



Country spotlight: Malaysia



Country overview



Domestic demand stands resilient despite external headwinds

Household spending is on the rise, in tandem with employment and wages. As a result, domestic demand will drive economic growth in the market. However, investments in Malaysian digital companies decline to the lowest levels in years, in line with regional and global trends, suggesting slower growth in the near term for the digital economy.

Return of tourism to uplift economic growth

While tourism levels have been slower to recover, the pace of recovery is expected to accelerate and is likely to exceed government targets by year end. Outbound travel demand remains elevated, providing support for continued recovery and near-term growth in the digital travel industry. Online transport services like ride-hailing are also benefiting from the trend.

The return to offline routines has not shaken up sticky digital behaviours

Foot traffic in shopping malls has recovered or, in some areas, even exceeded pre-pandemic levels. The food and beverage industry is experiencing a similar uptick. But even with this resurgence, Malaysian consumers have held onto the habits that make their lives easier, like e-commerce and food delivery.

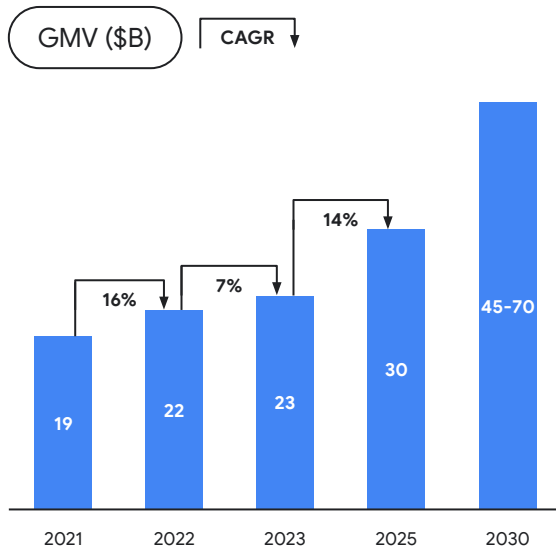
Digital payments continues to be a focus area

Cash is no longer king in Malaysia as QR codes and other forms of digital payments become ubiquitous. The government has supported e-wallet adoption, distributing benefits to lower-income communities through e-wallets. Other digital financial services such as lending, insurance, and investment have also seen increased adoption, driven by local and regional pure-play fintechs and financial institutions.

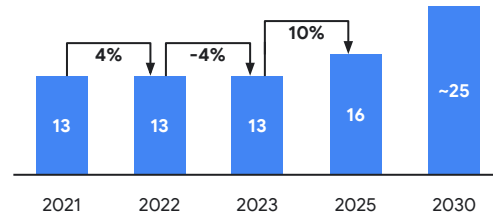


Online travel recovery drives the digital economy to \$23B in 2023, and e-commerce acceleration required to hit ~\$30B by 2025

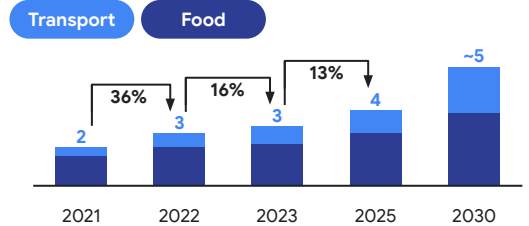
Overall digital economy



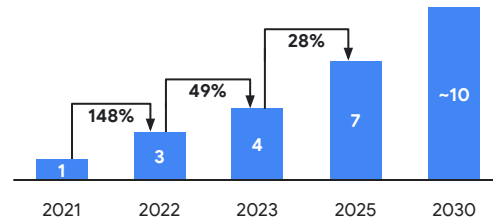
E-commerce



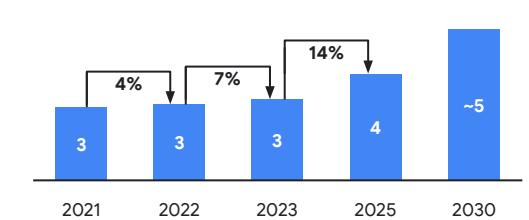
Transport & food



Online travel



Online media



Malaysia

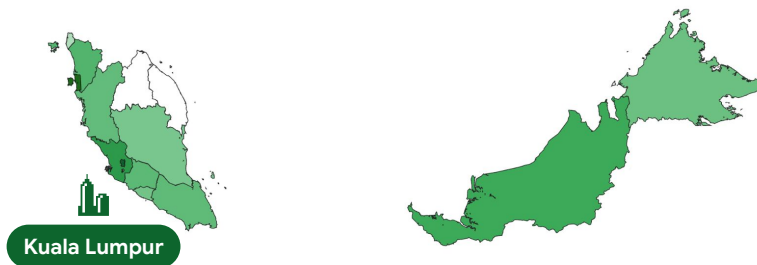


Kuala Lumpur leads in digital participation; gaps widen beyond Selangor

E-commerce: Demand¹

2023 indexed search interest per capita

Low retail demand  High retail demand



E-commerce: Supply²

2023, drop-off points per capita

Low drop-off density  High drop-off density



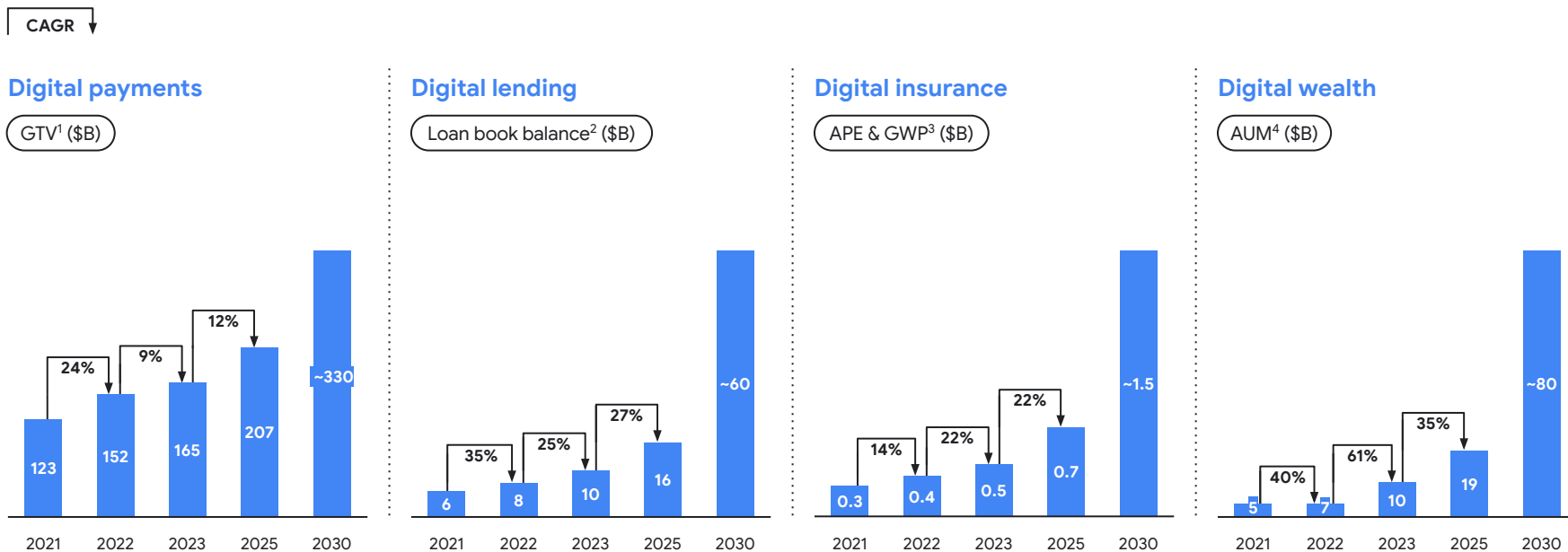
Notes: (1) An indication of how much e-commerce demand there is, calculated based on the e-commerce-related search interest indexed to census population per province, indexed at the country level; (2) An indication of the e-commerce fulfillment coverage, calculated based on the concentration of courier, delivery, freight forwarding, mailing, and shipping services within provinces, indexed at country level. (3) Areas that have not met the minimum supply (search interest) and demand (drop off points) thresholds have not been included in the analysis. Simplified illustrative maps are not representative of administrative borders and territories for which data is not available

Source: Google internal data, MY, Jan-Jul 2022 vs Jan-Jul 2023; Province GDP & Population; Google Maps data, MY, as of September 2023; WorldPop & Landscan Population; Bain Analysis

Malaysia



DFS continues its upward trend, largely supported by the government's push for digital payments adoption



Notes: (1) Gross transaction value (GTV) for digital payments includes the value of credit, debit, prepaid card, account-to-account (A2A), and e-wallet transactions; (2) Loan book balance for digital lending includes end-of-year balance for consumer loans (excluding credit card and mortgage) and SME loans; (3) APE & GWP for digital insurance includes APE for life insurance and health under life insurance policies and GWP for non-life insurance; (4) Assets under management (AUM) for digital wealth includes end-of-year mutual fund AUM balance. Source: Bain analysis

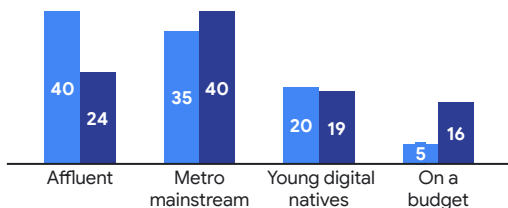


HVUs spend 5.3X vs non-HVUs; even distribution of HVU demographics

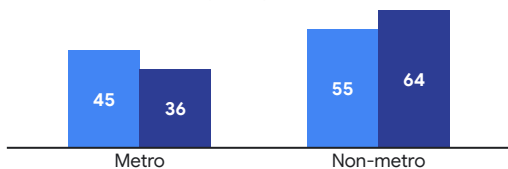
HVU

Non-HVU

HVU composition¹ by demographic² (%)

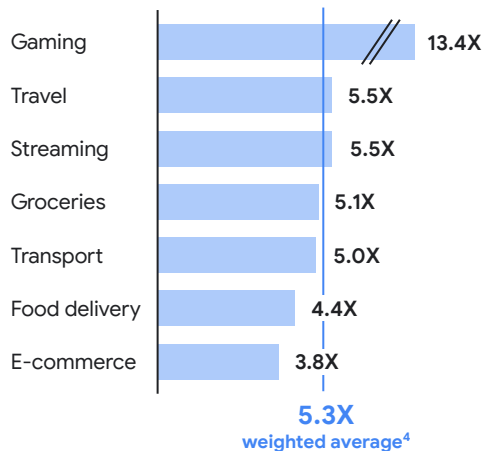
Based on total online spend³ per user

HVU composition¹ by geography (%)

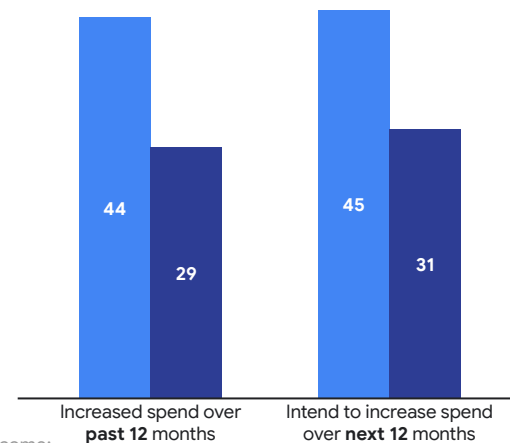
Based on total online spend³ per user

HVU vs non-HVU online spend

Based on average online vertical spend per user



Change in spend (%)

Averaged across verticals³ per user

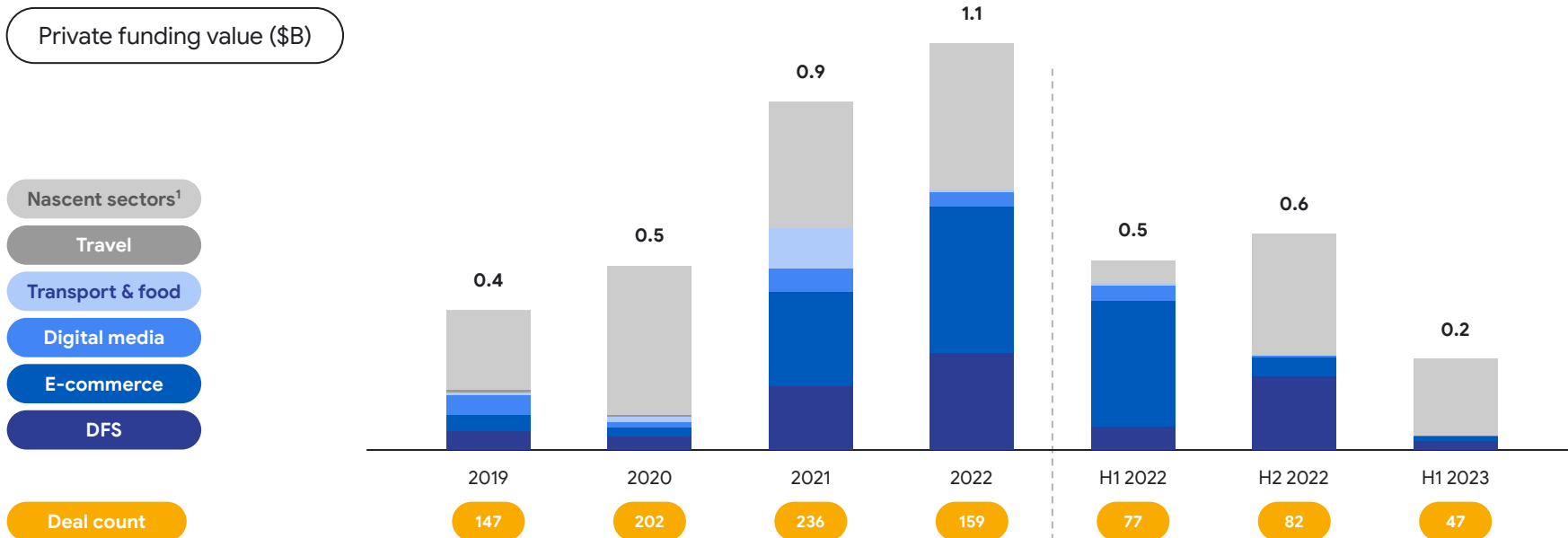
Notes: HVU = high value users. (1) Average composition across SEA; (2) Affluent = High income; Metro mainstream = Age 30 and above & medium income; Young digital natives = Age 18-29 & medium income; On budget = low income; (3) Excludes digital financial services (DFS). (4) Based on aggregate HVU user spend / aggregate non-HVU user spend, across all 7 categories.

Source: Google-commissioned Kantar e-Conomy SEA consumer survey, ID, MY, PH, SG, TH, VN, 2023, online survey among 18-64 internet users and digital economy spenders, 10/08/2023 - 01/09/2023 (n=1,300 Malaysia) Question S7, S3, A2, A5, A7: "Which of the following best describes your regular monthly household income situation before tax?" "In what region / area do you live?" "Please estimate how much you think you spend online in an average month across the below digital activities." "Comparing this year to the previous year, how has your spend for the following digital behaviours changed?" "Thinking about the upcoming year, how do you think your spend for the following digital behaviours will change?"

Malaysia



Funding declines across the board, including in previously popular sectors like e-commerce and DFS



Note: (1) Nascent sectors include categories that are still relatively nascent in SEA such as enterprise, healthtech, edtech, deeptech/AI, Web3/crypto, property, automotive, etc.

Source: Bain analysis