To date, Malaysia has announced four stimulus packages with a cumulative total of RM315 billion, or 20% of the country’s gross domestic product (GDP), to address the impact of the COVID-19 outbreak on businesses and affected individuals. While the components of the stimulus packages are mostly off-budget measures, the government’s direct fiscal injection totals RM45.0 billion out of the RM295.0 billion.

In its efforts to advance into a high-wage, knowledge-based economy, the Malaysian government in recent years have taken important strides in the promotion of the country’s digital transformation agenda.

In 2018, the digital economy contributed 18.5% to Malaysia’s economy amounting to RM267.7 billion in revenue. The e-commerce sector, which accounts for 43.0% of the digital economy’s value, contributed RM115.5 billion in revenue, or 8.0% of national GDP.

On average, the Malaysian digital economy has grown 9.0% annually in value-added terms between 2010 to 2016. Statistically, this is faster than Malaysia’s overall GDP growth, highlighting the importance of the country’s digital economy as a growth driver.

Size of Malaysia’s cumulative stimulus packages to fight COVID-19

Contribution of E-Commerce

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Contribution of Digital Economy

18.5%
To NATIONAL ECONOMY in 2018

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2010 ➞ 2016
+9.0% annually in value-added terms

*Under most definitions, the digital economy encompasses the ICT sector and e-commerce. But the components of each differ by country. Malaysia has a broader definition than OECD countries. Its ICT sector includes ICT wholesale and retail trade, content and media.
Taking this into account and against the backdrop of the coronavirus pandemic and Industrial Revolution 4.0 (IR 4.0), the government’s recently announced RM35.0 billion Economic Recovery Programme (ERP, or “Penjana”) focuses on driving Malaysia’s economic recovery through the process of digitalising local businesses and sparking change in business practices.

Many of the ERP’s goals focus on the digital sectors. Specifically, they address e-commerce, technology and the digital economy, including the following allocations:

- **SME Technology Transformation Fund**: RM500.0 million
- **Smart Automation Grant with eligible companies to receive grants up to RM1.0 million**: RM100.0 million
- **SME Digitalisation Matching Grants in collaboration with telecommunication companies**: RM100.0 million
- **‘Shop Malaysia Online’ allocation for e-commerce to encourage online consumer consumption**: RM70.0 million
- **Micros and SMEs E-commerce Campaign**: RM70.0 million
- **Skills improvement programmes benefiting more than 200,000 people**: RM2.0 million
- **National Stimulation Fund, backed by RM600 million from the government, specifically for business digitalisation efforts**: RM1.2 million
- **The establishment of the National Technology and Innovation Sandbox to explore new technologies and innovation**: RM100.0 million

Taken as a whole, the programmes brought about by COVID-19 have spurred Malaysia’s digital transformation into the coming Fourth Industrial Revolution (IR 4.0) and highlights the government’s commitment in the digital revolution.