

Confidence booster

Latest reforms and relief measures outlined by the govt signal that reforms are gaining momentum, leading to improved sentiment



ECONOMY

By KIRENNESH NAIR
kiremesh@thestar.com.my

PETALING JAYA: Malaysia's latest reforms and relief measures outlined by Prime Minister Datuk Seri Anwar Ibrahim in his New Year message are expected to support business sentiment, consumer spending and economic growth in 2026, economists and analysts say, even as global uncertainties remain elevated.

Economists said the mix of institutional reforms, cash assistance and business-focused measures signals a shift from crisis management to execution.

While broadly in line with expectations, economist Geoffrey Williams said the announcements are welcome, nonetheless.

He said the measures reinforce the sense that the administration is gaining momentum on reforms, moving beyond "survival mode", which should help strengthen consumer, business and investment confidence.

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Williams said the governance reforms, in particular, could help ease growing frus-

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tration among civil society groups that had criticised the "lack of reforms".

He added that the reforms are being introduced against a relatively supportive macroeconomic backdrop.

"The economic environment is stable, with strong growth, low inflation and robust foreign direct investment. That sets the scene for meaningful reforms in 2026," he said, adding that the focus appears to be on two key groups - households and micro, small and medium enterprises (MSMEs).

Similarly, economist professor Yeah Kim Leng said the announcements and reform measures "indirectly" contribute to political stability.

Yeah said fiscal reforms over the last two years have helped reinforce confidence in the administration and investor sentiment, while measures to improve spending efficiency, reduce waste and curb corruption

would lift economic efficiency over the longer term.

"These reforms help fulfil the reform agenda, especially legislative reforms, and indirectly contribute towards political stability, trust and confidence in the present administration," he said.

"In the short term, these reforms help calm negative sentiment among investors.

"Then in the longer term, especially if the reforms result in strengthening governance and improving the government delivery system, enhancing efficiency, those will really provide a kind of a push to the economy in direct terms."

He believes Malaysia's growth momentum remains intact heading into 2026, even as global risks continue to rise.

"Despite rising global turbulence, including the impact of US tariffs, growth momentum picked up in the second half of last

year and is carrying through," he said.

However, under such conditions, Yeah stressed that continued support for businesses, particularly MSMEs, is crucial.

"Reducing regulatory burdens and the cost of doing business is very important, especially for MSMEs that are facing rising compliance and operating costs," he said, adding that measures such as the deferment of e-invoicing and adjustments to the service tax help alleviate pressures.

On the household side, he also noted that the cash aid would provide an immediate boost to domestic demand.

"More importantly, employment, wage and income growth is still running ahead of inflation, which suggests domestic demand will remain supportive of growth," he said.

Meanwhile, CIMB Research noted that Anwar outlined "a reform-led and pro-growth agenda focused on governance, execution and near-term economic support".

The research house said the planned tabling of four institutional reform bills when Parliament reconvenes on Jan 19 should help address "governance weaknesses and is supportive of overall market sentiment".