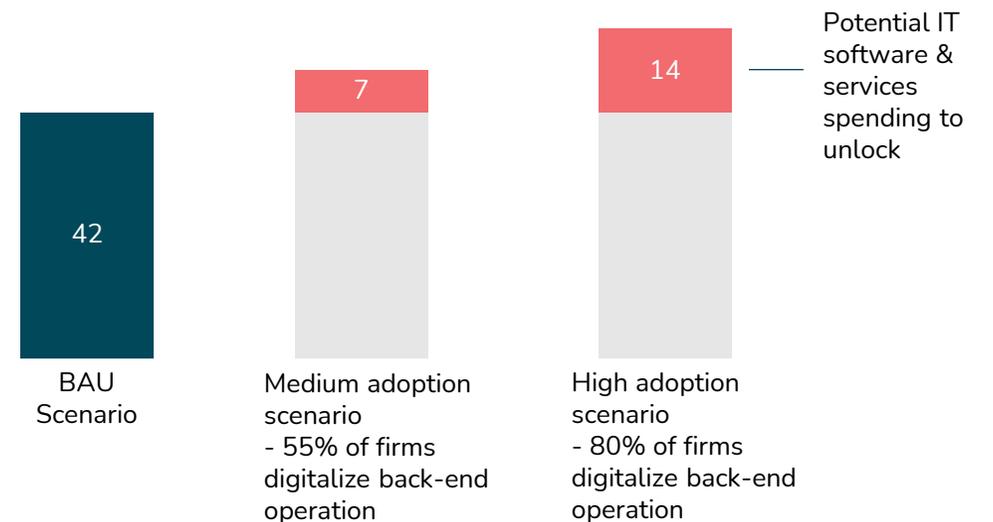
According to the World Bank, digitalization has mostly been applied to the front-end business processes among enterprises in Malaysia, while the adoption of digital technology in back-end operations, particularly among SMEs, is still lagging behind.

Digital adoption by business function, by firm size
2022



Malaysia's annual IT spending is around 3% of GDP, while Singapore's is around 7% of GDP. There is a potential of RM 7-14 billion in IT spending for tech startups to unlock by facilitating the digitalization of businesses' back-end operations

Malaysia IT Spending (RM billion), 2023^E

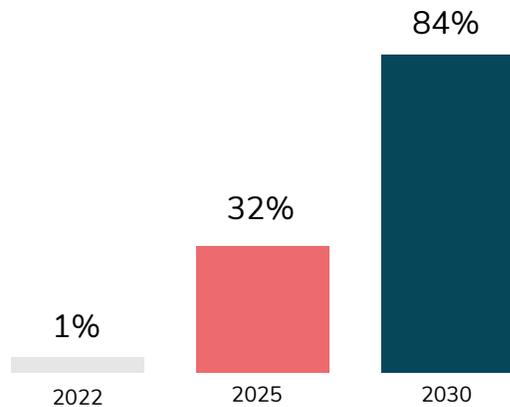


Source: twimbit analysis, industry reporting

#4 5G to supercharge Malaysia digital economy

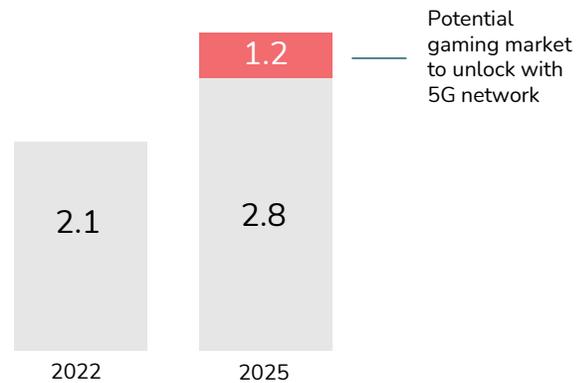
Government is committed to deliver the target of 80% of population covered with 5G by end of 2024. The uptake of 5G subscription is expected to grow exponentially in the next few years.

5G penetration in Malaysia, 2022 - 2030



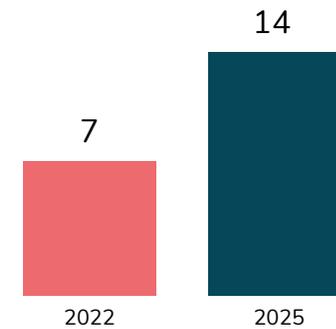
Malaysia is the leading gaming industry in ASEAN. 5G technology will enable new growth for gaming industry in Malaysia, unlocking a potential of RM 1.2 billion by 2025.

Online gaming market size (RM billion), 2022 - 2025



Despite high internet penetration, rural areas in Malaysia continue to suffer from poor internet speeds and unreliable connectivity. The implementation of 5G could allow rural populations to enjoy stable and high-speed internet access with potential to double the rural e-commerce market size by 2025.

E-commerce Market Size by Rural Areas (RM billion), 2022 - 2025

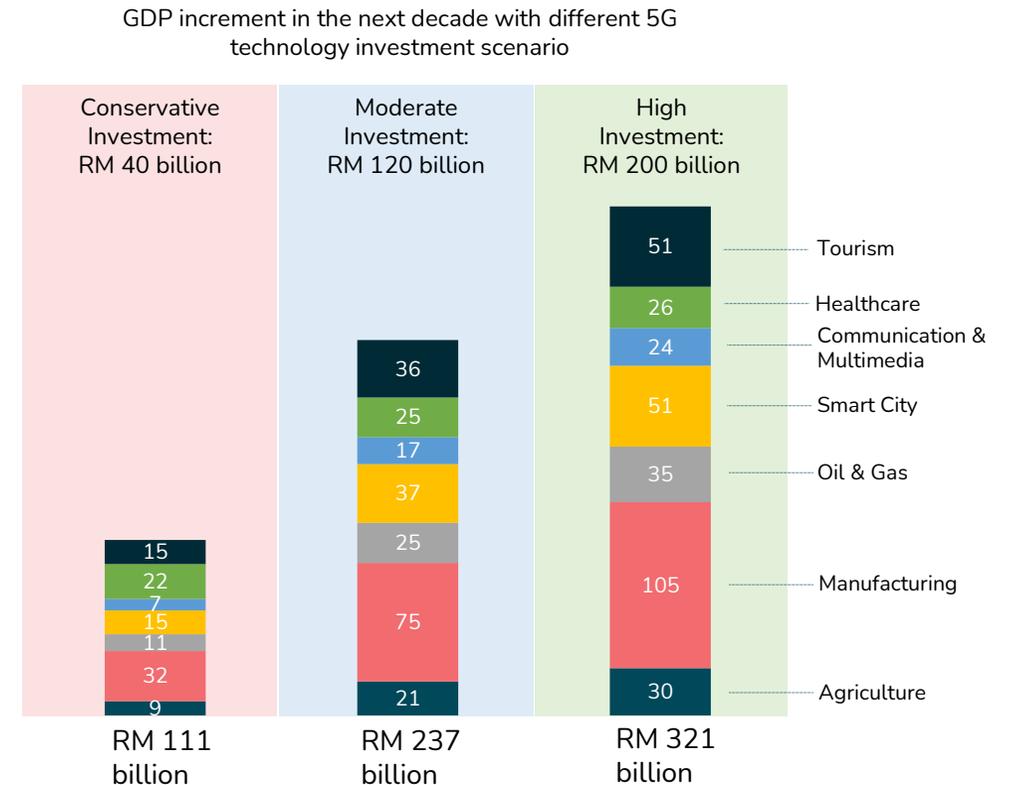


70% of 5G deployment is for industrial purposes to drive digital transformation

5G deployment focus areas as proposed by MCMC

Phase	Focus Area	Possible use cases
1	Smart City	Smart surveillance powered by 5G wireless CCTV cameras and mobile edge computing
	Retail & services	Indoor location service enhanced by 5G to deliver personalized experience
	Agriculture	Smart farming enabled by 5G such as field monitoring (IoT & drones) to enhance efficiency, eliminate wastage
2	Manufacturing	Predictive maintenance with AI through IoT sensors with 5G network to achieve low latency data communication
	Transportation	5G allows high-speed and consistent data transfer to enable continuous tracking in warehouse and logistic sector
	Healthcare	Internet of Medical Things (IoMT) devices for better medical decision and tactile internet for tele-surgery or tele-rehabilitation

Malaysia Institute of Economic Research (MIER) forecasted GDP to increase by RM 110 billion to RM 321 billion in the next decade, contingent upon investment in 5G technology



Source: twimbit analysis, industry reporting

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be more



Insights



Immersions



Challenges

How can we help?

reachus@twimbit.com