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**STATEMENT BY YB DATO' SERI AHMAD HUSNI HANADZLAH, MINISTER OF FINANCE II AT THE G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS MEETING ISTANBUL, TURKEY**

YB Minister of Finance II, Dato' Seri Ahmad Husni Hanadzlah attended the G20 Finance Ministers and Central Bank Governors Meeting on 9-10 February 2015 in Istanbul, Turkey. Malaysia has been invited to this meeting in its capacity as Chair of ASEAN in 2015. The topics of discussions by Finance Ministers' on Session I, were 'Global Economy' focusing on the global economy, particularly the evolution of risks and key policy challenges ahead.

During the meeting, YB Minister of Finance II commented on the importance for each and every country to take the right step to face the current global economic challenges. This is essential as the positive outcome and result achieved by each country, in aggregate, will contribute towards a robust, sustainable and balanced global growth. In addition, country-specific economic peculiarity in terms of strength and weaknesses  must be taken into account in formulating the economic plan and responses.

YB Minister of Finance II shared Malaysia's approach whereby it has adopted a pragmatic approach in response to the decline in price of oil and weakening ringgit vis-a-vis the US dollar. In this context it has reviewed and implementing the following approach:

a) Review of Malaysia's Gross Domestic Product (GDP) growth from 5% to 6% in 2015 to 4.5% to 5.5%.

b) Maintain its Fiscal Discipline through Fiscal Consolidation towards reducing the fiscal deficit and achieving balance budget by the year 2020. Malaysia adopted a gradual approach to ensure sustainable economic growth which is important particularly to its people. In light of this, Malaysia has continued with its Fiscal Reform. The government will introduce Goods and Service Tax (GST) on 1 April 2015. The reform of the tax code will widen the tax base and provide the ability to reduce the direct tax rate. The implementation of GST will enhance the efficiency and quality of our consumption tax, which will bring additional revenue to the Treasury. This will bring significant benefit to businesses, the labour market and the population in general. The GST registration is overwhelming, currently recording 312,829 companies. The secondary impact from the GST registration is that it will move thousands of companies from the 'black economy' to 'mainstream economy'.

c) The drop in Government's revenue from the decline of oil prices will be balanced through savings from removal of fuel subsidy and the implementation of GST.

d) Malaysia also decided to rationalise its operating expenditure. However, it has not compromise its growth as the Government has maintain the development expenditure of RM48.5 billion as approved by Budget 2015, which the key to future of the nation and a contributing factor to global growth.

e) Review of the overall deficit which will be at 3.2%, slightly higher that target of 3.0% but lower than 2014 deficit of 3.5%.

YB Minister of Finance II commented that in facing the current challenges, countries must not forget the long term economic growth. In this context, countries must explore current policies and development strategies which may be rooted from previous experience. However, to achieve significant result may require changes to meet the requirement of contemporary economy. In addition, countries must enhance its economic fundamentals to overcome future economic shock.

As for Malaysia, YB Minister of Finance II commented that our economic fundamentals are strong. In 2010, Malaysia embarked on a national transformation program covering both Government Transformation and Economic Transformation. After passing the first decade of the 21st century, Malaysia believe that it needs new thinking and an innovative approach to move to the future. As a result of the transformation programs, Malaysia has enhanced the Government's core business, moving the economic growth higher, where growth has stagnated prior to 2010, and positive contribution from the subsectors of both demand and supply side of the GDP, to the economy.

YB Minister of Finance II also noted that regional development must be given an emphasis. Sharing ASEAN's experience where it started on low key in 1967, it is now among the fastest growing region recording more than 5% growth. For 2015, ASEAN has entered into a new phase with the ASEAN Economic Community (AEC). The AEC will enhance further intra-ASEAN trade, investment, infrastructure and financial integration to enhance growth of member countries. In addition, ASEAN will continue to enhance the inter-trade with other regions.

**Office of the Minister of Finance II, Putrajaya**
**10 February 2015**