Dr Mohd Afzanizam Abdul Rashid – Chief Economist
Muhammad Hafiz bin Tajuddin – Sector Analyst

23 SEPTEMBER 2025

Impact of Subsidy Rationalisation on The Automotive Industry

Overview

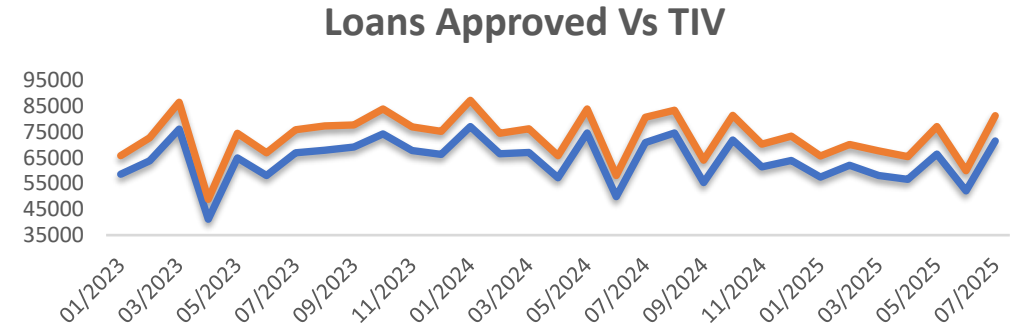
The recent fuel subsidy rationalisation announcement is not anticipated to have a significant effect on Malaysia's automotive sector. Many buyers had postponed their vehicle purchases awaiting this announcement. With the details now released, it is expected that sales will rebound as potential customers gain clarity and confidence to move forward.

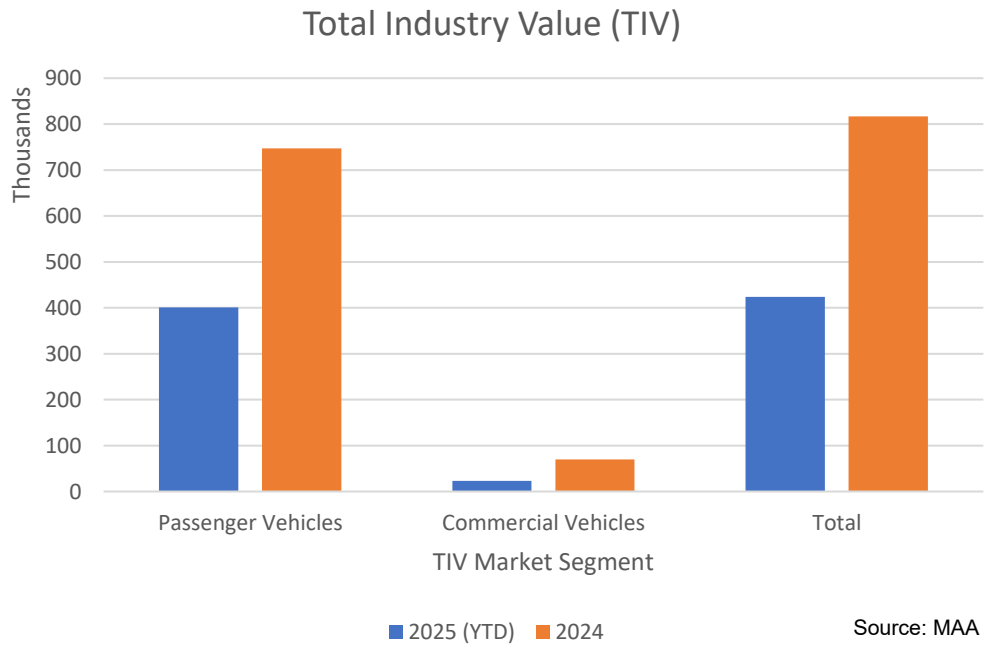
EV Adoption Trends

Although the subsidy rationalization targets foreigners and large corporations, local Malaysians will continue to benefit from fuel subsidies. Consequently, the growth of electric vehicle (EV) adoption may slow down, as affordable fuel prices lessen the urgency to transition from internal combustion engine (ICE) vehicles to EVs.

Production Outlook

Automotive production is also projected to recover, which the industry likely needs. Year-to-date figures show an 8% decline in total industry volume (TIV), dropping from 437,509 vehicles by July 2024 to 400,812 vehicles by July 2025. The slowdown in September is partly because of four public holidays, resulting in multiple plant closures. Similar dips have historically occurred in months with fewer working days. These disruptions are expected to ease, with production anticipated to increase again in October.



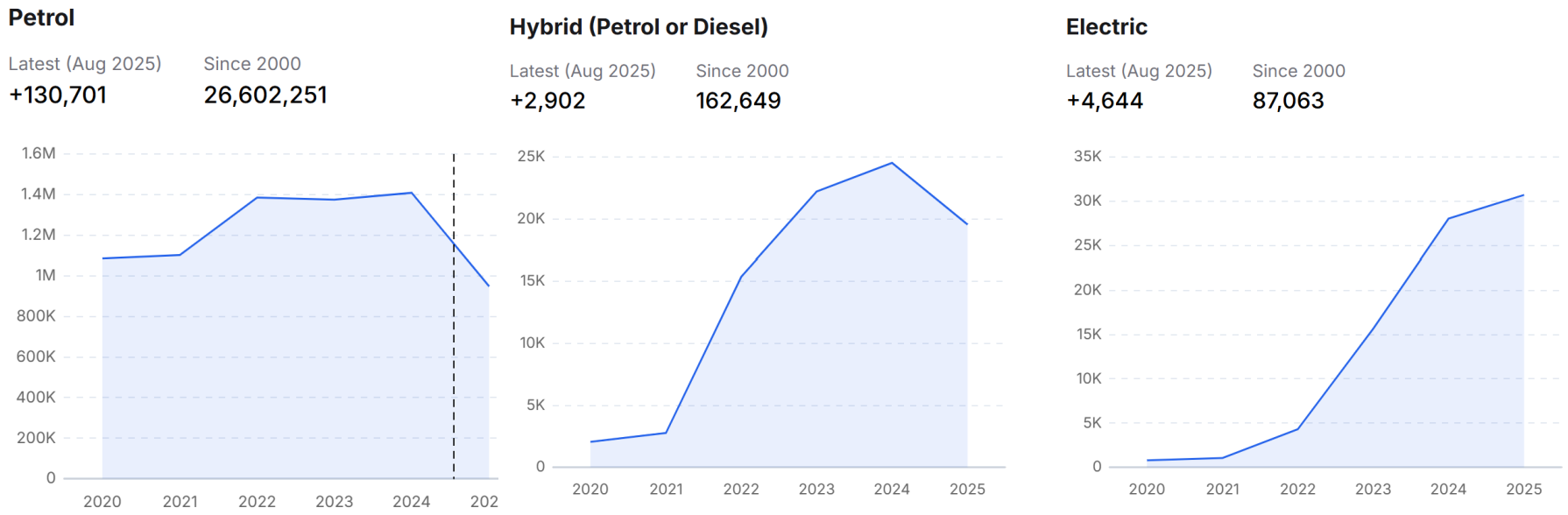


Source: MAA

Dr Mohd Afzanizam Abdul Rashid – Chief Economist
Muhammad Hafiz bin Tajuddin – Sector Analyst

Impact of Subsidy Rationalisation on The Automotive Industry

Vehicle Registrations by Fuel Type
Source: JPJ



Sales Prospects

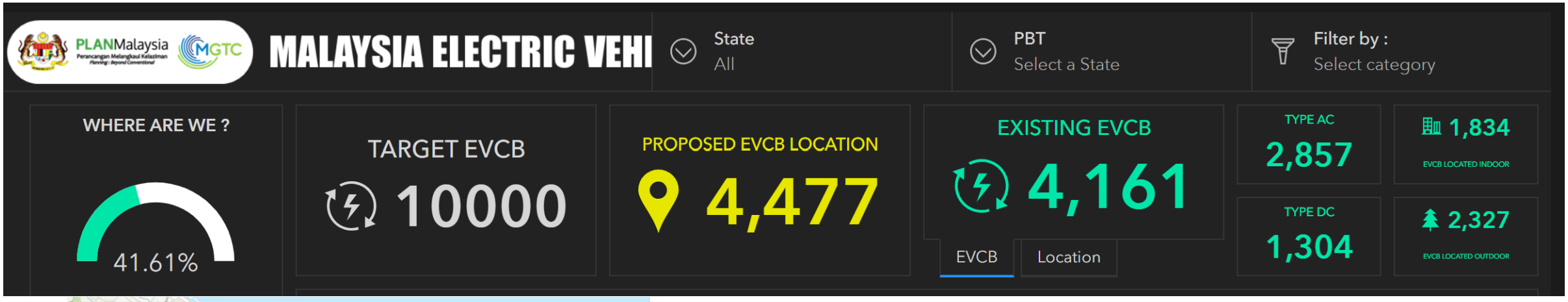
Sales are anticipated to recover alongside production. With the announcement confirming that there will be no substantial changes affecting everyday Malaysians, the pent-up demand from buyers waiting for more information is likely to translate into increased sales of new cars. The announcement has provided the certainty needed for buyers to move forward with their purchases.

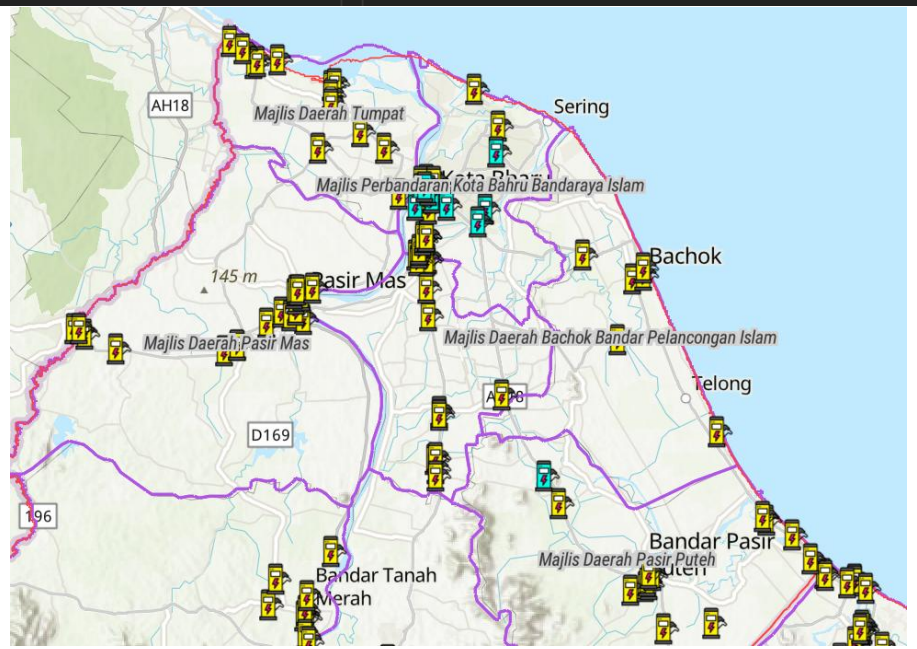
Industry Challenges and Opportunities

Despite these positive developments, the industry continues to face significant challenges. Fierce price competition from Chinese carmakers has put pressure on local businesses. The attractiveness of EVs is growing because of rising fuel prices, improved EV infrastructure in urban areas, and government incentives such as tax exemptions and rebates. Nevertheless, the low resale value of EVs and the relatively affordable fuel prices in Malaysia remain barriers preventing widespread adoption of EVs over traditional ICE vehicles.

Source: CEIC

Dr Mohd Afzanizam Abdul Rashid – Chief Economist
Muhammad Hafiz bin Tajuddin – Sector Analyst





Shortage of Charging Bays

The growth of EV sales is hindered by insufficient infrastructure, particularly the limited number of electric vehicle charging bays (EVCBs) nationwide. Most of these charging points are concentrated in urban areas of Selangor or along the North-South highway. To tackle this issue, the government has initiated plans, as shown in the PLANMalaysia dashboard, in collaboration with the Ministry of Housing, aiming to install 10,000 new EVCBs across Malaysia by 2025. However, it appears unlikely that this target will be met, contributing to the slower pace of EV adoption. The dashboard's map reveals that in the East Coast regions of Kelantan and Terengganu, around 90% of charging locations are still proposed and not yet operational, making EV travel to these areas uncertain at best.

Source: PLANMalaysia