



**PRIME MINISTER
MALAYSIA**

FOREWORD

The global economic environment remains challenging, attributed to ongoing geopolitical conflicts that have resulted in persistently high energy prices and disruptions in global supply chains. Meanwhile, extreme weather conditions have also slowed down various countries' efforts to rebuild infrastructure, societies and businesses. These factors have exacerbated inflationary pressures and hampered global economic and trade growth.

Against various global uncertainties, Malaysia's economy has shown resiliency and outperformed expectations, with growth registering a commendable 8.9% in the second quarter of 2022. The expansion was primarily driven by the country's entry into the endemic phase, as well as strong domestic and external demand, premised upon a diverse and open economy, strong economic fundamentals, as well as sound fiscal and monetary policies.

Alhamdulillah, the Government's responsive and appropriate policy measures have significantly contributed to the rebound of businesses and revival of economic activity. Despite the flooding in December 2021 and January this year, the nation's policy response has allowed businesses and communities to resume normalcy fairly quickly. Meanwhile, the re-opening of borders has increased trade and travel, which has boosted domestic economic activity. Recent anti-party hopping legislation, as well as clear evidence of our judiciary's independence, reflect the system's improving integrity and governance, which have boosted business confidence and investment sentiments. All these policy responses have contributed to Malaysia's continued economic recovery trajectory, with growth expected to be between 6.5% to 7% in 2022.

As we enter the third year of the Twelfth Malaysia Plan, 2021 – 2025, the Government will strengthen measures to boost economic activity by facilitating greater adoption of digital technologies, improving labour productivity, and ensuring better opportunities for businesses. Our strong macroeconomic fundamentals as well as pragmatic, accommodative and flexible fiscal policy have positioned us appropriately for any challenging external environment in the future. Further, reforms and fresh opportunities premised on sustainability as well as environmental, social and governance principles (ESG) will help ensure that – regardless of current and future challenges – we will achieve our ambitions of becoming a high-income, high-tech nation, *Insya-Allah*.

Domestic consumption and investment will drive most of the growth in 2023. The private sector must continue to play a pivotal role in driving domestic economic activity by being resourceful and prompt in providing the dynamism needed to boost growth. In this regard, the Government will continue to provide the necessary infrastructure, incentives, and administrative support to encourage business and investment opportunities.

As a responsive and responsible Government, our commitment is to ease the *rakyat's* burden, and various measures encapsulated in the Budget 2023 will ensure this. Our pledge is to assist the vulnerable and enhance the social safety net, while effectively managing the nation's resources by ensuring subsidies are strategically targeted to those who truly need them. The Budget 2023 measures will also ensure a meaningful economic recovery, one that provide better jobs, higher wages and more employment opportunities for #KeluargaMalaysia. Our focus on sustainable development will also pave the way for equitable and inclusive growth for the *rakyat's* long-term prosperity.

In providing for Budget 2023, the Government's responsibility to maintain fiscal sustainability in the face of uncertain global conditions is clearly reflected in the 2023 Fiscal Outlook and Federal Government Revenue Estimates, which lays out the nation's fiscal management in 2022 and forecast for 2023. I would like to express my gratitude to everyone who contributed to the preparation and publication of this report.



DATO' SRI ISMAIL SABRI BIN YAAKOB

7 October 2022