



PREFACE



**MINISTER OF FINANCE
MALAYSIA**

The country is on a firm footing towards COVID-19 endemicity, which has resulted in strong economic growth. Domestic activities have been reinvigorated, businesses have generally recovered, and the movement of goods and people has returned to normal. This encouraging development was reflected in three successive quarters of GDP growth, and in the 8.9% GDP growth for the second quarter of 2022. *Insyah-Allah*, this momentum will continue until the end of the year, supported by responsive, responsible and reformist policies put in place by the Government to ensure our nation's prosperity.

However, global economic developments, such as ongoing geopolitical conflicts, further disruption in global supply chains, and rising consumer goods prices have posed a risk to Malaysia's economic recovery. The Government has increased spending on subsidies this year to mitigate the *rakyat's* higher cost of living as a result of inflationary pressures. The Government's proactive policy responses in providing employment stabilisation programmes such as wage subsidies, hiring incentives, and skills improvement initiatives have also improved labour market conditions.

Despite significant global headwinds such as inflationary pressures, economic uncertainties and climate change, the outlook for Malaysia's economic growth in 2023 remains favourable. Nonetheless, the Government will maintain high fiscal support and continue to adopt an expansionary fiscal stance to stimulate economic activity in sustaining the GDP growth momentum, which is forecasted to be between 4% and 5% in 2023.

Malaysia's responsive and responsible fiscal policies have consistently allowed the Government to steer the nation's economic development and overcome the recent COVID-19 challenges. The 2023 Budget aims to provide favourable conditions and ensure a balance between economic needs and fiscal consolidation to facilitate economic growth, nurture the sustainability agenda, and promote *rakyat's* well-being. This will be accomplished by maintaining the balance between prudent spending and investing for the future through a pragmatic fiscal framework.

In order to strengthen Malaysia's competitiveness and resilience, the Government will prioritise recovery in 2022 and build the momentum for reforms in 2023. Our fiscal strategies are intended to strengthen recovery and facilitate reforms, with the key objective of ushering Keluarga Malaysia towards sustainable socio-economic resilience. To that end, our policy responses are also aimed at encouraging collective responsibility at all levels of society to empower business communities, civil society and the *rakyat* to collaborate in building a better, more sustainable Malaysia.

The Government will continue its fiscal consolidation efforts through various means, including improving fiscal governance, broadening the revenue base, and optimising expenditure. Measures such as the Medium-Term Revenue Strategy and the Public Expenditure Review will increase fiscal space, while the upcoming Fiscal Responsibility Act will strengthen fiscal governance, allowing the Government to implement counter-cyclical measures and maintain economic resilience.

The Government will continue to provide policy support for growth and job creation for the *rakyat*, while also implementing reforms to ensure long-term fiscal sustainability. We are committed to keep the Federal Government's statutory debt below the statutory limit of 65% of GDP, and implementing debt management strategies to ensure adequate fiscal space to mitigate the impact of unexpected economic shocks or circumstances.

Regardless of global challenges, the Government is determined to consolidate its fiscal position by continuing to be responsive, responsible and reformist in its policy approach. The 2023 Fiscal Outlook and Federal Government Revenue Estimates reflect the Government's commitment to enhance revenue and spending efficiency in order to manage the nation's resources responsibly, and ensure successful deliverables toward sustainable, equitable and inclusive growth, for the prosperity of #KeluargaMalaysia.



TENGGU DATUK SERI UTAMA ZAFRUL TENGGU ABDUL AZIZ

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