Budget 2026: Ensuring Government's Support to the Economy Amid Continued External Uncertainties

Economic Review:
Budget 2026 Preview



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- The Budget 2026 is expected to ensure continued fiscal support to the economy, which will highlight the Federal Government's commitment towards national economic reforms in line with other national blueprints such as NIMP2030, NETR, and NSS. The priorities will also reflect the development aspirations as highlighted in MADANI Economy Framework.
- The government may offer a slightly larger allocation for Budget 2026, likely to be around RM430b (Budget 2025: RM421b). We estimate the size of fiscal deficit will decrease to RM78b in 2026, pushing down the deficit-to-GDP ratio to -3.6% (2025f: -3.8%), with the assumption economic growth to remain moderate at +4.0-4.5%.
- We do not expect a major change to the taxation, given the continued emphasis towards improving tax compliance and collections. Possible tax-related measures include adjustment to tax rates and widening of the scope, implementation of carbon tax, and expansion of the pro-health tax beyond the sugar-sweetened beverages.
- Estimated increase in the government operating expenditures to RM351b includes the next phase of civil service salary hikes, continued allocation for social assistance and subsidies. There can be more savings from subsidy rationalisation which can be channelled to finance other spending plans.
- We estimate the development expenditures to be maintained around RM80-86b, with continued adoption of public-private partnership (PPP), to finance various infrastructure projects such ECRL, LPT3, Sabah-Sarawak Link Road (Phase 2), port expansions as well as regional developments (e.g. Johor-Singapore SEZ).
- Budget 2026 will reinforce the government's commitment to strengthening fiscal space. Since 2021, the fiscal deficit has narrowed by more than 2% of GDP, providing greater room to introduce counter-cyclical stimulus measures during future downturns.

Budget as fiscal support to sustainable economic growth

The Budget 2026 is expected to ensure continued fiscal support to the economy. The document, which will be tabled on 10 October 2025, will highlight the Federal Government's commitment towards national economic reforms and strengthening the country's resilience against the ongoing external headwinds. On that note, we expect there will be initiatives to attract more investments into Malaysia, especially those that will offer high-paying job opportunities for the local talents. This will be part of the priorities to raise the ceiling of the economy (with the aspiration to be a high-income country) and at the same time increase the floor (i.e. the well-being) for the rakyat. In addition, the government also outlined in the pre-budget statement its plan to continue improving the public service delivery as one of the pre-requisites to build a better Malaysia. To cushion the impacts from external uncertainties, we believe there will be targeted support for sectors and businesses that are export-oriented and most vulnerable to weaker external demand and higher US tariffs. On the domestic front, we expect the government will continue to support the rakyat in terms of extending social assistance (e.g cash transfers and targeted subsidies), labour market reforms and better social safety net.

Continued focus on selected areas and target groups

We expect the government will continue to include in the Budget 2026 plans measures and initiatives to support and promote development for the following key areas and target groups:

i. **Micro, Small and Medium Enterprises (MSMEs)**: Measures to support the MSMEs development such as improve access to export markets and financing, adoption to digital and technology, and enhance productivity and competitiveness.
ii. **Tourism & Services Sector**: Visit Malaysia Year 2026 as a programme to support tourism activity and growth in the service industry.
iii. **Islamic Finance & Halal Development**: A great opportunity for Malaysia to continue expanding its role and position in Islamic Finance as well as tapping the growth opportunities in the Halal economy.
iv. **Regional Development**: Continued focus to support regional developments such incentives for Johor-Singapore Special Economic Zone (JS-SEZ),
v. **Infrastructure Developments**: More investment to improve and enhance the infrastructure (transport, logistics, utilities, technology, telecommunication etc.) which will continue to attract more investment into Malaysia.
vi. **Supports for specific groups**: Continued support for the development of specific target groups i.e. youth, women, senior citizens, persons with disabilities (PWDs), indigenous communities and Bumiputera.
vii. **Sector-specific reforms**: To make Malaysia as a more resilient and future-ready economy, more allocations will be channeled to reform and further improve the education, healthcare and labour market. We expect additional fiscal allocations for the agriculture industry, in line with the aspiration to improve food security.
viii. **Energy transition**: Measures to promote adoption of green development and national carbon neutrality agenda, to a certain increasing energy efficiency, reduce dependency on fossil fuel and greater adoption of renewable energy.
ix. **Housing market**: Possible rollout of build-than-sell (BTS) development model as a measure to protect homebuyers, but risk affecting developers' cash flows. The government may also extend support to first-time homebuyers to encourage homeownership.

Matching growth aspirations as outline in other documents

Budget 2026 will be the first annual budget for the 5-year development plan in 2026-2030 under the 13th Malaysia Plan (13MP). In addition to the 13MP, we expect targets and the overall framework in Budget 2026 will be closely aligned with key national growth and reform agendas outlined in other policy blueprints such as the National Industrial Master Plan (NIMP) 2030, the National Semiconductor Strategy (NSS), and the National Energy Transition Roadmap (NETR). The MADANI Economy Framework also serves as the main reference in the government's efforts to strengthen the economy and build a more resilient nation.

COMMITMENT TO FURTHER IMPROVE FISCAL SPACE

Fiscal position to improve despite potentially larger size

Malaysia's fiscal position is expected to improve further. On the back of sustained growth and improved fiscal collection, we expect the government may offer a slightly larger allocation for Budget 2026, likely around RM430b (Budget 2025: RM421b). The government will continue to contribute positively to the national economic growth; therefore, we expect the expansionary fiscal stance will be maintained for next year.

Deficit to be reduced to -3.6% of GDP

We estimate the size of fiscal deficit will decrease to RM78b in 2026, pushing down the deficit-to-GDP ratio to -3.6% (2025f: -3.8%). The calculation is based on the assumption that Malaysia's economic growth will remain moderate at +4.0-4.5%. From a longer-term perspective, we believe this estimate is still broadly in line with the government's medium-term target to push fiscal deficit to below -3.0% of GDP by 2030, as set under the 13MP.

IMPROVING FISCAL REVENUE AND COMPLIANCE

Government revenue: Tax development in Malaysia

In the upcoming budget, taxation is expected to take centre stage. We believe the government would possibly broaden its revenue base as a priority, on the back of dual challenges of higher operating expenditures and potential decline in petrol-related revenue for 2026, with oil prices have eased and expected to continue hovering below USD70pb. Based on the previous budgets, we anticipate the government might introduce potential new progressive taxes or expand the scope of existing direct and indirect taxes. In turn, this strategy will boost the Federal Government's compliance to targets enforced by the Fiscal Responsibility Act (FRA) that will strengthen Malaysia's fiscal position and long-term fiscal sustainability.

Improving tax efficiency and compliance

Improving tax collection would be a key step for the government. We opine there will be continued emphasis in strengthening the government's fiscal collection. The implementation of e-invoicing will move to next phases next year, which is crucial for the government to modernise tax administration and bolster fiscal health. We expect the continuation of the implementation of the e-invoicing, which is the initial phase that began in Jun-24, targeting large businesses with annual revenue or turnover exceeding RM100m. The system will gradually be expanded to cover all taxpayers by 2027. The e-invoicing provides real-time visibility into business transactions, and the system helps reduce tax evasion, close tax gaps, and formalise the economy. This enhanced transparency allows for more accurate tax collection and a broader revenue base, which is vital to fund public services and infrastructure developments. Moreover, a streamlined e-invoicing process reduces the administrative burden for businesses, promotes greater efficiency, and accelerates Malaysia's transition into a digital economy.

GST not coming back this time around

Prime Minister Datuk Seri Anwar Ibrahim has ruled out the immediate re-introduction of the Goods and Services Tax (GST), despite acknowledging its merits as an efficient and transparent taxation system. Due to the socio-economic rationale, the decision would mean that the current average income, especially low-income bracket (or B40), is deemed insufficient to absorb the price increases emanating from the higher cost-push inflation stemming from the broad-based consumption tax without having a significant detriment to the cost of living.

Visit Malaysia 2026 may boost tax collection

Visit Malaysia 2026 (VM2026) is positioned as a critical national tourism initiative specifically designed to enhance economic activity. The campaign's objective is to significantly boost both international inbound receipts and domestic tourism expenditure by strategically promoting Malaysia's wide array of cultural assets, diverse attractions, and renowned hospitality offerings. The primary target for VM2026 is to attract 35.6m tourists and generate RM147.1b in tourism receipts. The upcoming VM2026 campaign offers a timely opportunity to capture a larger share of the regional tourism market. Recent adverse events, such as heightened concerns about security and safety as well as political uncertainties impacting regional destinations such as Thailand and Indonesia, create a window of opportunity for Malaysia to actively attract and secure higher-yield tourist flows into the country. Malaysia's tourism sector is experiencing a robust rebound, significantly boosting the country's economic performance. The strong recovery is underpinned by a notable surge in international tourist arrivals and a corresponding rise in tourism receipts. In the first half of the year, both tourist arrivals and their spending have shown substantial growth. This is translating directly into higher tourism receipts, which reached a remarkable RM102b in 2024 (2023: RM71.3b). Therefore, we expect some boost towards the government revenue and an increase in domestic consumption, which could add to more taxes for the government. Continued emphasis will be placed on supporting Visit Malaysia Year 2026 as a key national programme to boost tourism activities, attract higher tourist arrivals, and generate spillover benefits for the wider services industry, including hospitality, retail, transportation, and cultural sectors, underpinned by higher government spending to strengthen promotional efforts, infrastructure readiness, and service capacity.

Oil prices to remain moderate, which may be challenging for dividend income

Petroleum-linked fiscal revenue will be subject to the movement in the oil prices. Based on our in-house assumption, average Brent oil price will likely remain stable with the average prices to be traded between USD65-70pb in 2026 (2025f: RM63-70pb). Despite the stability, there is however downside bias to the 2026 oil price forecast partly due to the potential oversupply in the global oil market. On top of that, we expect Petronas' dividend to the Malaysian government could be reduced further for 2026 (2025e: RM32.0b; 2024: MYR32.0b). However, challenges that Petronas encounter, especially the struggle for control and revenue sharing over the resources in Sarawak, could have an impact on Petronas' capacity to pay dividends. Adding to the pressure, the outlook suggests a cut in other petroleum-linked earnings next year, specifically revenue from oil royalties and the Petroleum Income Tax. Weaker global demand and tighter trade rules could continue constraining the mining sector export outlook. The decline in petroleum exports, for example, has been weighing down on Malaysia's external trade performance this year.

Potential tax expansion to increase the government's revenue

The forthcoming budget's fiscal strategy discussion will be centred around the expansion of current taxation, driven by the requirement to offset rising Operating Expenditures (OPEX) and the projected contraction in petroleum-related revenue for 2026. Based on recent budgetary history (past four cycles), policymakers are likely to pursue revenue increase by either introducing new progressive taxation schemes or extending the coverage of current tax regimes (direct and indirect). This strategy directly supports the fiscal objectives codified under the Fiscal Responsibility Act (FRA).

We think that the government may see the possibility of announcing a new tax or an expansion of the current tax and related measures:

Category	Possible Measures	Rationale
Direct tax base expansion	Increase in personal tax for the high-income bracket.	Raising tax rates for the high-income brackets. ▪ *This can be considered because Malaysians with high income are still eligible for subsidised RON95 petrol (or BUDI95). Shift towards targeted subsidies and assistance involves removing blanket subsidies and excluding support for the high-income groups.* ▪ *The World Bank highlighted that the low tax rates for the upper income brackets as one of the weaknesses in Malaysia's tax structure.* ▪ *However, any significant changes to the tax rates (or income brackets) could affect the domestic consumption outlook.*
	Broadening of the capital gains tax	Widening the tax base beyond unlisted shares i.e. to include taxing gains from the disposal of shares listed on Bursa Malaysia. ▪ *We **do not expect** this expansion to be introduced next year's budget because it could deter investors' interest towards Malaysia's stock market.*
Indirect tax consolidation & leakages	Further sales and services tax (SST) expansion	Possible adjustments to SST such charging higher rates on luxury goods or further refinement of the scope and list of taxable products and services. ▪ *We opine any major changes will be unlikely after the scope expansion and rate changes implemented earlier this year.*
Environmental and behavioural levies	Carbon tax implementation	Potential formalisation and implementation of the planned carbon tax, which will target high-emission sectors like iron, steel, and energy. This would be a new sustainable revenue generation for the government, while promoting more environment-friendly developments. ▪ *This is possible because the introduction of carbon tax starting in 2026 has been mentioned in Budget 2025.* ▪ *Subject to the starting tax rates, we estimate the government could generate RM2-3b revenue. A low starting rate will pose minimal shocks to the 3 sectors and the broader economy.*
	Expansion of "sin" and health taxes	Possible widening of the scope or adjusting excise duties on consumption of non-essential and unhealthy products and services. This includes higher taxes on sugar-sweetened beverages, tobacco, or vape/e-cigarette. ▪ *This will align fiscal policy with public health objectives, discouraging unhealthy lifestyle.* ▪ *Expansion of the pro-health taxes is part of the 13MP reforms, and the collection can be channelled to support the healthcare system.*
Tax exemption	Expiration of import and excise duty exemption for CBU EVs	The 4-year exemption of import and excise duties on completely built up (CBU) electronic vehicles will be in place until 31 December 2025. The CBU prices will effectively be subject to an additional 30% of import duty and an excise duty ranging between 10% to 30%, starting next year.

		▪ *We estimate potential collections of RM1.2b to RM1.3b in import duty and RM1.1b in excise duty from imported CBU EVs, based on the trend in EV purchases so far this year.* ▪ *The exemption for completely knocked down (CKD) electric vehicles will last until 2027. Foreign manufacturers must shift to local assembly to maintain the tax-free status beyond 2025.*
	Tax breaks for the aerospace industry	Tax exemption on statutory income, up to 5 to 10 years, and the investment tax allowance. ▪ *As part of the government's initiatives grow the aerospace industry, this tax incentive could attract more investment in various areas such as manufacturing/assembly, maintenance, repair, and overhaul (MRO), and related services.* ▪ *However, the tax exemption would mean reduced potential revenue from the approved companies for next year.*
Non-tax revenue enhancement	Subsidy targeting and rationalisation	Continuation of subsidy rationalisation through re-targeting such as adjusting the eligibility for BUDI95 and other subsidies. ▪ *Savings from lower allocations for subsidies and social assistance could reduce the government's overall expenditures.* ▪ *On the other hand, we opine these savings, or unutilised budget can be reallocated to support other targeted assistance.*

OPTIMISING EXPENDITURES WHILE MAINTAINING SUPPORT TO THE ECONOMY

Expenditure growth moderated slightly in 7MCY25

Central government expenditure grew by +3.5%yoy in 1QCY25, reversing the -2.4%yoy contraction in the same period last year. The increase was largely driven by operating expenditure (+14.8%yoy; 1QCY24: +1.6%), while net development expenditure contracted sharply (-33.5%yoy; 1QCY24: +6.7%). Within operating expenditure, the main contributors were 'supplies & services' (+45.7%yoy) and emoluments (+13.8%yoy), which more than offset steep declines in 'subsidies & social assistance' (-16.0%yoy) and 'other expenditure' (-25.8%yoy). Meanwhile, the fall in net development expenditure was due to the double-digit decline in economic services (-49.5%yoy), which outweighed the growth seen for all the other segments. During the quarter, the government spent MYR17.6b, equivalent to 21% of the RM86.0b in development expenditure (DE) allocated for the year. Of this amount, nearly half (RM10.3b or 23%) was directed towards economic services, followed by social services (RM4.4b or 24%), and defence & security (RM2.6b or 15%). We expect the government to maintain its prioritisation of these sectors, while placing greater emphasis on high-growth, high-value (HGHV) industries, the digital economy, and green initiatives. As of 7M2025, federal government spending amounted to RM223.8b, a modest +1.6%yoy increase (7M2024: +1.9%yoy), representing 53% of the total RM421b allocated under Budget 2025.

Rising emoluments and limited subsidy savings to shape higher OE

We expect operating expenditure (OE) to rise marginally to RM351.0b in 2026 (2025F: RM335.0b) as emolument spending is expected to increase further in 2026 because of the second round of civil service salary hikes scheduled for +7% upward adjustment in Jan-26. We also expect social assistance will be expanded with additional allocations for the Sumbangan Asas Rahmah (SARA) programme and Sumbangan Tunai Rahmah (STR), which will be an increase from RM13b this year. On oil subsidies, the recent rationalisation through the rollout of targeted RON95 subsidies on 30 September 2025, designed to curb consumption by foreigners (estimated to account for 40% of usage), is expected to generate fiscal savings. However, these savings may be partly offset by higher subsidy costs from the pump price adjustment (RM2.05 → RM1.99) for the remaining 16m local consumers, which could limit the net fiscal gains. The government has projected RM2.5b in savings from this initiative but given the likelihood of volatility of global oil prices, additional spending may still be required to maintain the capped retail price at RM1.99, particularly if price fluctuations intensify. In addition, we expect the government will also increase the allocations for the implementation of Progressive Wage Programme (PWP), as part of the labour market reforms that will ensure fair, systematic and productivity-linked wage increments. Also, we expect Budget 2026 to outline further subsidy rationalisation measures, particularly in areas such as food subsidies (sugar, cooking oil), diesel, and potentially electricity and water. Importantly, the rollout of subsidy rationalisation is likely to be sequenced and accompanied by targeted mitigation measures to cushion its impact on inflation and the overall cost of living for the rakyat.

Continued support for development expenditures in line with 13MP agenda

Development expenditure (DE) growth is expected to moderate to RM80-86b (2025F: RM86b). On the economic sector front, while ongoing mega construction infrastructure projects will continue, new initiatives are likely to rely more on public-private partnerships (PPPs) to share costs and reduce fiscal pressure, while still driving strategic investments. This is in line with the Public-Private Partnership Master Plan 2030 (PIKAS 2030), which emphasises a user-pay mechanism while leveraging private sector efficiency. Under the 13th Malaysia Plan, the government targets RM61b in PPP projects over five years, with a strong focus on agriculture to strengthen food security, boost high-value commodity production, and upgrade irrigation systems, alongside the construction, upgrading, and repair of public facilities. PPPs will also improve fiscal management through stronger monitoring, evaluation, and a shift towards user fee-based models that broaden public service options and support deficit reduction. Key projects include the East-West Highway upgrades, East Coast Rail Link (ECRL), West Ipoh Span Expressway, Putrajaya–Bangi Expressway, Ipoh Sentral TOD, and East Coast Expressway 3 (LPT3), Sarawak-Sabah Link Road (Phase 2), and Expansion of Port of Tanjung Pelepas Port Klang. Continued policy focus will be also placed on supporting regional development initiatives, such as targeted incentives for the Johor-Singapore Special Economic Zone (JS-SEZ), aimed at enhancing cross-border trade, investment flows, and industrial collaboration.

Driving forward the semiconductor strategy

In the trade and industry sub-sector, we expect continued progress under the NIMP 2030, which aims to attract high-value investments to Malaysia. A key priority will be the semiconductor industry, which contributes significantly to the national economy, accounting for over 40% of Malaysia's exports through the electrical and electronics (E&E) and semiconductor segments. However, the sector faces uncertainty. Although semiconductors have so far been exempted from tariff measures, the exemption remains temporary and subject to an ongoing investigation. The government has reaffirmed its commitment to the semiconductor sector, with greater emphasis expected in Budget 2026. This aligns with the National Semiconductor Strategy (NSS), underscoring Malaysia's ambition to strengthen its position in the global semiconductor value chain and anchor its role as a hub for advanced manufacturing. On the talent front, to support research, innovation, and development, we view the Malaysia Semiconductor Industry Association's (MSIA) call for targeted tax relief for engineers as a positive step. Such measures would help strengthen Malaysia's talent pipeline and retain highly skilled professionals in the semiconductor sector, addressing the current shortage of specialised and skilled talents.

Budget 2026 to drive the energy transition

In the energy and public utilities subsector, we anticipate greater emphasis and allocations for renewable energy development, in line with the National Energy Transition Roadmap (NETR). The government is expected to channel more resources towards advancing green growth initiatives, particularly in expanding renewable energy capacity, enhancing energy efficiency programmes, and scaling up carbon capture, utilisation, and storage (CCUS) technologies. Key flagship projects under NETR are likely to feature prominently, including the development of large-scale solar (LSS) parks, expansion of the hydrogen economy blueprint, rollout of the electric vehicle (EV) ecosystem, and pilot projects in battery energy storage systems (BESS). In addition, CCUS initiatives will play an important role in supporting Malaysia's oil and gas sector in its decarbonisation journey. These initiatives are expected to accelerate Malaysia's transition towards a low-carbon economy, strengthen energy security, reduce dependence on fossil fuels, and enhance the country's position as a competitive player in the regional and global clean energy value chain.

Building homes, raising incomes: social sector priorities under Budget 2026

On the social sector front, Budget 2026 is expected to continue prioritising home ownership for first-time buyers, supported by measures such as stamp duty exemptions and a renewed Home Ownership Campaign (HOC) targeting the low- to middle-income group. In addition, new housing market models under the 13MP may be introduced, including the build-then-sell concept and enhanced rent-to-own schemes. The build-then-sell model, in particular, is aimed at protecting buyers by reducing risks and lowering the incidence of abandoned projects. At the same time, housing affordability remains closely tied to income levels.

Recognising this, the government has been rolling out broad labour market reforms to strengthen household purchasing power.

Labour market reform to be future-ready and for better livelihood

Under the 13MP, the government is targeting an increase in labour's share of the economy from 33% to 40%, supported by initiatives such as minimum wage hikes, the implementation of progressive wage policies, and encouragement for firms to adopt living wages. On jobs, we view the creation of better-quality employment opportunities for Malaysians, alongside greater adoption of automation, artificial intelligence (AI), and digitalisation across industries, as a positive step. These efforts support ongoing labour market reforms and will help provide Malaysia with a more competitive and resilient workforce.

Stronger social safety net and improve education quality & access

More broadly, social sector policies will also focus on raising the floor of living standards, bridging the urban-rural divide, and expanding socioeconomic assistance for a more dignified livelihood. Key measures include further plans for cash assistance programmes (e.g., Sumbangan Tunai Rahmah and Sumbangan Asas Rahmah), the second phase of civil service salary adjustments, and wider reforms in healthcare, education, and public service delivery. These efforts, alongside a stronger social safety net, are aimed at improving affordability by addressing both income growth and the cost-of-living challenges, while preparing Malaysia for long-term demographic shifts such as an ageing population with an emphasis on a more equitable and sustainable healthcare system. On the education front, we expect stronger efforts to expand the TVET and STEM talent pipeline to address skills mismatches, particularly in high-demand sectors such as semiconductors, while also helping to reduce underemployment at the national level. We view that TVET will continue to be a key focus, not only in meeting current national priorities and strategic workforce needs, but also in promoting inclusiveness, such as expanding opportunities for people with disabilities, ensuring a more resilient and future-ready labour force.

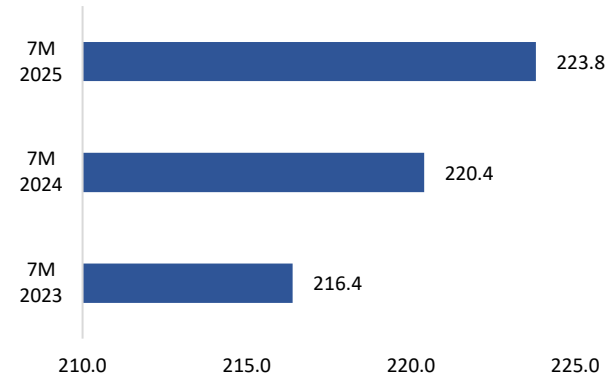
Driving MSME growth and strengthening Malaysia's leadership halal economy

Budget 2026 is expected to place strong emphasis on scaling up Micro, Small and Medium Enterprises (MSMEs) and cooperatives, recognising their vital role in driving economic growth and job creation. Key measures are likely to include enhancing access to export markets and financing, accelerating digitalisation and technology adoption, and strengthening productivity and competitiveness. At the same time, Islamic Finance and Halal development represent major opportunities for Malaysia to consolidate its global leadership. Guided by the Halal Industry Masterplan 2030, policies will focus on nurturing local champions within the Halal industry, enabling them to capture a larger share of the global market and position themselves as significant players across the supply chain. This is in line with the broader objective of achieving economic development by leading the global Halal economy. Reflecting the sector's strong potential, Malaysia's halal exports reached USD7b (or RM29.3b) in 1H2025, accounting for 16.1% of national exports.

MACRO SUPPORT AGAINST ECONOMIC HEADWINDS

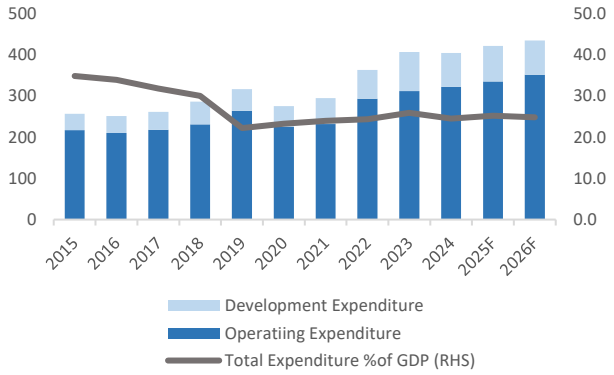
We expect the government to maintain its fiscal support for the economy, although potential adjustments to revenue and spending plans could directly affect certain sectors and have implications to the broader economy. Given the continued uncertainties, especially from external headwinds, sustaining fiscal support remains crucial to ensure sustainable economic expansion. Budget 2026 is likely to reinforce the government's commitment to strengthening fiscal space. Since 2021, the fiscal deficit has narrowed by more than 2% of GDP, providing greater room to introduce counter-cyclical stimulus measures during future downturns. As a trading nation, Malaysia remains vulnerable to weaker external demand; however, resilient domestic demand should help cushion the impact on the economy.

Chart 1: Central Govt Expenditures in 7M2025 (RM b)



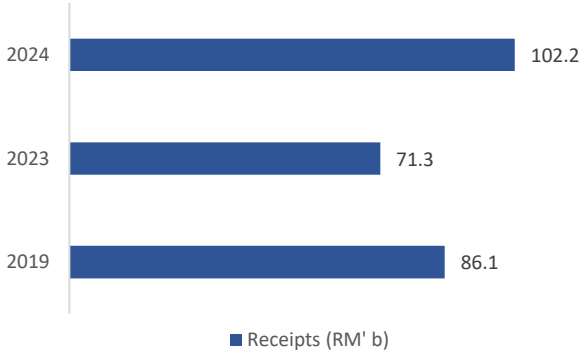
Source: Macrobond, MBSBR

Chart 2: Total Government Expenditure % of GDP and Development & Operating Expenditure (RM b)



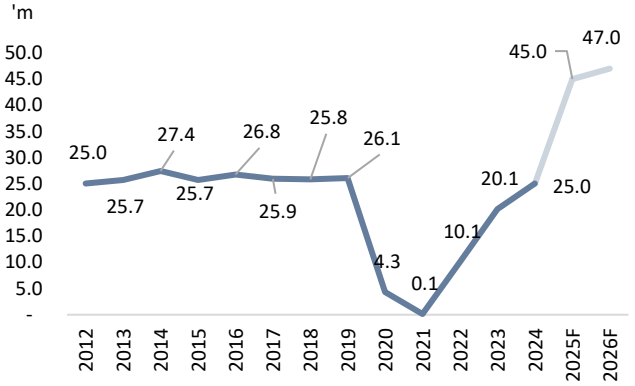
Source: Macrobond, MBSBR

Chart 3: Tourist Receipts in Malaysia (RM b)



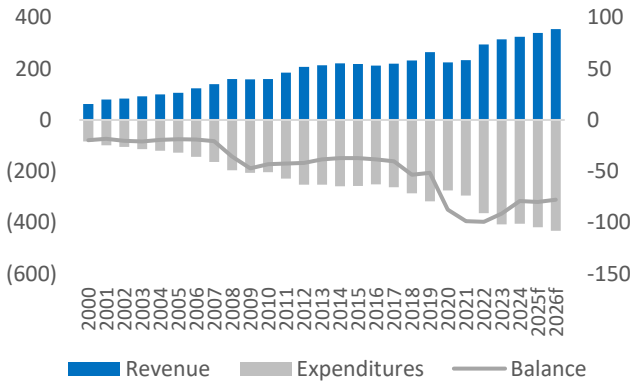
Source: MATRADE, Macrobond, MBSBR

Chart 4: Tourist Arrivals to Malaysia (2012-2026F)



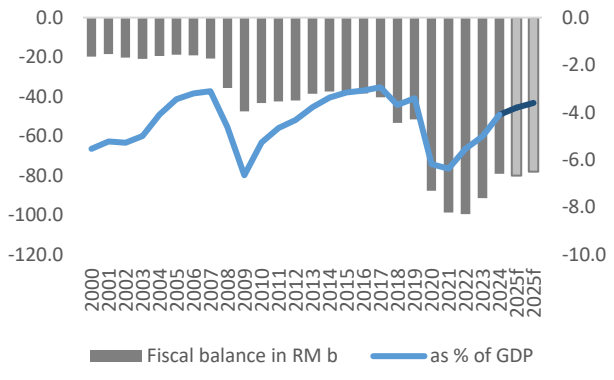
Source: MATRADE, Macrobond, MBSBR

Chart 5: Fiscal Revenue, Expenditures and Balance (RM b)



Note: The latest available trade volume data is Jun-25
Source: MATRADE, DOSM, MBSBR

Chart 6: Fiscal Balance (in RM b and as % of GDP)



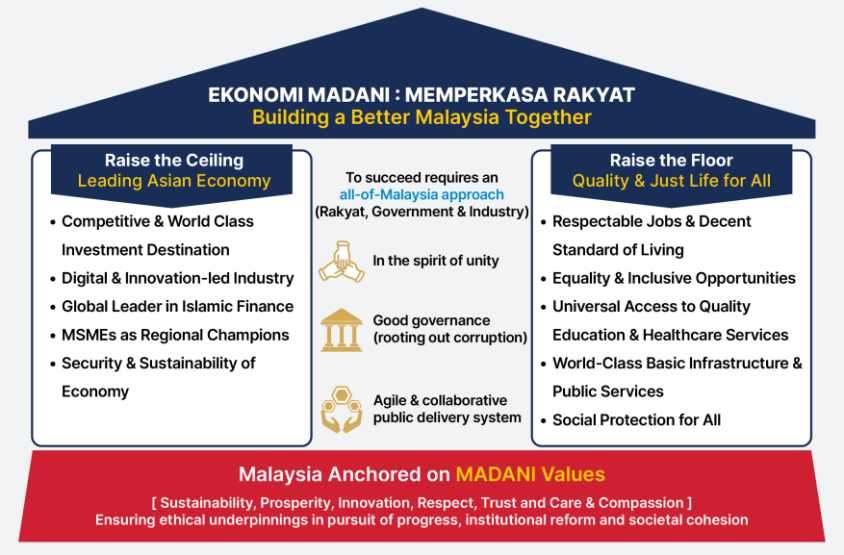
Source: MATRADE, DOSM, MBSBR

Table 1: Summary of Government Finance (RM b)

	2021	2022	2023	2024	Budget 2025*	Budget 2026F**
Government Total Revenue	233.8	294.4	315.0	324.6	339.7	354.5
Government Total Expenditures						
Operating Expenditures	231.5	292.7	311.3	321.5	335.0	351.0
Gross Development Expenditure	64.3	71.6	96.1	84.0	86.0	80.0-86.0
COVID-198 Fund	37.7	31.0	-	-	-	-
Fiscal Balance	(98.8)	(99.5)	(91.4)	(79.2)	80.0	78.0
(% of GDP)	(6.4)	(5.5)	(5.0)	(4.1)	3.8	3.6

Source: Ministry of Finance (MOF), MBSBSR, Macrobond
*MoF estimates
**MBSBR estimates

Figure 1: MADANI Economic Framework



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