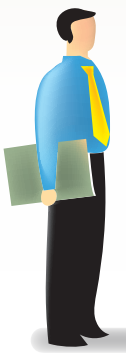
Star Special
AmBank Group
MALAYSIA KITA 50 YEARS
THE STAR, SATURDAY 11 OCTOBER 2025
ECONOMIC OUTLOOK 2026

The Madani way towards growth

Malaysia's economy is on track for steady expansion in 2025, with GDP growth projected at 4.4% to 4.8%, building on a strong 4.4% performance in the first half of the year.



Demand
RM2,944,995mil

- 37.5% PRIVATE CONSUMPTION
- 32.5% EXPORTS OF GOODS
- 10.9% PRIVATE INVESTMENT
- 7.9% PUBLIC CONSUMPTION
- 3.3% PUBLIC INVESTMENT
- 7.9% EXPORTS OF SERVICES

Supply
RM2,944,995mil

- 37.2% SERVICES
- 30.9% IMPORTS OF GOODS
- 14% MANUFACTURING
- 8.1% IMPORTS OF SERVICES
- 3.7% AGRICULTURE
- 3.4% MINING
- 2.7% CONSTRUCTION

Reports by JAGDEV SINGH SIDHU, GURMEET KAUR, CECILIA KOK, BHUPINDER SINGH, FINTAN NG, DOREENN LEONG, LEONG HUNG YEE, FONG MIN YUAN, EUGENE MAHALINGAM, GANESHWARAN KANA, KEITH HIEW, DANIEL KHOO, YVONNE TAN, KIRENNESH NAIR, ELIM POON and LYDIA NATHAN

Domestic strength, reforms to drive growth

Economy forecast to expand between 4% and 4.5% in 2026

At the regional level, Malaysia has been working on deepening regional economic integration through strategic initiatives such as the Asean Power Grid to enhance cross-border energy connectivity and security.

THE government, in the *Economic Outlook 2026* report, projects Malaysia's domestic economy to grow between 4% and 4.8% in 2025 on continued recovery across key sectors and supportive policy measures.

This growth momentum would continue into 2026, with the economy forecast to expand between 4% and 4.5%, underpinned by robust domestic demand and a resilient external sector.

"Growth will be anchored by private consumption, boosted by the implementation of the salary adjustment under Phase 2 of the Public Service Remuneration System, continuation of targeted assistance programmes and robust tourism activities in conjunction with Visit Malaysia 2026," the report noted.

The report also projects the global economy to expand moderately by 3% in 2025 before improving slightly to 3.1% in 2026.

The report said assessing the impact of global uncertainties and higher tariffs imposed by the United States have been a daunting task for developing countries, including Malaysia.

"As a small and open economy, Malaysia's vulnerability to external shocks has become increasingly evident amid shifting trade dynamics and rising protectionism, which pose challenges to the country's long-term economic planning."

In advancing economic complexity, the government would shift from resource dependence towards a value-creation economy driven by artificial intelligence (AI), research and development (R&D) and commercialisation and innovation (C&I) digitalisation, high growth high value industries and high-impact strategic sectors.

This would include programmes under the Bumiputra Economic Transformation Plan 2035.

The report said Budget 2026 would focus on three thrusts guided by the Ekonomi Madani framework, with the first being advancing reform efforts, with emphasis on enhancing governance, strengthening service delivery and safeguarding fiscal sustainability.

The report added that nationwide GovTech initiatives, including MyVisa 2.0, MyJPJ and digital one-stop centres have streamlined service delivery, reducing bureaucratic burdens and providing more seamless transactions.

The other two thrusts under the framework, Raising the Ceiling , seeks to propel economic growth and Raising the Floor, seeks to uplift the standard of living.

"By leveraging technology, talent and sustainability principles, Malaysia is poised to unlock new sources of growth, which will fortify its position as a dynamic and resilient economy.

"The government will introduce the National AI Action Plan 2030, a robust governance framework to guide and accelerate AI adoption across priority sectors, while strengthening national capabilities in R&D and C&I."

Besides this, the KL20 Plan seeks to position Kuala Lumpur among the world's top 20 startup ecosystem through nurturing innovation-driven enterprises and thereby developing a leading global startup hub.

Budget 2026 would also provide funding such as seed funds and co-investment funding for potential startups.

At the regional level, Malaysia has been working on deepening regional economic integration through strategic initiatives such as the Asean Power Grid to enhance cross-border energy connectivity and security.

"These efforts will position Malaysia as a regional hub for renewable energy trade, reinforcing its role as a driver of sustainable growth within South-East Asia."

Among key performance indicators, the report pointed to Malaysia being on the path to becoming one of the top 30 largest economies, ranking 36th globally with a gross domestic product (GDP) of US$422bil.

Similarly, Malaysia's competitiveness increased significantly since 2024, catapulting 11 places to 23rd in the 2025 International Institute for Management Development world competitiveness ranking.

To reach among the top 12 in global competitiveness by 2033, it said trade diversification; stronger R&D and C&I, as well as streamlined regulations, enhanced governance and digital readiness are being prioritised.

However, Malaysia's Corruption Perception Index ranking has remained unchanged at 57th in 2024 with a score of 50.

On fiscal sustainability, the country has made notable progress, where the fiscal deficit gradually narrowed from 5% of GDP in 2023 to 4.1% in 2024 and is anticipated to further reduce to 3.8% in 2025.

This is to be further reduced to 3% in the medium-term, anchored by various fiscal reforms. The report said monetary policy in 2025 remained focused on supporting economic growth amid global uncertainties, while maintaining domestic price stability.

Slower global growth, but country's economy set to hold steady

MALAYSIA's economy is poised to hold steady amid a moderating global outlook, with policymakers counting on resilient domestic demand and well-capitalised financial institutions to offset external headwinds.

The Economic Outlook 2026 report forecast global growth to expand modestly at 3% in 2025 and 3.1% in 2026, dampened by persistent tariff tensions, high interest rates in advanced economies, and geopolitical risks that continue to unsettle trade flows.

"The outlook is vulnerable due to multiple downside risks. The fading impact of tariff-related trade front-loading, the possibility of renewed tariff measures, rising geopolitical tensions, and fiscal imbalances pose substantial risks to stability in 2026," the report said.

The global slowdown would inevitably test Malaysia's export performance, particularly in electronics, palm oil and petroleum but growth can be kept on track through a recovery in tourism, targeted fiscal spending, and steady private consumption.

Malaysia's financial system remains robust despite volatility in global capital markets. The ringgit, while still under pressure from a strong US dollar, continues to be cushioned by solid current account surpluses and healthy foreign reserves.

The local bond and equity markets continue to operate smoothly, underpinned by strong institutional participation and a deep investor base.

Bank Negara expects to maintain a cautious monetary stance as inflation stays manageable and growth remains moderate. The overnight policy rate (OPR) would likely stay at 3% through 2025, providing stability to borrowers while ensuring policy flexibility in case of sharper global shocks.

In the United States, economic growth could ease to 1.9% in 2026 from 2.8% this year, as high interest rates bite into spending. Europe's recovery remains fragile, with the eurozone expanding just 1% in 2025, while Japan's modest rebound would add little momentum to global trade.

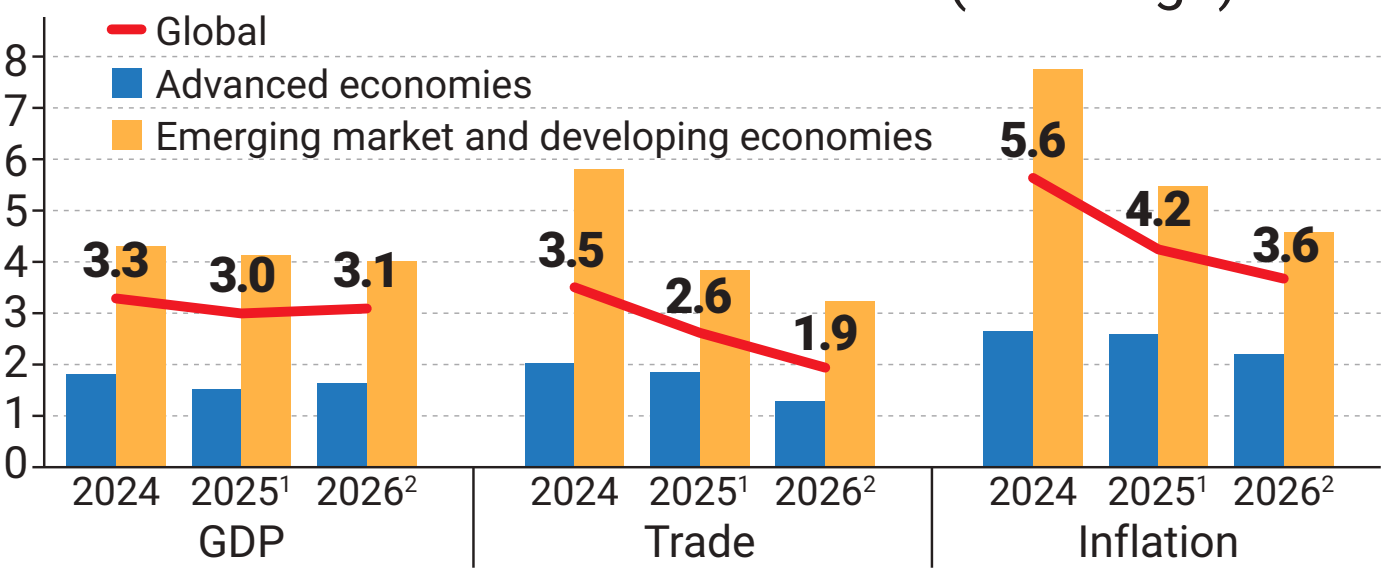
China's growth can be expected to slow to 4.8% in 2025 and 4.2% in 2026 as its property market malaise persists.

The Asean-5 economies – including Malaysia – would continue to outperform advanced markets, expanding 4.1% in both 2025 and 2026.

Indonesia and the Philippines would be expected to lead growth, while Malaysia's performance hinges on fiscal consolidation efforts and the execution of major infrastructure and industrial projects under the New Industrial Master Plan 2030.

Despite global uncertainty, Malaysia's fundamentals remain sound. A combination of steady domestic demand, digital economy growth, and improved investor sentiment should help the country weather tariff-driven disruptions.

Global gross domestic product, trade and inflation 2024-2026 (% change)



Notes: ¹Estimate. ²Forecast. Trade for advanced economies and emerging market and developing economies refers to the average volume of exports and imports of goods and services.

Source: International Monetary Fund, World Economic Outlook Update (July 2025)

TheStargraphics

Stable growth in 2025 poised to continue into 2026

MALAYSIA's economy is poised for steady expansion in 2025, with gross domestic product growth projected at 4.4% to 4.8%, building on a strong 4.4% performance in the first half of the year.

This trajectory, aligned with the International Monetary Fund's updated forecast of 4.5% for 2025 and 4% for 2026, would be underpinned by robust domestic demand, moderate inflation, a favourable labour market, and proactive government policies.

As Asean chair in 2025, Malaysia continues to position itself as a quality investment destination, enhancing wage structures and business efficiency to foster higher labour income shares.

The services sector remains the primary growth engine, expected to expand by 5.1% in 2025, driven by tourism recovery and higher visitor arrivals.

Subsectors like wholesale and retail trade has been projected to grow 4.8%, supported by domestic consumption and expansion in the automotive industry, including electric vehicles.

The report projects the finance and insurance subsector to grow 2.8% amid moderate credit expansion, while transportation and storage could surge 8% on increased air and sea freight from global trade.

Utilities may contract marginally by 0.1% due to lower industrial electricity use, but overall, the sector benefits from progressive visa policies and regional connectivity initiatives for Visit Malaysia 2026.

Manufacturing demonstrates resilience, with 3.9% growth in the first half of 2025, propelled by export-oriented industries like electronics and semiconductors.

Domestic-oriented segments, including consumer goods and construction materials, continue to be supported by household spending and the New Industrial Master Plan 2030, focusing on artificial intelligence-driven edges and digital adoption.

The export industries such as chemicals and rubber products contribution to the economy remains positive while semiconductors benefit from sustained investments and the National Semiconductor Strategy.

Agriculture faces slight expansion at 1.4%, led by palm oil amid favourable weather, though logging and livestock segments lag.

The mining sector, after a 3.9% contraction in early 2025 due to natural gas disruptions, has been forecast to rebound with 6.2% growth.

Resilient financial markets reflective of fundamentals

Stock market supported by a vibrant capital market

DESPITE global volatility from prolonged US tariff tensions, geopolitical risks and elevated interest rates, Malaysia's financial market remains stable and resilient.

The market continues to function efficiently, supported by strong macroeconomic fundamentals, a well-capitalised banking system and a vibrant capital market that sustains economic activity.

A supportive monetary policy stance together with a strengthening ringgit continues to buoy investor confidence.

In July, the central bank cut the overnight policy rate (OPR) by 25 basis points to 2.75%, the first reduction in the OPR since May 2023, to safeguard growth amid moderating inflation.

The statutory reserve requirement (SRR) was also lowered to 1% to boost liquidity.

These moves led to lower lending and deposit rates, easing borrowing costs for households and businesses.

The ringgit strengthened 5.8% to RM4.23 against the US dollar by end-August, ranking among Asia's top-performing currencies, reflecting a weaker greenback amid US Federal Reserve rate cuts and fiscal concerns, steady Chinese growth and Malaysia's sound fundamentals.

The ringgit may see more gains in anticipation of further US interest rate easing as well as Malaysia's ongoing policy reforms.

Malaysia's banking system remains robust, with capital ratios comfortably above regulatory minimums (CET1: 14.9%; total capital: 18.4%) and a strong liquidity coverage ratio of 158.4%. Asset quality remains sound, with low impaired loans at 1.4% and ample provisioning buffers.

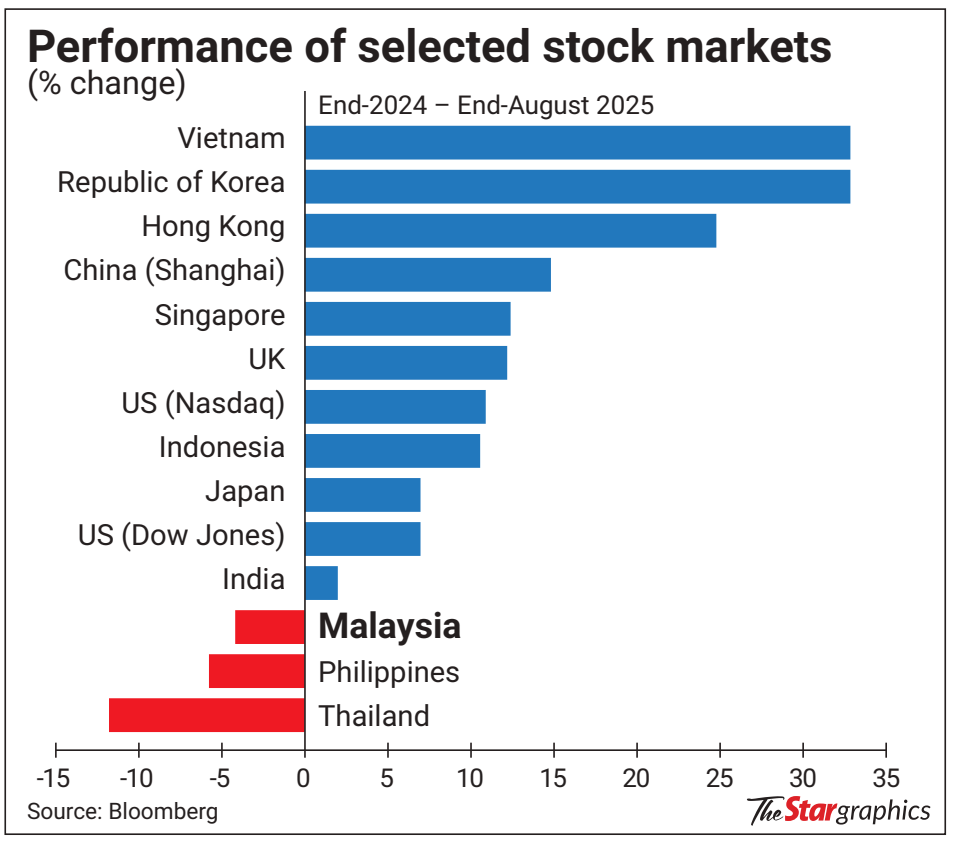
Total loans grew 5.4% year-to-date to RM2.31 trillion, driven by sustained household and business demand.

Small and medium enterprise financing expanded 8.2% to RM410.4bil, reflecting strong working capital needs.

Household debt, while high at 84.8% of gross domestic product, remains manageable, supported by rising incomes and prudent lending standards.

Despite global uncertainty, Malaysia's capital market continues to thrive as a key funding avenue.

Private sector fundraising rose 8.2% to RM75.9bil in the first seven months of 2025, with strong corporate bond issuance (7.2%) and equity fundraising (29%), including 38 new initial public offerings worth RM4.3bil.



Public sector issuances moderated in line with fiscal consolidation efforts.

Corporate bond yields declined across all ratings amid strong investor appetite and lower inflation expectations, while Malaysian Government Securities yields trended lower on foreign inflows.

The *Economic Outlook 2026* expects easing global rate environment and Malaysia's policy clarityto sustain demand for both sovereign and corporate debt.

The FBM KLCI staged a recovery from April's tariff-driven dip to close August at 1,575 points, buoyed by foreign inflows, stronger domestic consumption and expectations of Fed rate cuts.

Market capitalisation reached RM1.95 trillion, with healthy trading activity and stable foreign participation at about 19%.

Looking ahead to 2026, the local bourse is poised to benefit from stable politics, robust consumer spending and ringgit strength.

The upcoming Capital Market Master Plan 4 – a 20-year roadmap focusing on sustainability, inclusivity and collaboration – aims to position Malaysia as a regional leader in sustainable finance.

Overall, Malaysia's financial outlook remains positive. Supportive monetary measures, sound banking fundamentals and thriving capital market activity underpin resilience amid external headwinds.

Strengthening Islamic finance and ongoing structural reforms under the Ekonomi Madani framework reinforce Malaysia's trajectory toward sustainable and inclusive economic growth.

Market diversification key to domestic semiconductor sustainability

ELECTRICAL and electronics (E&E) products remain Malaysia's export strength, contributing to around 40% of Malaysia's total exports.

In 2024, the United States was Malaysia's largest export market for E&E products, representing about 20% of total exports of such products.

In addition to being a significant player in the global semiconductor supply chain, Malaysia contributes around 7% to the overall global semiconductor market volumes, ranking as the world's sixth-largest semiconductor exporter.

As of August 2025, imports of semiconductor by the United States remain exempt from being levied, including from Malaysia, subject to ongoing US national security investigations.

But any removal of this exemption could result in repercussions, reduce competitiveness and strain sectors that are closely integrated with the US supply chains.

Malaysia needs to implement swift and proactive measures to mitigate the effects of the US tariff impact along with the possible imposition of levies on semiconductor and retaliatory policy responses.

Because of its diversified and strong economic fundamentals, Malaysia remains well-positioned as a preferred investment destination.

Existing measures and initiatives outlined should be expedited to strengthen economic growth and further enhance trade performance.

The government through various policies including the National Semiconductor Strategy and the New Industrial Master Plan 2030 (NIMP 2030), would continue to strengthen the resiliency of local industries.

Initiatives under these policies would spur significant investments in workforce development, research and development and higher-value segments.

Programmes outlined under the initiatives, including the NIMP Industrial Development Fund, Market Development Grant and Services Export Funds would facilitate market access and further support domestic companies to transform operations by enhancing efficiency, embracing automation and boosting overall productivity.

Because of its diversified and strong economic fundamentals, Malaysia remains well-positioned as a preferred investment destination.

As such, Malaysia may benefit from trade diversion as foreign companies pursue alternative manufacturing hubs beyond China.

Initiatives such as the Johor-Singapore Special Economic Zone could further attract investors seeking stable and competitive environments.

Furthermore, Malaysia continues to broaden export markets by prioritising high-growth regions and leveraging existing free trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership.

Malaysia's market diversification strategy focuses on reducing reliance on traditional trading partners by expanding its export footprint into emerging and high-growth markets across Asia, the Middle East, Africa and Latin America.

Through active participation in regional and multilateral trade agreements, Malaysia aims to enhance market access and integrate deeper into global value chains.

The government emphasises the National Trade Blueprint in supporting exporters, particularly small and medium enterprises, by facilitating trade missions, offering market intelligence and promoting high-value industries such as E&E, halal products and green technology.

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Fiscal prudence balanced by growth needs

Sustainaing economic growth, strengthening resilience key

THE federal government is maintaining a steady path toward fiscal consolidation, guided by the Public Finance and Fiscal Responsibility Act 2023 (Act 850), as it balances fiscal discipline with the need to sustain economic growth and strengthen resilience.

Federal revenue for 2025 has been projected at RM334.1bil, or 16.6% of gross domestic product (GDP) – 2.9% higher than in 2024, though slightly below the earlier estimate of RM339.7bil.

Stronger tax collections from the revised sales and service tax (SST) and the phased rollout of e-invoicing has supported tax collection, while non-tax revenue can be expected to remain stable, anchored by investment income.

Total expenditure has also been recalibrated to RM412.1bil, a modest 1.6% increase from 2024 and lower than the previous estimate of RM421bil.

The government has set aside RM332.1bil for operating expenditure (OE), representing a 3.3% rise from last year, as it continues optimisation measures, including programme reprioritisation and the review of broad-based subsidies.

Meanwhile, development expenditure (DE) has been projected at RM80bil and remains above the annual 3% of GDP fiscal objective under Act 850.

As a result, the fiscal deficit can be expected to narrow to 3.8% of GDP in 2025, down from 4.1% in 2024, with gross borrowing requirements easing to support a more sustainable medium-term debt trajectory.

The government projects the primary deficit, excluding debt service charges, to improve to 1.1% of GDP.

Looking ahead, as the first budget under the Thirteenth Malaysia Plan (13MP), Budget 2026 would emphasise domestic economic drivers and private sector-led growth amid moderating external demand.

The government aims to balance fiscal consolidation with the need to stimulate investment, enhance social safety nets, and strengthen resilience through targeted spending and strategic reforms.

Total revenue for 2026 has been projected to rise to RM343.1bil, driven by higher direct and indirect tax collections.

The full-year impact of the expanded SST, coupled with ongoing tax digitalisation and the mandatory e-invoicing rollout for mid-sized businesses, can be expected to ensure more sustainable revenue streams.

However, non-tax revenue has been projected to moderate to RM72.7bil due to lower investment income.

Total expenditure has been budgeted at RM419.2bil or 19.7% of GDP, with OE increase moderating to RM338.2bil.

Fiscal measures such as the Government Procurement Act 2025 and the continued re-targeting of blanket subsidies can be expected to enhance efficiency and redirect resources toward high-impact social and development programmes.

As such, development expenditure allocations will rise to RM81bil to fund new initiatives under the 13MP.

The fiscal deficit is set to narrow further to 3.5% of GDP in 2026, with the primary deficit improving to 0.8%, underscoring the government's commitment to prudent fiscal management.

Looking further ahead, under the medium-term fiscal framework (MTFF) 2026 to 2028, the government projects total revenue at RM1.07 trillion (15.7% of GDP), supported by higher non-petroleum revenue of RM943.1bil (13.8% of GDP) and moderating petroleum-related income of RM129.1bil (1.9% of GDP).

The MTFF assumes average real GDP growth of 4.9%, with crude oil prices projected to average US$70 per barrel and production between 450,000 and 500,000 barrels per day.

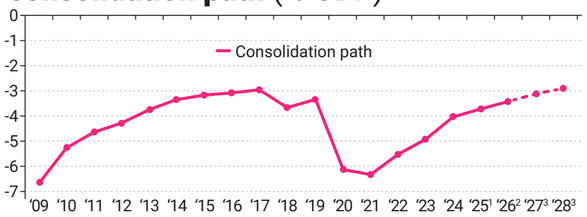
Total expenditure has been projected at RM1.29 trillion within the next three years, comprising RM1.05 trillion (15.4% of GDP) in OE and RM247bil (3.6% of GDP) in DE.

The fiscal deficit can be expected to average 3.2% of GDP over this period.

Overall, Malaysia remains on a steady path of fiscal consolidation guided by the Public Finance and Fiscal Responsibility Act 2023 (Act 850), balancing growth support with long-term sustainability.

The goal is to reduce the fiscal deficit to below 3% of GDP in 2028.

The federal government's fiscal consolidation path (% GDP)



[1]Revised estimate
[2]Budget estimate, excluding Budget 2026 measures
[3]Forecast

Source: Ministry of Finance, Malaysia

The Star graphics

Government spending expected to prioritise key areas

THE federal government remains committed to an expenditure strategy underpinned by fiscal prudence that also supports economic development, social protection and public service efficiency.

During the year, the government revised the 2025 total expenditure from the approved allocation of RM421bil to RM412.1bil, due to optimisation of emoluments and lower debt service charges (DSC) as well as lesser disbursement for development expenditure (DE).

This adjustment reflects the government's commitment to reprioritise its expenditure plan in line with fiscal consolidation efforts.

Of this revised total, 80.6%, was allocated to operating expenditure (OE), while the remaining 19.4% earmarked for DE.

The DE in 2025 has been estimated to be reduced by 4.8% to RM80bil, primarily due to lower spending requirements to the economic sector.

Funds have also been strategically channelled to priority projects, ensuring optimal resource allocation and alignment with development planning in the final year of the 12th Malaysia Plan.

Nevertheless, the economic sector remains the largest recipient at 45.8%, followed by the social (34.7%), security (14.8%) and general administration (4.7%) sectors.

The government expects total OE in 2025 to increase by 3.3% compared with 2024, mainly due to higher allocation for emoluments, retirement charges, DSC as well as supplies and services.

These components constituted 72.4% of total OE. In contrast, subsidies and social assistance declined attributed to lower disbursement for fuel subsidies.

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Emoluments remain the largest component of OE, representing 31.2% or RM103.5bil, with the allocation projected to increase by 7.9% due to the implementation of the Public Service Remuneration System in December 2024, which revises service schemes, basic wages, retirement benefits and pensions.

Moreover, retirement charges are estimated to increase by 11.6% to RM40.1bil, reflecting the growing number of pensioners and beneficiaries, now approaching one million recipients.

In a significant move to address pension liabilities, the government is finalising the implementation of a defined-contribution scheme to replace the defined-benefits pension scheme for public servants.

Meanwhile, the government expects subsidies and social assistance to decrease by 15.3%, from RM67.4bil to RM57.1bil, primarily due to the implementation of fuel subsidy rationalisation and lower global oil prices.

The re-targeting of the diesel subsidy has effectively curbed leakages, particularly cross-border smuggling activities and yielded significant savings estimated at up to RM600mil a month.

Additionally, the government ended the blanket subsidy for chicken and eggs in August 2025 as part of a phased approach to discontinue subsidies and promote a more sustainable and targeted support system for the poultry industry and consumers.

In return, the government has enhanced the Sumbangan Tunai Rahmah and Sumbangan Asas Rahmah programmes to provide vulnerable groups with targeted support.

In tandem with the initiative to rationalise the subsidy, the government rolled out Budi95, a targeted RON95 subsidy scheme that began on Sept 27 this year.

Looking ahead, in 2026, a total of RM419.2bil has been allocated under Budget 2026, representing 19.7% of GDP, an increase of 1.7% from the revised 2025 budget.

Of this amount, RM338.2bil, or 80.7%, is designated for OE, with the remaining RM81bil allocated for DE.

Higher allocations for emoluments, retirement charges and DSC were partly offset by lower provisions for subsidies, as well as supplies and services, in line with lower global commodity prices and ongoing expenditure rationalisation measures.

As at end-December 2024, total outstanding federal recoverable loans under the development fund stood at RM40.6bil, or 2.1% of GDP, with companies holding the largest share of these loans at RM25.9bil.

In 2026, the government would provide a total of RM1bil in loans through DE to improve infrastructure and enhance the quality of life of the rakyat.

State governments would remain the largest recipient, amounting to RM475mil. Meanwhile, loan repayments have been projected at RM1.5bil.

Sustainable revenue sources important to government initiatives

THE federal government's revised revenue is projected to grow by 2.9% to RM334.1bil this year compared to 2024, on account of the government's continuous efforts to widen the tax base.

The *Fiscal Outlook 2026* report noted that tax revenue remains the major contributor, with a share of 75.8% of total revenue or 12.6% of gross domestic product.

Non-tax revenue projections have been lowered to an estimated RM80.7bil, constituting 24.2% of total revenue, while direct tax revenue projections have been estimated to improve by 3.2% to RM177.1bil, primarily attributed to higher collections from individual and companies income taxes at RM141.9bil.

The government projects an increase of 9.1% in individual income tax to RM44.9bil, in tandem with a 13% rise in number of registered individual taxpayers, underpinned by stable wage growth, low unemployment rate and the salary adjustment for civil servants under the Public Service Renumeration System.

> **According to the National Property Information Centre, property values in the first half of 2025 grew by 1.9% relative to the corresponding period in 2024.**

Likewise, revenue from companies income tax is also expected to expand by 4.6% to RM97bil on the back of better corporate earnings in the 2024 financial year, mainly from the services and manufacturing sectors.

Additionally, the phased implementation of the e-invoicing beginning August 2024, is expected to further reduce leakages and improve compliance, thus contributing to higher revenue collection.

As at end-August 2025, the number of corporate taxpayers rose by more than 15% as compared to 2024.

Similarly, other direct taxes, mainly stamp duties and the real property gains have been projected to increase to RM10.1bil and RM2.3bil, respectively, supported by higher property market values.

According to the National Property Information Centre, property values in the first half of financial year 2025 grew by 1.9% relative to the corresponding period in 2024.

Meanwhile, the government projects indirect tax to grow by a further 11.3% to RM76.3bil, driven by higher collection from the sales and service tax.

The growth is mainly bolstered by service tax, which is anticipated to surge by 26.1% to RM29.3bil following the full-year implementation of the service tax rate at 8%, coupled with the wider scope of taxable services, such as logistics, rental or leasing of goods and premises, as well as selected financial services.

Likewise, sales tax collection is estimated to grow by 12% to RM24.1bil, supported by robust private consumption and the impact from the expansion of sales tax on selected goods.

Non-tax revenue is estimated to decrease to RM80.7bil in 2025, consistent with the government's focus to reduce reliance on unsustainable revenue streams.

Combined debt and liabilities touch 84.1% of gross domestic product

THE combined debt and liabilities exposure as at end-June 2025 amounted to RM1,694.6bil,or 84.1% of gross domestic product (GDP), according to the *Fiscal Outlook 2026*.

The overall debt and liabilities consist of federal government debt, committed guarantees, and financial obligations from public-private partnership (PPP) as well as private finance initiative (PFI).

Financial guarantees, one of the quasi-fiscal instruments, to enable funding of selected strategic infrastructure projects and targeted lending programmes, stood at 21.1% of GDP – below the 25% limit stipulated in the First Schedule of Act 850.

As for guarantees under Act 96, this grew marginally by 1% to RM336.1bil,

or 16.7% of GDP at at end-June 2025 with disbursements mainly for existing projects and programmes.

Based on segmental distribution, infrastructure remains the largest recipient, accounting for 59.6% of total outstanding guarantees.

These were primarily for major public transportation projects such as the East Coast Rail Link (ECRL), Mass Rapid Transit, Light Rail Transit 3, highways and home financing.

The services sector constitutes the second largest share at 29.4%, largely for tertiary student loans and civil servants' home financing schemes.

Committed guarantees, comprising recipients of financial guarantees which obtain financial allocation from the government to ensure the continuation and viability of strategic projects and programmes, saw a marginal increase of 0.4% from end-2024.

Notably, the report stated that there were additional financing requirements for the ECRL project and DanaInfra Nasional Bhd.

Coming to PPP projects, there were 108 as at end-June with total outstanding financial commitments to the government amounting to RM112bil, an increase of 5.9% from end-2024.

There were several new PPP projects, which include the assets leasing arrangement, waste-to-energy and agriculture irrigation project.

As for the PFI, outstanding commitments stood at RM41.4bil, compared to RM42.8bil in 2024.

Projects and programmes financed under this approach include public utilities, education, affordable housing, skills development, and maintenance of government facilities.

As such, the Employees Provident Fund and the Retirement Fund (Incorporated) or KWAP provided funding for these initiatives.

Subsequently the government assumed the repayment obligations.

The report said the PPP framework continues to be refined to prioritise user-pay projects and reduce reliance on government funded projects, as recommended under the Public-Private Partnership Masterplan 2030.

Any consideration for new PPP projects requiring government financial commitments will subject to the scope and funding limits

requirements under the Thirteenth Malaysia Plan.

"In addition, PPP governance will be further enhanced, with the view of enacting a legislation on PPP.

"Value at entry evaluation, which was implemented for development projects, will be applied as a mandatory screening mechanism for new PPP projects to ensure only viable, strategic and ready-to-execute projects can be considered."

Federal government debt and liabilities exposure, 2024 - 2025

Component	Share of GDP (%) 2024	2025[1]
Federal government debt	64.6	64.7
Committed guarantees	12.2	11.8
Other liabilities	7.7	7.6
Total	**84.5**	**84.1**

[1] *End-June 2025*
Source: Fiscal Outlook 2026

Careful borrowing to safeguard Malaysia's fiscal position

DEBT management in line with global best practices will be central to Malaysia's path forward, says the *Fiscal Outlook 2026*.

According to the report, these efforts would be critical to sustain a stable debt trajectory, while ensuring fiscal resilience and maintaining macroeconomic stability.

"Above all, these efforts will enable the government to channel national resources towards inclusive growth and long-term prosperity as it stands guided by the 13th Malaysia Plan," it said.

It doesn't come as a surprise that as the country embarks on the said plan, a sound and sustainable framework would be vital in order to accelerate national agendas, with these efforts key for the government to meet financing requirements and mitigate fiscal and market risks.

These measures would also provide a platform to secure competitive borrowing costs, extend the maturity profile and strengthen long-term debt sustainability.

> **Debt sustainability will be anchored by ongoing fiscal reforms and gradual deficit reduction.**

With that, the *Fiscal Outlook 2026* noted that for next year, the debt management and financing strategy would focus on optimising debt profile, strengthening risk management practices and diversifying funding sources to ensure stable and cost-effective access to financing.

"The strategy will continue to prioritise a prudent balance between domestic and external borrowings, with a strong preference for ringgit-denominated instruments to mitigate exposure to foreign exchange risks," the *Fiscal Outlook 2026* said.

In addition to that, to widen the investor base and strengthen Malaysia's leadership in Islamic financing, external financing would be selectively explored through innovative instruments.

"Debt sustainability will be anchored by ongoing fiscal reforms, gradual deficit reduction as well as greater accountability in debt management," it noted.

While the report said the country's debt management for 2026 to 2030 remains broadly manageable, heightened risks have clearly emphasised the need to enhance fiscal buffers.

Meanwhile, the report also made note of the federal government's debt, which stood at RM1.30 trillion – of this, 98.3% comprised domestic debt, with offshore borrowings reduced to 1.7%.

Malaysia's public sector debt stands at RM1.73 trillion as of the end of June 2025.

The report said the 4.2% increase was on the back of higher federal government borrowings, accounting for 75.4% of total public sector debt.

As for Malaysia's external debt, it also grew 3.9% to RM1.40 trillion as of the end of June 2025 due to stronger non-resident participation in government domestic debt securities and higher net issuances of bonds and notes abroad by public corporations.

"Malaysia external debt remains manageable, supported by a favourable maturity structure and diversified currency composition, coupled with prudent safeguards by Bank Negara Malaysia," the report said.

Addressing Malaysians' socio-economic issues

Improving the rakyat's standard of living a priority

THE government continues to address socio-economic issues across multiple dimensions of development as it works towards improving the rakyat's well-being and standard of living.

Measures undertaken include ensuring fair wages, availability of decent jobs, equitable access to healthcare and education and improving infrastructure.

As a key element of the Ekonomi Madani manifested in Budget 2026, "Raising the Floor", would safeguard the rakyat, according to the *Economic Outlook 2026*.

Emphasis is placed on ensuring a decent standard of living and pathways for the rakyat to move upwards.

For the rakyat to attain improved standards of living, the government would continue to address social economic issues across multiple dimensions of development.

To narrow rural and regional development gaps, the budget would focus on diversifying the landscape beyond traditional economic activities.

It would leverage collaborations between federal and state governments with the private sector as seen in Cyberjaya, Port of Tanjung Pelepas, Kulim Hi-Tech Park, Kota Kinabalu Industrial Park and the Samalaju Industrial Park.

The government would continue to collaborate in developing other strategic locations in the country.

This collaboration serves as an impetus for state level transformation, capitalising the untapped potential for industrial clustering, innovation and inter-state synergies.

Supported by the New Investment Incentive Framework to accelerate the nation's industrial transformation, the government would continue to provide tailored incentives to attract quality investment and maximise economic returns.

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Budget 2026 would focus on further streamlining approval processes, dismantling bureaucratic hurdles and realign incentives with the complexity, value-add and technological intensity of targeted industries.

To further deepen the Asean economic integration, initiatives such as the Asean Power Grid would enhance cross border energy connectivity and security, thereby positioning Malaysia as a regional hub for renewable energy trade.

This enforces Malaysia's role as a driver of sustainable growth with South-East Asia.

This move accelerates the adoption of digitalisation by expanding access to digital tools, training and eCommerce capability and ensures competitiveness and scalability of micro, small, and medium enterprises (MSMEs).

This fosters an innovation ecosystem that connects MSMEs with technology providers, research institutions and global supply chains.

It helps more firms to participate in international markets while improving productivity.

Malaysia would harness growth in tourism and related services in conjunction with Visit Malaysia Year 2026.

It would focus on progressive visa policies, including extended visa-free entry from selected key markets, maintain and upgrade tourism related infrastructure, enhance public transportation and encourage eco-tourism activities.

Overall, Budget 2026 initiatives would ensure Malaysia's integration with the global economy remains strategic, competitive, inclusive and future-oriented across all sectors.

In 2024, the Finance Ministry initiated the Government-Linked Enterprises Activation and Reform Program (GEAR-uP) to strengthen strategic investments, innovation and social inclusion in supporting the nation's economic development agenda.

GEAR-uP had delineated seven "Raise the Floor" initiatives, including one to empower and uplift bumiputra communities and businesses.

Beyond their commercial mandates, the government linked investment companies and government-linked companies also contributed towards the development of sustainable talent and enterprises among bumiputras.

More measures needed to raise country's wage levels

THERE are significant areas of improvement to enhance the overall effectiveness of minimum wage implementation in Malaysia to ensure better wages for the nation's workforce.

The *Economic Outlook 2026* report stated that policy recommendations may focus on strengthening monitoring and enforcement mechanisms to ensure full compliance across sectors.

This includes enhancing the governance framework, leveraging digital-based reporting and declaration mechanism, and strengthening transparency in wage practices.

In ensuring a sustained income growth, the feasibility of instituting a compulsory structured annual wage increment aligning with inflation and productivity trends may also be explored.

In addition, a leap jump in minimum wage revision should be considered in expediting the achievement of the 45% labour income share by 2033, as aspired in the Ekonomi Madani framework.

Companies, particularly from developed states, are also encouraged to offer a minimum wage higher than the national rate, considering the differences in cost of living.

These strategies would build a more equitable, productive, and resilient labour market that ensures fair remuneration for all workers.

Notably, the minimum wage policy has made notable progress in achieving some of its core objectives, such as increasing the purchasing power, strengthening safety net for low-wage workers and maintaining business competitiveness.

However, the policy has had minimal impact in increasing automation adoption and reducing dependency on low-skilled foreign labour, as minimum wage revisions alone have not made local employment sufficiently attractive, especially in labour-oriented industries.

This underscores the need for a more comprehensive approach, combining wage policy with broader labour market reforms, to fully realise the aspirations of Ekonomi Madani framework and build a more resilient workforce in the future.

Malaysia's minimum wage policy was introduced to address the low wage structure in the labour market and promote a more equitable and resilient economy.

It was designed with the aim to raise wages of low-paid workers for a better safety net and well-being; encourage businesses to adopt automation for productivity improvement; and reduce the nation's dependency on low-skilled foreign labour while ensuring local employment is more competitive.

After a decade of implementation, it is important to assess the outcome of the policy in improving the well-being of businesses and workers.

Malaysia's journey towards implementing minimum wage has been a lengthy pursuit with the aim to ensure workers earn enough to cope with the cost of living.

It began in 1947 with the formation of the Wages Council, which was responsible for advising on fair wage practices for certain occupations.

Over the years, as the economy grew and living expenses increased, the need for a more structured wage system became clear.

This led to the official gazettement of the Minimum Wage Order in 2012, a major step in guaranteeing basic income for the low-wage earners across the country.

Since then, the minimum wage has been revised five times, gradually rising to the current rate of RM1,700 per month.

These changes reflect the ongoing efforts to ensure workers, especially those in low-paying jobs, can afford the essentials and live decently.

Every adjustment made to the minimum wage, aims to strike a balance, between workers welfare and businesses competitiveness.

Interestingly, a common perception of workers receiving salary below minimum wage are foreign workers; women; youth; those concentrated in construction and agriculture sectors; as well as those located in less developed states.

However, contrary to the perception, evidence demonstrates that the majority of the wage recipients are local workers, mostly male, and largely within the 25 to 34 age group.

Moreover, these workers are concentrated in the services and manufacturing sectors, with a significant share of around one-third, located in developed states such as Selangor and Johor.

Malaysia charts Asean's path to sustainable and inclusive future

MALAYSIA's Asean chairmanship is steering the region toward a transformative decade of economic integration, inclusivity and sustainability, marking a decisive step into the Asean Community Vision 2045 (ACV 2045).

Under the theme "Inclusivity and Sustainability", Malaysia's leadership has launched the Asean Economic Community (AEC) Strategic Plan 2026 to 2030, a forward-looking framework designed to align Asean's financial systems with global standards while strengthening resilience to emerging challenges.

This milestone year concluded the Asean Community Vision 2025 (ACV 2025) initiated during Malaysia's 2015 chairmanship, which laid the foundation for today's progress across the Asean Political-Security, Economic, and Socio-Cultural pillars.

With a 97% implementation rate under the AEC Blueprint 2025 – comprising 75% completed and 22% ongoing measures – Malaysia's stewardship has positioned Asean to accelerate regional transformation through a more integrated, innovative and people-centred approach.

At the core of this agenda, the AEC Strategic Plan 2026 to 2030 introduces 18 priority economic deliverables clustered under four thrusts: enhancing trade and investment, creating an inclusive and sustainable pathway, promoting integration and connectivity, and building a digitally resilient Asean.

Three of these fall under the finance track, endorsed at the 12th Asean Finance Ministers' and Central Bank Governors' Meeting in Kuala Lumpur.

Catalysing Green Finance for a Just and Climate-Resilient Asean tops the list of deliverables. Recognising projected gross domestic product losses of up to 11% by 2100 due to climate risks, Malaysia has championed a three-pronged sustainability approach: developing tools for decarbonisation and resilience, securing climate project funding, and supporting the green transition of micro, small, and medium enterprises (MSMEs).

These efforts are supported by the publication of the Asean Taxonomy for Sustainable Finance Version 4, introducing an "Amber" category to reflect economic diversity, and the Asean Transition Finance Guidance Version 2 to align financial institutions with global climate goals.

Complementing this, Malaysia launched the Asean Infrastructure Fund Action Plan 2025 to 2028, introducing facilities such as the Regional Connectivity Project Readiness Facility and Asean Power Grid Transition Finance Facility, alongside a pilot Islamic finance scheme to unlock scalable projects.

Recognising that MSMEs represent 99% of Asean businesses, Malaysia also introduced the Simplified Environment Social and Governance Disclosure Guide and released a supply chain playbook, Building Supply Chain Resilience: Insight into Greening Value Chain for Asean.

Debt outlook stable over medium term

THE results of Malaysia's debt sustainability analysis (DSA) show that the country's debt level remains manageable and sustainable over the medium term.

Additionally, the findings indicate that Malaysia is able to finance the 13th Malaysia Plan (13MP) without jeopardising debt-to-GDP (gross domestic product) ratio, ensuring that key development priorities can be fully implemented to support resilient economic growth.

"The government will continue to implement bold fiscal reforms initiatives to provide adequate fiscal space as well as enhance effective debt management and borrowing strategies towards attaining debt sustainability in the long term," according to the *Fiscal Outlook 2026* report.

The DSA serves as a tool to assess and guide the formulation of macroeconomics and fiscal policies in the medium term, as it evaluates the government's ability to meet current and future debt obligations under various macro-fiscal shock scenarios.

With the current global growth outlook shaped by shifting trade policies, tariff uncertainties and geopolitical tensions, the DSA provides a refreshed assessment of Malaysia's fiscal position and long-term debt trajectory.

It also takes into account the financing needs and growth assumptions under the 13MP.

"Continued implementation of fiscal reforms and sound debt management practices are essential to sustain stability and gradually shift risks towards the lower end of the spectrum."

According to the *Fiscal Outlook 2026*, the DSA outcomes are reflected in projections of the debt-to-GDP and gross financing needs-to-GDP ratios.

Further, sensitivity analyses or stress tests enable the government to anticipate the potential impact of adverse macro-fiscal shocks on debt sustainability.

Subsequently, the government develops policy interventions to mitigate the risks and sustain market access.

Finally, beyond the macro-fiscal and stress tests, the DSA also undertakes a comprehensive risk assessment of the current debt profile of a country.

The *Fiscal Outlook 2026* noted that the debt outlook for 2026 to 2030 remains broadly manageable, within low to moderate risk parameters.

However, it cautions of heightened risks from external financing requirements, and a sustained moderate risk from contingent liabilities.

This emphasises the importance of enhancing fiscal buffers, improving the transparency of liability commitments, and strengthening the resilience of the domestic capital markets.

"Continued implementation of fiscal reforms and sound debt management practices are essential to sustain stability and gradually shift risks towards the lower end of the spectrum," it said.

Fuel subsidies: A new era of targeted support

Diesel subsidy reform yields over RM7bil in savings

THE diesel subsidy rationalisation programme implemented in 2024, along with the more recent RON95 initiative, marks a bold step in Malaysia's journey toward more responsible fiscal management.

"By transitioning from a universal subsidy to a targeted framework, the government has addressed long-standing economic distortions while safeguarding the welfare of the rakyat through initiatives such as Budi Madani (streamlined assistance for targeted diesel users) and Budi95 (for RON95)," the government said on balancing fiscal reform and social protection, published in its *Fiscal Outlook 2026* report.

Explaining the rationale for fuel subsidy reform, it noted that Malaysia's subsidised pump prices, among the lowest regionally, had created a price disparity.

This price gap led to widespread misuse, with subsidised diesel diverted to unauthorised commercial activities and smuggling across borders, causing significant economic distortions and fiscal costs.

"Between 2019 and 2023, diesel car registrations grew modestly by 15%, yet subsidised diesel consumption ballooned by 73%, leading to a nearly tenfold increase in the government's subsidy bill.

"Since the introduction of rationalisation measures, positive outcomes have been observed.

"Diesel smuggling activities have significantly declined from 992 cases in 2023 to 655 cases in 2024, and further decreased to 261 cases as of July 2025."

The Budi Madani programme is multi-pronged , encompassing three categories of recipients.

For individuals, it provides a direct monthly cash transfer of RM200 to eligible individual diesel vehicle owners.

The second category targets small-scale farmers, livestock breeders, aquaculture operators and commodity smallholders.

Recipients get a monthly cash transfer of RM200, recognising the sector's challenges and supporting continuity of agricultural production.

Better support: A receipt showing the RON95 price drop from RM2.05 to RM1.99 per litre. The government expects Budi95 to generate savings for strengthening targeted aid to vulnerable groups.

The third category is allocated quotas of subsidised diesel through fleet cards for selected land transport operators and logistic companies.

The transition to a targeted subsidy programme has delivered substantial fiscal gains.

Although initial projections estimated RM4bil in annual savings from the diesel subsidy reform, actual savings since its implementation in June 2024 have exceeded RM7bil, easing fiscal pressure and enabling greater investment in priority development areas, the report said.

Meanwhile, under a targeted subsidy scheme for RON95, which commenced on Sept 27, 2025, Malaysians with a valid driving licence are entitled to purchase RON95 at a subsidised price of RM1.99 per litre, while non-citizens will pay an unsubsidised price.

Each citizen receives a monthly quota of 300 litres, with exemptions for e-hailing drivers who may apply for additional quotas to safeguard their livelihoods.

The subsidy mechanism seamlessly integrates with MyKad verification at fuel stations, complemented by digital support via e-wallets and mobile applications.

To ensure smooth implementation, the rollout was conducted in phases, starting with early access provided to 300,000 armed forces and police personnel on Sept 27, followed by STR (Sumbangan Tunai Rahmah) recipients from the bottom 40% income group on Sept 28.

The programme was extended nationwide to 16 million eligible Malaysians on Sept 30.

The government expects Budi95 to generate savings that would be redirected to strengthen targeted aid programmes like STR and Sara (Sumbangan Asas Rahmah), ensuring better support for vulnerable groups.

Wider government guarantees needs tighter oversight

AS the scope of public guarantee schemes continues to expand, the need for prudent policies and effective mechanisms has become increasingly critical.

According to the *Fiscal Outlook 2026* report, proactive risk management is essential to safeguard public resources while maximising intended outcomes.

"When embedded within a sound policy and institutional framework, public guarantee schemes are able to generate long-term value without compromising fiscal sustainability."

Public guarantee schemes, also referred to as standardise guarantee schemes in certain jurisdictions, are government commitments to partially or entirely assume the financing obligations of a borrower in the event of default.

Typically, these schemes offer secondary credit risk mitigation to lenders, aiming to facilitate broader access to credit.

The main features often include the issuance of guarantees to a large number of beneficiaries, commonly under standardised terms and conditions.

They also combine market-based credit allocation mechanisms with implicit government subsidies.

Although these schemes represent contingent liabilities that do not require immediate cash outlays, they may crystallise into fiscal costs if borrowers fail to meet their financial obligations.

In Malaysia, public guarantee schemes are positioned as a strategic financing instrument within fiscal management to achieve macroeconomic objectives.

Beyond cushioning the immediate impact of economic shocks, these schemes also help address structural financing gaps, promote business innovation, and expand financial inclusion for underserved segments of the economy.

"Public guarantee schemes are anchored by public institutions, managed through government-linked companies or their subsidiaries under the direct oversight of the Finance Ministry and Bank Negara Malaysia.

"Currently, there are three entities administering these schemes, namely Syarikat Jaminan Kredit Perumahan Bhd, Syarikat Jaminan Pembiayaan Perniagaan Bhd and Credit Guarantee Corp Malaysia Bhd."

These entities collectively form the operational backbone of Malaysia's public guarantee ecosystem, ensuring fiscal support is prioritised towards sectors and segments that generate economic multiplier effects.

This targeted approach aligns with the government's development agenda, reinforced by strong oversight and accountability mechanisms.

As at end-2024, public guarantee schemes with a total value of RM73bil have benefitted more than 163,000 borrowers, spanning both small and medium enterprises (SMEs) and household segments.

Globally, there is general consensus on the principles that underpin the effective and responsible implementation of public guarantee schemes.

"Such schemes should be guided by a clear policy rationale, supported by robust institutional arrangements, and managed with discipline, in ensuring developmental impact is achieved without undermining fiscal responsibility," according to the Fiscal Outlook 2026 report.

The use of public guarantee schemes has expanded significantly across economies, particularly during the Covid-19 pandemic, as a counter-cyclical tool to sustain credit flows, especially to SMEs and strategic sectors.

Before the pandemic, financing backed by guarantee schemes made up around 1% to 5% of total financing in banking systems globally.

After the crisis, that ratio rose to an average of 6% to 8%, and in some advanced economies, it exceeded 20% as governments acted swiftly to support business continuity, preserve jobs, and avert a deeper economic downturn.

"While the increase represents a significant source of risk, it can be mitigated through comprehensive governance and risk controls, sound pricing structures as well as robust monitoring and evaluation systems."

Fiscal consolidation and spending plans

WHILE remaining committed to fiscal consolidation through reform measures delineated under the Public Finance and Fiscal Responsibility Act 2023, the government continues to work on a social safety net to safeguard the needs of citizens, in particular the vulnerable groups, including from economic shocks.

These measures include reforms to ensure a more impactful approach to disbursing aid.

At the same time, spending would focus on priorities that have the most impact, with the 13th Malaysia Plan providing an outline to address the challenges and guiding the country's development over the 2026 to 2030 period.

This would include strategic investments by the government in areas such as trade and education deemed strategic and having long-term sustainable growth.

Lower consolidated public sector surplus

Despite higher expected revenue in 2025, the consolidated public sector (CPS) is estimated to post a lower current surplus of RM29.1bil, due to a reduced surplus from non-financial public corporations (NFPCs).

The consolidated development expenditure (DE) is expected to decline by 2.7% to RM180.2bil reflecting lower capital expenditure in tandem with the final year of the 12th Malaysia Plan (12MP).

The CPS is expected to record a larger overall deficit of RM151.1bil in 2005 or 7.5% of gross domestic product (GDP), after netting off intra-transactions between public sector units, according to the Fiscal Outlook 2026 report.

In 2025, the consolidated general government revenue is projected to rise to RM402.5bil, driven by improved federal tax collection from revised sales and service taxes.

The consolidated operating expenditure (OE) is set to increase by 3.4% to RM385.2bil, mainly due to higher emoluments, narrowing the general government current surplus to RM17.2bil.

However, the consolidated DE is forecast to fall 4% to RM85.5bil, mainly due to the near completion of key 12MP projects.

The consolidated general government deficit is projected at RM68.2bil or 3.4% of GDP in 2025, after accounting for intra-transfers and net lending.

Meanwhile, the report noted that NFPCs' aggregate revenue for 2025 could decline to RM446.5bil or 22.2% of GDP, with the reduction in revenue versus expenditure expected to reduce the current surplus to about RM14.6bil.

The projected decline in NFPCs' revenue is mainly due to pressures in the oil and gas sector from lower global crude oil and liquefied natural gas prices.

In 2025, NFPCs' total expenditure is projected at RM526.7bil, accounting for 26.1% of GDP. OE is expected to decline to RM432bil, reflecting efforts to boost efficiency and reprioritise spending amid changing costs.

Capital expenditure is projected at RM94.7bil, reflecting sustained investment in energy, infrastructure, and public utilities.

NFPCs' deficit is expected to widen from RM57.8bil in 2024 to RM80.2bil in 2025, as revenue declines outpace expenditure cuts.

As of end-2024, NFPCs remained well-capitalised, with RM1.532 trillion in assets and RM792.8bil in liabilities, yielding net assets of RM735.2bil.

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[1]Revised estimate

[2]Budget estimate, excluding Budget 2026 measures

Federal Government Development Expenditure by sector (RM mil)

Total

2025[1]	2026[2]
80,000	**81,000**

Economic

2026[2]: **36,785**

2025[1]: 36,648

Transport

2026[2]: **17,534**

2025[1]: 16,368

Trade & Industry

2026[2]: **3,031**

2025[1]: 2,615

Energy & Public Utilities

2026[2]: **2,790**

2025[1]: 2,471

Agriculture

2026[2]: **551**

2025[1]: 2,940

Environment

2026[2]: **3,818**

2025[1]: 3,005

Social

2026[2]: **28,592**

2025[1]: 27,784

Education & Training

2026[2]: **14,451**

2025[1]: 14,703

Health

2026[2]: **6,969**

2025[1]: 6,825

Housing

2026[2]: **1,457**

2025[1]: 1,318

Security

2026[2]: **11,738**

2025[1]: 11,861

General Administration

2026[2]: **3,885**

2025[1]: 3,707

Federal Government Operating Expenditure by component (RM mil)

Total

2025[1]	2026[2]
332,150	**338,202**

Emoluments

2026[2]: **109,366**

2025[1]: 103,522

Retirement Charges

2026[2]: **58,300**

2025[1]: 40,060

Debt Service Charges

2026[2]: **42,801**

2025[1]: 54,300

Grants & Transfers to State Governments

2026[2]: **9,828**

2025[1]: 9,260

Supplies & Services

2026[2]: **40,292**

2025[1]: 42,497

Subsidies & Social Assistance

2026[2]: **49,004**

2025[1]: 57,062

Asset Acquisition

2026[2]: **1,002**

2025[1]: 1,182

Refunds & Write-offs

2026[2]: **547**

2025[1]: 541

Grants to Statutory Bodies

2026[2]: **15,809**

2025[1]: 14,804

Others

2026[2]: **11,253**

2025[1]: 8,922