PRIME MINISTER
MALAYSIA

FOREWORD

The rakyat's historic victory on the 9th of May 2018, has provided the opportunity for a new administration to steer and restore Malaysia to a respectable position in the international arena. We were once known as the Asian Tiger and the tag had given us the confidence to pursue the Vision 2020 blueprint in which we set out to attain a developed nation status by the year 2020.

Unfortunately, in the last few years, we had derailed from this path and lost our way. In this context, the victory on the 9th of May was meaningful as it has brought about a new ray of hope in navigating through the difficult and dark period.

Nevertheless, the hope for a brighter and meaningful future should not conclude with the victory. In driving for a more meaningful change for the rakyat, it is important for the state of the nation's economy which is in dire shape to be attended to.

This is not a situation that any government would want to inherit especially when taking over the administration. However, like it or not, it is the responsibility of the new administration to introduce policies and strategies that will help achieve the objectives of relieving the burden of the rakyat.

We hope the rakyat understands that the extent of the damage is so severe and requires patience in this transitional period as the Government seeks to remedy it.

As a small and open economy, Malaysia remains susceptible to external risks, particularly if trade tensions continue to escalate and the financial market remains volatile due to monetary policy shifts in the advanced economies. Nevertheless, the Government is confident that domestic growth momentum remains buoyant albeit at a moderate pace. The private sector needs to continue to drive the domestic economy while the Government is committed to remain supportive in facilitating the economy and enhancing the nation's competitiveness through sound fiscal and monetary policies.

The Government has undertaken a gradual policy shift in charting a new direction and is undergoing a series of adjustments to support reform initiatives with the aim of strengthening the management of public finances. These reforms are crucial to ensure macroeconomic stability while pursuing the nation's development agenda. This is a challenging task and requires the Government to exercise strict fiscal discipline given the need to balance revenue capacity and spending commitment as well as to reduce the Government's debt and liabilities which have exceeded RM1 trillion.

With new policy direction on fiscal reforms, the immediate adjustments undertaken in the short-term are expected to produce a positive impact in the medium-term. The Government is committed to instilling efficient and good governance in fiscal policy management to strengthen public finance. Therefore, there is an immediate need to improve the governance framework, especially in terms of fiscal-related legislations, to enhance the oversight on fiscal administration to improve efficiency and reduce leakages. The framework and standards will continue to be benchmarked against international standards and best practices.

This inaugural publication of the Fiscal Outlook and Federal Government Revenue Estimates signifies the ongoing effort to promote better transparency and accountability in public finance management. The report which coincides with the first Budget of the Pakatan Harapan administration aims to provide a more comprehensive policy of the Government's fiscal management. This publication is expected to create awareness and understanding on issues and developments related to public finance.

In ensuring a sound and sustainable fiscal position, the Government is always cautious and prudent in its decision to safeguard the interest of the rakyat and the nation. This is important so as to maintain the country's sovereign ratings at investment grade 'A'. In this regard, Malaysia will remain investor and business-friendly especially in attracting high value-added investments to achieve quality and inclusive growth. Ultimately, the Government will continue its fiscal discipline and strive to lower the nation's debt level for the well-being of current and future generations.

Thank you.

DR MAHATHIR BIN MOHAMAD

2 November 2018