

MEDIA RELEASE MINISTER OF FINANCE MALAYSIA YB TUAN LIM GUAN ENG

OPEN COMPETITIVE TENDERS AND ZERO-BASED BUDGETING HAVE A POSITIVE IMPACT ON THE GOVERNMENT'S FINANCES, ALLOWING FOR DEVELOPMENT EXPENDITURE TO INCREASE BY 13% OR RM2.4 BILLION FOR THE FIRST 5 MONTHS OF 2019 COMPARED TO THE SAME PERIOD IN 2018

Open competitive tenders and zero-based budgeting have a positive impact on the Government's finances, allowing for development expenditure to increase by 13% or RM2.4 billion for the January-May 2019 period, compared to the same period last year.

For the first 5 months of 2019, the Government has successfully cut its fiscal deficit by 39% to RM21.4 billion, down from a RM35.0 billion deficit recorded in the same period last year. Nevertheless, the Government is mindful of its subsidy bill, and will continue to manage its expenses prudently. Additionally, the Government has shrunk its current account deficit to RM1.1 billion in January-May 2019, a reduction of 94% or RM16 billion, from a large RM17.1 billion deficit in the same period last year (Table 1).

Table 1: The fiscal position of the Government during the first 5 months of 2019 and 2018

Items	Jan-May 2019 (A)	Jan-May 2018 (B)	Difference (A)-(B)
Revenue	105.4	92.7	12.7
Operating expenditure	106.5	109.9	-3.3
Current account balance	-1.1	-17.1	16.0
Development expenditure (net)	20.3	17.9	2.4
Fiscal balance	-21.4	-35.0	13.6

The successful fiscal consolidation were amongst the reasons for Fitch Ratings' affirmation of Malaysia's sovereign credit rating at A- with a stable outlook on 18 July 2019, which follows similar confirmation by S&P Global Ratings on 3 July 2019. Fiscal discipline has been instituted through a combination of tighter controls over operating expenditure in the form of wider application of open competitive tender and implementation of zero-based budgeting. Further, revenue and spending measures as outlined in Budget 2019 have enabled the Government to improve its financial health.

As stated in the Budget 2019 documents, the Government plans to spend RM259.9 billion for operational purposes this year. The RM106.5 billion worth of operational spending made in January-May 2019 period represents 41% of total budgeted 2019 operating expenditure (Table 2).

Table 2: Current fiscal performance up to May 2019 versus full-year 2019 budget

Items	Current (A)	Budgeted (B)	Progress (A/B)
Revenue	105.4	261.8	40.3%
Operating expenditure	106.5	259.9	41.0%
Development expenditure (net)	20.3	33.0	37.6%

Based on the current fiscal performance, the Government is positive of achieving its fiscal deficit target of 3.4% of GDP, while keeping its 2019 current account balance in surplus. If there is no trade war between China and the United States, two of Malaysia's largest trade partners, the Government would even be confident of achieving the targeted 3.0% of GDP fiscal deficit for 2020.

The Government is confident that the economy will expand sustainably this year and in 2020. The World Bank projects Malaysia to grow 4.6% for this year, and this is particularly so as Malaysia's GDP growth remains robust despite the external challenges arising from the China-United States trade war. In May, the Malaysian industrial production index grew 4.0% year-on-year, beating market consensus of 3.5% year-on-year as compiled by Bloomberg. May 2019 exports grew 2.5% year-on-year, also beating market expectations.

Approved foreign direct investment (FDI) across all sectors for the first quarter of 2019 rose 73.4% to RM29.3 billion versus RM16.9 billion a year ago. The first quarter 2019 approved FDI growth was driven by a 127% increase in approved manufacturing FDI to RM20.2 billion from RM8.9 billion a year ago. Vehicle sales for the first 5 months of 2019 have improved by 13% compared from the same period a year ago. Meanwhile, unemployment rate for the month of May 2019 has dropped to 3.3%, from 3.4% in April 2019.

The Government is on track to fully restore its fiscal health by 2021. With support from the *rakyat*, Malaysia has good prospects to overcome the financial legacy issues of high debt load and failed governance left behind by the previous administration.

Sayangi Malaysiaku!

Lim Guan Eng

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