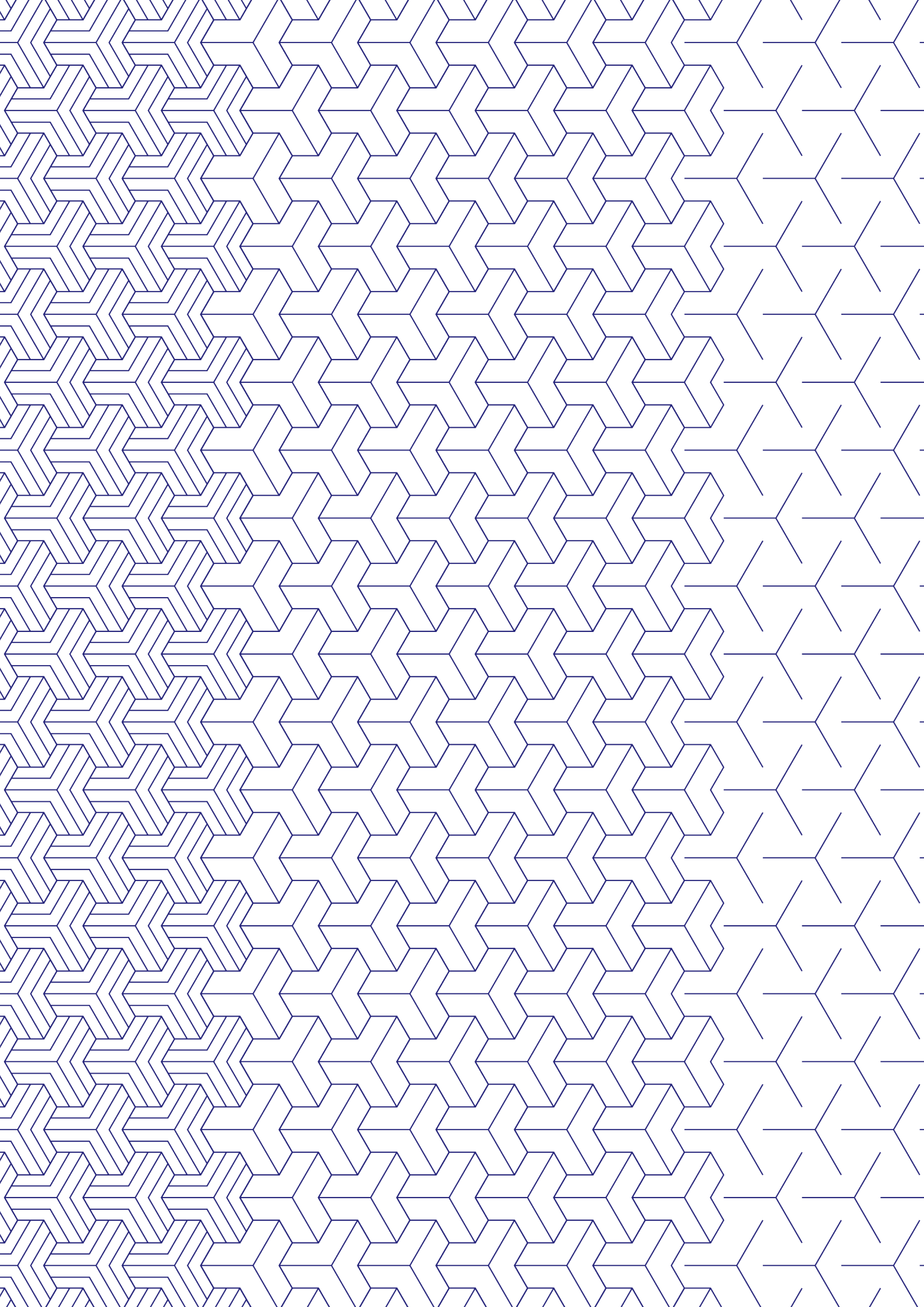
MINISTRY OF INVESTMENT,
TRADE AND INDUSTRY

NEW INDUSTRIAL
MASTER PLAN 2030

TEXTILE, APPAREL AND FOOTWEAR INDUSTRY



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PREFACE

Malaysia's strength in the manufacturing sector has been significantly driven by the implementation of robust and forward-thinking Industrial Master Plans, first launched in 1986.

The success of the IMP3 (2006-2020) was anchored on innovation, research and development (R&D) and human capital development to drive high value-added industries to transform Malaysia into a knowledge-based economy.

The journey towards formulating the NIMP 2030 is underscored by the need to build a robust industrial sector as an important prerequisite to achieve socioeconomic prosperity. Three previous iterations of the Industrial Master Plans have driven industrial development in Malaysia, with the Government adopting industrial development strategies relevant to the period to transform the economy. Malaysia flourished from a low-productivity agrarian-based economy and is heading towards achieving developed nation status, underpinned by robust manufacturing and services sectors. The strategy has successfully raised the living standards of the Rakyat and propelled remarkable growth in Gross National Income (GNI) per capita, increasing 34 times between 1967 to 2019, making Malaysia one of the fastest growing economies in modern history.

Industrial policies have since become more diverse and complex, incorporating new imperatives including the integration into the global value chain (GVC), development of indigenous capabilities in a knowledge economy, evolution of environmental, social and governance (ESG) criteria and disruptions from the new industrial revolution. The question is not about the necessity of such policies, but rather what new policies are required and how to proceed.

Given the current challenging environment, benchmarking and learning from other country's experiences are no longer sufficient. Malaysia needs to embark on its own path into unchartered territory, to steer the nation into the challenging future. The combined impact of the new imperatives and the recent pandemic has compelled the Government to rethink Malaysia's industrial strategy.

With the NIMP 2030, Malaysia intends to transform the industry into greater heights, capitalising on emerging global trends, supply chain disruptions, current geopolitical landscape, digitalisation and ESG considerations. These trends are moving at an unprecedented pace and Malaysia has to act fast.

Therefore, the NIMP 2030 is designed to achieve the aspirations in a span of seven years and takes on a Mission-based approach for industrial development. This approach unites Malaysia by encouraging collaboration between the Government and the private sector to rally the industries.

Purpose of the NIMP 2030

The NIMP 2030 sets forth Malaysia's future direction in industrial transformation. It provides a national integrated plan for resilient industrial development until 2030 – setting the fundamentals for future policy development and enabling the industry at all levels. It articulates Malaysia's position and participation in the global economic environment.
The NIMP 2030 serves to:

- Provide national strategic direction to lead the industrial development policies;
- Be a conversation piece for investors and other economies on Malaysia's position and direction; and
- Feature the role of the Malaysian Government in shaping the economy.

INTRODUCTION

New Industrial Master Plan 2030

The Missions and Enablers identified will be executed through 21 Strategies and 62 Actions Plans to unlock the needed enabling ecosystems. Several catalytic Mission-based Projects (MBPs) have been identified to catapult the mission-based implementation. The NIMP 2030 strategic framework is illustrated below:

VISION

Our vision for Malaysia is to have:

- Competitive industry with high economic complexity
- High income and skilled workforce
- Strong domestic linkages

GOALS

- **Increase economic complexity**
- **Create high-value job opportunities**
- **Extend domestic linkages**

MISSIONS

MISSION 1
Advance economic complexity

1.1 Expand to high value-added activities of the value chain
1.1.1 Create global IC design champions from Malaysia
1.1.2 Attract global leader to establish wafer fabrication in Malaysia
1.1.3 Shift from basic to specialty chemical
1.1.4 Build Malaysian champions for game changing advanced materials
1.1.5 Identify high value-added opportunities in the aerospace, pharmaceutical and medical devices sectors

1.2 Develop entire ecosystem to support the high value-added activities
1.2.1 Build strong local SMEs in manufacturing and related services to support the industry champions
1.2.2 Integrate value chains between:
- M&E and Medical Devices
- Semiconductor and EV
- Chemical and Pharmaceutical

1.3 Establish cooperative 'vertical integration' for global value chain
1.3.1 Leverage alliance with ASEAN countries to integrate the semiconductor, advanced materials and clean energy value chain
1.3.2 Develop vertical integration programmes through IndustryConnect conferences

1.4 Foster Research, Development, Commercialisation and Innovation (RDCI) ecosystem
1.4.1 Assign specific topics and KPIs to universities for industrial-linked R&D
1.4.2 Digitalise IP application and launch enhanced National IP Policy

1.5 Increase manufacturing exports
1.5.1 Implement national trade advocacy campaign to increase industry utilisation of FTAs
1.5.2 Rejuvenate "Made in Malaysia" branding
1.5.3 Address trade restrictive non-tariff measures (NTMs) and compliance of standards
1.5.4 Update FTA based on geopolitical conditions

5 Strategies, 15 Action Plans

Mission-based Projects:

MBP 1.1 Create global IC design champions in EV, RE and AI
MBP 1.2 Attract new advanced wafer fabrication in Malaysia
MBP 1.3 Deepen to specialty chemical vertical
MBP 1.4 Groom champions in 4 game changing advanced materials

MISSION 2
Tech up for a digitally vibrant nation

2.1 Accelerate technology adoption
2.1.1 Enhance Industry4WRD programmes to increase technology adoption
2.1.2 Accelerate digital infrastructure rollout (JENDELA)

2.2 Shift away from low-skilled labour model
2.2.1 Introduce multi-tiered levy mechanism for low-skilled labour to accelerate automation
2.2.2 Introduce automation condition in new Manufacturing Licence

2.3 Spur technology innovation
2.3.1 Nurture local technology solution providers to support Technology Adoption Programme
2.3.2 Develop generative and industrial AI solution leaders and system integrators
2.3.3 Drive data analytics through a national digital platform for manufacturing

2.4 Accelerate government digitalisation and integration
2.4.1 Digitalise end-to-end government touch points across business life cycle

4 Strategies, 8 Action Plans

Mission-based Projects:

MBP 2.1 Transform 3,000 smart factories
MBP 2.2 Establish Malaysia as Generative AI Hub

STRATEGIES AND ACTION PLANS

21 Strategies
62 Action Plans

- New and existing industry clusters
- Balanced and inclusive participation
- Sustainable development

Develop new & existing clusters | **Improve inclusivity** | **Enhance ESG practices**

MISSION 3
Push for Net Zero

3.1 Accelerate transition towards sustainable practices
- 3.1.1 Develop sectoral decarbonisation pathways to guide transition
- 3.1.2 Decarbonise "hard-to-abate" sectors
- 3.1.3 Introduce carbon policy, accounting and tax
- 3.1.4 Launch iESG framework and transition programmes

3.2 Transition to renewable and clean energy
- 3.2.1 Enhance adoption scheme for energy efficiency or renewable energy
- 3.2.2 Accelerate availability and accessibility of renewable energy source for the industry

3.3 Catalyse new green growth areas
- 3.3.1 Catalyse EV as a key growth driver
- 3.3.2 Grow carbon capture, utilisation and storage (CCUS) as a new sector
- 3.3.3 Develop circular economy framework for the industry

3.4 Shift towards green infrastructure
- 3.4.1 Accelerate transformation of industrial estates into eco-industrial parks

4 Strategies, 10 Action Plans

Mission-based Projects:

MBP 3.1	Create decarbonisation pathway role models
MBP 3.2	Launch locally-manufactured EV
MBP 3.3	Deploy large-scale CCUS solutions

MISSION 4
Safeguard economic security and inclusivity

4.1 Develop resilient supply chain
- 4.1.1 Identify specific supply chain resilience strategies for critical sectors
- 4.1.2 Establish supply chain cooperation and collaboration through G2G and G2B programme
- 4.1.3 Introduce National Mineral Policy for downstream processing of critical minerals

4.2 Foster climate resilient development
- 4.2.1 Develop sectoral adaptation pathways
- 4.2.2 Foster an adaptation industry to provide adaptation products and services (including exports)
- 4.2.3 Instil climate resilience measures for critical economic infrastructure

4.3 Strengthen industrial clusters for regional development
- 4.3.1 Expand clusters for spillover regional impact
- 4.3.2 Align industrial development plan between Federal and States

4.4 Empower *Bumiputera* participation and create inclusive workforce
- 4.4.1 Uplift capabilities of *Bumiputera* companies in manufacturing via *Tindakan Pembangunan Bumiputera 2030*
- 4.4.2 Develop programme to increase women participation in high-skilled manufacturing employment

4 Strategies, 10 Action Plans

ENABLERS

E.1 Mobilise financing ecosystem
- E.1.1 Introduce NIMP Industrial Development Fund and NIMP Strategic Co-Investment Fund
- E.1.2 Boost financing for digitalisation and decarbonisation transition
- E.1.3 Establish green *sukuk* to facilitate transition
- E.1.4 Establish supply chain financing for SMEs
- E.1.5 Increase utilisation of the capital market
- E.1.6 Expand the imSME platform to show all available funding options including government funding and capital market
- E.1.7 Review government funding for consolidation

E.2 Foster talent development and attraction
- E.2.1 Leverage mynext and MYFutureJobs for strategic workforce planning to address long-term demand-supply requirement
- E.2.2 Introduce progressive wage system policy
- E.2.3 Improve policy to enable fast and hassle-free access to high-skilled foreign talents
- E.2.4 Expand TVET programmes for high-skilled jobs in critical sectors
- E.2.5 Raise profile of high-tech manufacturing career to attract interest in STEM subjects

E.3 Establish best-in-class investor journey for ease of doing business
- E.3.1 Establish a unified investment strategy and align investment evaluation to new parameters under NIA
- E.3.2 Harmonise and streamline functions and KPIs across IPA landscape
- E.3.3 Review and design competitive, agile and relevant incentives
- E.3.4 Improve One-Stop Portal for seamless investor experience

E.4 Introduce whole-of-nation governance framework
- E.4.1 Establish public-private collaborative councils
- E.4.2 Set up NIMP 2030 Delivery Management Unit
- E.4.3 Develop NIMP 2030 dashboard system

4 Strategies, 19 Action Plans

NIMP 2030 SECTORAL PLAN

There are individual enclosures of 21 sectors included as a supplementary reference to the main NIMP 2030 document.

They provide a view of the respective sectoral perspective in the context of the main NIMP 2030 document, and were developed with reference to individual sectoral roadmaps, where applicable.

The 21 sectors are:

Category	Industry
Priority Sectors	1. Aerospace 2. Chemical 3. Electrical and Electronics (E&E) 4. Pharmaceutical 5. Medical Devices
Sectors	6. Digital and Information and Communication Technology (ICT) 7. Automotive 8. Food Processing 9. Global Services and Professional Services 10. *Halal* 11. Machinery and Equipment (M&E) 12. Manufacturing-Related Services (MRS) 13. Metal 14. Mineral 15. Palm Oil-based Products 16. Petroleum Products and Petrochemicals 17. Rail 18. Rubber-based Products 19. Shipbuilding and Ship Repair (SBSR) 20. Textile, Apparel and Footwear 21. Wood, Paper and Furniture

This document is the **NIMP 2030 Sectoral Plan – Textile, Apparel and Footwear Industry.**

OVERVIEW OF THE DOCUMENT

This NIMP 2030 Sectoral Plan – Textile, Apparel and Footwear Industry (Document) provides insights into the sector and its prospects during the NIMP 2030 period.

This Document offers a comprehensive understanding of the industry's direction during the NIMP 2030 period based on its historical performance, opportunities and strategies to overcome existing challenges and achieve its targets.

The Document is presented in five sections:

1. Background

- This section sets the foundation to help readers understand the industry.
- It delves into the industry's focus area, encompassing its sub-sectors, for a comprehension of the industry's breadth.[1]
- Readers will find details about the industry's value chain and its key players, including the relevant industry associations, in this section.
- The section lists the policies that are related to the industry.

2. Performance

- This section reports the industry's performance during specific periods.
- There are two notable periods for the review of the industry's historical performance:
  - the IMP3 period (2006 to 2020); and
  - from 2021 to 2022.
- The performance review of the industry's development includes its investment trends, export and import dynamics, employment figures, value-added and productivity measures.

3. Trends and Opportunities

- This section highlights the opportunities and potential avenues for growth that the industry can leverage during the NIMP 2030 period.

4. Challenges

- This section provides insights into potential obstacles that could impact the industry's growth and development.

5. Strategies and Action Plans

- The final section of the document outlines the future trajectory for the industry.
- This section provides the Strategies and Action Plans that are intended to catalyse the industry during the NIMP 2030 period.
- The Strategies and Action Plans set in this Document have been aligned to the Missions set in the main NIMP 2030 document.

[1] *Incentives available for this industry as of time of writing can be found in Appendix 1*

SECTION 1 BACKGROUND

Areas Covered

1. The textile, apparel and footwear industry in Malaysia has four main product categories, namely:
   i. textile and textile products;
   ii. leatherware;
   iii. footwear[2] ; and
   iv. jewellery.

Value Chain

2. The industry's overall value chain can be divided into five main categories:
   i. manufacture of textiles;
   ii. design and manufacture of textile products;
   iii. development of footwear;
   iv. development and manufacture of leatherware; and
   v. design and manufacture of jewellery.

3. The textiles manufacturing process can be categorised into upstream, midstream and downstream segments (Figure 20.1).

Figure 20.1: Value Chain for Manufacture of Textiles

Source: MIDA

4. In the upstream segment, raw materials such as synthetic and natural fibre materials are produced or acquired.

5. Next, the raw materials will undergo the necessary midstream processes to be transformed into semi-finished fabric. For example, fibres need to be spun into yarn and subsequently woven or knitted into fabric.

6. Finally, the semi-finished fabric will go through downstream processes which include bleaching, dyeing, and printing to produce fabric

7. Once the textiles are produced, it will be the used as raw materials for the next process, which is the production of textile products (Figure 20.2).

[2] *Footwear is a sub-category of leatherware*

Figure 20.2: Value Chain for Design and Manufacture of Textile Products

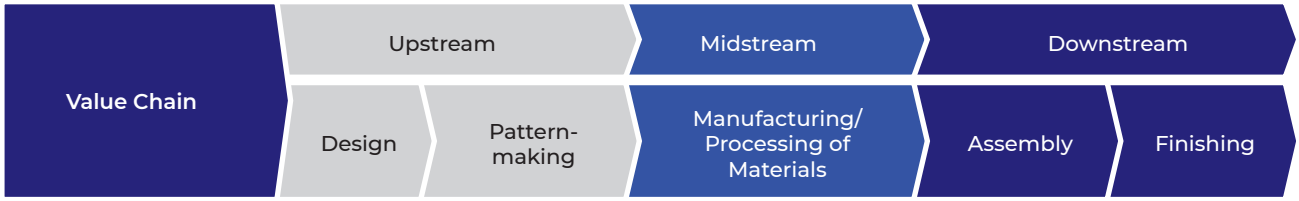
Source: MIDA

8. In the upstream segment, manufacturers will design and conduct research, design and development processes. Next, the fabrics are cut, stitched and assembled into apparels such as shirts and trousers.

9. The apparels will go through the finishing and quality control activities within the midstream processes before the end-products are packaged and transported to distribution centres, wholesalers or retailers in the downstream segments.

10. In terms of footwear, the value chain can be divided into three key segments; upstream, midstream and downstream (Figure 20.3).

Figure 20.3: Value Chain for Development of Footwear



Source: MIDA

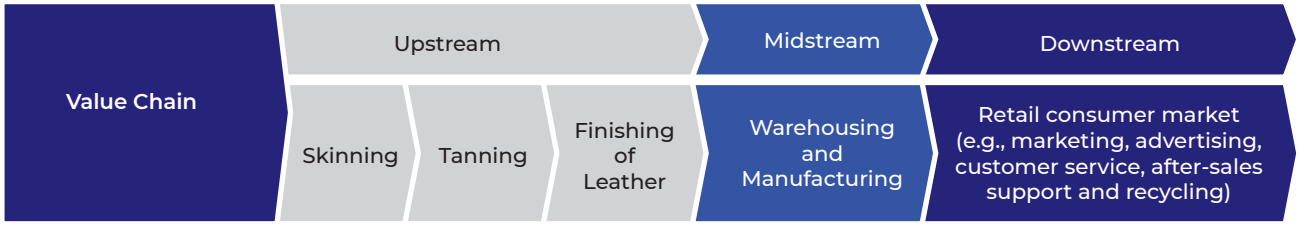
11. In the upstream segment, manufacturers create and refine designs, considering factors such as aesthetics, functionality and market trends. The designs are then translated into a shoe pattern, which are templates of the components part required to make a shoe.

12. In the midstream segment, the footwear components are manufactured or processed. Component includes buckles, insole and heel.

13. Once the components are manufactured, they will then be moved to downstream segment and assembled into physical footwear products – undergoing various processes such as stitching, lasting, sole attachment and finishing.

14. The leatherware value chain consists of five main processes (Figure 20.4).

Figure 20.4: Value Chain for Development and Manufacture of Leatherware



Source: MIDA

15. The value chain begins with the upstream segment involving procurement of raw materials, primarily animal hides and skins through skinning. The hides and skins undergo a tanning process to transform them into leather. This process involves treating the raw materials with chemicals to preserve and soften it.

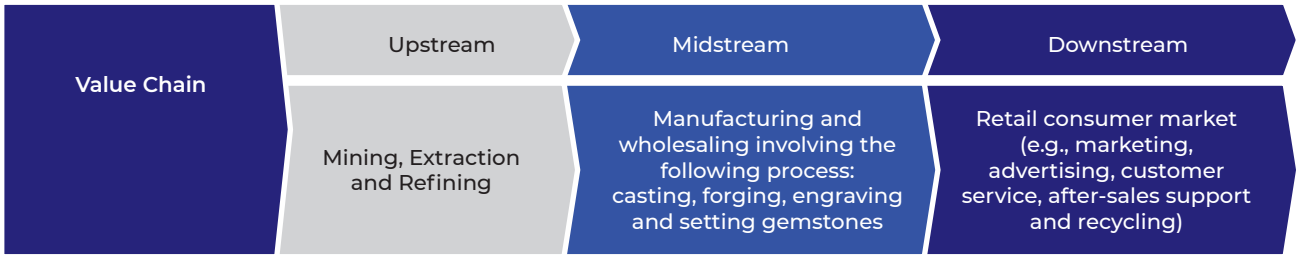
16. The leather will then undergo finishing which determines the appearance of the final surface of the leather. This involves colouring, waterproofing, wax dressings as well as ironing or embossing of the leather.

17. Then, the treated leather will proceed into the midstream manufacturing process of leatherware products. This involves processes such as pattern making, cutting, sewing and assembly.

18. Once the leatherware products are manufactured, it will be distributed to retailers and wholesalers in the downstream segment. Companies within the downstream segment will engage in marketing and advertising services to sell the products.

19. The jewellery value chain is broadly divided into three key processes (Figure 20.5).

Figure 20.5: Value Chain for Design and Manufacture of Jewellery



Source: MIDA

20. In the upstream segment, raw materials such as gold and precious stones are procured through processes such as mining, extraction and refining.

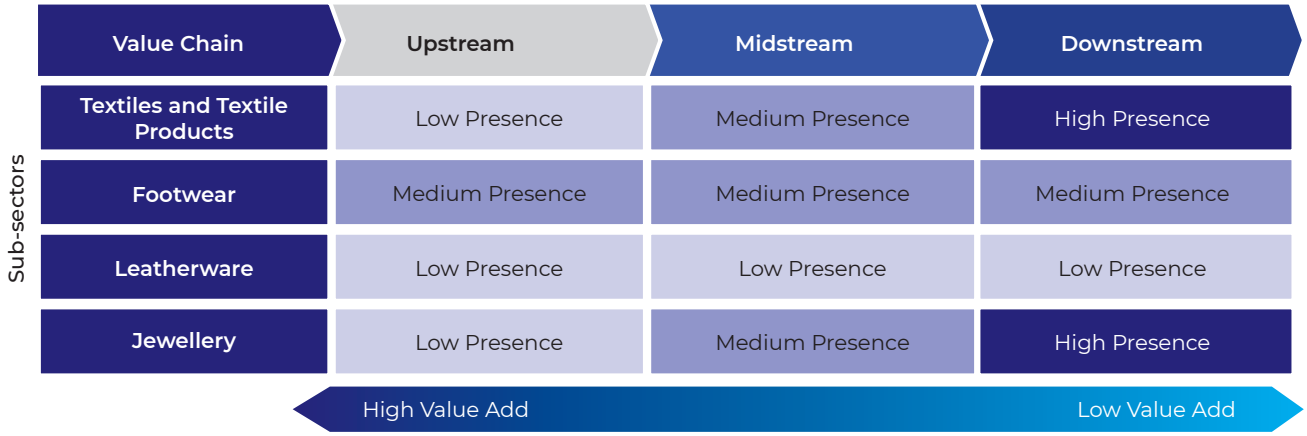
21. The midstream manufacturing stage involves the actual production of jewellery. Manufacturers use various techniques such as casting, forging, engraving and stone setting to create the final jewellery piece.

22. Once manufactured, they are distributed to wholesalers and retailers in the downstream segment of the jewellery industry. Jewellery products reach consumers through various retail channels including physical jewellery stores, boutiques and department stores.

Market Players

23. There are approximately 970 registered garment and textile factories in Malaysia. 400 of these factories produce ready-made garments. The remaining industry players operates in major sub-sectors such as polymerisation, spinning and weaving.

Figure 20.6: Presence of Industry Players along the Value Chain of Textile, Apparel and Footwear Industry



Source: MIDA

24. Currently, the industry players are focused within the midstream and downstream segment of the value chain (Figure 20.6). The manufacturers of textile and textile products and jewellery are mainly concentrated in the downstream segment. The manufacturers of footwear have medium presence along the value chain, while participation of leatherware manufacturers is low across all segments.

25. In the future stages of development, the industry will need to focus on expanding towards high value-added downstream products for all sub-sectors.

26. Industry association in Malaysia's textile, apparel and footwear industry play important roles in representing the interest of manufacturers and safeguarding the welfare of manufacturers and consumers. Non-exhaustive examples of these associations include:
    i. Federation of Malaysian Fashion, Textile and Apparel (FMFTA);
    ii. Federation of Goldsmiths and Jewellers Associations of Malaysia (FGJAM); and
    iii. The Perak Footwear Industry Association.

27. Several Ministries and Agencies have prominent role in Malaysia's textile, apparel and footwear industry. These include:
    i. Ministry of Investment, Trade and Industry (MITI);
    ii. Malaysian Investment Development Authority (MIDA); and
    iii. Malaysia External Trade Development Corporation (MATRADE).

Policies, Laws and Regulations

28. The regulation related to the textile, apparel and footwear industry is Part III Second Schedule Customs Act 1967.

SECTION 2 PERFORMANCE

IMP3 Focus and Performance

29. During the period of the IMP3 (2006 to 2020), the industry was focused on:
    i. promoting investments;
    ii. sustaining exports and market share; and
    iii. enhancing overall competitiveness.

30. During the period, Malaysia became popular for contract manufacturing, producing for international fashion brands such as Nike, Adidas, Ralph Lauren and Uniqlo. As a result, the textile, apparel and industry contributed RM18.1 billion to the national total exports and RM6.0 billion to the national Gross Domestic Product (GDP) in 2020.

Investments

31. Investments within the industry are classified into three categories:
    i. textile and textile products;
    ii. leather and leather products[3] ; and
    iii. jewellery.

32. The investment performance of the textile and textile products category is recorded in Table 20.1 below.

Table 20.1: Approved Investments of Textile and Textile Products

Items	Units	IMP3			2021	2022	2021-2022
		2006	2020	2006-2020			
Total Investment	RM million	820.7	1,108.7	9,942.8	295.7	596.9	892.7
Domestic Investment	RM million	663.5	979.5	4,333.0	54.7	524.7	579.4
Foreign Investment	RM million	157.2	129.2	5,609.8	241.0	72.3	313.3
Number of projects	#	29	53	297	15	19	34
Employment	persons	2,950	2,486	32,325	304	1,274	1,578

Source: MIDA

33. During the IMP3 period, a total of 297 projects were approved in the textile and textile products category with a total investment of RM9,942.8 million. These investments committed a total of 32,325 job opportunities.

34. In 2021 and 2022, a total of 34 projects were approved with total investment of RM892.7 million. These investments committed a total of 1,578 job opportunities.

35. From 2006 to 2022, 261 (78.9 per cent) of the 331 approved projects were implemented.

36. The investment performance of the leather and leather products category is recorded as follows (Table 20.2).

[3] *Investment of leather and leather products include those made in footwear category*

Table 20.2: Approved Investments of Leather and Leather Products

Items	Units	IMP3			2021	2022	2021-2022
		2006	2020	2006-2020			
Total Investment	RM million	1.0	39.1	162.9	31.8	3.8	35.5
Domestic Investment	RM million	-	8.9	89.2	31.8	3.8	35.5
Foreign Investment	RM million	1.0	30.2	73.7	-	-	-
Number of projects	#	1	2	17	1	1	2
Employment	persons	15	40	936	75	16	91

Note: There were no DDIs in 2006 and no FDIs in 2021 and 2022
Source: MIDA

37. During the IMP3 period, a total of 17 projects were approved in the leather and leather products category with a total investment of RM162.9 million. These investments committed a total of 936 job opportunities.

38. In 2021 and 2022, a total of two projects were approved with a total investment of RM35.5 million. These investments committed a total of 91 job opportunities.

39. From 2006 to 2022, 11 (57.9 per cent) of the 19 approved projects were implemented.

40. The investment performance of jewellery products is as follows (Table 20.3).

Table 20.3: Approved Investments of Jewellery Products

Items	Units	IMP3			2021	2022	2021-2022
		2006	2020	2006-2020			
Total Investment	RM million	8.0	95.2	892.7	42.2	23.2	65.4
Domestic Investment	RM million	8.0	95.2	311.1	42.2	23.2	65.4
Foreign Investment	RM million	-	-	581.6	-	-	-
Number of projects	#	1	2	30	2	1	3
Employment	persons	20	312	2,773	133	96	229

Note: There were no FDIs in 2006, 2020, 2021 and 2022
Source: MIDA

41. During the IMP3 period, a total of 30 projects were approved in the jewellery category with total investment of RM892.7 million. These investments committed a total of 2,773 job opportunities.

42. In 2021 and 2022, a total of three projects were approved with a total investment of RM65.4 million. These investments committed a total of 229 job opportunities.

43. Between 2006 and 2022, 23 (69.7 per cent) of the 33 approved projects were implemented.

44. Overall, the textile, apparel and footwear industry's investment trend were influenced by large expansion projects, supply chain disruptions and slowdown in global economy during COVID-19 pandemic.

Exports

45. The export performance (2006 to 2022) of the industry is depicted in Table 20.4.

Table 20.4: Exports of Textile, Apparel and Footwear Industry

Item	IMP3			2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020	2006-2020			CAGR[4]	Annual Growth	
Exports (RM billion)	15.9	18.1	281.0	21.6	24.7	0.9%	19.5%	14.4%

Source: MATRADE

46. Between 2006 to 2020, the industry's exports grew by a CAGR of 0.9 per cent from RM15.9 billion (2006) to RM18.1 billion (2020).

47. In 2021 and 2022, exports increased further by 19.5 per cent and 14.4 per cent, amounting to RM21.6 billion and RM24.7 billion respectively.

48. As a leading contract manufacturer, Malaysia manufactures textile, apparel and footwear products for global brands which contributed to the growth of exports.

49. Table 20.5 shows the major export destinations in 2022.

Table 20.5: Top Export Countries of Textile, Apparel and Footwear Products

Textile	Apparel	Footwear	Jewellery
i. Turkiye (RM1,364.6 million, 13.4%)	i. US (RM1,398.6 million, 21.8%)	i. Singapore (RM285.6 million, 36.6%)	i. Singapore (RM2,943.1 million, 39.8%)
ii. China (RM1,070.7 million, 10.6%)	ii. Singapore (RM805.2 million, 12.5%)	ii. US (RM110.8 million, 14.2%)	ii. UAE (RM2,197.0 million, 29.7%)
iii. Japan (RM814.1 million, 8.0%)	iii. Japan (RM 736.8 million, 11.5%)	iii. Philippines (RM105.5 million, 13.5%)	iii. Thailand (RM745.7 million, 10.1%)
iv. United States (US) RM800.9 million, 7.9%	iv. United Arab Emirates (UAE) (RM330.0 million, 5.1%)	iv. Indonesia (RM56.2 million, 7.2%)	iv. Japan (RM426.7 million, 5.8%)
v. Viet Nam (RM774.8 million, 7.6%)	v. Turkiye (RM256.6 million, 4.0%)	v. Viet Nam (RM23.0 million, 3.0%)	v. Hong Kong (RM345.0 million, 4.7%)

Source: MATRADE

[4] *Compound Annual Growth Rate*

Imports

50. Table 20.6 depicts the import performance of the industry between 2006 to 2022.

Table 20.6: Imports of Textile, Apparel and Footwear Industry

Item	IMP3			2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020	2006-2020			CAGR	Annual Growth	
Imports (RM billion)	6.3	18.1	206.1	19.5	27.2	7.9%	7.9%	39.1%

Source: MATRADE

51. During the IMP3 period, the industry's imports grew by a CAGR of 7.9 per cent from RM6.3 billion (2006) to RM18.1 billion (2020).

52. In 2021, imports increased further by 7.9 per cent to RM19.5 billion. Subsequently, in 2022, the industry's imports grew by 39.1 per cent to RM27.2 billion.

53. The increasing import trend was attributed to several factors such as:
    i. limited supply of raw materials such as raw cotton and yarn;
    ii. limited supply of technical textiles;
    iii. re-opening of textile factories after COVID-19; and
    iv. utilisation of Free Trade Agreements (FTA) that reduced the cost of imports

54. In 2022, major import sources of these products are tabulated below (Table 20.7).

Table 20.7: Top Import Countries of Textile, Apparel and Footwear Products

Textile	Apparel	Footwear	Jewellery
i. China (RM4,205.1 million, 52.5%)	i. China (RM3,043.6 million, 32.1%)	i. China (RM1,114.2 million, 40.8%)	i. Japan (RM1,710.6 million, 24.6%)
ii. Viet Nam (RM587.8 million, 7.3%)	ii. Singapore (RM1,404.2 million, 14.8%)	ii. Viet Nam (RM634.5 million, 23.2%)	ii. Singapore (RM1,035.2 million, 14.9%)
iii. Indonesia (RM564.3 million, 7.0%)	iii. Bangladesh (RM1,036.7 million, 10.9%)	iii. Indonesia (RM299.8 million, 11.0%)	iii. India (RM951.1 million, 13.7%)
iv. Thailand (RM486.1 million, 6.1%)	iv. Viet Nam (RM804.0 million, 8.5%)	iv. Italy (RM188.0 million, 6.9%)	iv. Hong Kong (RM650.2 million, 9.3%)
v. India (RM403.8 million, 5.0%)	v. India (RM594.2 million, 6.3%)	v. Singapore (RM89.5 million, 3.3%)	v. UAE (RM622.1 million, 8.9%)

Source: MATRADE

Value-added

55. The industry's value-added (GDP) during 2006 to 2022 is recorded in Table 20.8.

Table 20.8: Value-added of Textile, Apparel and Footwear Industry

Item	IMP3		2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020			CAGR	Annual Growth	
Value-added[5] (RM billion)	4.2	6.0	6.3	6.7	2.5%	5.9%	6.3%

Source: Department of Statistics Malaysia (DOSM)

56. From 2006 to 2020, the industry's GDP contribution has grown by a CAGR of 2.5 per cent from RM4.2 billion (2006) to RM6.0 billion (2020).

57. In 2021 and 2022, the industry's value-add grew by 5.9 per cent and 6.3 per cent to RM6.3 billion and RM6.7 billion respectively.

58. The industry's position as a leading contract manufacturer was a key contributor to the industry's GDP growth.

Employment

59. The textile, apparel and footwear industry's employment (2019 to 2022) is tabulated below (Table 20.9).

Table 20.9: Employment in Textile, Apparel and Footwear Industry

Item	IMP3		2021	2022	2019-2022
	2019	2020			CAGR
Employment[6] (persons)	100,217	86,086	87,901	89,598	-3.7%

Source: DOSM

60. The industry's employment declined by a CAGR of 3.7 per cent from 100,217 persons (2019) to 89,598 persons (2022).

61. In 2020, many textile factories faced temporary closures or reduced in operations to comply with Government-mandated COVID-19 restrictions. This led to layoffs which contributed to the decline in the industry's employment.

62. In 2021 and 2022, the industry began to recover from the impact of the COVID-19 pandemic and slowly returning to its pre-pandemic levels.

[5] Value added is measured by the GDP of the industry; 2006 GDP data is based on constant 2005 prices, while 2020 to 2022 data are based on constant 2015 prices

[6] This employment data is based on Monthly Manufacturing Statistics December 2022 and includes textiles and apparel industry, leather and leather products and manufacture of jewellery and related articles. Due to the change in methodology for employment statistics tabulation in 2019, industry's employment breakdown from 2006 to 2018 is not available

Labour Productivity

63. The industry's labour productivity (2019 to 2020) is tabulated below (Table 20.10).

Table 20.10: Labour Productivity of Textile, Apparel and Footwear Industry

Item	IMP3		2021	2022	2019-2022
	2019	2020			CAGR
Labour Productivity[7] (RM)	68,703	69,427	71,974	75,046	3.0%

Source: DOSM

64. The industry's labour productivity has grown by a CAGR of 3.0 per cent, from RM68,703 (2019) to RM69,427 (2020).

65. Overall, the labour productivity growth was due to increased adoption of digitalisation and automation in the manufacturing processes.

Technology

66. During the IMP3 period (2006 to 2020), the industry adopted automation in several manufacturing processes from cutting and packaging.

67. Technologies include:
    i. laser cutting machines and auto loading mechanism;
    ii. automated pattern making and design software; and
    iii. robotic packaging by collaborative robots (COBOT).

68. During the period, many industry players have embraced Industry 4.0 by retrofitting their current machines with Internet of Things (IoT), Manufacturing Execution System, Management Information System and other technologies which has enabled real-time data tracking and production efficiency analysis.

69. However, some processes still require human intervention such as sewing zippers and buttons.

[7] *Annual labour productivity is derived from value added per employment*

SECTION 3 TRENDS AND OPPORTUNITIES

70. The global textile market size is expected to reach RM9.0 trillion[8] by 2030.[9] Factors contributing to this growth include:
    i. increased demand driven by e-commerce;
    ii. development in technologies and increased demand for textile adaptivity; and
    iii. rising environmental awareness of consumers.

71. This has created opportunities in several areas such as development of technical textiles capabilities and utilisation of recycle-based materials.

72. This prospective growth enables Malaysia to expand and develop the local industry, allowing it to remain competitive globally.

Technical Textiles

73. The adoption of Industry 4.0 technologies and the rising demand for smart and advanced textiles globally has resulted in the development of technical textiles.

74. Presently, Malaysia's production of technical textile is limited. Moving forward, Malaysia is focusing on promoting the production of technical textiles for industries such as defence, automotive interior furnishings, medical, geo-textile and sportswear.

75. By fostering the development of capabilities and competencies in this field, the local industry is able to attract FDIs while improving the accessibility of technical textiles to local manufacturers.

76. Refer to Action Plan 1 (AP1) in Section 5 for strategies and action plans related to development of technical textiles.

Recycle-based Materials

77. In recent years, the environmental, social and governance (ESG) considerations has become a major factor in influencing consumer behaviour as they become more aware of environmental impact.

78. Currently, Malaysia produces two million kilogrammes[10] in textile wastes daily. Industry players are now investing in recycling programmes that processes old clothing and scrap fabric for reuse or material recovery. These initiatives help manufacturers to adhere to domestic and global ESG regulations.

79. Taking advantage of this opportunity, industry players will need to realign its processes by investing in new technologies to increase its consumption of textile and fibre waste.

80. This initiative will contribute to the reduction and effective management of generated waste and in parallel strengthen self-reliance in terms of raw material supply.

81. Refer to Action Plan 3 (AP3) and Action Plan 4 (AP4) in Section 5 for strategies and action plans related to recycle-based materials.

[8] USD2.0 trillion, converted based on exchange rate USD1.0 to RM4.48
[9] Source: Straits Research
[10] Source: Kloth Cares

SECTION 4 CHALLENGES

Raw Materials

82. At present, local manufacturers are heavily reliant on imports of raw materials for smart and advanced textiles as local capabilities to produce raw materials are limited. This has affected the growth of the textile, apparel and footwear industry.

83. There is limited research and development (R&D) and innovation efforts in creating man-made raw materials such as fabrics, yarn and fibre for smart and advanced textiles. There is a need to increase efforts within this area to ensure upstream requirements are met.

84. The industry could increase its R&D efforts through collaboration with academia to address this challenge. The collaboration could provide:
    i. access to resources – including shared laboratories, specialised equipment and research facilities;
    ii. talent pipeline – aligning curriculum between industry players and academia to produce talents with the right capabilities; and
    iii. skill enhancement – provide opportunities to upskill and reskill industry professionals through workshops, seminars and etc.

85. This will strengthen Malaysia's position in the global value chain and increase its self-reliance in terms of sourcing raw materials.

86. Refer to Action Plan 5 (AP5) in Section 5 for specific textile, apparel and footwear industry action plan related to strengthening local resources (raw materials).

Cultural Textile

87. In 2021, the songket was added into the United Nations Education, Scientific and Cultural Organisation's (UNESCO) list of Intangible Cultural Heritage of Humanity. This achievement has unlocked opportunities for cultural textiles.

88. Despite its achievement, the industry faces a challenge in internationalising cultural textiles. The industry struggles to meet global market demand due to limited production capabilities, primarily due to small and medium enterprises (SME) being the main producers of cultural textiles.

89. The industry could leverage strengths of existing market players through fostering collaborations with local SME to address this challenge. This initiative would aid in several areas such as market expansion and technology adoption as well as increasing the attractiveness of Malaysia's cultural textile in global markets.

90. Refer to Action Plan 2 (AP2) in Section 5 for strategies and action plans related to internationalisation of cultural textiles.

SECTION 5 STRATEGIES AND ACTION PLANS

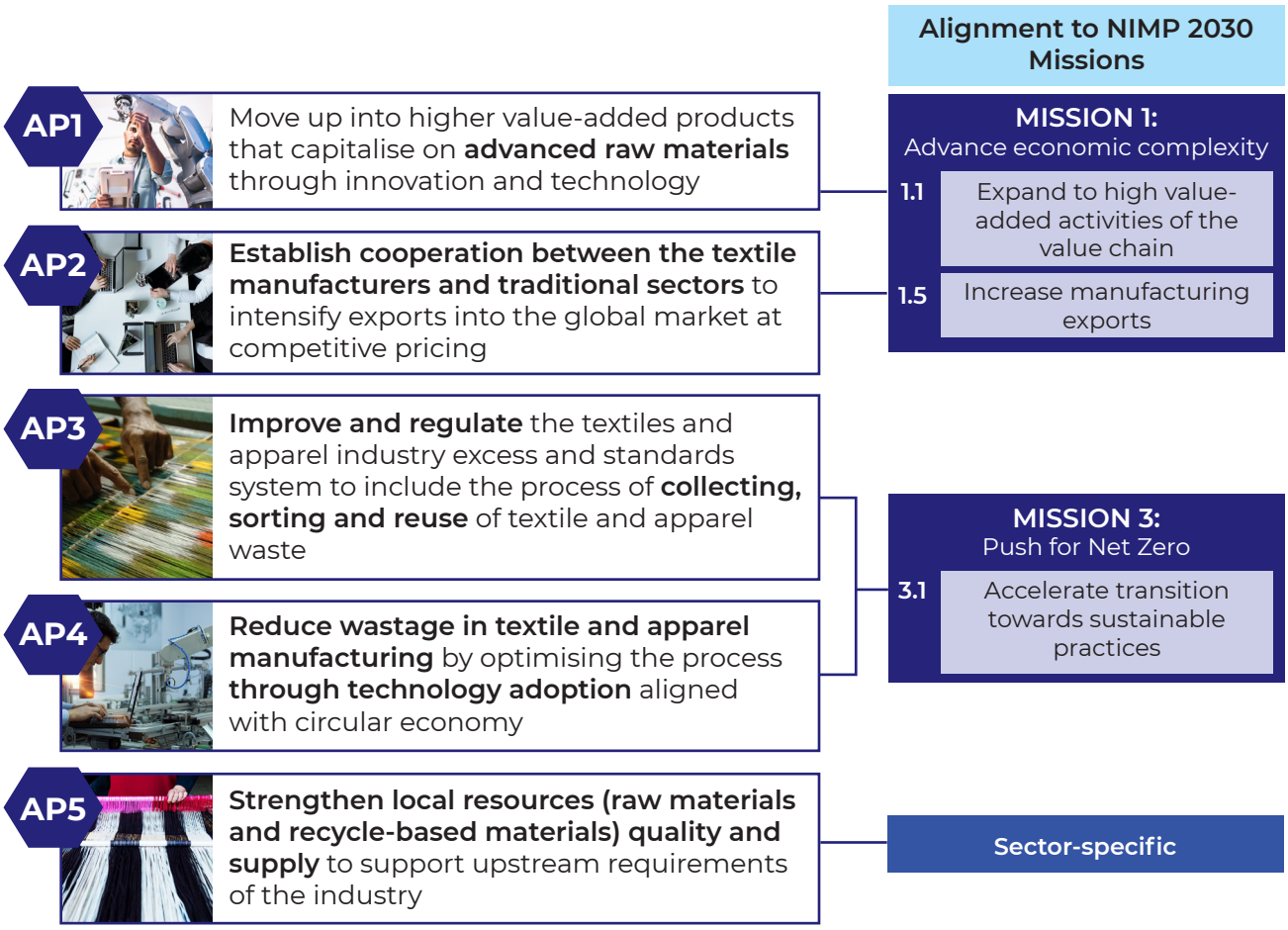
NIMP 2030 Focus

91. During the period of the NIMP 2030, the industry will continue to:
    i. leverage innovation and technology to accelerate industry growth;
    ii. strengthen internationalisation for greater integration in the global industry;
    iii. accelerate talent development to meet current and future industry needs;
    iv. integrate ESG considerations into the development of industry; and
    v. strengthen business ecosystem and institutional framework to boost productivity and resilience in the industry.

Action Plans

92. Strategies and Action Plans relating to the NIMP 2030's Missions and Enablers are applicable to this industry (Figure 20.7).

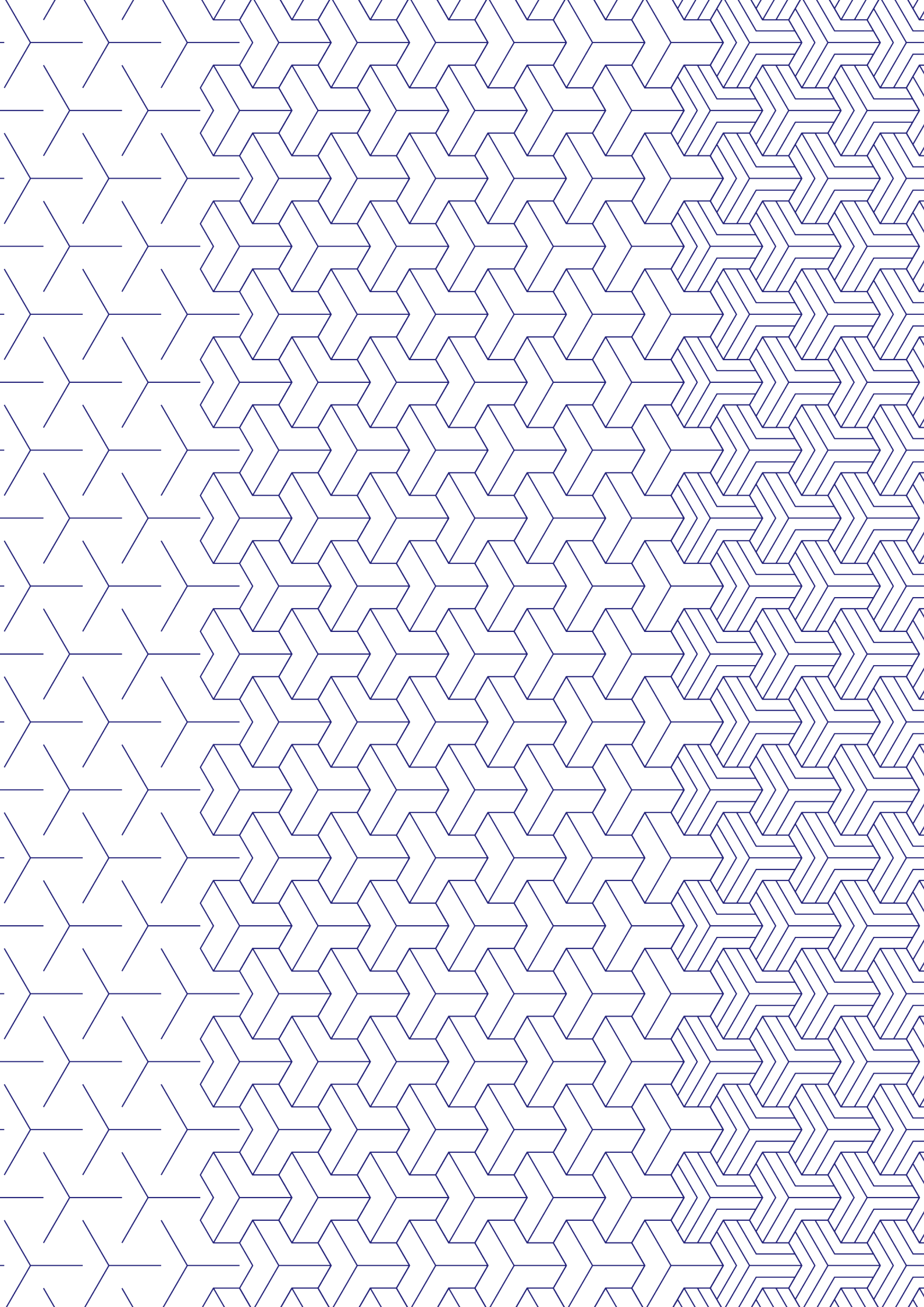
Figure 20.7: Strategies and Action Plans for Textile, Apparel and Footwear Industry



APPENDIX 1 INCENTIVES

There is an array of incentives offered for key players of textile, apparel and footwear industry, these include the following:

Incentives	Agency
Pioneer Status (PS)	Malaysian Investment Development Authority (MIDA)
Investment Tax Allowance (ITA)	
Small Scale Companies	



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