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MEDIA RELEASE

MINISTRY OF FINANCE MALAYSIA

FISCAL UPDATES 2017
30 MARCH 2018

The Government embarked on the Fiscal Transformation Programme (FTP) to further strengthen its financial position. The programme also aims to create ample fiscal space for the Government to undertake countercyclical measures to mitigate adverse impact from external headwinds. The fiscal policy remains supportive of enhancing economic resilience and competitiveness while ensuring the wellbeing of the rakyat and the quality of public service delivery. The Government remains committed to fiscal consolidation towards a near-balanced budget in 2020. This is evidenced by consistent improvement of fiscal balance from a deficit of 6.7% of GDP in 2009 to 3.0% in 2017.

In 2017, revenue increased 3.8% to RM220.4 billion attributed to better tax revenue collection in line with improved tax compliance. The Government has also diversified its revenue sources and reduced its dependency on petroleum-related revenue which has reduced significantly from 41.3% of total revenue in 2009 to 15.7% in 2017. In addition, the Government has managed to contain the expenditure growth where total expenditure increased by 4.1% to RM262.6 billion. Consequently, total expenditure as a share to GDP is on the declining trend from 20.5% in 2016 to 19.4% in 2017 reflecting effort to enhance spending efficiency. The social sector which accounted for 38% of total expenditure remains the largest beneficiary of government allocation particularly in education, training and health subsectors. The public sector continued to complement the private sector activity in generating economic growth through development spending mainly on infrastructure projects which enhanced the productive capacity of the economy and inclusivity.

The Federal Government continued to finance development expenditure through borrowings from domestic market. As at end 2017, the Federal Government debt stood at RM686.8 billion or 50.8% of GDP, lower than the 55% self-imposed debt limit. Domestic debt remained the largest component of debt at 96.9% limiting the exposure from foreign exchange risks. Following the lower fiscal deficit target in 2018, the debt level is estimated to reduce further to about 50% of GDP by the end of 2018. Major rating agencies have reaffirmed Malaysia’s sovereign credit at investment grade of A- and A3, reflecting their recognition of the fiscal reform initiatives in strengthening the nation’s credit worthiness.

Ministry of Finance Malaysia
Putrajaya
30 March 2018

Note:
Full report of Fiscal Updates 2017 can be accessed online at www.treasury.gov.my (/pdf/ekonomi/fiscal/FISCAL_UPDATES_2017.pdf).