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KEMENTERIAN KEWANGAN MALAYSIA

MINISTRY OF FINANCE MALAYSIA

2019 BUDGET PREPARATION AND FOCUS GROUP DISCUSSIONS

Following the 2019 Budget Consultation held on 12 July 2018, the Ministry of Finance is further engaging with the relevant stakeholders to solicit inputs for the 2019 Budget, which will be tabled in Parliament on 2 November 2018. A series of focus group meetings has been scheduled from August to September 2018 to gather views and recommendations on specific issues including on domestic workforce, quality of education system, sustainable development and living costs among the urban poor. Industry players, professional bodies, non-government organisations and government agencies have been invited to the discussions all aimed at prospering the rakyat.

The rakyat are invited to participate in the budget process by contributing your ideas and suggestions through a dedicated website at belanjawan2019.treasury.gov.my (<http://www.belanjawan2019.treasury.gov.my>). The website will take in suggestions starting from 28 August until 30 September 2018. Alternatively, I would like to invite everybody to share your views on Facebook, Instagram and Twitter by using the hashtag #belanjawan2019.

Yesterday, I chaired the first focus group meeting to discuss ways to improve public finance. We shared views on means to strengthen the Federal Government's fiscal position by diversifying its revenue sources, optimising its expenditure and rationalise its large RM1.087 trillion debt and liabilities that rose spectacularly after years of imprudent and opaque management of government finances.

Despite various legacy challenges, the Federal Government is steadfast in lowering its fiscal deficit to 2.8% of GDP this year. We will proceed with our fiscal consolidation agenda gradually in a more sustainable manner without hurting economic growth and the well-being of the rakyat.

To that end, the Federal Government is establishing two new committees. They are the Public Finance Committee (PFC) and the Tax Reform Committee (TRC).

The Public Finance Committee will outline the government's medium-term fiscal plans. I will chair the Committee as the Finance Minister, and I will be joined by the Economic Affairs Minister and the Governor of Bank Negara Malaysia. It will be the platform to balance out the needs for fiscal consolidation and the need for the government to spend in order to raise the living standards of the rakyat while contributing to future economic growth.

The Tax Reform Committee will assess the Malaysian taxation system holistically with the intention of making it more efficient, more neutral and more progressive without burdening the rakyat, while promoting the longterm productivity of the economy. The Committee will study measures to halt the decline by, among others, minimising tax leakages and tax evasion.

To augment these measures, the Federal Government would monetise some of its holdings in non-critical, non-strategic companies in an orderly fashion while engaging in planned and scheduled public auction of state land. Previously, these land assets were often sold at steep discounts to politically-connected entities under opaque arrangements, which had deprived the Federal Government of additional revenue.

From macro perspective, the Federal Government will ensure the domestic environment is stable to support further growth. However just like other emerging markets, the performance of the domestic capital market as well as the strength of the ringgit are affected by global events. This is evident from the rise in sentiment among various economies after the United States and Mexico reached a trade deal. The FBM Kuala Lumpur Composite Index rose 0.8% or 15.3 points yesterday after the United States and Mexico reach a trade deal. Year-to-date, the KLCI has risen 1.7%.

If the US and China could agree to resolve their trade disputes, then the Malaysian capital market and the value of the ringgit would rise. If no deal could be reach, the reverse would happen. The Malaysian government is monitoring this particular global development intently and is prepared to act accordingly if needed to protect the well-being of the rakyat.

Sayangi Malaysiaku!

YB Lim Guan Eng
Finance Minister
Putrajaya
29 August 2018
