



“Appreciation for the people”: Timely, with minimal impact on the fiscal deficit target

23 July 2025

PM Anwar announces measures to boost sentiment amid external headwinds

Prime Minister Anwar Ibrahim announced five measures to boost growth today.

We believe the announcement is appropriate given the potential slowdown in external headwinds, by strengthening domestic demand to support growth in 2025. There is no revision to the official growth target of 4.5-5.5%; therefore, the announcement aims to improve consumer and investment confidence and buttress growth for the year.

Fiscal deficit target remains achievable. The newly announced measures are expected to cost at least MYR2.8 billion, comprising MYR2.0 billion for SARA, MYR300 million for expanding Jualan Rahmah items, and MYR500 million in compensation to toll concessionaires for maintaining current toll rates. This accounts for less than 1% of the total Budget 2025 allocation (MYR419.7 billion). As such, we maintain our view that the fiscal deficit target remains achievable.

Our 2025 forecasts remain unchanged: GDP at 3.8%, inflation at 2.0%, unemployment rate at 3.1% (average), and OPR at 2.75%. As mentioned, the fiscal deficit target of 3.8% is intact due to the potential revenue uplift from SST of MYR5.0 billion. If necessary, development expenditures could be cut to meet the deficit target. Meanwhile, PM Anwar also mentioned that RON95 subsidy rationalisation will proceed as early as 4Q2025. The mechanism for subsidy targeting remains unclear, leaving analysts searching for more clues to estimate its impact on the economy. The MYR100 SARA for all rakyat Malaysia and the recent 25 bps OPR cut are expected to support private consumption when the momentum softens. Retail sales grew 4.8% in the first two months of 2Q2025, down from 6.9% in 1Q2025, reflecting signs of weakening consumer sentiment. For now, we expect the net deficit financing, i.e., net MGS+GII issuance, to stay at MYR80 billion, as the deficit target remains unchanged. Finally, our end-2025 USDMYR forecast stays at 4.37, based on a slight broad-based rebound in dollar strength. USDMYR volatility is expected to stay subdued, driven more by external factors rather than domestic events.

Exhibit 1: Summary of measures announced

SARA for ALL: A one-off cash aid of MYR100 will be given to every Malaysian citizen aged 18 and above. This can be spent from 31 August 2025 to 31 December 2025. The initiative is expected to benefit 22 million people with an allocation of MYR2.0 billion.

Expansion of Jualan Rahmah MADANI: This program, which offers essential goods at lower prices, will be doubled to MYR600 million to increase its frequency and reach.

Toll Rate Freeze: The scheduled toll rate hikes for 10 highways will be postponed. The cost to the government is estimated at MYR500 million.

Subsidised RON95 Petrol: The government will implement a targeted subsidy for RON95 petrol, lowering the price to MYR2.00 per litre for eligible Malaysians. Foreign nationals will pay the market price.

Exhibit 2: Fiscal Deficits, MGS/GII issuances and maturities (MYR billion) (2019-2025f)

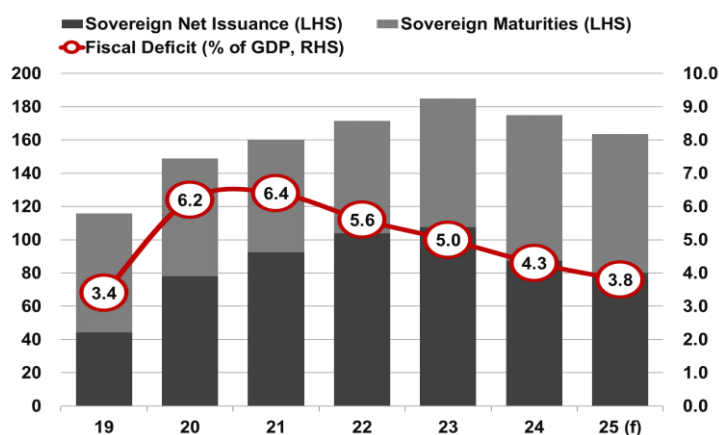
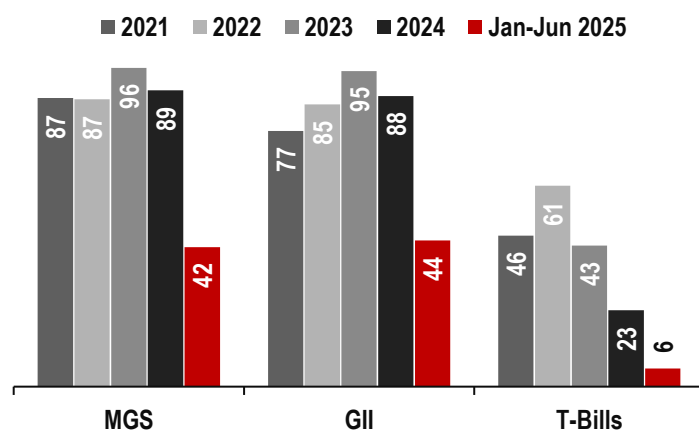


Exhibit 3: Gross government securities issued (MYR billion)



Sources: MOF, BNM, AmBank Economics

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AmBank Economics	
Firdaos Rosli	firdaos.rosli@ambankgroup.com
Nik Ahmad Mukhariz Nik Muhammad	nik-ahmad-mukhariz.n@ambankgroup.com
Lee Si Xin	lee.si-xin@ambankgroup.com
Raja Adibah Raja Hasnan	raja-adibah.r@ambankgroup.com
Aman Nazmi Abd Karim	aman-nazmi.abd-karim@ambankgroup.com
Michael Yim	yim.soon-kah@ambankgroup.com
Group Treasury & Markets	
Corporate Client Group (CCG)	+603-2059 8700/8600
Institutional Client Group (ICG)	+603-2059 8690
Azli Bin Abdul Jamil	azli-abd-jamil@ambankgroup.com
Jacqueline E. Rodrigues	jacqueline-r@ambankgroup.com
Ho Su Farn	ho-su-farn@ambankgroup.com
Melisa Lim Giok Ling	melisa-lim@ambankgroup.com
Roger Yee Chan Chung	roger-yee@ambankgroup.com
Nadia Binti Hazmi	nadia.hazmi@ambankgroup.com
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