



PREFACE



**MINISTER OF FINANCE
MALAYSIA**

Alhamdulillah, the Malaysian economy has performed better than expected in 2022, spearheaded by strong domestic demand and higher export performance in the aftermath of the COVID-19 pandemic. Outperforming regional and global trends, Malaysia's economic growth rebounded to the pre-crisis level of 8.7% supported by swift policy responses and strong economic fundamentals. This commendable performance was achieved in the face of slower global growth due to the emergence of new COVID-19 variants, geopolitical tensions, tightening financial conditions, global supply chain disruptions and higher inflation.

Labour market conditions improved significantly, reflected in higher job creation and reduced unemployment rate. Nevertheless, some sectors are still facing workforce shortages especially labour-intensive industries such as agriculture and services. In this regard, the Government has implemented strategies to expedite business recovery and address labour shortages. Employment stabilisation programmes, including upskilling and reskilling, were also continued to improve workforce employability and provide more job opportunities, particularly among youth.

The Government is committed to protect the livelihood of the rakyat, upholding integrity, enhancing a caring and compassionate society, as well as improving the effectiveness of public and private sector delivery systems. These commitments can be achieved through a methodical approach focused on the aspect of thought, spirituality and infrastructure, which is centred on the framework of Malaysia MADANI that focuses on shaping the future of the nation and realising its full potential. This framework is supported by six core values, namely sustainability (*Mampan*), prosperity (*sejAhtera*), innovation (*berDaya cipta*), respect (*saling menghormAti*), trust (*keyakiNan*), and lastly, care and compassion (*Ihsan*).

Budget 2023 will, in particular, focus on addressing the high cost of living, further strengthening the social safety net and enhancing the micro, small and medium enterprises (MSMEs) eco-system. The Government will also examine ways and means to reduce market disruptions as well as streamline business processes through the adoption of high technology and digitalisation. The overarching objective is to ensure that the distribution of wealth and regional development are equitable and sustainable.

With the transition to the endemic phase and the reopening of international borders, Malaysia has seen an increase in tourist arrivals as well as trade and business activities, contributing towards a steady recovery, especially in the services sector. Based on the nation's sound macroeconomic fundamentals, the economy is expected to register a growth of approximately 4.5% in 2023. This is further supported by robust domestic demand coupled with the effective implementation of the Twelfth Malaysia Plan (12MP).

Reform initiatives will be expedited with the aim to strengthen the governance of public finances and ensure macroeconomic stability while pursuing the nation's development agenda. As such, the Government will prioritise strengthening the governance ecosystem at all levels to increase public trust in government institutions. This initiatives will focus on transparency, integrity and efficiency, particularly in government procurement, good governance, and the developmental role of government-linked companies (GLCs) and parliamentary institutions.

This challenging task requires the Government to exercise strict fiscal discipline while balancing revenue capacity and spending commitment, as well as gradually reducing the Government's debt and liabilities. Various initiatives have been identified to address issues related to public finances, including exploring new sources of sustainable revenue and minimising leakages. In achieving these initiatives, the Government will prioritise on public expenditure review while ensuring debt sustainability and enhancing public spending efficiency in the long run. These measures will improve the nation's fiscal flexibility, allowing the Government to implement counter-cyclical measures and maintain our economic resilience.

The Government remains steadfast in balancing the need to safeguard the well-being of the rakyat and the nation while ensuring a sound and sustainable fiscal position. This is crucial in maintaining the high standing of the country's sovereign ratings and to ensure our premier position as an investor- and business-friendly country, especially in creating and attracting high-value-added investments to achieve quality and inclusive growth.

2023 is expected to be a challenging year. The Government will continue to be vigilant of economic headwinds as well as any potential geopolitical conflict in order to devise the appropriate strategies and actions. Let us all unite and work together to ensure the success of Malaysia MADANI.



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