

ADVANCED AIR MOBILITY (AAM) INDUSTRY REPORT

Envisioning Future of AAM in Malaysia

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**Malaysian Industry-Government Group
for High Technology (MIGHT)**

MIGHT Partnership Hub, Jalan IMPACT,
63000 Cyberjaya, Selangor, Malaysia

+603-8315 7928
www.might.org.my

Futurise

Futurise Center
Block 3710, Persiaran APEC, Cyber 8
63000 Cyberjaya, Selangor, Malaysia

+60 3-8322 2968
www.futurise.com.my

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PREFACE

Welcome to a new era of mobility. Envision a future when people are transported to their destinations with unparalleled speed efficiency by means of urban air taxis that smoothly traverse over urban landscapes. Imagine cargo drones navigating rough terrain and congested roadways to deliver essential medical supplies to isolated locations. This scenario is exemplified by Advanced Air Mobility (AAM), a relatively new and expanding sector of the aviation industry. AAM aircraft are characterised by their revolutionary design, embedded new and upcoming technologies, ability to take off and land, sustainability through electric propulsion systems, and new business model. Generally, they operate in low-level airspace.

Projections by Grand View Research indicate that the global AAM market could reach USD 137.11 billion by 2035, expanding at a compound annual growth rate (CAGR) of 24.6% from 2023 onward. This underscores the transformative potential of AAM to reshape economies, societies, and the environment. Beyond contributing to GDP growth, Malaysia can tap into this immense opportunity by improving transport connectivity, especially between rural and urban areas. Such advancements lower emissions, noise, and congestion, bolster emergency response capabilities, and create new commercial prospects for local startups and SMEs.

While the potential is enticing, difficulties persist. Local stakeholders must work together to address obstacles such as funding and other incentives, institutional and infrastructure issues, regulatory and policy concerns, skills and talent requirements, technology and innovation expansion, and regulatory matters. This will create a strong ecosystem to support AAM industry development. For this purpose, this MIGHT and FUTURISE collaboration provides an overview of AAM initiatives in Malaysia, examines the challenges faced in growing the AAM sector, presents foresight on the next 20 year industry scenario, and offers recommendations for incorporation into future national development agenda.

**AAM market
projected to reach
\$137.11 billion
by 2035**

FOREWORD

The Prime Minister of Malaysia

The government has set the path for Malaysia's economic growth moving forward, guided by the Economy MADANI framework. It aims at higher value-added activities as well as greater competitiveness and sustainability, while ensuring economic prosperity which translates into a better quality of life and standard of living for the rakyat.

In this context, promoting the development of Advanced Air Mobility (AAM) poses a significant impact on the two key pillars of the framework: "raise the ceiling" and "raise the floor". In terms of economic impact and competitiveness, this report projects that the AAM industry would bring RM70 billion in additional revenue, contributing RM34 billion to GDP in the next 20 years. In addition, sustainable mobility as one of the key features promoted by AAM, is set to help the country achieve its target of net-zero greenhouse gas emissions by 2050.

The second pillar, "raise the floor", aims at the creation of high-quality jobs, which is projected to add RM 14 billion to worker salaries. In terms of social development, one key feature of AAM is the creation of a mode of transportation that enables ease of reach to areas with geographical challenges. This is expected to improve accessibility of healthcare, education, supplies, and other services to rural communities. Considering AAM has a huge upside potential, I believe it is imperative for the government to provide the necessary support and position AAM as the next engine of national economic growth.



YAB DATO' SERI ANWAR IBRAHIM

Prime Minister, Malaysia

FOREWORD

The Minister of Science, Technology and Innovation

Technology has been a key factor that brought changes in the way we live, work, and play, as it creates new opportunities as well as disruptive impact. Nevertheless, it is imperative that we embrace it with new perspectives by capitalising on its advantages for the better. The Ministry of Science, Technology, and Innovation (MOSTI) has been responsible for identifying and catalysing new and emerging technologies on the horizon and directing their benefits towards national economic development, improving quality of life, and contributing to sustainability goals.

The importance of focussing on advancing local technology development is being emphasised in the Economy MADANI framework as well as in the National Science, Technology, and Innovation Policy (NSTIP 2021–2030). NSTIP states the need to strengthen the development and use of advanced technology, setting the goal to transform industry and society from technology users to technology developers by leveraging existing resources.

Advanced Air Mobility (AAM) is the country's focus area as it is laden with new and emerging technologies ranging from aircraft design, electric propulsion systems, and autonomous flight and navigation systems to advanced green materials. I believe the convergence of more new technologies in AAM in the future will fuel the need for more research, development, and innovation programs in the country. Collaboration between local research institutions and industry players in this area will further enhance research outputs and commercialisation rates. I look forward to supporting further progress in the AAM's development in Malaysia.

YB CHANG LIH KANG

Minister of Science, Technology
and Innovation



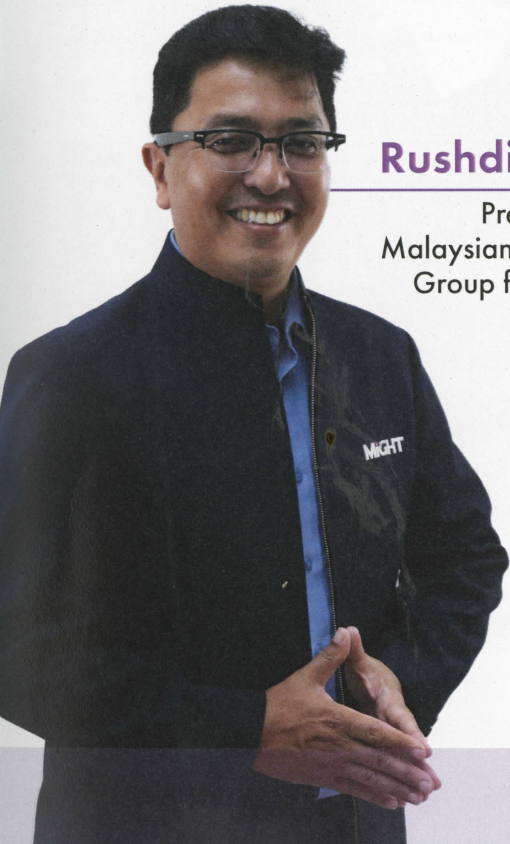
FOREWORD

from FUTURISE and MIGHT

The Advanced Air Mobility (AAM) report marks a successful initial step in the partnership between FUTURISE and MIGHT to proactively stimulate new and emerging topics into mainstream conversations at the national level of air transportation. Horizon scanning activities have resulted in a number of signals and trends that have yet to be ascertained in terms of their degree of impact and implications for current policies, business models, and social norms.

Therefore, a preliminary study was conducted to identify potential opportunities and limitations in the current setting, particularly in and around urban areas and less connected regions. Besides deepening understanding of the topics and visioning the future state, focus is also given to the impact on the current ecosystem support in terms of financial & incentives, infrastructure & institutions, regulatory & policies, skills & talent, and technology & innovation aspects.

This study will uncover new perspectives, encourage receptiveness to new ideas, and prompt actions from decision-makers and industry leaders to position Malaysia ahead to reap the benefits and with the potential to reshape and complement the existing transportation network.



Rushdi Abdul Rahim

President & CEO
Malaysian Industry-Government
Group for High Technology
(MIGHT)



Shafinaz Salim

Acting Chief Executive Officer
FUTURISE

CHAPTER 1

ONBOARDING FLIGHT



INTRODUCTION

Background of the Initiative

This report, co-developed by the Malaysian Industry-Government Group for High Technology (MIGHT) and FUTURISE, explores new and emerging technologies and industries that could profoundly impact Malaysia in the future. The highlights include:

- a. Strategic engagement to explore the potentials of selected technology and the ecosystem in stimulating economic growth,
- b. Ecosystem and technology assessment to identify areas impacted by the technology,
- c. Foresight into industry trends and outlook, including potential future opportunities and vulnerabilities, and
- d. Recommendations for driving the industry forward through progressive anticipatory regulatory intervention.

The topic of Advanced Air Mobility (AAM) has been gaining traction within Malaysian aviation communities. However, it has yet to reach the mainstream agenda of Government policy development, which makes it imperative to position AAM as a future engine of economic growth in Malaysia.

Objectives of the Study

The study aims to:

- a. Establish the current state of AAM industry players and its ecosystem support in the areas of funding and incentives, infrastructure and institutions, regulation and policy, skills and talent, and technology and innovation,
- b. Identify issues and challenges, as well as gaps in developing AAM in Malaysia,
- c. Articulate the future scenarios of successful AAM industry development,
- d. Project the potential for spill-over of AAM industry development on Malaysia's economic growth including GDP, employment, and wages and salary.
- e. Propose recommendations for the way forward.

METHODOLOGY AND APPROACH

The study aims to address the following guiding questions:

Where Are We?

- Where does Malaysia stand in AAM development?
- What are the socio-economic implications of AAM development in Malaysia?
- Does Malaysia have the necessary ecosystem support to catalyse AAM development?

Where Do We Want To Be?

- What are the factors that will accelerate AAM growth in the future?
- What future images depict successful AAM development in Malaysia?
- What are the opportunities and risks?

How Can We Get There?

- What are the crucial issues, challenges, and gaps hindering AAM development?
- What recommendations can pave the way forward for AAM development in Malaysia?

