SECTION 6

Consolidated Public Sector

SECTION 6

Consolidated Public Sector

Consolidated Public Sector

The consolidated public sector (CPS) in Malaysia comprises general government entities, which include the Federal Government, state governments, local governments and Federal Statutory Bodies, as well as non-financial public corporations (NFPCs). The CPS financial position is comprehensively monitored to evaluate its overall financial performance, economic impact and potential sources of fiscal risks. The CPS data can be utilised to facilitate comparative analysis and global benchmarking exercises, including assessments by international bodies and credit rating agencies. In order to adequately reflect the financial position as a consolidated entity, the CPS framework requires offsetting intra-transactions among all public sector entities, as guided by the Government Finance Statistics Manual (GFSM).

In 2024, the CPS is estimated to record a lower current surplus of RM41.7 billion compared to RM70.5 billion in 2023, particularly due to lower NFPCs revenue projection. Nevertheless, it is anticipated that the consolidated development expenditure (DE) will rise by 14.2% to RM203.2 billion, indicating higher capital expenditure, primarily by the NFPCs. Therefore, the CPS is expected to record an increase in the overall deficit to RM161.5 billion in 2024, or 8.3% of GDP, after netting off intra-transfers, net lending as well as dividends and taxes between units.

TABLE 6.1. *Consolidated Public Sector Financial Position, 2023 – 2025*

	RM MILLION			CHANGE (%)		
	2023	2024[1]	2025[2]	2023	2024[1]	2025[2]
Revenue	325,667	324,584	357,500	*19.8*	*-0.3*	*10.1*
Operating expenditure	356,867	368,208	384,512	*6.3*	*3.2*	*4.4*
Current balance	-31,200	-43,624	-27,012	*-51.1*	*39.8*	*-38.1*
NFPCs current balance	101,701	85,304	97,139	*-27.2*	*-16.1*	*13.9*
Public sector current balance	**70,501**	**41,680**	**70,127**			
Development expenditure	178,009	203,224	207,805	*17.4*	*14.2*	*2.3*
General government	95,737	91,561	88,914	*28.2*	*-4.4*	*-2.9*
NFPCs	82,272	111,663	118,891	*6.8*	*35.7*	*6.5*
Overall balance	**-107,508**	**-161,544**	**-137,678**			
% of GDP	***-5.9***	***-8.3***	***-6.6***			

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

General Government

According to the GFSM, the general government is responsible for the primary economic functions of the government, encompassing redistribution of income and wealth, provision of public goods and services, and financing of activities through taxation or transfers. Therefore, it is essential to evaluate the financial position of the general government to determine the economic impact of policies and strategic goals as well as to ensure a true and fair representation of government operations as an entity.

The consolidated general government revenue is estimated to increase slightly to RM384.7 billion in 2024, attributed to improved tax collection by the Federal Government. Similarly, the consolidated operating expenditure (OE) is expected to increase by 3.2% to RM368.7 billion, notably due to the higher allocation for emoluments by the Federal Government. Consequently, the general government current surplus is estimated to reach RM16 billion. However, the consolidated DE is projected to decrease by 4.8% to RM92.3 billion, mainly due to lower DE allocation by the Federal Government. Hence, total expenditure is estimated to grow by 1.5% to RM461.1 billion. As a result, the consolidated general government overall deficit is expected to increase to RM76.3 billion or 3.9% of GDP in 2024 after netting off intra-transfers and net lending.

The primary sources of financing for the general government deficit are borrowings from the Federal Government. Articles 111 and 112 of the Federal Constitution stipulate that state governments are only permitted to borrow from or with the approval of the Federal Government, while only Sabah and Sarawak are allowed to borrow under the State law and with the approval from Bank Negara Malaysia. Likewise, Federal Statutory Bodies[1] are also eligible to secure financing with the approval from the Federal Government. Nevertheless, local governments are allowed to borrow, subject to the approval by the respective state governments. Thus, the general government's credit risk exposure is controlled at the Federal Government level.

TABLE 6.2. *Consolidated General Government Financial Position, 2023 – 2025*

	RM MILLION			CHANGE (%)		
	2023	**2024[1]**	**2025[2]**	**2023**	**2024[1]**	**2025[2]**
Revenue	381,965	384,739	405,217	*6.0*	*0.7*	*5.3*
Operating expenditure	357,370	368,724	385,181	*6.3*	*3.2*	*4.5*
Current balance	**24,595**	**16,015**	**20,036**			
Development expenditure	97,020	92,333	90,967	*29.1*	*-4.8*	*-1.5*
Overall balance	**-72,425**	**-76,318**	**-70,931**			
% of GDP	***-4.0***	***-3.9***	***-3.4***			

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

[1] Section 5 of the Statutory Bodies (Power To Borrow) Act 1999.

State Governments

The consolidated revenue collection of state governments is estimated to decline by 5.9% to register RM35.4 billion in 2024. The revenue generated by the states are mainly derived from sales taxes, petroleum royalties, investment incomes and land taxes. Sarawak and Sabah remain the largest contributors of consolidated state-generated revenue, followed by Selangor, Johor and Perak. Meanwhile, state governments also receive transfers and grants from the Federal Government mainly for financing infrastructure and social projects as well as upgrading public facilities and amenities.

Tax collection, which consists of direct and indirect taxes, is projected to record RM11.4 billion or 32.4% of consolidated revenue. Direct tax is anticipated to register RM4.1 billion, mainly contributed by land taxes, amounting to RM2.8 billion. Meanwhile, indirect tax is estimated to record RM7.3 billion, which primarily comprises sales tax[2], entertainment duties, and port dues. Sarawak and Sabah are the only states authorised to collect sales taxes, which is projected to generate RM4.6 billion and RM2.5 billion, respectively. Non-tax revenue is anticipated to register RM14.1 billion or 39.8% of the consolidated revenue, mainly sourced from petroleum royalties, investment incomes and land taxes. In addition, non-revenue receipts mainly transfers and grants from the Federal Government is estimated at RM9.8 billion.

The total expenditure is expected to increase by 13.5% to RM33.6 billion, of which consolidated OE is projected to expand by 5.9% to RM18.8 billion, mainly due to higher emoluments as well as supplies and services. Similarly, the consolidated DE is estimated to increase by 24.7% to RM14.8 billion, mainly for improving water supply; developing industrial and agricultural areas; as well as upgrading and repairing roads and bridges. Overall, the consolidated financial position of state governments is expected to register a lower current surplus of RM16.6 billion due to an increase in the consolidated OE, amid declining revenues. Hence, the overall balance is projected to record a deficit of RM2.2 billion or 0.1% of GDP.

TABLE 6.3. *Consolidated State Governments Financial Position, 2023 – 2024*

	RM MILLION		CHANGE (%)	
	2023	**2024[1]**	**2023**	**2024[1]**
Revenue	37,663	35,434	*8.4*	*-5.9*
Operating expenditure	17,749	18,797	*9.1*	*5.9*
Current balance	**19,914**	**16,637**		
Gross development expenditure	11,879	14,816	*4.9*	*24.7*
Development Fund	11,730	14,424	*4.4*	*23.0*
Water Supply Fund	149	392	*84.0*	*163.7*
Less: Loan recovery	455	350	*14.6*	*-23.1*
Net development expenditure	11,424	14,466	*4.6*	*26.6*
Overall balance	**8,490**	**2,171**		
% of GDP	***0.5***	***0.1***		

[1] Estimate
Source: Ministry of Finance, Malaysia

[2] As stipulated in the Federal Constitution Tenth Schedule, Part V, Additional Sources of Revenue Assigned to the states of Sabah and Sarawak.

Non-Financial Public Corporations

The consolidated financial position of the NFPCs is anticipated to record a lower current surplus of RM24.6 billion in 2024 due to the moderation in revenue collection. The revenue is estimated to record RM490 billion, accounting for 25.2% of GDP in 2024, with revenue from the oil and gas subsector expected to decline due to narrower profit margins, and challenging conditions in the refining and petrochemical sectors. Nevertheless, the energy segment is anticipated to register a marginal increase in revenue, in tandem with the anticipated growth in electricity demand and the approved tariffs during the period.

Total expenditure for the NFPCs is forecast to expand to RM577 billion, constituting 29.6% of GDP, of which around 81% is allocated for operating expenditures while the remaining 19% for capital expenditure. The NFPCs remain proactive in strategising their businesses to ensure expenditure aligns with the ongoing economic activity and corresponding investments. In this respect, substantial capital expenditure of RM111.7 billion has been allocated for business expansion, thus widening the overall deficit to RM87 billion or 4.5% of GDP. Nevertheless, the net assets totalling RM825.1 billion as at end-2023, mainly comprising high-quality assets, highlight the ability of the NFPCs to meet the financial requirements.

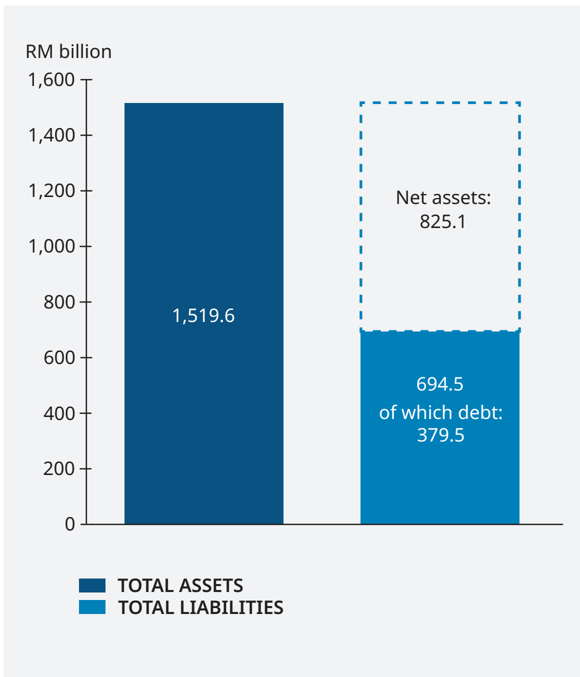
As experienced by the Federal Government, the NFPCs remain susceptible to both external and domestic challenges in 2024, particularly entities which have a significant overseas presence. These challenges include geopolitical tensions, exchange rate fluctuations, supply chain disruptions, policy shifts and the complexities of the transition to cleaner energy. Nonetheless, the NFPCs demonstrated strong resilience in navigating these challenges, underpinned by solid financial acumen, robust cross-border inter-linkages, and highly skilled talent pool, while fulfilling their mandates. The prominent role played by the NFPCs in driving a sustainable and innovative industrial base, also contribute to the nation's shift towards a more sustainable energy landscape, while simultaneously fostering economic growth and generating new employment opportunities.

TABLE 6.4. *Consolidated Non-Financial Public Corporations[1] Financial Position, 2023 – 2024*

	RM MILLION		CHANGE (%)	
	2023	2024[2]	2023	2024[2]
Revenue	509,992	489,959	*-5.0*	*-3.9*
Current expenditure	462,803	465,322	*-4.6*	*0.5*
Current balance	**47,189**	**24,637**		
Capital expenditure	82,272	111,663	*6.8*	*35.7*
Overall balance	**-35,083**	**-87,026**		
% of GDP	***-1.9***	***-4.5***		

[1] Refers to 31 major NFPCs
[2] Estimate
Source: Ministry of Finance, Malaysia

FIGURE 6.1. *Non-Financial Public Corporations Assets and Liabilities[1]*



[1] End 2023
Source: Ministry of Finance, Malaysia

Conclusion

Public sector entities, encompassing all levels of government, as well as government-linked companies serve complementary functions in enhancing efficiency and fostering synergy towards building a competitive nation. This collaboration facilitates streamlined services and innovation to support long-term sustainable growth and social development. The active involvement of government-linked investment companies (GLICs) through Government-Linked Enterprises Activation and Reform Programme (GEAR-uP), combined with effective policy measures and good governance practices, will propel Malaysia towards achieving the Ekonomi MADANI aspiration through a comprehensive, whole-of-nation approach.