SECTION 3

# Federal Government Expenditure

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## Overview

The global economy is being confronted by several key challenges including shifts in monetary policies, particularly in advanced economies, heightened geopolitical tensions, commodity price volatility as well as global supply chain disruptions. As an open economy, Malaysia has also been impacted by these global headwinds, which affected the businesses and the rakyat including among others, higher prices of essential goods. In response, the Government guided by the Ekonomi MADANI framework and Public Finance and Fiscal Responsibility Act 2023 [Act 850], has adopted a pragmatic approach that addresses these immediate challenges to maintain long-term macroeconomic stability and safeguard the well-being of the rakyat while sustaining sound fiscal position.

Expenditure optimisation is the main focus in the formulation of fiscal strategy, which include gradual shifts from universal to targeted subsidies as well as the rationalisation of government agencies and statutory bodies. This approach reflects the Government's commitment in securing long-term economic growth and social stability. In addition, in optimising the Government's resource allocation, the newly-launched Public-Private Partnership Master Plan 2030 (PIKAS 2030) emphasises a user-pay mechanism and leveraging private sector efficiency. Overall, the Government remains steadfast in enhancing spending efficiency and effectiveness, vis-a-vis the commitment to reinforce public finances, thereby enabling adequate investment to develop human capital and provide quality infrastructure. By maintaining this strategic approach, Malaysia is well-positioned to achieve economic resilience and inclusive prosperity in the coming years.

## Expenditure in 2024

During the year, the Federal Government revised the 2024 expenditure upwards from the initial allocation of RM393.8 billion to RM407.5 billion, taking into account among others, additional spending on subsidies. This adjustment is reflective of the Government's commitment to reprioritise its expenditure plan to align public spending with economic stability and social welfare. Of this revised amount, RM321.5 billion or 78.9% is allocated to operating expenditure (OE), while the remaining RM86 billion or 21.1% is earmarked for development expenditure (DE).

In terms of total allocation by sector, the social sector remains as the highest recipient, constituting RM151.2 billion or 37.1% of total expenditure, followed by the economic (RM64.5 billion; 15.8%), security (RM40.1 billion; 9.8%) and general administration (RM16.9 billion; 4.1%) sectors. Meanwhile, charged expenditures and transfer payments, which include debt service charges, retirement charges and transfers to states, account for 33.2% of the total.

The total **OE** in 2024 is revised to RM321.5 billion from initial allocation of RM303.8 billion, with key components comprising emoluments, subsidies and social assistance, debt service charges, supplies and services as well as retirement charges, representing 88.8% of the total OE. This adjustment was mainly due to the increase in subsidies and social assistance, emoluments as well as retirement charges. Nevertheless, through the rationalisation of electricity subsidy and targeted diesel subsidy, the Government has managed to reallocate resources to partially offset the additional expenditure.

**TABLE 3.1.** *Federal Government Operating Expenditure by Component, 2023 – 2025*

| COMPONENT | RM MILLION | | | CHANGE (%) | | | SHARE (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024[1] | 2025[2] | 2023 | 2024[1] | 2025[2] | 2023 | 2024[1] | 2025[2] |
| Emoluments | 91,860 | 99,760 | 105,917 | *4.6* | *8.6* | *6.2* | *29.5* | *31.0* | *31.6* |
| Retirement charges | 34,080 | 34,446 | 40,560 | *8.5* | *1.1* | *17.7* | *10.9* | *10.7* | *12.1* |
| Debt service charges | 46,331 | 50,800 | 54,700 | *12.3* | *9.6* | *7.7* | *14.9* | *15.8* | *16.3* |
| Grants and transfers to state governments | 8,688 | 8,747 | 9,260 | *7.0* | *0.7* | *5.9* | *2.8* | *2.7* | *2.8* |
| Supplies and services | 35,898 | 39,210 | 40,654 | *3.5* | *9.2* | *3.7* | *11.5* | *12.2* | *12.1* |
| Subsidies and social assistance | 71,873 | 61,392 | 52,571 | *6.7* | *-14.6* | *-14.4* | *23.1* | *19.1* | *15.7* |
| Asset acquisition | 1,023 | 1,704 | 1,182 | *33.3* | *66.6* | *-30.6* | *0.3* | *0.5* | *0.4* |
| Refunds and write-offs | 526 | 534 | 541 | *-4.2* | *1.5* | *1.3* | *0.2* | *0.2* | *0.2* |
| Grants to statutory bodies | 15,753 | 15,645 | 16,304 | *12.4* | *-0.7* | *4.2* | *5.1* | *4.9* | *4.9* |
| Others | 5,235 | 9,262 | 13,311 | *-22.3* | *76.9* | *43.7* | *1.7* | *2.9* | *3.9* |
| **Total** | **311,267** | **321,500** | **335,000** | ***6.3*** | ***3.3*** | ***4.2*** | ***100.0*** | ***100.0*** | ***100.0*** |
| **% of GDP** | ***17.1*** | ***16.5*** | ***16.1*** | | | | | | |

[1] Revised estimate
[2] Budget estimate, excluding Budget 2025 measures
Source: Ministry of Finance, Malaysia

*Emoluments* remain the largest component of OE, representing 31% or RM99.8 billion. The allocation increased 8.6% as compared to 2023, attributed to Early Incentive Payment of the Public Service Remuneration System 2024 Study for civil servants in February 2024. In August 2024, the Government has announced the phased implementation of the Public Service Remuneration System (SSPA) starting from December 2024, which includes among others revision to the services scheme, basic wage, allowances, benefits and pensions. The scheme which was last reviewed in 2012, is a key component of the civil service reforms, aims to enhance public service delivery and improve productivity among civil servants. This is in line with the 'Raising the Floor' thrust under the Ekonomi MADANI framework to ensure quality of life of the rakyat.

*Subsidies and social assistance* is expected to decrease by 14.6%, from RM71.9 billion to RM61.4 billion, primarily due to the continuation of electricity subsidy rationalisation and the targeting of diesel subsidy in addressing the issue of leakages. The diesel subsidy has been rechannelled through the Budi MADANI programme, which consist of widening the usage of fleet cards for selected logistics service provider under the Subsidised Diesel Control System (SKDS), as well as providing cash assistance to agri-commodity smallholders and eligible individuals. In addition, the Government enhances Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) to continue supporting the vulnerable groups. Meanwhile, the Government continues to review the subsidy mechanism, demonstrating the ongoing commitment towards expenditure reform.

*Debt service charges (DSC)* constitute the third largest expenditure component, accounting for 15.8% of the OE. These charges are projected to increase by 9.6%, reaching RM50.8 billion, attributed to elevated borrowing during the COVID-19 pandemic and the Government's strategy to shift from short-term to long-term instruments to improve the debt maturity profile. As a mandated item in the Federal Constitution, DSC takes precedence over other expenditure.

*Supplies and services* is expected to grow by 9.2% to RM39.2 billion, consistent with the Government's commitment to deliver high-quality public services and infrastructure, benefitting the public and ensuring better access to essential services. This expenditure primarily encompasses professional services, repair and maintenance, material supplies as well as telecommunication and utilities, which collectively represents 83% of the total. Among service delivery enhancements are the extension of counter services operating hours such as the Road Transport Department (JPJ) and National Registration Department (JPN) as well as improvement of healthcare services through additional medical practitioners' recruitment.

*Retirement charges* are projected to increase slightly by 1.1% to RM34.4 billion corresponding with the growing number of pensioners and beneficiaries, which has reached almost 950,000. In response to mitigate the burden of future pension liabilities, the Government is currently exploring viable strategies to manage pension obligations effectively, while ensuring fiscal sustainability.

A total of RM15.6 billion or 4.9% of OE is earmarked for *grants to statutory bodies*, particularly for emoluments as well as supplies and services, mainly towards public institutions of higher learning. The allocation is 0.7% lower as compared to 2023, as certain statutory bodies are capable of generating revenue to cover operating expenses. In order to have a more efficient, effective and agile public sector, a special committee has been formed to address issues of redundancy and relevancy among agencies and Federal Statutory Bodies. Additionally, *grants and transfers to state governments* are estimated at RM8.7 billion, with RM6.7 billion allocated for constitutional transfers as mandated by the Federal Constitution.

The **DE** in 2024 is estimated to reduce by 10.5% to RM86 billion, primarily due to lower financial commitment. However, after excluding the RM13 billion redemption of 1Malaysia Development Berhad bond in 2023, the DE for 2024 reflected a year-on-year increase of 3.5%. DE has been strategically reallocated to priority projects, ensuring optimal resource allocation to align with development planning under the Twelfth Malaysia Plan, 2021 – 2025 (Twelfth Plan). In terms of disbursement, the economic sector remains the largest beneficiary of the allocation at 48.1%, followed by the social (32.8%), security (14.6%) and general administration (4.5%) sectors.

The allocation for the *economic sector* is projected at RM41.4 billion. The transportation subsector, which accounts for 39.3% of total sector, mainly for ongoing key infrastructure projects such as the Pan Borneo Highway, Klang Valley Double Tracking (Phase 2), and Rapid Transit System Link (RTS Link) between Johor Bahru and Singapore. The trade and industries subsector, being the second largest, is projected to grow by 19.9% reaching RM3.6 billion due to the establishment of the Industrial Development Fund and Strategic Co-Investment Fund under the New Industrial Master Plan 2030 (NIMP 2030), aimed at attracting high-value investments to Malaysia. The allocation for environment subsector is anticipated to experience significant growth of 79% reaching RM3.3 billion, reflecting a heightened focus on flood mitigation and climate-related disaster projects. Agriculture subsector estimates a 3.2% growth to RM3.1 billion, with ongoing emphasis to strengthening food security and replantation programmes, as well as maintaining agriculture infrastructure and irrigation systems.

The *social sector*, the second largest sector, is projected to grow at 16.4% to RM28.2 billion in 2024. The education and training subsector, the largest within the sector, is estimated to increase by 17.1% to RM14.3 billion. This allocation is primarily disbursed for the construction and upgrading of schools, training institutions and universities as well as human capital development programmes. Similarly, disbursements for the health subsector is estimated to increase significantly by 28.1% to RM6.1 billion, predominantly for construction, renovation and maintenance of healthcare facilities nationwide, including hospitals, rural clinics and medical research facilities. In contrast, the allocation for the housing subsector is expected to decline by 5.1% to RM2 billion mainly due to impending completion of existing projects under the Malaysia Civil Servant Housing (PPAM) scheme.

The allocation for the *security sector* grew by 10% to RM12.5 billion. This sector, which comprises the defence and internal security subsectors, is expected to increase by 5.2% and 17.6% to RM7.4 billion and RM5.1 billion, respectively. A substantial allocation is directed towards acquisition of assets such as aircraft and patrol ships, development of the National Integrated Immigration System and construction of police headquarters.

The *general administration sector* also saw a 20.8% increase to RM3.9 billion. Majority of the allocation focused on enhancing network system, improving asset management and upgrading government offices.

**TABLE 3.2.** *Federal Government Development Expenditure by Sector, 2023 – 2025*

| SECTOR | RM MILLION | | | CHANGE (%) | | | SHARE (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024[1] | 2025[2] | 2023 | 2024[1] | 2025[2] | 2023 | 2024[1] | 2025[2] |
| **Economic** | **57,238** | **41,371** | **39,976** | ***46.3*** | ***-27.7*** | ***-3.4*** | ***59.6*** | ***48.1*** | ***46.5*** |
| *of which:* | | | | | | | | | |
| Transport | 17,761 | 16,258 | 17,559 | *7.3* | *-8.5* | *8.0* | *18.5* | *18.9* | *20.4* |
| Trade and industry | 3,011 | 3,611 | 3,131 | *30.4* | *19.9* | *-13.3* | *3.1* | *4.2* | *3.6* |
| Energy and public utilities | 2,374 | 3,070 | 3,044 | *0.6* | *29.3* | *-0.8* | *2.5* | *3.6* | *3.5* |
| Agriculture | 3,020 | 3,116 | 3,062 | *18.5* | *3.2* | *-1.7* | *3.1* | *3.6* | *3.6* |
| Environment | 1,860 | 3,330 | 3,203 | *7.1* | *79.0* | *-3.8* | *1.9* | *3.9* | *3.7* |
| **Social** | **24,247** | **28,220** | **29,902** | ***14.7*** | ***16.4*** | ***6.0*** | ***25.2*** | ***32.8*** | ***34.8*** |
| *of which:* | | | | | | | | | |
| Education and training | 12,185 | 14,268 | 15,024 | *21.5* | *17.1* | *5.3* | *12.7* | *16.6* | *17.5* |
| Health | 4,796 | 6,143 | 6,853 | *8.7* | *28.1* | *11.6* | *5.0* | *7.1* | *8.0* |
| Housing | 2,105 | 1,998 | 2,318 | *27.4* | *-5.1* | *16.0* | *2.2* | *2.3* | *2.7* |
| **Security** | **11,381** | **12,514** | **12,334** | ***38.6*** | ***10.0*** | ***-1.4*** | ***11.8*** | ***14.6*** | ***14.3*** |
| **General administration** | **3,225** | **3,895** | **3,788** | ***3.4*** | ***20.8*** | ***-2.7*** | ***3.4*** | ***4.5*** | ***4.4*** |
| **Total** | **96,091** | **86,000** | **86,000** | ***34.3*** | ***-10.5*** | ***0*** | ***100.0*** | ***100.0*** | ***100.0*** |
| **% of GDP** | ***5.3*** | ***4.4*** | ***4.1*** | | | | | | |

[1] Revised estimate
[2] Budget estimate, excluding Budget 2025 measures
Source: Ministry of Finance, Malaysia

# Outlook for 2025

The Government remains committed to providing adequate resources for expenditure, particularly for essential services and programmes in supporting economic growth and enhancing public welfare to foster a more resilient and prosperous society. For Budget 2025, a total of RM421 billion or 20.2% of GDP is allocated, signalling a 3.3% increase from the 2024 revised budget. Of this, RM335 billion or 79.6% of total expenditure is channelled to OE, while the remaining RM86 billion is allocated for DE. The three primary beneficiaries of Budget 2025 are the Ministry of Education (MOE), Ministry of Health (MOH) and Ministry of Defence (MINDEF), collectively accounting for 31% of the total.

In terms of sectoral allocation, the social sector is allocated RM163 billion or 38.7% of total expenditure, followed by economy (RM62.2 billion; 14.8%), security (RM42.6 billion; 10.1%) and general administration (RM23.1 billion; 5.5%) sectors. The remaining balance of RM130.1 billion is budgeted for charged expenditures and transfer payments.

For 2025, **OE** is budgeted at RM335 billion or 16.1% of GDP, reflecting a 4.2% increase compared to the revised 2024 budget, driven by higher allocations for emoluments, retirement charges and DSC. The allocation for supplies and services is expected to increase to meet the growing demand for effective public service delivery. Prudent expenditure management will continue to be prioritised to optimise resources as well as enhance the efficiency and effectiveness of public spending.

*Emoluments* continue to be the largest component of OE, accounting for 31.6% and projected to grow by 6.2% to RM105.9 billion. This increase is attributed to the gradual implementation of the SSPA, which raises the basic salary ranging from 7% to 15%. *Retirement charges,* which account for 12.1% of OE, are expected to grow by 17.7% to RM40.6 billion. Of this, RM30.3 billion or 74.6% is earmarked for pension payments, while the remaining is allocated for gratuity payments and cash awards in lieu of accumulated leave. Pensions will be adjusted accordingly in line with the implementation of the SSPA in December 2024.

A sum of RM54.7 billion is allocated for *DSC*, representing 16.3% of OE. Of the total, 98.5% or RM53.9 billion is meant for domestic loans while the balance is for offshore loans. A prudent debt management strategy through minimising risk exposure and cost of financing has enabled the Government to optimise the DSC.

*Subsidies and social assistance*, which constitute 15.7% of OE, is projected to decrease by 14.4% to RM52.6 billion in 2025. This decline is due to the implementation of the electricity subsidy rationalisation and targeted fuel subsidy programmes. Of the total, 45.5% is allocated for various social assistances and incentives, aimed at supporting vulnerable groups.

*Supplies and services* comprising 12.1% of OE, is anticipated to increase by 3.7% to RM40.7 billion. A significant 86.6% of this allocation is for material supplies, cleaning and security services, repairs and maintenance, telecommunication and utilities as well as other services. The highest beneficiaries are MOH and MOE, particularly for operation of hospitals and schools.

An allocation of RM16.3 billion will be provided as *grants to statutory bodies*, to partially fund operational expenses such as emoluments as well as supplies and services. Twenty public universities and nine teaching hospitals are the major beneficiaries, accounting for 61.8% of the total allocation. Additionally, RM9.3 billion of the total OE is allocated for *grants and transfers to state governments*, with RM7.2 billion designated for constitutional transfers. The largest portion of the allocation is for the maintenance of state roads. Sabah and Sarawak are the primary recipients of these transfers, with the special grant for the two states having been increased from RM300 million to RM600 million.

As Malaysia approaches 2025, the final year of the Twelfth Plan, the allocation for **DE** will be sustained at RM86 billion with the largest portion dedicated to the economic sector (46.5%), followed by social (34.8%), security (14.3%) and general administration (4.4%) sectors. Approximately 2,000 new projects and programmes have been approved under the Fifth Rolling Plan with an estimated cost of RM58.6 billion. The Government will continue to provide adequate resources to facilitate the implementation of ongoing programmes and projects while introducing new initiatives with high economic impact to sustain growth momentum and improve the quality of life for the rakyat.

A total of RM40 billion is allocated for the *economic sector* to enhance national competitiveness by providing essential infrastructure and support for investment. Key subsectors with the largest allocations include, transportation, environment and trade and industry. The transport subsector with an allocation of RM17.6 billion or 43.9% of total sector, focuses on improving connectivity particularly in rural areas and reducing congestion in more developed areas. Notable new projects include constructions of bridge and road from Ng Belawai to Song-Kapit in Sarawak, additional lane for Lebuhraya Utara Selatan (PLUS) from Yong Peng to Senai Utara (Phase 3: Simpang Renggam-Machap) in Johor, while ongoing projects include among others Pan Borneo Highway Sabah and Sabah-Sarawak Ring Roads.

A sum of RM3.2 billion is allocated for the environment subsector to support the nature preservation and climate change agenda. This allocation includes two newly-approved flood mitigation projects for Sungai Langat, Selangor and Sungai Samagagah, Perak. Additionally, six river conservation projects will be undertaken in areas namely Sungai Mengkabong, Sungai Bongawan and Sungai Lakutan in Sabah; Sungai Batang Sadong and Sungai Baram in Sarawak; and Sungai Pengkalan Datu in Kelantan. These efforts reflect the Government's commitment towards safeguarding the ecosystem and mitigating climate-related risks.

In steering Malaysia's future industrial growth and sustainable energy transition, RM3.1 billion will be allocated to the trade and industry subsector, with RM200 million for the NIMP 2030 and RM306 million for the National Energy Transition Roadmap (NETR) to facilitate related investments. In addition, allocation will be provided for the Johor-Singapore Special Economic Zone (JS-SEZ) Infrastructure Facilitation Fund and the development of Silver Valley Technology Park 1 at Kinta, Perak, both aimed at attracting investment and boosting regional economic growth.

The Government has also earmarked RM7.1 billion to meet its financial commitments, primarily for public transportation and real estate development. This will support critical infrastructure development and bolster economic activity, ensuring the long-term resilience and competitiveness.

A sum of RM29.9 billion will be allocated to the *social sector*, making it the second-largest beneficiary after the economic sector. This represents a 6% increase from the RM28.2 billion allocated in 2024. The education and training subsector continue to receive the largest allocation amounting to

RM15 billion. The allocation is aimed at enhancing educational institutions by improving ICT infrastructure to bridge the rural-urban gap and elevating Malaysia's performance in international assessments such as Programme for International Student Assessment (PISA) and Trends in International Mathematics and Science Study (TIMSS). To support these goals, allocation is provided to upgrade the Local Area Network (LAN) infrastructure for 1,528 agencies and institutions under the MOE, along with the implementation of smart classrooms in 400 selected institutions. Furthermore, 46 new schools and 122 projects to refurbish dilapidated schools, primarily in Sabah and Sarawak, have been approved with an estimated total cost of RM8.5 billion. These efforts reflect the Government's commitment towards improving educational access and quality, thereby ensuring long-term benefits for future generations.

An allocation of RM6.9 billion is provided for the health subsector to enhance health infrastructure and facilities, ensuring the delivery of quality and efficient healthcare services in both urban and rural areas across all income groups. In 2025, key initiatives will focus on building new clinics in rural areas as well as repairing and upgrading dilapidated clinics, with an estimated total cost of RM800 million, aiming to expand healthcare access, particularly in underserved communities.

A sum of RM2.3 billion has been allocated for the housing subsector with new projects, including the development of Perumahan Inklusif MADANI; PR1MA Mini Township in Teluk Intan, Perak; as well as Projek Perumahan Rakyat (PPR) Seberang Perai, Pulau Pinang and PPR Kampung Linggi, Port Dickson, Negeri Sembilan. In addition, Rumah Mesra Rakyat (RMR) project in Sabah and Sarawak will be continued in 2025.

The *security sector* will receive an allocation of RM12.3 billion, with RM8.2 billion channelled to the defence subsector and RM4.1 billion to the internal security subsector, aimed at strengthening national security and safeguarding public safety. In addition to upgrading military assets and security equipment, the Government is committed towards improving the living conditions of security personnel and their families with the construction of new quarters. Furthermore, an allocation will be deployed for the refurbishment of training centres to support the reintroduction of the National Service Training Programme (PLKN), thereby providing suitable facilities for effective training and promoting youth participation in national unity.

In line with ongoing efforts to enhance public sector service delivery, RM3.8 billion is allocated for the *general administration sector*. The allocation will support the improvement of ICT systems across government departments, as well as for the refurbishment and maintenance of government buildings and facilities.

## Federal Recoverable Loans

As at end-December 2023, total outstanding Federal Recoverable Loans[1] under the Development Fund stood at RM41.1 billion or 2.3% of GDP. Companies hold the largest share of these loans, amounting to RM26.8 billion, followed by state governments (RM9.3 billion), Federal Statutory Bodies (RM5 billion) as well as other organisations and cooperatives (RM69 million).

[1] The Federal Recoverable Loan is part of the Federal Government Financial Assets, which consists of loan facilities due from state governments, local governments, statutory bodies, companies, cooperatives and various organisations

The loan disbursements through DE in 2024 are estimated at RM1 billion. State governments remain the largest recipients, receiving RM750 million. This is followed by companies (RM144 million), Federal Statutory Bodies (RM108 million) as well as other organisations and cooperatives (RM8 million). The loans will be primarily utilised for programmes and initiatives related to upgrading water and electricity supplies, as well as sewage treatment infrastructure.

In 2024, the Government is expected to receive RM1.2 billion in loan repayments. The highest repayment is anticipated from companies amounting to RM614 million, followed by state governments (RM425 million). The remaining repayments are expected from Federal Statutory Bodies (RM96 million) as well as other organisations and cooperatives (RM18 million).

In 2025, the Federal Government will continue to provide loans through DE to state governments, Federal Statutory Bodies, companies as well as other organisations and cooperatives to improve the infrastructure and enhance the quality of life for the rakyat. The total loan disbursements are estimated at RM1.4 billion, with state governments remaining the biggest recipients, amounting to RM1 billion. This is followed by Federal Statutory Bodies (RM263 million), companies (RM141 million) as well as other organisations and cooperatives (RM3 million). Meanwhile, loan repayments are projected at RM1.3 billion. Of this, RM707 million repayments are anticipated from companies, while state governments are projected to repay RM510 million. The remaining repayments are expected from Federal Statutory Bodies (RM75 million) as well as other organisations and cooperatives (RM29 million).

## Conclusion

The Government remains steadfast in its commitment towards enhancing spending discipline while continuing to implement various rakyat-centric programmes. The overarching framework of Ekonomi MADANI serves as the guidance for the Government initiatives, paving the final year implementation of Twelfth Plan while laying a foundation for Thirteenth Malaysia Plan. Against this backdrop, transparency and accountability will continue to be reinforced via the publication of the pre-budget statement and mid-year expenditure performance report that promote public oversight and foster trust in public finance management. Towards this end, it is envisaged that every resource spent contributes to the prosperity of the nation and well-being of the rakyat.

FEATURE ARTICLE

## Balancing Act: Targeted Subsidy Policy to Safeguard the Well-being of Rakyat in Need and to Ensure Fiscal Sustainability

The well-being of the rakyat is of utmost importance for the Government's socioeconomic development agenda. The volatility of global commodity prices has translated into higher cost of living, posing substantial challenges to the livelihood of the rakyat, particularly those in lower income brackets. This potentially has a significant impact on household budgets, restricting spending on necessities such as food, health, education and long-term savings. In efforts to cushion this impact and alleviate the financial burdens of the rakyat, the Government has provided subsidies and social assistance, as an important instrument to safeguard social welfare and enhance inclusivity.

However, over-reliance on subsidies as well as social assistance programmes which benefitted all citizens regardless of income, have led to inefficiencies and leakages in Government spending. In this regard, the Government faces the challenge of balancing social welfare, economic growth and fiscal prudence. The COVID-19 crisis has further exacerbated challenges in managing public finances and heightened fiscal risk. Efforts to safeguard lives and livelihoods during the pandemic has resulted in policy interventions with extensive fiscal stimulus and facilitated economic recovery. Against this backdrop, various social assistance programmes were extended, thereby intensifying fiscal burden to the Government. This signifies the need for a strategic realignment to better target subsidies, balancing fiscal sustainability with broader economic objectives, while safeguarding the welfare of the rakyat in realising the goals of Ekonomi MADANI.

### Subsidies, Incentives and Assistance Programmes

In general, the social assistance programmes in Malaysia are divided into three main components:

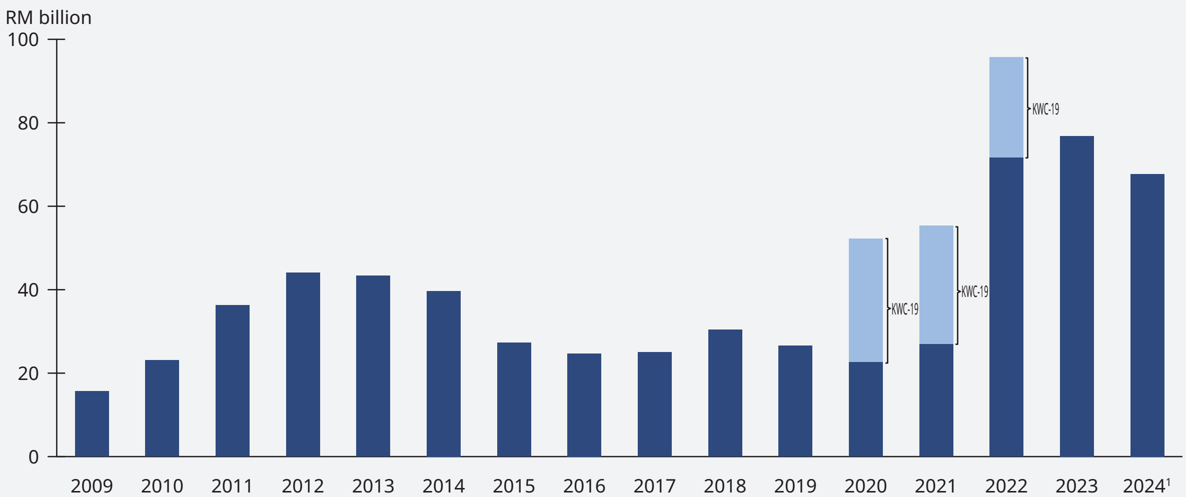
1. **Subsidies**: Support element provided by the Government, which are directly channelled to producers, businesses or service providers to stabilise prices. Indirectly, subsidies enable the goods and services to become more affordable, subsequently easing the financial burdens of low- and middle-income households. Subsidies cover a portion of the costs incurred for essential goods such as cooking oil and fuel as well as highway tolls and electricity. Additionally, those in the agriculture sector, particularly paddy farmers, could benefit from input subsidies such as seeds and fertilisers, which boost productivity and reduce cost of production, thereby ensuring food security.

2. **Incentives**: Designed to support industry and economic growth, primarily for the agriculture sector, with the aim of increasing yield and enhancing productivity. For example, the Government provides the Rubber Production Incentive (IPG) to encourage higher production and at the same time sustain the income of smallholders. Meanwhile, the Fish Landing Incentive is provided as a motivation to increase landing rates and cushion the impact of seasonal uncertainties. This approach ensures food supply continuity while promoting economic activity.

3. **Assistance:** Encompasses direct cash transfer programmes to support vulnerable groups such as the poor, person with disabilities, elderly, student, single mother and children. Cash assistance programmes, such as allowances under the Department of Social Welfare (JKM), Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) are provided to help low-income individuals and families improve their quality of life and achieve self-sufficiency. Scholarships for education and Bantuan Awal Persekolahan (BAP) also fall under this category.

As illustrated in Figure 1, during the decade prior to the COVID-19 pandemic, the Government spent an average of RM30 billion annually on subsidies, incentives and assistance programmes. However, from 2020 to 2022, over RM203 billion was spent to cushion the impact of the pandemic, of which the highest spending was recorded in 2022 amounting to RM95 billion. The record high spending was attributed to COVID-19 particularly in providing and enhancing direct cash assistance to individual and businesses affected by lockdown and reduced economic activities as well as high subsidy aggravated by the substantial hike in commodity prices. In addition, one-off programmes such as electricity bill rebates, wage subsidy and subsidies for public transportation have been introduced, which contributed to the larger subsidy allocation. These one-off subsidies and expanded cash assistance were financed through borrowing under the COVID-19 Trust Fund (KWC-19). As Malaysia transitioned out of the pandemic, the bulk of the one-off subsidies and social assistance programmes under KWC-19 continue to be undertaken and allocation is provided through the annual budget. This commitment has further intensified the fiscal burden, underscoring the need for sustainable fiscal management in the post-pandemic era.

**FIGURE 1.** *Subsidies, Incentives and Assistance, 2009 – 2024[1]*




[1] Revised estimate
Source: Ministry of Finance, Malaysia

### Issues and Challenges

As the expenditure for social assistance programmes continues to increase due to inefficiencies and leakages as well as rising cost of living, the country is faced with challenges in balancing its commitment towards rebuilding fiscal buffers and sustaining economic growth, while ensuring the well-being of the rakyat. In addition, inadequate revenue streams impose additional pressure on the Government to maintain the social assistance programmes.

**1. Inefficiencies and leakages**

The current mechanism for subsidies and social assistance, particularly consumption-based subsidies, are susceptible to inefficiencies and leakages. For example, consumption of subsidised diesel surged by over 80%, from 6.1 billion litres in 2019 to 10.8 billion litres in 2023, while the increase in diesel vehicle registration was markedly lower during the same period, indicating the potential leakages of subsidies. Moreover, in 2023, the Ministry of Domestic Trade and Cost of Living (KPDN) reported 1,853 cases of smuggling and misuse of controlled goods compared to 1,196 cases in 2022. These leakages not only undermine the effectiveness of subsidy programmes but have also resulted in a significant waste of public resources.

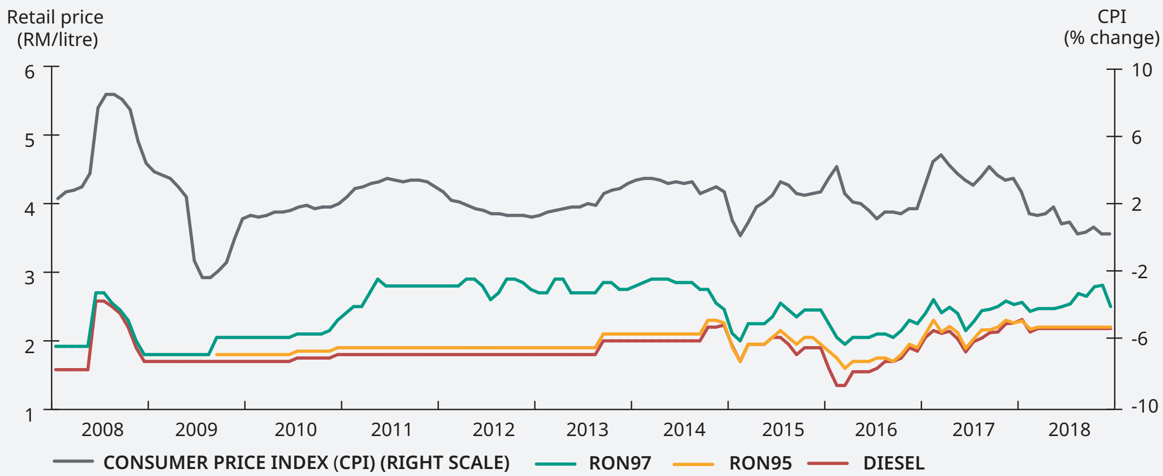
Additionally, such situations can hinder long-term economic growth and obstruct progress in critical development areas, ultimately affecting the country's overall development and prosperity. For instance, savings of RM1 billion on subsidies and social assistance programmes could have funded the construction of more than 10 schools, assuming an average cost of RM80 million per school. The investment in educational infrastructure could significantly impact future generations by enhancing the quality of education, providing greater opportunities for students and promoting long-term societal development.

**2. Rising cost of living**

Managing the cost of living is one of the Government's utmost priorities, particularly when undertaking targeted subsidy measures, as it directly affects various sectors of the economy and impacts household spending. The retargeting of subsidies, especially for fuel, may lead to the increase in prices of essential goods and services, which in turn could adversely affect the purchasing power of the rakyat. For example, the removal of the fuel subsidy in June 2008 resulted in a spike of inflation from 2.3% in January to 8.5% in July 2008, as presented in Figure 2. Nevertheless, the impact of the hike was cushioned by a one-off cash and road tax rebates for selected private car and motorcycle owners.

Subsequently, from 2014 to 2018, the Government transitioned from a fixed fuel price to a monthly and later to weekly managed-float approach. This allowed for more frequent adjustments in retail fuel prices to better reflect oil price fluctuations in global markets. The gradual adjustment of fuel price has not severely impacted inflation, averaging at 2.4% during this period. An annual cash transfer programme was provided to the bottom 40% of household income group (B40) to reduce the impact of subsidy rationalisation. Therefore, the Government strives to ensure the pass-through costs of targeted subsidy mechanism and its impact on inflation is mitigated with post-implementation support measures for the targeted groups.

**FIGURE 2.** *Inflation Rate and Retail Pump Prices, 2008 – 2018*




Source: Department of Statistics and Ministry of Finance, Malaysia

## 3. Narrow tax base

As Malaysia progresses economically and socially, it should be translated into the growth of revenue collection, particularly the tax-related income. With the Government expenditure continue to rise driven by higher spending on social assistance, the pressure to increase the revenue has intensified. The shift from heavy reliance on petroleum-based income to a more diversified tax-based system, is in line with international best practices for a more sustainable revenue base. However, Malaysia's tax revenue-to-GDP ratio which stood at 11.7% in 2022 does not commensurate with the country's economic and employment growth. Furthermore, Malaysia's tax revenue-to-GDP lags behind regional peers such as Philippines (14.6%), Thailand (14.4%) and Singapore (12%) (World Bank, 2022).

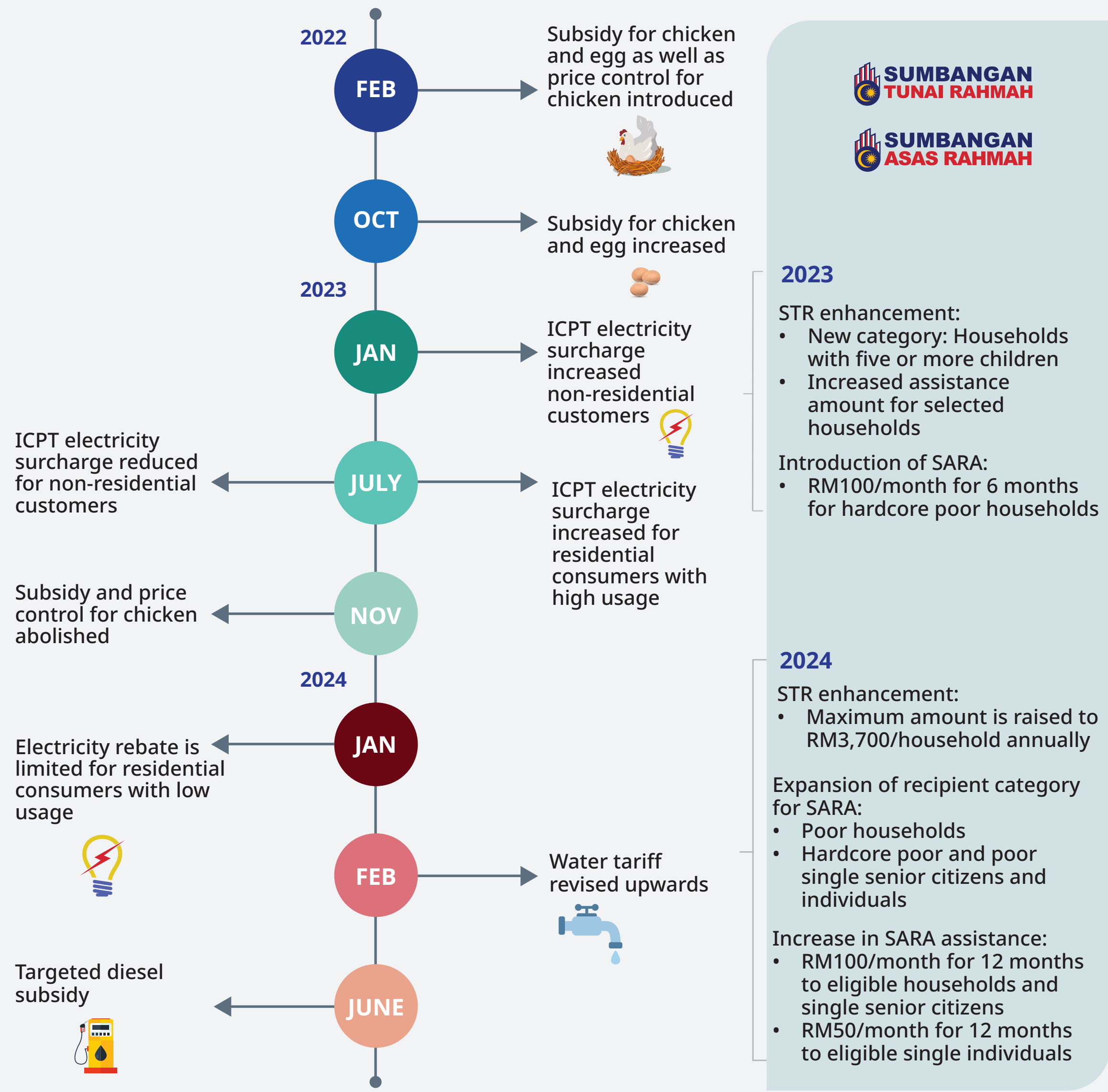
Between 2018 and 2023, the annual deficit widened from RM53 billion to RM91 billion, as revenue growth was unable to keep pace with the surge in operating expenditure, which was partially attributed to the substantial increase in subsidies, incentives and social assistance (2018: RM30.6 billion, 2023: RM76.8 billion). This resulted in a narrowing current fiscal balance, limiting the Government's capacity to address other economic challenges and potentially jeopardising economic stability, escalating the need for a broader tax-based revenue.

### Enhancing Targeted Subsidies: A Strategic Approach

The existing broad-based subsidies and social assistance programmes provide financial support to the rakyat regardless of income level. This resulted in inefficient resource management due to smuggling, misuse, wastages or benefitting unintended recipients, including the affluent and non-citizens. Cognisant of the shortcomings in the broad-based subsidy programmes, the Government began shifting towards a more targeted and sustainable approach by realigning several key policies in optimising the subsidy allocation towards eligible recipients.

Post-COVID-19 pandemic, the Government has taken a strategic and measured approach to avoid severe disruption in growth momentum and cause significant inflationary pressures. Therefore, the measures were implemented in a gradual and orderly manner starting with electricity tariff surcharge adjustments, followed by the withdrawal of the subsidy and price control for chicken, water tariff revision and retargeting of diesel subsidy. Meanwhile, as a mitigating measure, several targeted social assistance programmes were enhanced to ensure adequate cash transfers were provided for the intended beneficiaries. Figure 3 highlights several key milestones on these efforts.

**FIGURE 3.** *Key Milestones in Targeted Subsidy Measures Post-COVID-19 Pandemic*




Source: Energy Commission, Ministry of Domestic Trade and Cost of Living, Ministry of Energy Transition and Water Transformation and Ministry of Finance, Malaysia

### 1. Imbalance Cost Pass-Through Mechanism

Since 2014, the Government introduced the Imbalance Cost Pass-Through (ICPT) mechanism as part of the Incentive-Based Regulation framework to periodically adjust electricity tariffs every six months, in response to fluctuations in fuel prices and generation costs. This mechanism reflects the actual costs of electricity, thereby determining the corresponding consumer charges and Government subsidies. However, during the pandemic, the Government has to absorb the ICPT surcharge and provide rebates with significant broad-based subsidy support to all residential and non-residential consumers.

In the first half of 2023, the Government began reviewing the broad-based subsidy for non-residential consumers by imposing an ICPT surcharge of RM0.20 per kilowatt-hour (kWh) to the medium and high voltage commercial and industrial segments (non-MSMEs) while maintaining the rebate for residential consumers. The gradual adjustment continued in the second half of 2023, with a new ICPT surcharge of RM0.10/kWh introduced for residential consumers with high electricity usage exceeding 1,500 kWh or those with a minimum monthly bill of RM708. This adjustment impacted only 1% of residential consumers as the rebate of RM0.02/kWh for users with usage below 1,500 kWh remained. Meanwhile, the ICPT surcharge rate for other commercial and industrial customers (non-MSMEs) was reduced from RM0.20/kWh to RM0.17/kWh.

Subsequently, in the first half of 2024, the Government further restructured electricity subsidies by limiting electricity rebates to residential consumers with monthly consumption of 600 kWh and below. The surcharge remained in place for consumers with monthly consumption exceeding 1,500 kWh, while no surcharge was imposed for consumption between 600 kWh and 1,500 kWh. In the second half of 2024, the ICPT was revised for non-residential consumers only. This gradual adjustment reflects the Government commitment to promote the need for fair energy pricing while encourage a more efficient energy consumption among users.

**2. Food Item**

Rising prices of poultry feedstock in early 2022 have led to a shortage in chicken supply, which required Government intervention. In response, the Government introduced subsidies to poultry farmers and established a retail ceiling price which has been implemented in phases. In February 2022, the retail ceiling price of standard chicken was set at RM8.90 per kilogramme (kg) with a subsidy of RM0.60/kg. At the same time, the poultry farmers were granted a subsidy of RM0.05 for each chicken egg produced to offset the increase in production cost. In July 2022, the retail ceiling price of standard chicken was revised to RM9.40/kg followed by an increase in chicken subsidy to RM0.80/kg in September 2022. Similarly, subsidy for chicken eggs were increased to RM0.08/egg and subsequently to RM0.10/egg in November 2022.

This subsidy mechanism remained in effect until November 2023 when the Government decided to remove the subsidy and price control for chicken, as market prices stabilised. However, the egg subsidy remains in place. In total, the Government has spent RM3.8 billion for the implementation of chicken and egg subsidies in 2022 and 2023. The removal of subsidy and price control for chicken in November 2023 demonstrated that the Government is agile in reprioritising expenditure while promoting market-based pricing and production efficiency, leading to a more stable supply of chicken.

**3. Water Tariff Adjustment**

The management of water supply services and the setting of water tariffs in the Peninsular Malaysia and the Federal Territory of Labuan are operated by state water operators licensed by the National Water Services Commission (SPAN) in accordance with the National Water Services

Commission Act 2006 [Act 655]. Water tariffs have remained unchanged for decades, with states such as Pahang, Terengganu and Perlis maintaining their tariffs for over 25 years leading to a decline in revenue for the operators. The shortfall has resulted in difficulties to maintain the operating expenses and capital expenditure of water supply services, which eventually affected the overall service level, compromising supply continuity and water quality. Additionally, the lack of capital expenditure deployment has led to high non-revenue water (NRW)[1] ranging between 25% to 64.5%, low margin reserves and frequent water supply disruptions.

In early 2024, a significant milestone was achieved when all participating state governments agreed to revise their water tariffs. This consensus was facilitated by the Majlis Air Negara, which played a central role in coordinating the efforts among the states. The average increment in the adjusted tariff was 30%, with Pahang, Penang and Perlis exhibiting the largest increase of 77%, 75% and 50%, respectively. The revised tariffs are necessary to cover expenses, planned projects and to restore the financial standing of the state water operators, thus enhancing the service level and quality of water supply.

As part of efforts to mitigate the water tariff increase, several state water operators have provided special assistance in the form of discounts, rebates and other benefits. These include the provision of free water usage up to 20 cubic metres or bill discounts for eligible users aimed at safeguarding the vulnerable consumers. The consensus among the state governments signifies a transition towards a more sustainable model, where water services are appropriately funded through tariffs.

### 4. Diesel Subsidy

The subsidy retargeting programme was further intensified with the replacement of the blanket diesel subsidy with the floating of diesel pump price for the Peninsular Malaysia in June 2024. The decision to implement the targeted diesel subsidy was timely, given a manageable inflation environment. The previous broad-based subsidy had led to inefficiencies, market distortions and significant leakages due to smuggling, as the price of diesel in Malaysia was considerably lower than in neighbouring countries. The targeted diesel subsidy is expected to generate a savings of RM4 billion to the Government.

**FIGURE 4.** *The Budi MADANI Programme*


Source: Ministry of Finance, Malaysia

[1] NRW refers to water that had been treated and is lost before it reaches customers.

The Budi MADANI programme was introduced as a platform for targeted diesel subsidy to the intended beneficiaries to mitigate the impact of higher diesel pump price, as reflected in Figure 4. Launched as part of a broader strategy to optimise subsidy distribution, this programme offers RM200 per month or RM2,400 annual cash assistance to eligible individual diesel vehicle owners (Budi Individu) and farmers as well as small-scale commodity growers (Budi Agri-Komoditi) to partly offset the subsidy retargeting. Additionally, the Government has introduced the Diesel Subsidy Control System (Budi MySubsidi Diesel – SKDS 2.0) where the recipients, particularly logistics and essential service providers, can utilise diesel subsidies via a fleet card. This allows the service providers to manage their operational costs while stabilising prices. As at 3 October 2024, the number of approved Budi MADANI beneficiaries were approximately 170,000 individuals, while about 105,000 companies benefitted from the SKDS 2.0.

The targeted diesel subsidy has proven to be an effective policy in minimising leakages. Initial data indicates a marked decline in daily average diesel sales across the Peninsular Malaysia with an overall reduction of 30% and a notable 40% drop in northern border areas during the first week of implementation. This signifies a successful effort in reducing smuggling activities.

**5. Direct Cash Assistance**

In efforts to support the vulnerable groups as well as to address socioeconomic inequalities, the Government provides direct financial assistance to individuals and households, such as welfare aid for the elderly, children from low-income families, persons with disabilities, paddy farmers, fishermen and Orang Asli community. The Government also provides special cash assistance to low-income households known as STR, intended to cushion the rising cost of living and facilitate a smooth transition from broad-based to targeted subsidies.

The transition towards targeted cash assistance compared to broad-based subsidies is in line with the study by the World Bank which showed that social cash assistance is four times more cost-effective at reducing inequality than subsidies. Beginning in 2023, STR (formerly known as Bantuan Keluarga Malaysia) was enhanced to include a new category of households with five or more children and increased assistance rate for selected household recipients. Furthermore, Sumbangan Asas Rahmah (SARA) was introduced to hardcore poor STR recipients, worth RM100 every month for a period of six months for the purchase of selected basic food items through the use of MyKad. Overall, the total financial implication for both programmes was recorded at RM8 billion.

In 2024, the allocation for STR and SARA was increased to RM10 billion, benefitting almost nine million households, including single senior citizens and individuals. On average, the maximum amount available for a household is raised from RM3,100 to RM3,700 annually while the minimum STR rate for singles is revised upward from RM350 to RM500 which is disbursed gradually according to a scheduled timeline. The SARA programme is enhanced with an increase in assistance tenure from six months (RM600) to 12 months (up to RM1,200) and an expansion of STR recipient coverage from 200,000 to 700,000 with the introduction of the poor category. In addition, the basic needs coverage has been expanded to include personal hygiene products, medicine and school supplies while introducing a cashless mechanism with participating retailers.

6. **Agriculture Subsidies**

The Government has implemented several enhancement measures to support farmers' income and boost agricultural production. For instance, the Government increased the IPG to rubber smallholders from RM2.50/kg in 2022 to RM2.70/kg in 2023 and subsequently to RM3.00/kg in 2024. These revisions aim to encourage higher production, stabilise smallholders' income and support the industry's sustainability. In addition, the Monsoon Season Assistance (BMT) of RM800 per person is provided to more than 300,000 rubber smallholders in 2024 to support their income during the low productivity season.

Besides cash assistance, paddy farmers and fishermen are also being supported in the form of a price stabilisation scheme and subsidised diesel, respectively, to encourage higher productivity. The Paddy Price Subsidy Scheme rate has been increased to RM500 per metric tonne in 2024, up from RM360 in 2023, with the floor price rising from RM1,200 to RM1,300 per metric tonne. Meanwhile, selected categories of fishermen are still benefitting from the subsidised diesel price at RM1.65 per litre and Fish Landing Incentive of up to RM1,000 per month.

7. **Education Assistance Programmes**

The Government remains steadfast in its commitment for the educational sector expenses, reflecting a substantial investment in human capital, averaging around 21% of the Government's annual budget from 2018 to 2024. A proportion of the expenditure is allocated for various assistance mechanisms including scholarships and educational loans as well as cash assistance, demonstrates a comprehensive approach to educational support. This approach aims to mitigate financial barriers and promote equitable opportunities for all students.

In 2024, RM788 million has been allocated for the BAP programme, with an increase from RM100 to RM150 per student to help parents manage school-related expenses. The Government has also set aside a higher allocation of RM784 million to improve the Rancangan Makanan Tambahan (RMT) programme by expanding the healthy menu options and increasing the frequency of milk supply. Furthermore, in May 2024, the Government introduced a book voucher worth RM100 for students from Year 4 of primary school to tertiary levels to inculcate reading habit among students.

In addition, various scholarship programmes such as under the Majlis Amanah Rakyat (MARA), Public Service Department (JPA) as well as the Education and Higher Education Ministries remain a priority in supporting recipients to advance their tertiary education, benefitting almost 150,000 students in 2024. Likewise, over 200,000 secondary school students were granted the Biasiswa Kecil Persekutuan, with each student receiving between RM840 to RM1,210 per year.

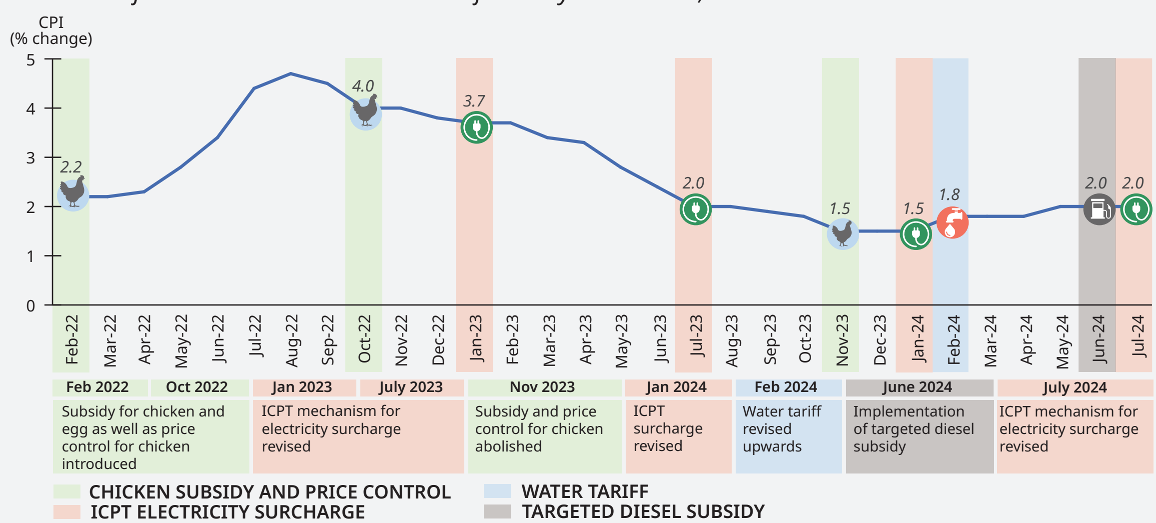
The comprehensive education assistance programme reflects an equal opportunity for all level of society in acquiring quality education and nutritious meal. Simultaneously, the programme could also address malnutrition and stunting incidences among children.

### The Impact of Retargeting and Enhancement of Subsidies to Inflation

The gradual transition from blanket to targeted subsidies, focusing assistance on those in need has helped to mitigate inflationary pressures on the economy. Figure 5 illustrates Malaysia's inflation rate and subsidy programmes from 2022 to 2024. The Russia-Ukraine conflict posed adverse impact to the economy as well as raising food and commodity prices which contributed to higher inflation at 4.7% in August 2022. This required Government intervention by increasing subsidies for chicken and egg to cushion the impact of inflation. The inflation rate remained modest in 2023 with the stabilisation of global prices despite the phased implementation of ICPT as well as the abolishment of subsidy and price control for chicken. Inflation rate in 2023 was recorded at 2.5%, which is lower than the global inflation rate of 6.8%. The targeted subsidy diesel, introduced in June 2024, has had a relatively contained effect on inflation, largely due to subsidies for selected business sectors, targeted cash assistance and stricter measures to curb profiteering. Nonetheless, the effects of the retargeting of subsidies are expected to have a limited impact on inflation for the remainder of the year. Thus, headline inflation is expected to remain within the official forecast of between 1.5% to 2.5%.

The targeted cash assistance programmes and other social assistance measures such as SARA, STR and Budi MADANI have cushioned the impact of subsidy retargeting. The stable growth in private consumption observed during the second quarter of 2024, reflects resilient household spending despite the implementation of subsidy retargeting.

**FIGURE 5.** *Inflation Rate and Enhancement of Subsidy Mechanism, 2022 – 2024*

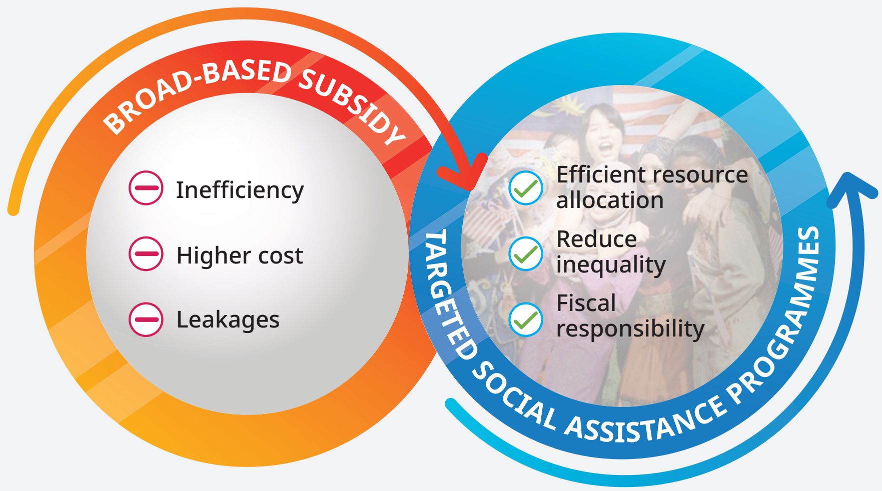



Source: Department of Statistics and Ministry of Finance, Malaysia

### Way Forward

As part of the ongoing efforts to strengthen the nation's economy and ensure sustainable fiscal management, the Government will continue to review and determine appropriate policy changes for subsidy retargeting. However, the targeted subsidy will be implemented in a structured and phased approach while minimising potential disruptions to business sectors and the rakyat. While this approach is necessary to protect vulnerable groups by redirecting a part of the savings towards targeted assistance programmes, it is equally important for the Government to balance between ensuring long-term fiscal sustainability and allocating resources more effectively.

**FIGURE 6.** *The Need to Transition Towards Targeted Social Assistance Programmes*




Source: Ministry of Finance, Malaysia

Recognising the need for an efficient subsidy retargeting mechanism, the Government is prioritising the use of big data initiatives to minimise both exclusion and inclusion errors as well as safeguard the well-being of the rakyat. A key development in this effort is the establishment of Pangkalan Data Utama (PADU), designed to create a centralised and accurate database that enhances the link between targeted subsidy and intended recipients. In addition, the data in PADU will be leveraged in identifying the level of socioeconomic development in the country and to assist in building scenarios for public programmes. This will further improve policy implementation and enhance the social welfare of the vulnerable groups as well as for the nation as a whole.

The Government is also reassessing the effectiveness of existing subsidies, which have been linked to inefficiencies, leakages and market distortion. In addition, the efficiency and effectiveness of subsidy programme such as diesel subsidy for fishermen should be enhanced to commensurate with productivity and to reduce misappropriation of the subsidised diesel. The existing broad-based subsidies have also increased the fiscal burden and dampened the Government's ability to invest in more meaningful public goods or infrastructure projects that will spur long-term economic growth.

On a macro perspective, the Government must pursue further structural reforms to enhance the overall productivity and income levels of the rakyat, thereby minimising subsidy intervention policies. This mainly involves investing in human capital and capacity building through enhanced education and workforce development in creating a pool of more skilled and agile talent. To this end, the Government has been intensifying efforts in promoting upskilling initiatives through TVET and entrepreneurship to enable the rakyat, particularly the lower income group, to obtain decent earnings and subsequently increase their purchasing capacity. The Government is also constantly reviewing the minimum wage in promoting a healthy and appropriate wage level to support poverty reduction and fair labour practices without compromising economic and employment growth.

Meanwhile, on the fiscal front, strengthening revenue base and adopting a more robust, broad-based and progressive tax system will allow the Government to fund public programmes that benefit the rakyat, primarily the lower-income groups, through the redistributed revenue generated from the more well-off population. This strategy includes expanding the tax base, reviewing tax incentive leakages, tackling incidences of evasion and avoidance through digitalisation (e-Invoice), and simplifying filing processes. Towards developing more fiscal space and providing flexibility, enhancing spending efficiency is crucial to enable these resources to be redirected to more impactful programmes and projects.

**Conclusion**

The challenges posed by demographic shifts and global economic uncertainties necessitate careful consideration in fiscal policy planning. To address these challenges, the Government is committed to harmonising fiscal responsibility with social welfare by striking a balance between maintaining a sustainable fiscal position and ensuring the effectiveness of subsidies, incentives and assistance programmes. In this regard, the review of existing blanket subsidies will be pursued to benefit those in need particularly the lower- and middle-income households, while addressing leakages to the wealthy, non-citizens and businesses. Through a flexible and responsive policy stance, the Government aims to promote inclusive growth, enhance competitiveness, improve resource management and ensure sustainable development for the rakyat in a dynamic global landscape.

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**FIGURE 3.1.** *Total Expenditure by Sector*

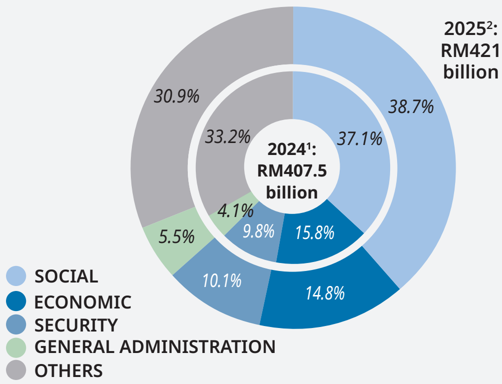



**FIGURE 3.2.** *Total Expenditure by Ministry and Agency*

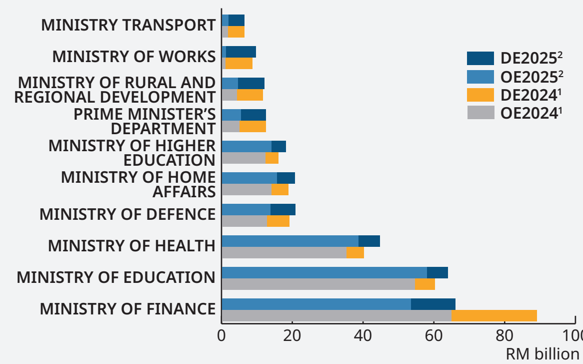



**FIGURE 3.3.** *Operating Expenditure by Sector*

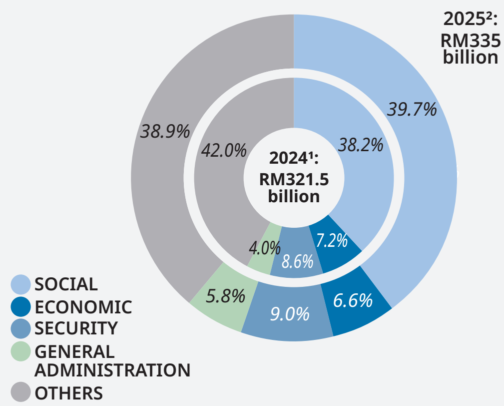



**FIGURE 3.4.** *Operating Expenditure by Component*

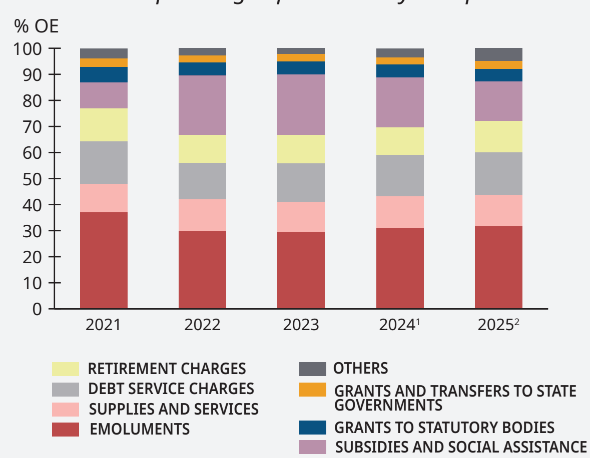



**FIGURE 3.5.** *Development Expenditure by Sector*

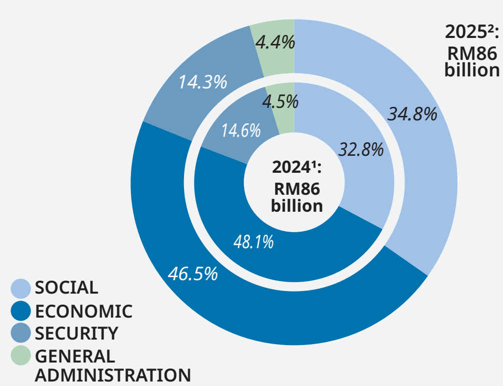
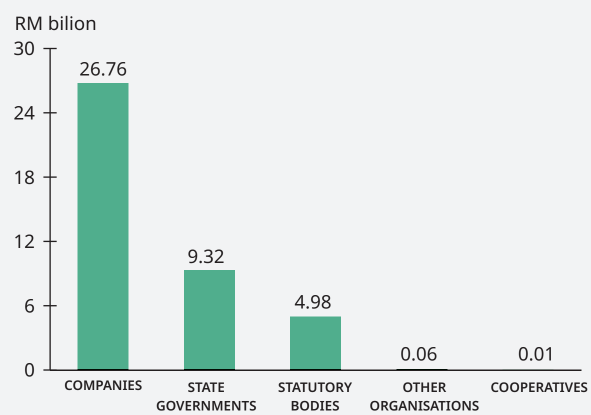



**FIGURE 3.6.** *Federal Recoverable Loans by Debtor³*




¹ Revised estimate
² Budget estimate, excluding Budget 2025 measures
³ Total outstanding as at end-2023

Source: Ministry of Finance, Malaysia