FEDERATION OF MALAYSIAN MANUFACTURING

PRESS STATEMENT

FMM Welcomes Immediate Relief Measures, Calls for Broader Industry Cost and Investment Support in Budget 2027

Kuala Lumpur, September 1, 2026 — The Federation of Malaysian Manufacturing (FMM) welcomes the six immediate measures announced by YAB Dato' Seri Anwar Ibrahim, Prime Minister and Minister of Finance, in conjunction with the National Day 2026 address, particularly the measures aimed at easing cost pressures on businesses and households ahead of Budget 2027.

FMM recognises the Government's decision to introduce measures that can provide more immediate support as businesses continue to contend with operating cost pressures, cash-flow constraints and an increasingly challenging and competitive business environment. While several of the initiatives are primarily targeted at households and the wider community, they will also have positive spillover effects on businesses and the economy.

Higher e-Invoicing Exemption Threshold Provides Welcome Relief

FMM particularly welcomes the decision to increase the annual sales threshold for mandatory e-Invoicing from RM1 million to RM3 million. This will provide meaningful relief to smaller businesses by reducing compliance costs, administrative requirements and the resources needed to implement and maintain e-Invoicing systems.

For businesses with annual sales between RM1 million and RM3 million that have already implemented e-Invoicing under the previous threshold, FMM calls on the Inland Revenue Board of Malaysia (LHDN) to provide early clarification on whether they may opt out following the revised threshold or continue participating voluntarily. Businesses that have already invested in systems and commenced implementation should continue to receive appropriate technical guidance and support as early adopters.

Additional Financing Will Support SME Cash Flow and Investment

FMM also welcomes the additional RM1 billion in micro-financing facilities, increasing the overall allocation for 2026 from RM5 billion to RM6 billion, together with the RM200 million Geran Sejahtera MADANI for small traders and micro-enterprises.

With SMEs facing continued pressure on operating costs and cash flow, it is important that the additional financing is supported by simple application procedures, affordable financing terms and speedy approval and disbursement, including adequate access for eligible small manufacturers and manufacturing-related businesses.

These measures can help free up resources for businesses to sustain operations, retain workers and undertake productivity-enhancing investments.

AI Initiative Can Support a More Digitally Ready Workforce

FMM welcomes the initiative to provide 100,000 Malaysians aged 18 to 30 with access to leading AI applications upon completion of the prescribed modules. Greater exposure to

AI among young Malaysians can help build familiarity with technologies that are increasingly being adopted across manufacturing and other sectors.

FMM encourages the Government to build on this initiative by linking AI exposure increasingly to industry-relevant applications and skills, including smart manufacturing, data analytics, process optimisation, engineering, predictive maintenance and supply-chain management.

This would complement FMM's Budget 2027 proposal for stronger support for manufacturing AI adoption, digitalisation and automation. FMM has proposed an integrated RM1.5 billion Smart Manufacturing Support Package, including automation, manufacturing digitalisation and AI adoption support, complemented by affordable financing and fiscal incentives.

Industrial Fuel Users Also Require Targeted Cost Relief

FMM welcomes the increase in subsidised fuel eligibility under BUDI95 and BUDI Diesel, which will provide additional relief to households and eligible operators. However, manufacturers that use fuel directly as an input in production but fall outside the Subsidised Diesel Control System (SKDS) continue to face significant exposure to higher industrial fuel costs.

FMM therefore reiterates its Budget 2027 proposal for industrial fuel cost relief for qualifying industrial users, through a dedicated, targeted and time-bound rebate administered through existing manufacturing licence frameworks. Such support should be directed specifically at genuine industrial consumption to contain production-cost pressures while avoiding a return to broad-based subsidies.

This is consistent with FMM's broader recommendation that Budget 2027 introduce targeted and time-bound measures to cushion manufacturers facing exceptional energy-cost increases, while supporting longer-term investment in energy efficiency and alternative energy.

Digital Public Infrastructure and Education Investment Have Wider Economic Benefits

The RM1 billion investment to strengthen the digital capabilities of the public healthcare system, including electronic medical records and improved connectivity, is also a positive step towards accelerating public-sector digitalisation. Such investment can generate opportunities for Malaysian technology providers, systems integrators and related industries while strengthening the country's broader digital ecosystem.
Similarly, the increase in school maintenance expenditure from RM1 billion to RM1.5 billion represents an important investment in education infrastructure and the development of Malaysia's future workforce.

Budget 2027 Should Build Productive Capacity

FMM views the six initiatives as useful near-term measures and hopes that Budget 2027 will build upon them with a broader package that strengthens business competitiveness and Malaysia's productive capacity.

In particular, FMM has proposed that Budget 2027:

i. Keep SME taxation competitive so that more earnings can be reinvested in technology, productivity, workforce development and business expansion.
ii. Accelerate automation, digitalisation and AI adoption through grants, enhanced capital allowances, tax deductions and affordable financing.
iii. Strengthen manufacturing R&D and innovation through more accessible R&D tax incentives, support for industry-led and SME innovation, and the proposed RM1 billion National Manufacturing Research & Innovation Endowment Fund to provide sustainable financing for R&D, commercialisation and industry-academia collaboration.
iv. Provide targeted relief from exceptional energy and industrial fuel costs, while strengthening incentives and financing for energy efficiency and renewable-energy investments.
v. Strengthen domestic supply-chain resilience and localisation, including the proposed RM100 million National Supply Chain Resilience Fund to help manufacturers secure critical inputs and diversify supply sources.
vi. Strengthen workforce skills and apprenticeships, including greater use of levy proceeds to finance industry skills development and automation.

FMM's overall Budget 2027 approach is centred on allowing more capital to remain within productive businesses, particularly SMEs, while incentivising that capital to be reinvested in technology, R&D, productivity, skills, supply-chain resilience and better-paying jobs.

Ultimately, sustained improvements in productivity and business competitiveness will be essential to generate stronger economic growth, higher-value employment, greater investment and better incomes for Malaysians.

Mr Jacob Lee Chor Kok
President, Federation of Malaysian Manufacturing

FMM Advocates Transparency, Integrity, Accountability and No Corruption

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<u>About FMM</u>
The Federation of Malaysian Manufacturing (FMM) (formerly known as Federation of Malaysian Manufacturers) has been the voice of the Malaysian manufacturing sector since 1968, advocating policies and initiatives that drive industrial growth, competitiveness and workforce development. Representing over 13,540 member companies (4,270 direct and 9,270 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-added services including training, business networking and trade opportunities as well as regular information updates.

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