



FOREWORD

**PRIME MINISTER
MALAYSIA**

With inoculation rates reaching intended levels and the serious effects of COVID-19 largely contained, more economic sectors and social activities were allowed to resume in the latter half of 2021, paving the way for solid growth in 2022. However, as we enter a new and promising year, the country was hit by major floods in December 2021 and January this year. The floods had a devastating impact, claiming many lives and causing billions of ringgit in property damage. Despite the losses, the disaster had strengthened our resolve to deal with adversity while teaching us the true meaning of unity, tolerance, and caring for one another, as demonstrated by the heroic and selfless acts of #KeluargaMalaysia from all races and walks of life.

As a compassionate Government, we have provided various forms of assistance to the *rakyat* and small businesses impacted by the floods. Moratoriums on bank loans, discounts on vehicle repairs, grants for micro and informal businesses, direct cash transfers, and vouchers for the purchase of new furniture and electrical appliances are among the benefits. Furthermore, various ministries and Government agencies have adopted the affected districts and conducted voluntary cleaning and repair work.

The floods served as a stark reminder to all parties that a balance must be struck between development and the need to protect and conserve the environment. As a result, the Ministry of Finance's establishment of the MySDG Foundation in January was timely and responded to calls for a greater emphasis on sustainable development. The Foundation's mission includes, among other things, managing a trust fund with the United Nations (UN) and promoting sustainable development in line with the 2030 Agenda.

The conflict in Eastern Europe erupted while we were concentrating our efforts on rebuilding the country. The conflict is exacerbating existing issues such as supply chain disruptions and soaring commodity prices, raising concerns about global growth prospects. As a result, the IMF and World Bank reduced their global economic forecasts for 2022 to 3.2% and 2.9%, respectively.

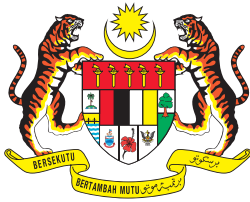
As an open economy, Malaysia's growth prospects have been put at risk by the volatile external environment. Nonetheless, the country's diverse economic structure, sound fundamentals, and timely policy interventions helped the country achieve strong growth in the first half of 2022. Furthermore, the transition towards endemicity and the reopening of our international borders on 1 April are among the factors that will keep the growth momentum going throughout the year. As a result, Malaysia's GDP forecast for this year has been revised upwards to 6.5% – 7%.

Despite various external challenges, the Government remains committed to the welfare of the *rakyat*. We are aware of the difficulties faced by #KeluargaMalaysia as a result of rising commodity prices, which is a global phenomenon. Nonetheless, the Government makes every effort to assist the *rakyat*, particularly the B40. In this regard, we increased the Bantuan Keluarga Malaysia cash assistance while continuing to implement price ceilings and provide discounts on selected essential goods and services, most notably through subsidies on certain food items, cooking gas, fuel, and electricity to offset the effects of rising living costs. Subsidy and social assistance expenses are expected to be RM78 billion this year, the highest in our country's history. Furthermore, in June, an inter-ministerial special task force, *Pasukan Khas Jihad Tangani Inflasi*, was formed to ensure that efforts to address rising prices are more holistic and sustainable.

Looking ahead, we are concerned about the impact of persistent external uncertainties on our economy. As a responsible Government, we are also aware of the need for reforms to make Malaysia a better and more resilient country. We are here to serve the whole of #KeluargaMalaysia and will honour the *rakyat's* hopes and dreams for a better, more prosperous future for our country.



DATO' SRI ISMAIL SABRI BIN YAAKOB
Prime Minister of Malaysia
7 October 2022



PREFACE



**MINISTER OF FINANCE
MALAYSIA**

Malaysia's economy has recovered from the COVID-19 pandemic thanks to the collaborative whole-of-nation effort by the Government, private sector, and civil society. As the country entered the recovery phase, the economy grew by 3.1% in 2021, supported by the return of domestic demand and the implementation of various assistance and economic stimulus packages.

Measures in the expansionary Budget 2022, the reopening of all economic sectors, strong domestic demand, and robust export performance, bolstered the recovery momentum, resulting in an exceptional first-half GDP growth rate of 6.9% in 2022. The country's labour market has also improved, with unemployment rate of 3.7% in July 2022, down from a peak of 5.3% in May 2020.

On the supply side, as the country entered the endemic phase and international borders reopened on 1 April 2022, the services sector has continued to recover strongly, owing to a rebound in tourist arrivals and improved trade and business activities. The manufacturing sector grew steadily from strong demand, particularly for semiconductor products.

On the demand side, private consumption remained the key driver of growth, supported by pent-up domestic demand, improved consumer confidence, and initiatives such as the Bantuan Keluarga Malaysia (BKM) cash assistance programme. Overall, the strong GDP performance in the first half of 2022, combined with ongoing policy support and measures, provides a solid foundation for Malaysia to achieve its GDP growth forecast of 6.5% to 7% in 2022.

In line with Budget 2022's focus areas, several key initiatives have recorded good achievements. These include the RM4.8 billion JaminKerja Keluarga Malaysia, with a target of creating 600,000 job opportunities, and the RM40 billion SemarakNiaga Keluarga Malaysia, a comprehensive financing package to support businesses' recovery and capacity building efforts. As at end-July 2022, more than 264,000 of our fellow *rakyat* have found employment, while close to 60,000 businesses have been supported through SemarakNiaga measures. As for supporting the *rakyat*, the BKM direct cash assistance programme has benefited 8.7 million recipients, while 1.7 million youths have received RM150 e-wallet credit through the e-Pemula programme.

The Ministry of Finance has crafted responsive, responsible and reformist policies that have facilitated the economic recovery, built on the momentum of growth in 2022, while also laying the foundations for a more sustainable development. Nonetheless, the Government is highly aware of current global developments that may impede the country's economic recovery. The ongoing geopolitical tensions in Eastern Europe have resulted in economic pressures on multiple fronts, most notably an increase in global inflation as commodity prices remain high. To cushion the domestic impact of rising prices, the Government decisively imposed price controls and allocated higher-than-budgeted subsidies for essential goods and services, while also improving the BKM to help the B40 address the rising cost of living. This is a testament to the Government's effort to ensure the well-being of the *rakyat* is protected.

Other downside risks include a moderation in China's growth and tighter global monetary policy. In line with the World Bank and the IMF's downward revision of global growth, all these developments will also impact Malaysia's economic growth prospects, with our country's GDP growth projected to moderate between 4% and 5% in 2023.

Given the more challenging operating landscape, Budget 2023 will also prioritise reform initiatives to improve the well-being of the *rakyat*, strengthen business resilience, promote economic prosperity and enhance public service delivery in order to sustain the economic growth momentum. Budget 2023 is based on three key focus areas: strengthening the momentum of economic recovery, building economic resilience and catalysing comprehensive reforms.

Moving forward, the Government will continue to monitor global developments and develop appropriate policies to address any external shocks, be responsive towards protecting the *rakyat's* livelihoods and well-being, and ensure business recovery. The nation's digital transformation agenda will also be fast-tracked, including measures such as the rapid adoption of digital technologies and closing the urban-rural digital divide. Structural reforms will also continue to be prioritised to enhance the country's economic potential and talent competitiveness. As we build our socioeconomic resilience and develop sustainably, we are also planting the necessary seeds for the long-term prosperity of our children in #KeluargaMalaysia. *Insya-Allah.*



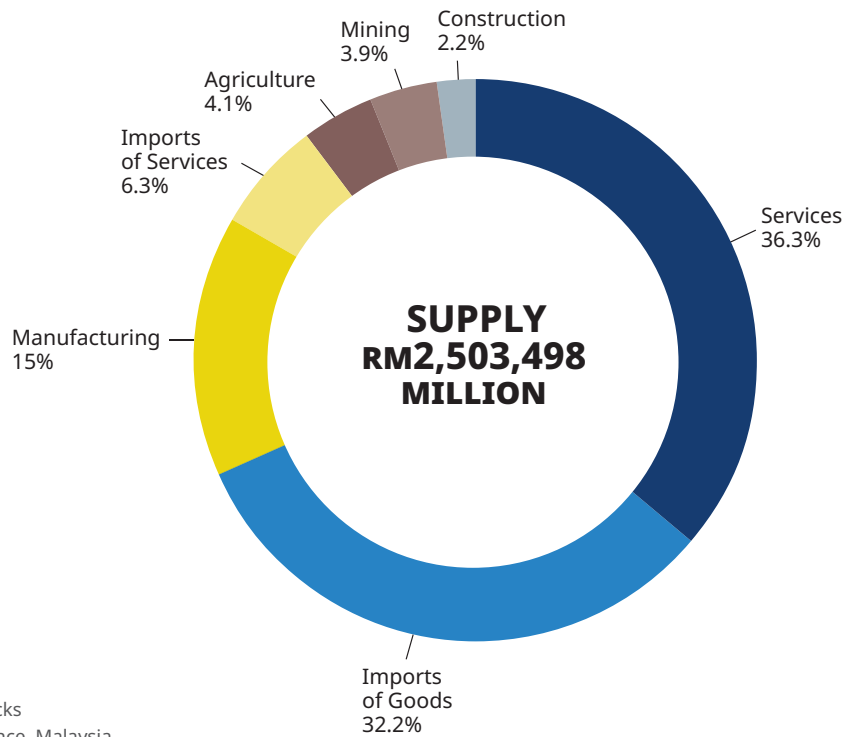
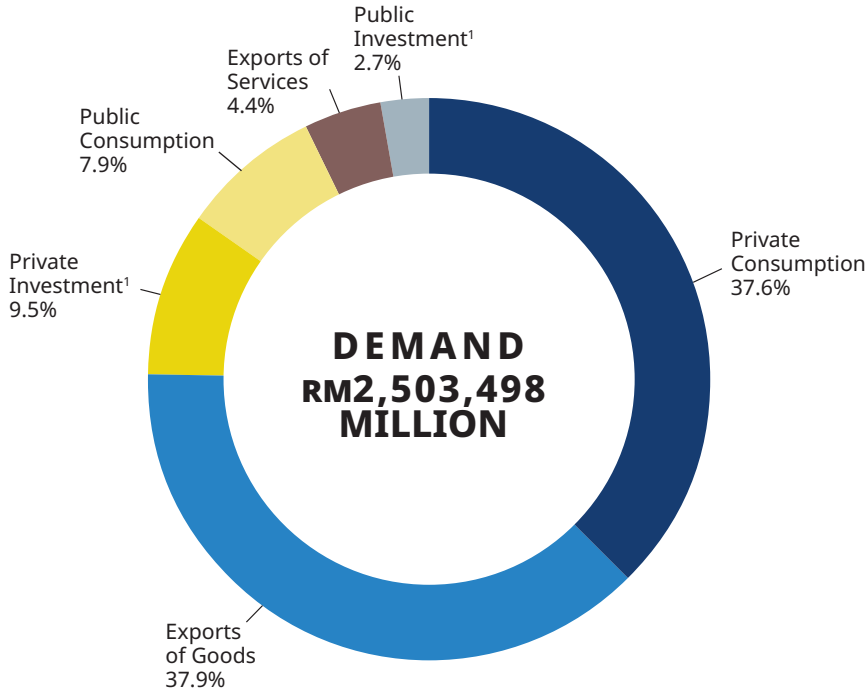
TENGGU DATUK SERI UTAMA ZAFRUL TENGGU ABDUL AZIZ

Minister of Finance

7 October 2022

THE ECONOMY 2023

in constant 2015 prices
(share to total in %)



¹Includes change in stocks
Source: Ministry of Finance, Malaysia

