



MINISTRY OF FINANCE

Tokyo Fiscal Forum 2026

Session 2: Growth-Enhancing Fiscal Policy in Asia and the Pacific

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10 June 2026

Growth Remain Strong and Broad-Based, with GDP in Q1 2026 Expanding by 5.4%, Supported by Domestic Demand



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Real GDP (Q1 2026)

5.4%

Interest Rate

2.75%

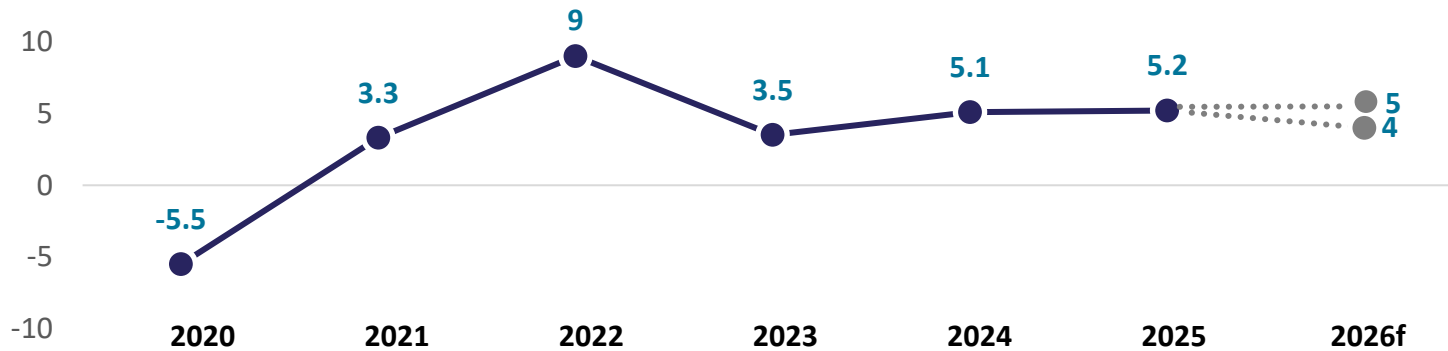
Unemployment Rate

2.9%

Inflation Rate

1.6%

Real GDP Growth (Annual, % change)

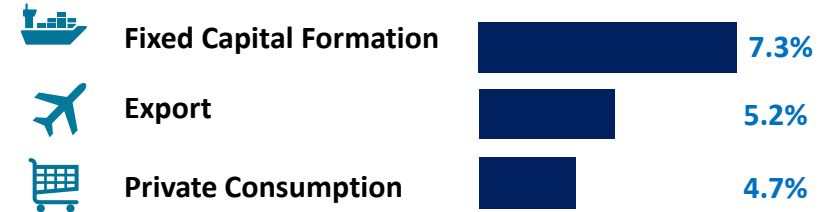


Quarterly GDP growth
Q1 2023–Q1 2026
(% change)

2023				2024				2025				2026
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
5.7	2.7	3.1	2.8	4.2	5.9	5.4	4.9	4.4	4.4	5.4	6.3	5.4

Q1 2026 Growth Drivers

Demand-side (% contribution)



Supply-side (% contribution)



Source: Department of Statistics Malaysia (DOSM)



Growth has normalised after the post-pandemic rebound but remains firm.



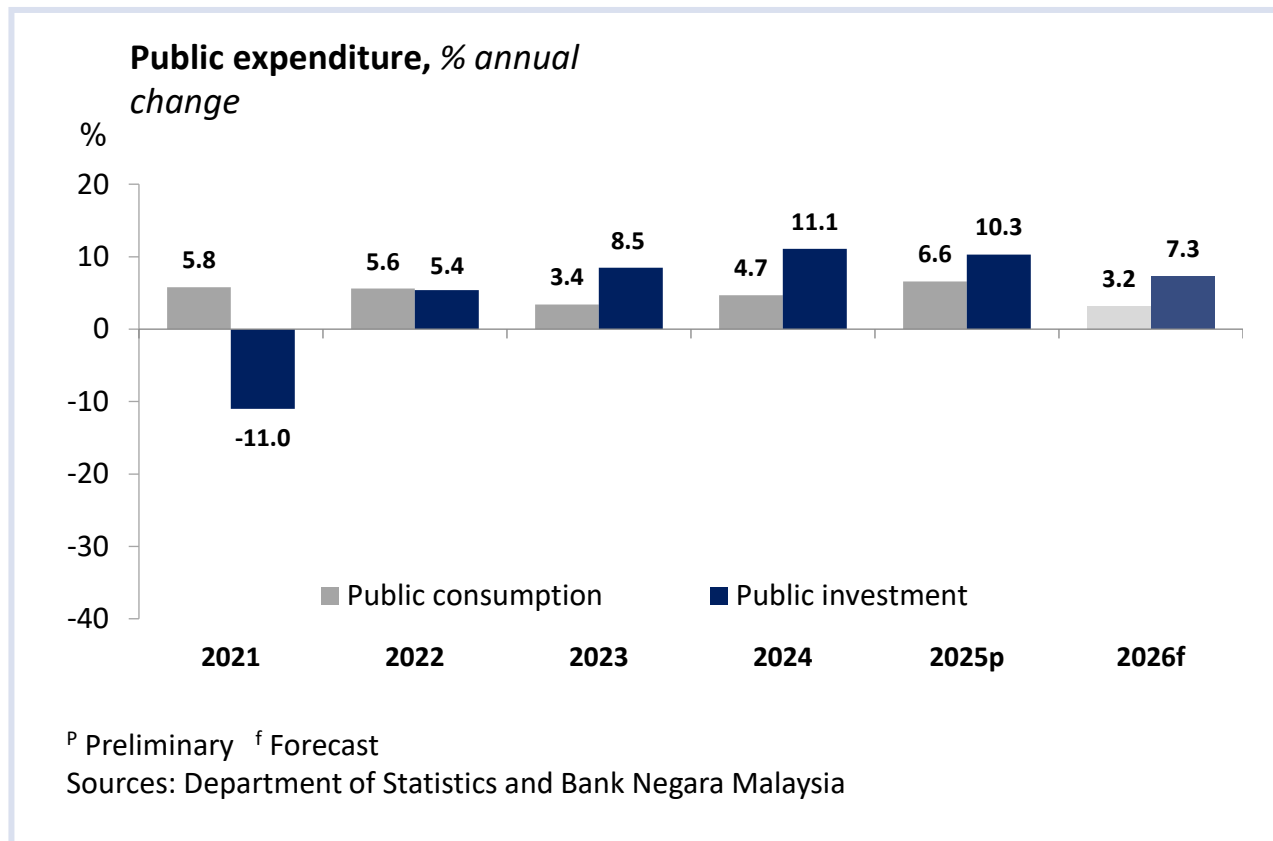
Domestic demand continues to anchor economic activity, boosted by investments and tourism.



Labour market conditions are resilient and inflation remains manageable.

Public Expenditure Continues to Support Development & Growth

Growth will be further underpinned by key developments in strategic sectors



In 2026...



Public consumption

Supported by increased spending on:

- emoluments following the Phase 2 of salary adjustments under the SSPA
- supplies & services



Public investment

Driven by increased capital spending by:

- public corporations, which are estimated to account for about 70% of total public investment

Fiscal Priorities Remain Focused on Strengthening Fiscal Resilience while Supporting Economic Activity & Vulnerable Segments



Manage expenditure volatility

- *Balance global price pressures with domestic needs*
- *Refining subsidy mechanism to ensure efficiency through rationalisation measures*
- *Implementation of Government Procurement Act to improve efficiency in procurement process*
- *Strengthen enforcement to plug leakages*



Protect vulnerable household/businesses

- *Targeted support to mitigate inflation and uncertainties through cash assistance (BUDI MADANI)*
- *Continues to expand Sumbangan Asas Rahmah (SARA) and Payung RAHMAH programmes (Jualan RAHMAH)*
- *Mobilisation of Public Guarantee schemes to support SMEs*

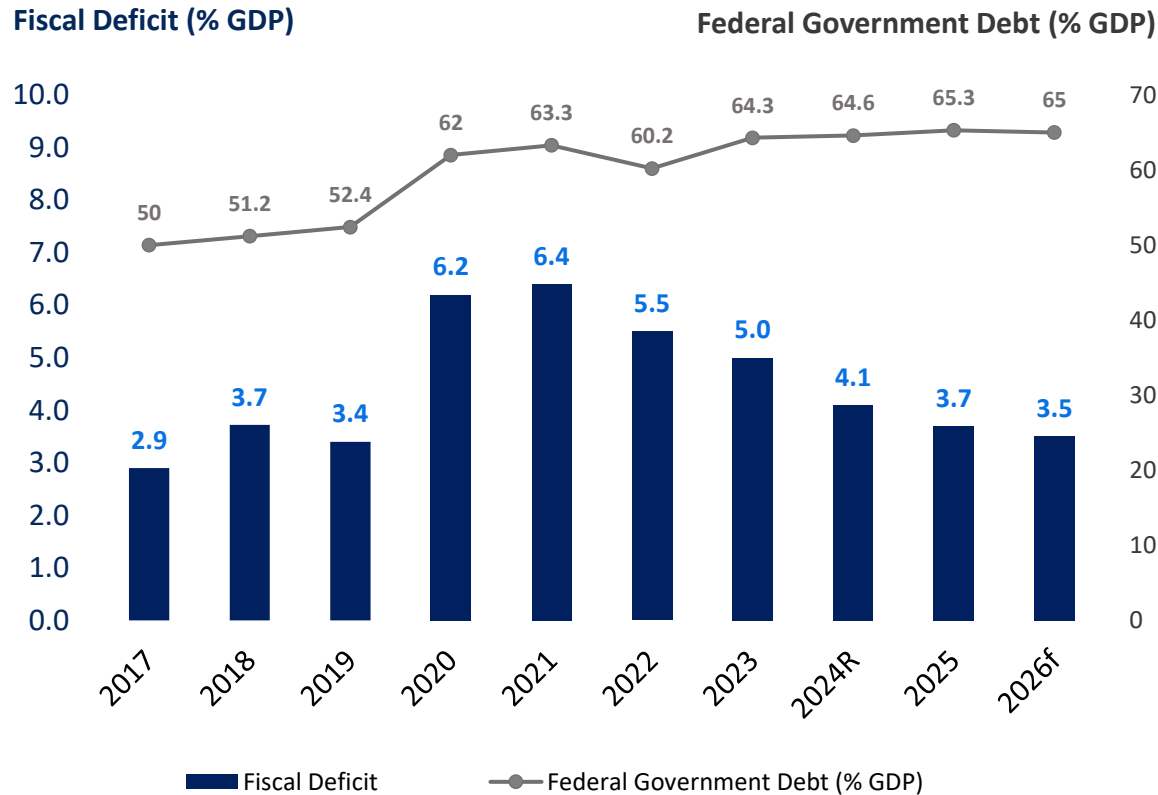


Ensure fiscal and debt sustainability

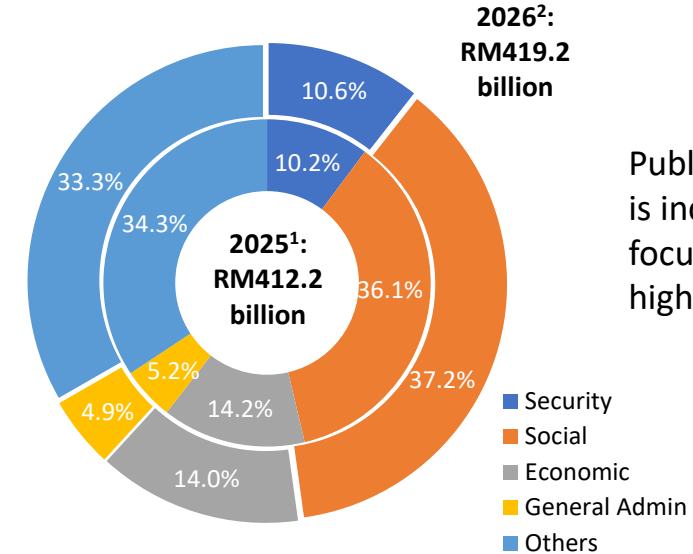
- *Deficit expected to continue its consolidation trajectory in the medium-term*
- *Materialisation of revenue reform efforts (i.e. improved efficiency from e-invoice, SST enhancement and digitalisation tax system)*
- *Recalibration of 2026 budget to contain spending*
- *Optimising Government's financing ecosystem*

Reorienting Towards High-Impact Spending

Steady fiscal consolidation, with deficit narrowing while debt remains broadly stable







Expenditure optimisation to continue



Public expenditure is increasingly focused towards high-impact

Higher quality spending to support growth enhancing sectors

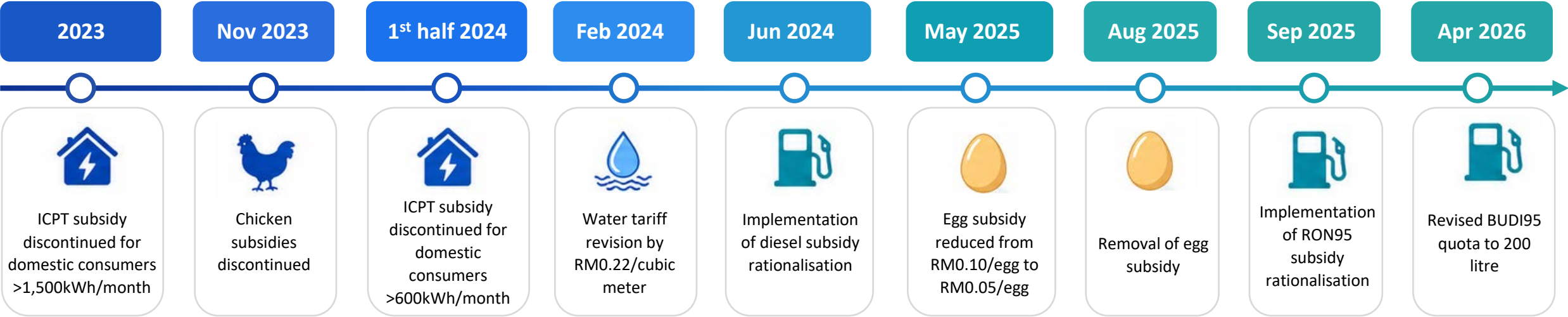
-  **Economic Infrastructure, 14%**
-  **Education & Training 21.2%**
-  **Healthcare, 11.2%**
-  **Targeted social protection, 14.5%**

Subsidy Reforms are Focused on Improving Spending Quality and Efficiency, Channeled to Targeted Assistance for the People



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Government Subsidy Reforms



Targeted Subsidy and Social Assistance

1

BUDI MADANI supports more targeted and efficient delivery of subsidy.

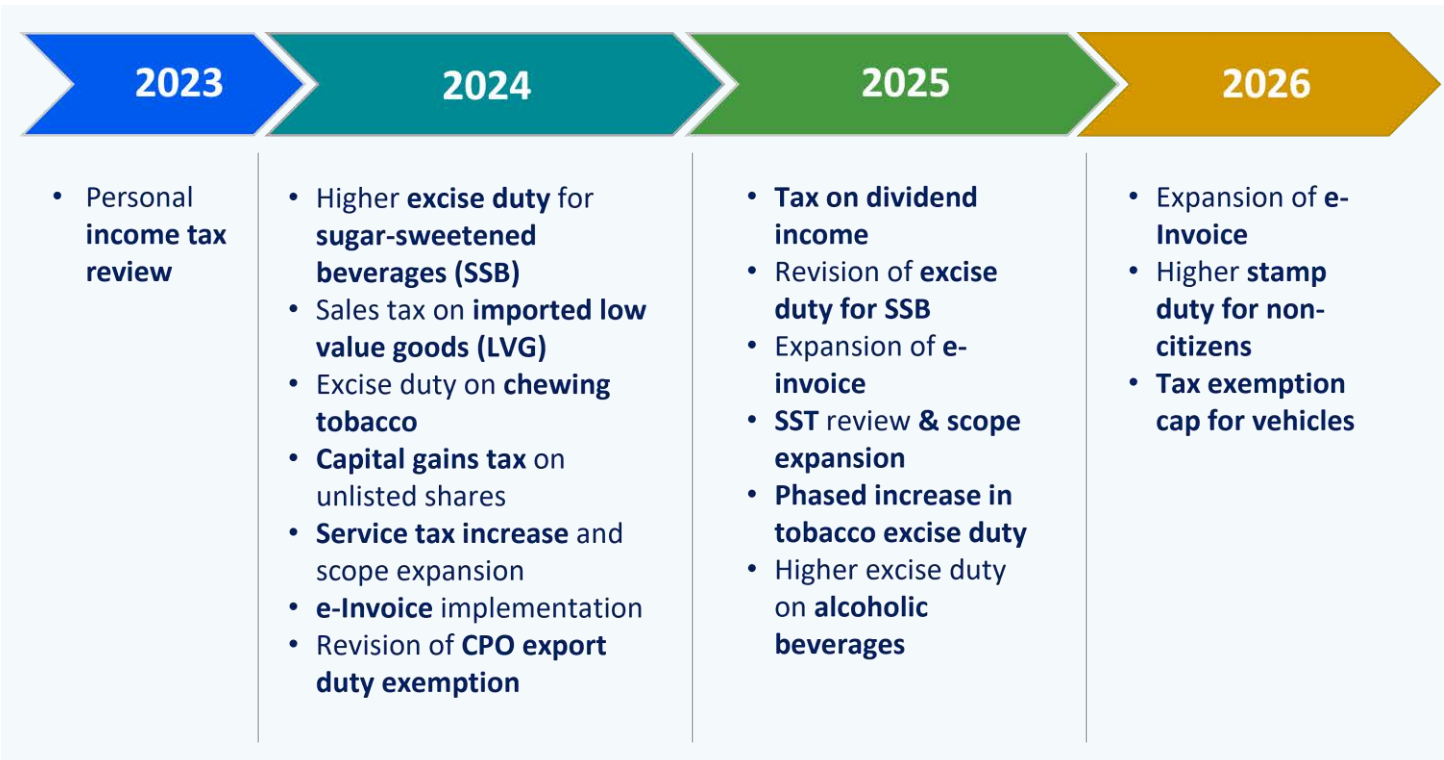
- Budi Individu**
RM200/individual
Approximately 138,000 recipients
- Budi Agri-Komoditi**
RM200/farmer and smallholder
Approximately 144,000 recipients
- Budi MySubsidi Diesel**
SKDS 1.0: RM1.85/litre
SKDS 2.0: RM2.15/litre
Approximately 149,000 companies & 323,000 vehicles

2

Assistance	Total recipients	Amount (RM)	2026 Allocation
STR	5 million	RM100 – RM500 per households/individuals	RM15 billion
SARA (monthly)	8.1 million	RM50 – RM200 per households/individuals	
SARA Untuk Semua	22 million	RM100 /person (one-off)	

Revenue Mobilisation Through Key Reform Measures

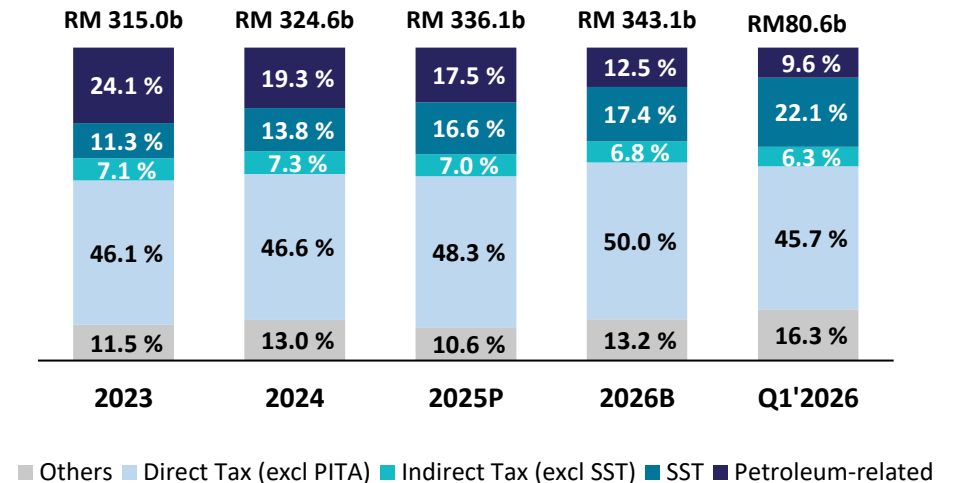
Tax reform across the years



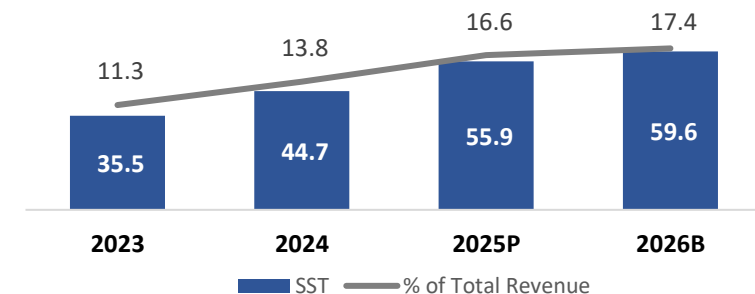
The Government continues to pursue measured fiscal reforms through phased tax enhancements, digitalisation initiatives and targeted revenue measures to support long-term fiscal resilience.

Revenue diversification to reduce reliance to petroleum related revenue

Contribution to Overall National Revenue (%)
2023 – 2026B



Consumption tax is improving, expected to contribute 17.4% to overall revenue





Economic Considerations

- Cost-of-living concerns
- Public sensitivity
- Inflationary impact



New Technology and Digitalization

- Accelerating implementation of digital tools, automation and data systems



Expenditure Structure

- High committed expenditure such as emoluments and debt service
- Limited fiscal flexibility



Rising social spending Pressures

- Ageing population trends



External Uncertainties

- Commodity price volatility
- Geopolitical tensions
- Global slowdown risks



Balancing fiscal consolidation with growth objectives

- Need to support growth
- Maintain fiscal discipline
- Protect vulnerable groups



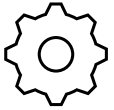
Leakages and inefficiencies

- Ensuring targeted assistance reaches intended beneficiaries

1 Immediate relief & stabilization measures



Secure fuel supply



Maintain subsidy mechanism to ensure continuation of business activity



SME Stabilisation Relief Facility by BNM to Support Businesses Affected by the West Asia Conflict

2 Structured intervention and targeted response



Tightening enforcement to curb leakages/smuggling



Reduce quota on RON95 fuel subsidy (300L/month to 200L/month)



Ban use of foreign credit card for fuel transactions



Energy conservation measures including work-from-home policy for public sector



Revise quota for Subsidised Diesel Control System (SDCS)

3 Commitment to continuous reforms



Sustain fiscal prudence and discipline while preserving reform headroom



Support measures (e.g. aid, subsidies) to MSMEs, farmers, fishermen, traders, and other affected industry players.



Replicate RON95 tiered prices and subsidy quota mechanism in diesel pricing for Sabah & Sarawak.



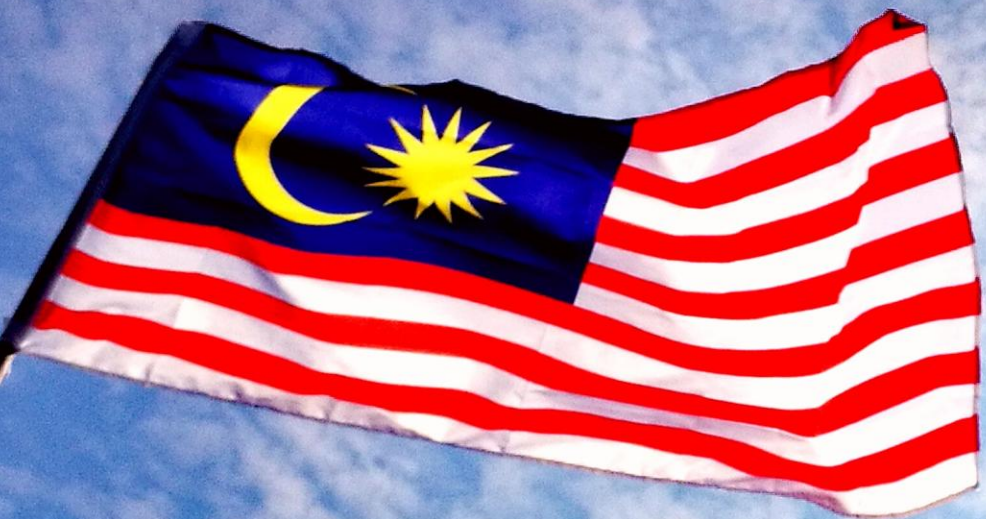
Malaysia remains committed to strengthening its fiscal framework through gradual consolidation and structural reforms.



Public expenditure will continue to be aligned with development priorities, support sustainable growth, and enhance economic resilience.



Malaysia's next growth cycle is anchored on digital infrastructure, advanced manufacturing and green investment opportunities.



**THANK
YOU**