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e-Conomy SEA 2024

Profits on the rise, harnessing SEA's advantage





Malaysia





Country overview

Steady economic momentum with looming talent challenges on the horizon

The country is consolidating returns on prior infrastructure investments, and leveraging its established expertise in electronics, semiconductors, and data centres. The government has also raised sales and service taxes to boost revenue, and introduced a low-value goods tax to support local businesses. However, political shifts and the gradual outflow of talent could impact future economic progress.

The return of international tourists

Malaysia's international tourism sector is experiencing a robust recovery and is expected to exceed pre-pandemic levels in 2024. This resurgence is driven by several factors, including improved air connectivity, strategic airline partnerships targeting key markets like China and ASEAN nations, and a favourable exchange rate that enhances Malaysia's affordability for regional travellers.

Online banks reignite the momentum in digital financial services

Malaysia's financial services sector is on the cusp of a significant disruption with the advent of digital banks. GXBank, AEON Bank, and Boost Bank are leading this charge with their low barriers to entry and aggressive marketing strategies. These digital banks offer compelling features and ease of access, contributing to the rapid growth of the DFS landscape. The anticipated launch of two additional licensed digital banks will further stimulate competition and innovation.

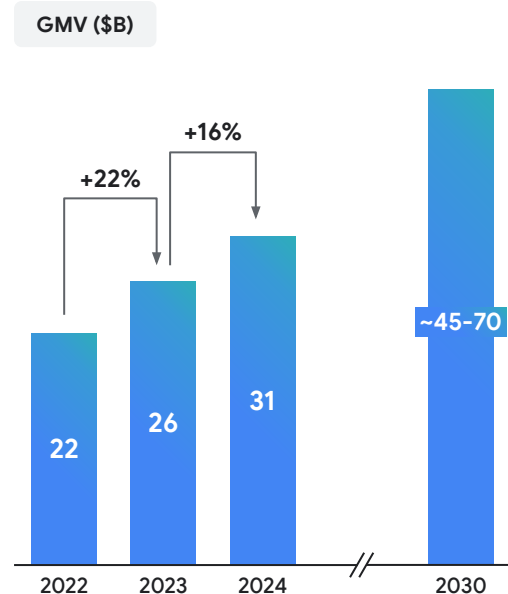
Government commits to ecosystem and digital infrastructure development

Malaysia is actively courting foreign direct investment through strategic initiatives such as the KL20 plan, designed to bolster the startup ecosystem through incentives for high-tech industries, tax exemptions for foreign venture capitalists, and ~\$1B of government funding for startups in Malaysia and SEA. In parallel, the "Cloud First Policy" has successfully attracted significant data centre investments of \$15B in H1'24 alone, positioning the country as a regional leader.

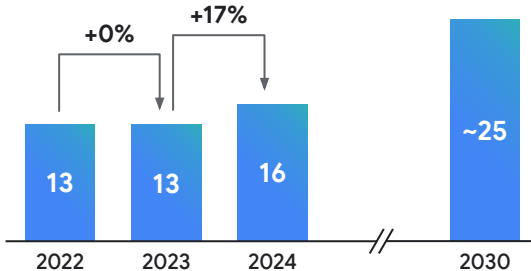


E-commerce and online travel propel Malaysia' digital economy growth, despite slower gains in transport and food

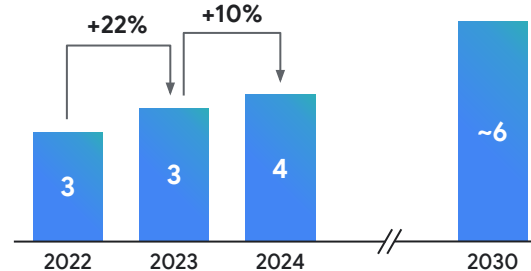
Overall digital economy



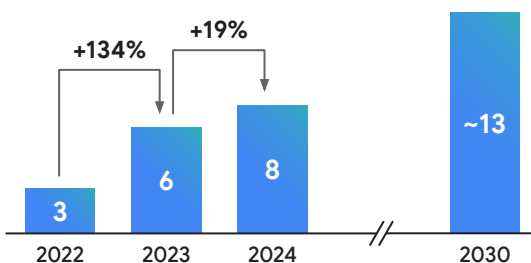
E-commerce



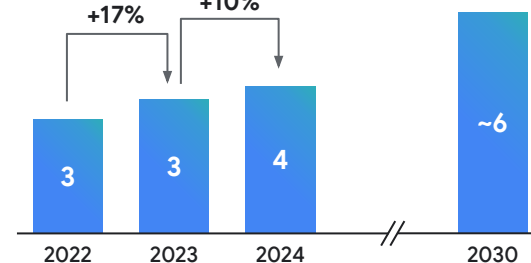
Transport and food



Online travel



Online media



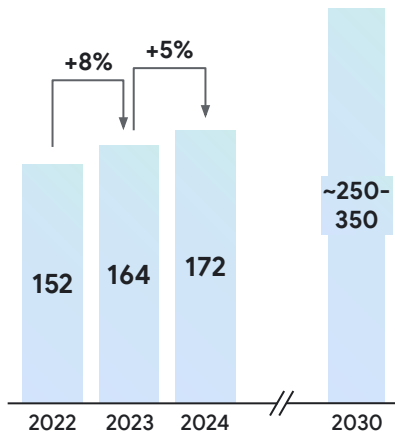
Note: Only OTAs are included in "Travel".
Source: Bain analysis



DFS is on an upward trajectory; wealth to significantly expand by 2030

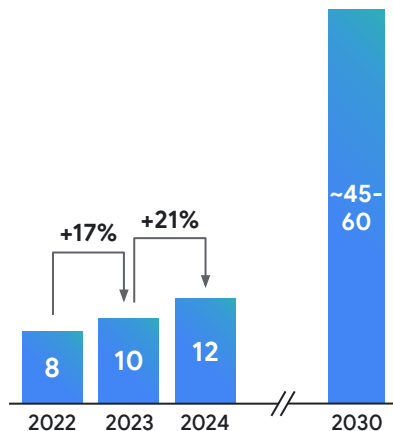
Digital payments

GTV¹ (\$B)



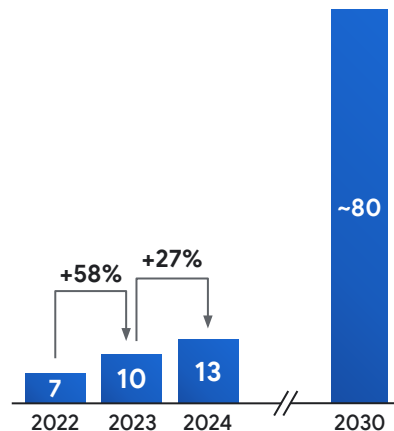
Digital lending

Loan book balance² (\$B)



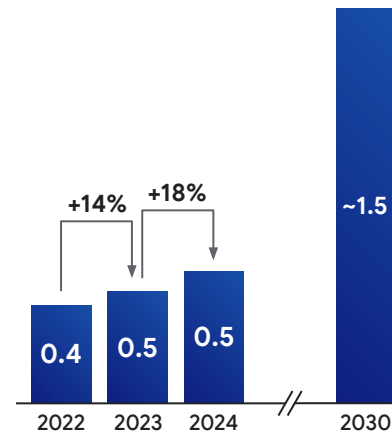
Digital wealth

AUM³ (\$B)



Digital insurance

APE & GWP⁴ (\$B)



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 small/medium enterprise (SME) loans. 3) Assets under management (AUM) for digital wealth includes end-of-year mutual fund AUM balance. 4) Annual premium equivalent (APE) and gross written premium (GWP) for digital insurance includes APE for life insurance and health under life insurance policies and GWP for non-life insurance.

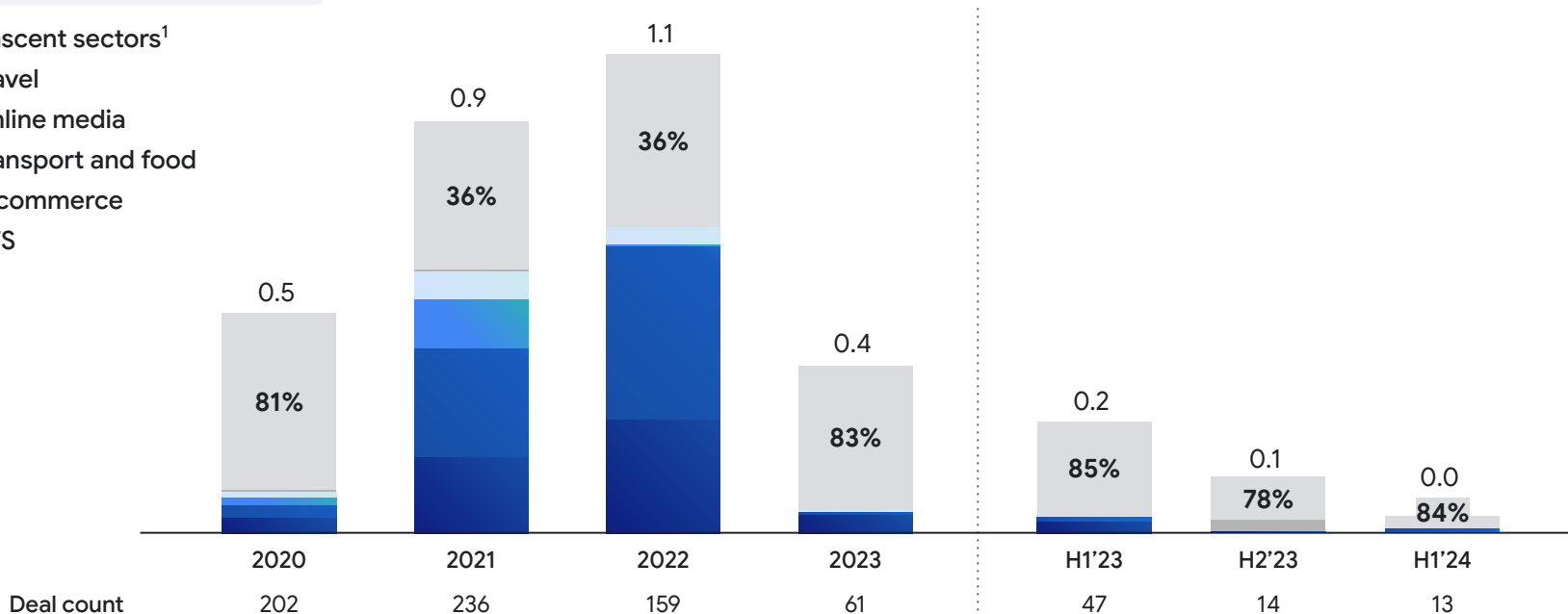
Source: Bain analysis



Private funding continues to be challenged, particularly in the core digital economy sectors

Private funding value (\$B)

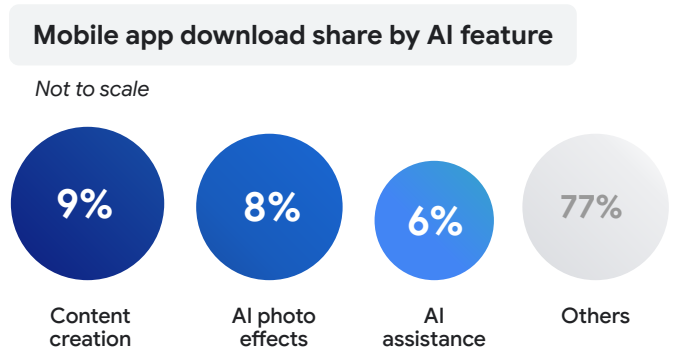
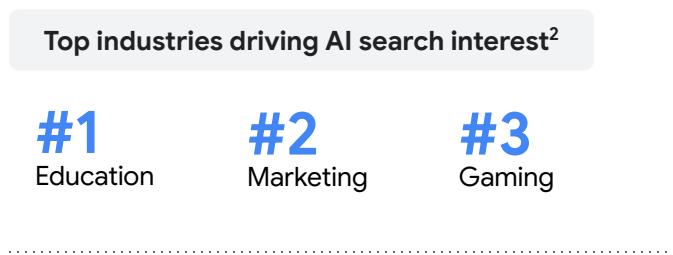
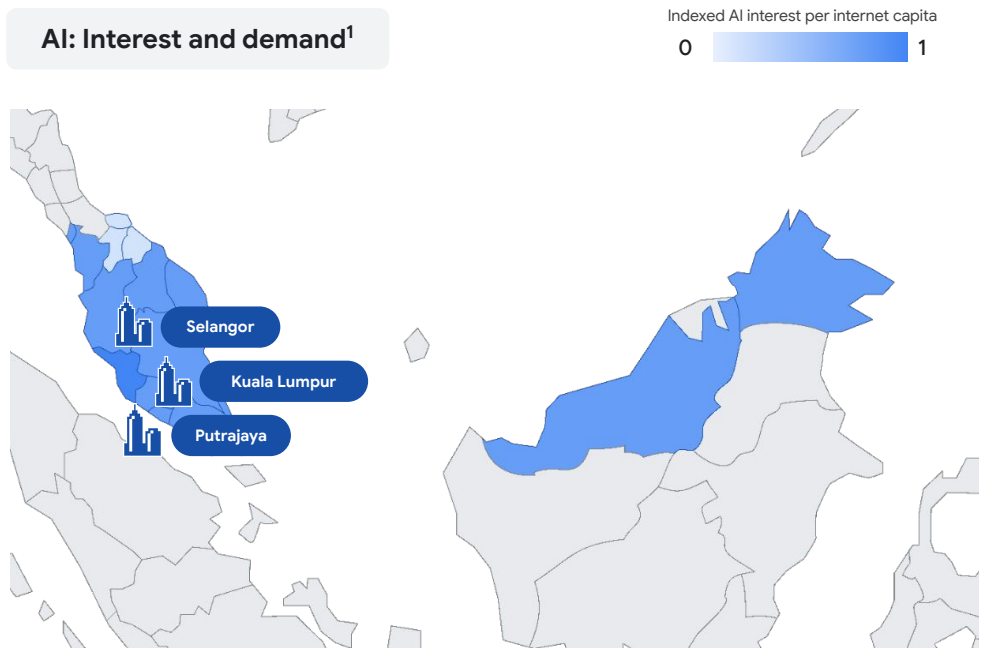
- Nascent sectors¹
- Travel
- Online media
- Transport and food
- E-commerce
- DFS



Note: 1) Nascent sectors include new, emerging sectors such as software and services, sustainability technology, Web3, and others.
 Source: Bain analysis



Kuala Lumpur, Putrajaya, and Selangor lead in AI interest and demand



Notes: 1) The AI interest index indicates the level of interest in and demand for AI, calculated based on AI-related search volume, indexed to the relative internet population across the respective markets. Areas that do not meet the minimum search interest thresholds are not included in the analysis. Simplified illustrative maps are not representative of administrative borders and territories for which data is not available. 2) Indexed interest per capita. Top industries driving AI search interest refers to AI-related search topics that are relevant to the respective industries.
Sources: Google internal data, MY, 01-08/2024; Euromonitor, Internet Users by Country, MY, 01-08/2024; data.ai, MY, 01-08/2024

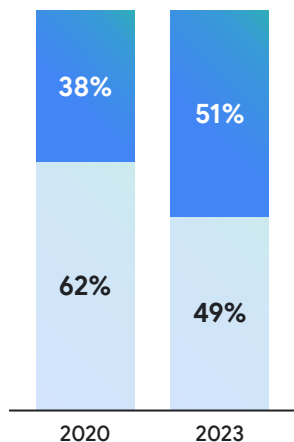


Strong growth observed in the number of brand and influencer video creators

Consumer trends¹

Category exploration²

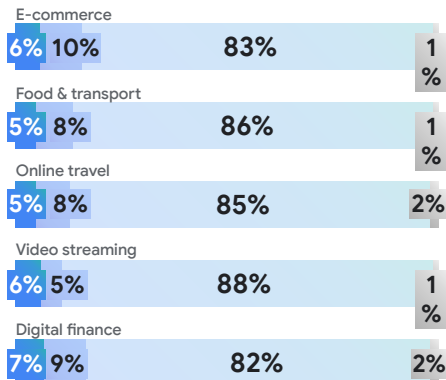
- Non-branded, broad
- Brand-specific



Local language usage³

6%

- Malay
- Chinese
- English
- Others



Creator economy⁴

+7%

2Y CAGR of the number of brands with video channels in consumer categories

+9%

2Y CAGR of the number of video influencers focusing on consumer categories

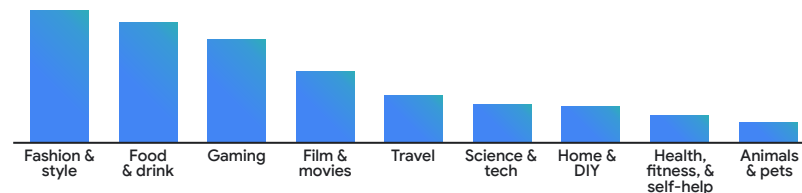
+13%

2Y CAGR of the number of video uploads

51%

of video creators create content primarily in Malay

Number of creators by consumer category⁷ (Indexed)



Notes: 1) All data reflect searches across MY, and across digital economy sectors unless otherwise stated. 2) "Category exploration" refers to non-branded searches using broad terms vs brand specific searches, expressed as a percentage of all searches. Data from 01/2020 to 12/2023. 3) "Local language usage" refers to searches in the national language(s), expressed as a percentage of all searches. Data from 01/2023 to 12/2023. 4) Comparisons are between Q2'22 and Q2'24, for video creators in MY with more than 10,000 followers. 5) Brand creators are organisations whose primary line of business is not related to media. 6) Video influencers are video creators who are persons and public figures with significant social presence. 7) As of Q2'24.

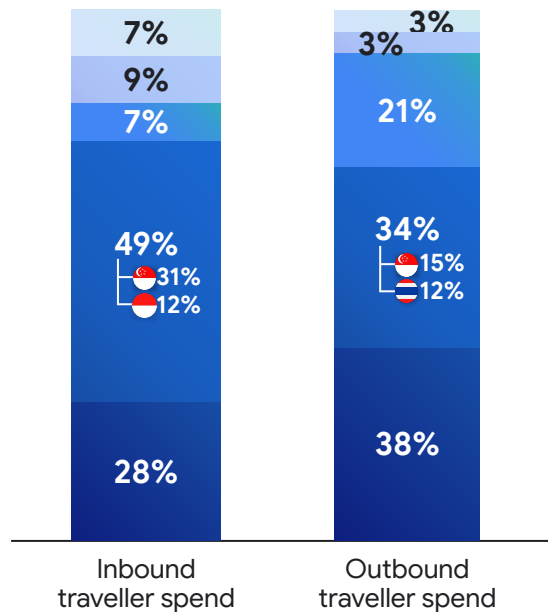
Source: 1) Google internal data, MY, 01/2020-12/2023. 4) Tubular, MY, Q2'22 vs Q2'24



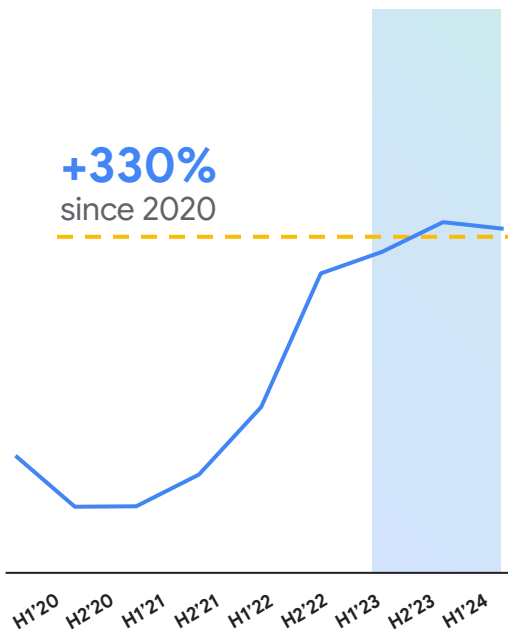
SEA visitors account for half of Malaysia's inbound traveller spend

Traveller spend

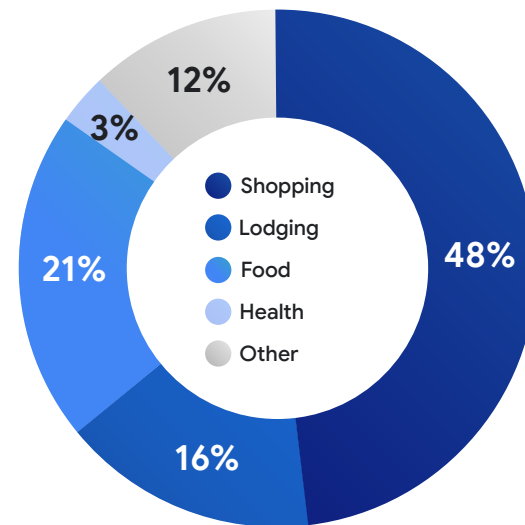
- Middle East
- Europe
- North America
- SEA
- Asia Pacific ex-SEA



Outbound traveller spend



Top outbound travel spend categories



Source: Visa, Global, H2'20-H1'24. On this slide, SEA includes KH, BN, and MM in addition to ID, MY, PH, SG, TH, and VN. World regions with low traveller spend have been excluded.

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