

**AmBank Economics**

# **Post-Budget 2026 Analysis**




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# Executive Summary

## Macroeconomic Forecasts (y/y%)

	Actual	Forecast		
	2024	AmBank (2025F)	MoF (2025E)	MoF (2026F)
<b>GDP</b>	<b>5.1</b>	<b>3.9</b>	<b>4.0 - 4.8</b>	<b>4.0 - 4.5</b>
<b>Domestic Demand</b>	<b>6.5</b>	<b>6.0</b>	<b>6.1</b>	<b>5.4</b>
<b>Private Sector</b>	<b>6.6</b>	<b>5.9</b>	<b>6.1</b>	<b>5.7</b>
Consumption	5.1	5.0	5.0	5.1
Investment	12.3	9.1	10.0	7.8
<b>Public Sector</b>	<b>6.3</b>	<b>6.5</b>	<b>6.3</b>	<b>4.4</b>
Consumption	4.7	4.7	4.0	3.2
Investment	11.1	11.2	12.7	7.3
<b>Net Exports</b>	<b>9.2</b>	<b>(6.7)</b>	<b>(15.0)</b>	<b>(32.0)</b>
Exports	8.3	2.6	1.9	3.8
Imports	8.2	3.2	3.1	5.8

## MDB's growth outlook (y/y%)

Forecasts	IMF				World Bank				ADB			
	Jul-25 2025 2026		Difference (Apr-25)		Jun-25 2025 2026		Difference (Jan-25)		Jul-25 2025 2026		Difference (Apr-25)	
			2025	2026			2025	2026			2025	2026
ASEAN	4.1	4.1	0.1	0.2	-	-	-	-	4.2	4.3	(0.5)	(0.4)
Malaysia	4.5	4.0	0.4	0.2	3.9	4.3	(0.6)	0.0	4.3	4.2	(0.6)	(0.6)
Indonesia	4.8	4.8	0.1	0.1	4.7	4.8	(0.4)	(0.3)	5.0	5.1	-	-
Philippines	5.5	5.9	0.0	0.1	5.3	5.4	(0.8)	(0.6)	5.6	5.8	(0.4)	(0.3)
Singapore	-	-	-	-	-	-	-	-	1.6	1.5	(1.0)	(0.9)
Thailand	2.0	1.7	0.2	0.1	1.8	1.7	(1.1)	(1.0)	1.8	1.6	(1.0)	(1.3)
Vietnam	-	-	-	-	5.8	6.1	(0.8)	(0.2)	6.3	6.0	(0.3)	(0.5)

## Fiscal allocation and expenditures

Despite a growing economy, the total allocation in Budget 2026 of MYR419.2 billion appears smaller than that in Budget 2025 of MYR421.0 billion. However, compared to the estimated spending in 2025, Budget 2026 is 1.7% larger, a similar increase to that in Budget 2025 versus Budget 2024.

## Deficit control and growth

The government targets to narrow the fiscal deficit to 3.5% of GDP in 2026, down from 3.8% in 2025, assuming a GDP growth range of 4.0% to 4.5%. In our view, we believe this is achievable.

## Notable Budget 2026 initiatives

A carbon tax will be introduced in 2026, starting with the iron, steel, and energy sectors. A slew of household income support through a bigger allocation for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) aids, as well as targeted expansion of personal income tax reliefs. High growth, high value (HGHV) industries benefit from a mix of policy tools, including tax incentives, targeted financing, and strategic investments by government-linked investment companies (GLICs) and government-linked companies (GLCs).

## Economic growth and forecasts

Growth range appears tighter in 2026 compared to 2025. Our inflation forecasts fall within official estimates.

## Financial markets

In 2026, we expect larger gross MGS+GII issuance but lower net issuance. Despite the positive news of further fiscal consolidation by the government, we think USD/MYR levels are more likely to respond to external factors.

## Macroeconomic Forecasts (%)

	MoF Estimates		AmBank's Forecast	
	2025E	2026F	2025E	2026F
<b>GDP, y/y%</b>	4.0 - 4.8	4.0 - 4.5	3.9	4.2
<b>Inflation rate</b>	1.0 - 2.0	1.3 - 2.0	1.4	1.9
<b>Unemployment rate</b>	3.0	3.0	3.0	3.0
<b>OPR</b>	2.75	2.75	2.75	2.75


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# Comparing past budgets and the Pre-Budget Statement

## Budget comparisons

	Budget Allocation				Actual/Revised Estimates			
	OE	DE	Total allocation	y/y%	OE	DE	Total spending	y/y%
2023	289.1	97.0	386.1	14.0%	311.3	96.1	407.4	6.0%
2024	303.8	90.0	393.8	2.0%	321.5	84.0	405.5	(0.5%)
2025	335.0	86.0	421.0	6.9%	332.2*	80.0*	412.2*	1.7%
2026	338.2	81.0	419.2	(0.4%)	338.2**	81.0**	419.2**	1.7%

## Budget 2026 share of RMK-13

	RMK-13	Budget 2026	%share
Revenue	1,820.6	343.1	18.8%
OE	1,808.3	338.2	18.7%
DE	430.0	81.0	18.8%

## The fourth MADANI budget and the first under the 13<sup>th</sup> Malaysia Plan (RMK-13)

Overall, we opine that Budget 2026 is well within our expectations. As the government reaches the midpoint of the political cycle, spending priorities will typically shift towards enhancing the livelihood of the rakyat rather than pursuing reforms. Budget 2026 appears to be more-rakyat-centric than the previous iterations of the MADANI budgets, evident from the slew of initiatives ranging from family-related tax reliefs to higher cash handouts. We also noticed that the extended, and expanded, tax breaks for employers who hire people from vulnerable groups and senior citizens have been extended by another five years to 2030.

Despite the more restrained environment for pushing reforms, we commend the government's efforts to pursue legislative reforms in 2026. The introduction of the Carbon Tax and the addition of the Lemon Law in the Consumer Protection Act 1999, amongst others, are much welcomed.

Despite a growing economy, the total allocation in Budget 2026 of MYR419.2 billion appears to be smaller than that in Budget 2025 of MYR421.0 billion. However, compared to the estimated spending in 2025, Budget 2026 is 1.7% larger, similar to Budget 2025. We noted the inclusion of a total public sector spending amounting to MYR 50.8 billion in the budget speech, which differs from previous practices but aligns with RMK-13's.

On the links with RMK-13, we also noted that the planned development spending accounts for 18.8% of the total MYR430.0 billion allocation under the 5-year plan. We believe it is a phased rollout strategy that prioritises fiscal discipline while laying the foundation for high-impact projects in the coming year.

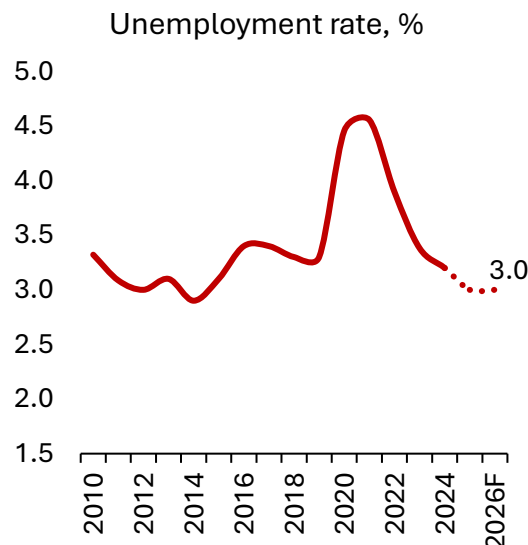
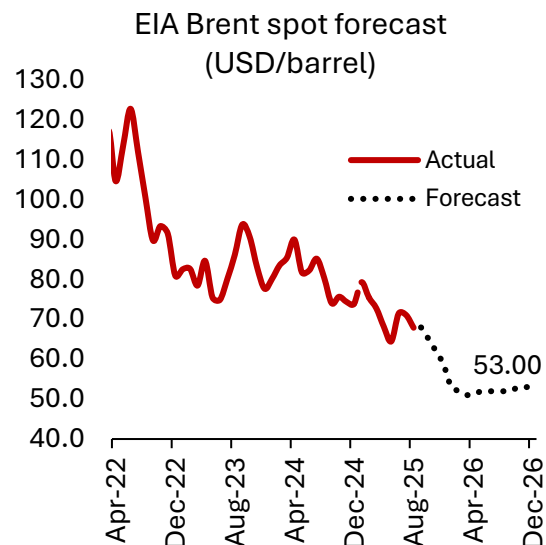
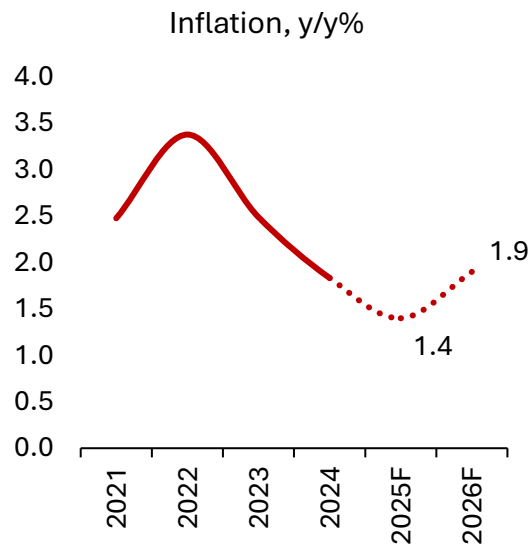
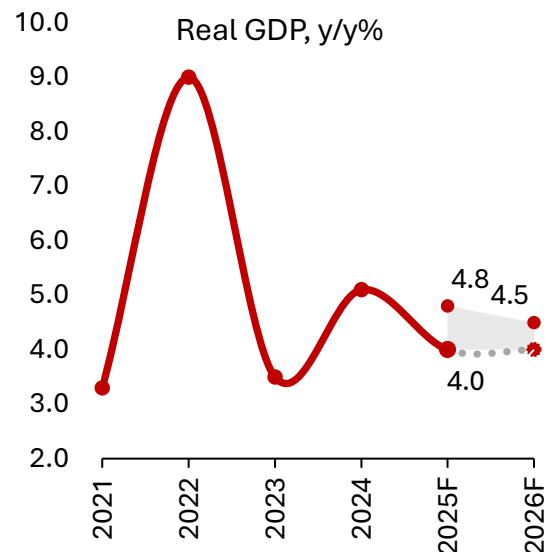
## How accurately does the Pre-Budget Statement (PBS) align with Budget 2026?

The PBS outlines that growth in 2026 will be anchored by domestic demand, supported by private investment, employment, and income-enhancing measures. Legislative reform measures include the introduction of four new Acts, namely the Government Procurement Act, State-Owned Enterprises Act, Ombudsman Act and the Freedom of Information Act. The Government Procurement Act 2025 was passed shortly after PBS was issued, whereas Budget 2026 made no mention of the remaining legislative reforms highlighted above.

Despite the omission of these acts, areas such as subsidy rationalisation, public sector investments, AI and digitalisation and other rakyat-centric policies fall within our expectations.


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# Brief economic outlook in 2026



## The government's assessment of the economic conditions in 2026

### Real GDP growth forecast

Budget 2026 outlines the government's projection for the Malaysian economy to grow between 4.0% and 4.5%, which falls within a slightly tighter range than its forecast for the current year of 4.0% to 4.8%. We believe Budget 2026 has insightfully recognised the external challenges that may impact growth in the coming year. For the record, our in-house real GDP growth forecast falls within the official range of 4.2%, although our current-year forecast is lower at 3.8%.

Notwithstanding the International Monetary Fund (IMF)'s upcoming forecast, due on 14 October 2025, its current outlook (released in July 2025) for the Malaysian economy is 4.5% in 2025 and 4.0% in 2026. Meanwhile, the latest World Bank projections indicate that the Malaysian economy is expected to grow at a flat rate of 4.1% for both 2025 and 2026.

### Inflation outlook

Budget 2026's assessment of the inflation outlook mirrors our forecasts. The government expects inflation in 2025 to come in within a 1.0-2.0% range, and a 1.3-2.0% range next year. We forecast that inflation in 2025 and 2026 to come in at 1.4% and 1.9%, respectively.

### Labour market

Malaysia's labour market remains tight and will likely remain so in 2026. The government expects the unemployment rate to remain constant at 3.0%, which aligns with our view.

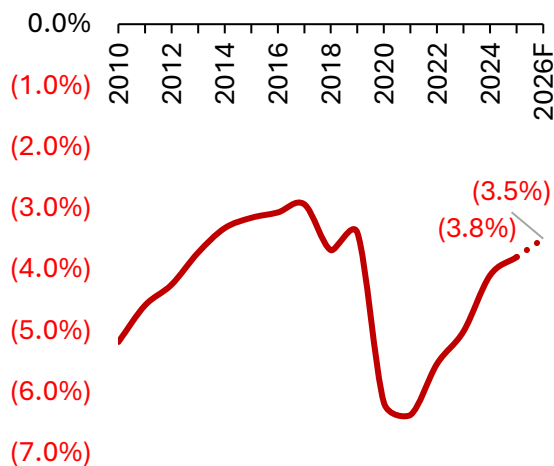
### Global oil price assumption

The government believes that Brent crude will average around USD70 per barrel in 2025 and between USD60-65 per barrel in 2026. We take a more cautious stance on such assumptions as the U.S. Energy Information Administration (EIA), based on its October 2025 forecasts, expects Brent crude to average USD62 per barrel in 4Q2025 and USD52 per barrel in 2026. Much of EIA's assumption is premised on higher global oil inventories through 2026.

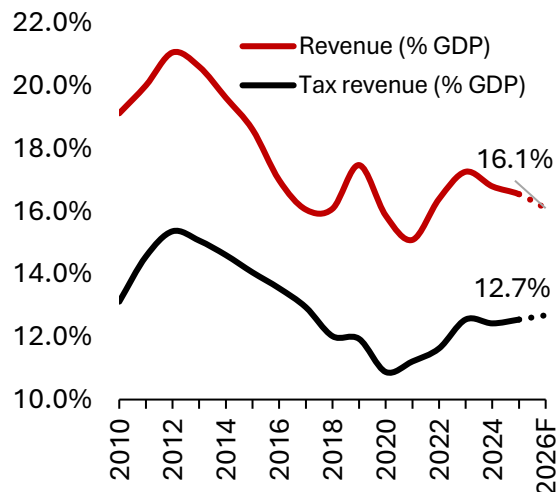

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# Budget 2026: Fiscal deficit and revenues

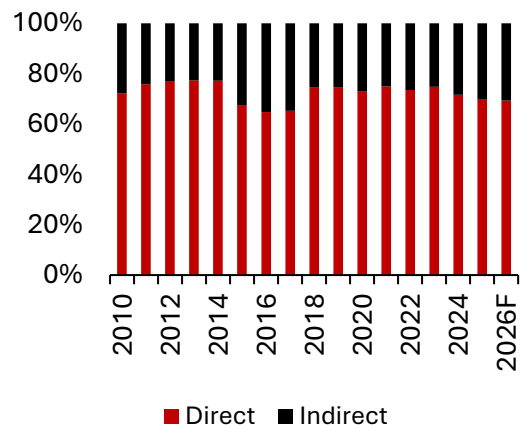
Fiscal Balance, %GDP



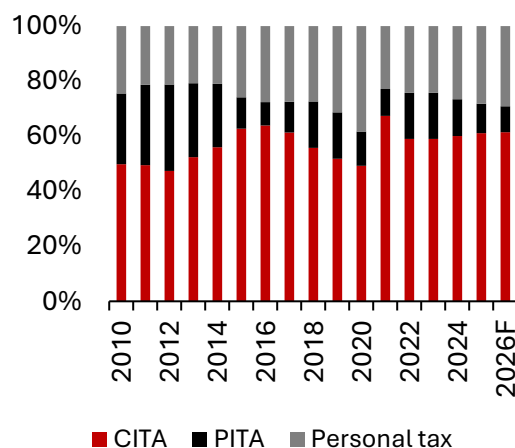
Govt revenue, %GDP



Tax revenue:  
Direct and Indirect



Direct income tax: by type



## A budget that balances fiscal consolidation and growth support

Budget 2026 – the inaugural budget under the RMK13 – maintains an expansionary stance with a total allocation of MYR419.2 billion, equivalent to nearly 20% of GDP based on government estimates. This represents a modest 1.7% increase from the recalibrated MYR412.1 billion in 2025, but lower than the initial MYR421.0 billion allocated for 2025.

The government targets to narrow the fiscal deficit to 3.5% of GDP in 2026, down from 3.8% in 2025, assuming a GDP growth range of 4.0% to 4.5%. This target aligns with the medium-term fiscal framework (MTFF), which projects an average fiscal deficit of 3.2% over the 2026-2028 period, reaffirming the fiscal path towards achieving a 3.0% deficit by 2028. The government has been on a steady fiscal consolidation path, reducing the deficit from a pandemic-peak of 6.4% of GDP in 2021 to 4.1% in 2024, underscoring its strong track record of credible deficit control.

We believe that the fiscal deficit targets for both 2025 and 2026 are achievable, provided there are no unforeseen supply shocks that necessitate additional fiscal stimulus.

## Broadening the non-oil revenue base to offset oil revenue decline

We have noticed that the 2025 total revenue collection has been revised downward from MYR339.7 billion to MYR334.1 billion, or by MYR5.6 billion, largely due to a decline in corporate tax and petroleum income tax collections. Higher indirect tax, personal tax collections and investment income provided the necessary buffer to the shortfall in taxes. Overall, non-tax revenue has been stable.

The government projects total revenue to increase by 2.7% to MYR343.1 billion in 2026, up from MYR334.1 billion in 2025. The increase is primarily due to higher tax revenues (+6.7%), but is compensated by the decrease in non-tax revenue (-9.9%).

As a share of GDP, total revenue is expected to ease to 16.1% from 16.6% in 2025, though it remains above the pandemic low of 14.9% recorded in 2021. This trend reflects the government's measured approach to implementing revenue-enhancing measures, with due consideration for their potential implications for growth.

Tax revenue is expected to remain the largest contributor, reaching MYR270.4 billion, or 78.8% of total revenue (2025E: MYR253.4 billion, or 75.8%). This is supported by various revenue measures, including the expansion of the Sales and Service Tax (SST) and the rollout of the e-invoicing system, alongside continued labour market tightness, as evidenced by a record-low unemployment rate of 3.0%. Rising wages play a key role, particularly from the second phase of civil servant salary adjustments in January 2026. Notably, SST revenue is projected to increase by 11.6% to an all-time high of MYR59.6 billion in 2026 (2025E: MYR53.4 billion), helping to offset the expected shortfall in oil-related revenue.

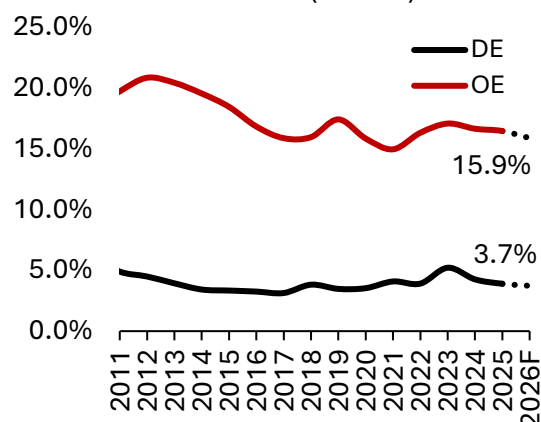
Oil-related revenue is projected to decline to MYR43.0 billion, representing 12.5% of total revenue – the lowest share in more than three decades – reflecting the impact of softer global crude oil prices. This estimate is based on the government's assumption that Brent crude will average USD60-65 per barrel in 2026, down from USD70 in 2025, aligning with market expectations. We suspect that the continued moderation in oil-related revenue, whether due to policy choice or lower global oil prices, will heighten the need to further broaden and diversify its revenue base in the future.



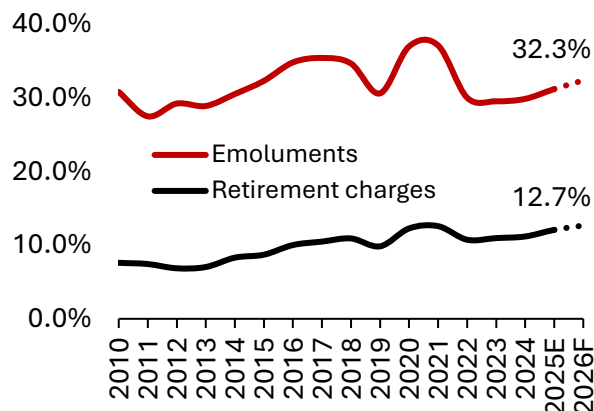

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# Budget 2026: Expenditures

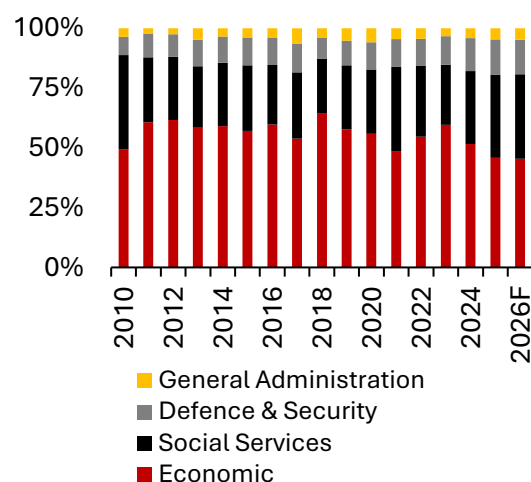
Govt Expenditures:  
OE and DE (%GDP)



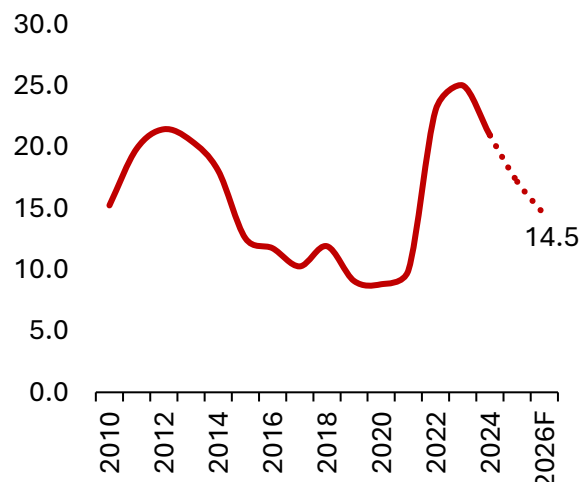
Emolument and Retirement  
Charges (%OE)



DE: by sector



Subsidies, %total OE



## Government revises 2025 spending to MYR412.1 billion due to improvements in fiscal management

The government revised its 2025 total expenditure to MYR412.1 billion from MYR421.0 billion (-MYR8.9 billion) due to optimisation of emoluments and debt service charges (DSC), as well as reduced disbursements for development expenditure (DE). The lower adjustment reflects the government's commitment to reprioritise the spending plan in line with fiscal consolidation. For next year, the total spending is allocated at MYR419.2 billion, representing a 1.7% increase compared to the revised figure for 2025.

In Budget 2026, operating expenditure (OE) continues to dominate, accounting for 80.7% of the total spending in 2026 compared to 2025 of 80.6%, while DE makes up 19.3% (2025: 19.4%).

Emoluments remain the largest component of OE, representing over 30% of the total share of OE for both 2025 and 2026, amid civil service salary adjustments implemented through the *Sistem Saraan Perkhidmatan Awam* (SSPA). Additionally, 2025 marks the first time that emoluments surpass the MYR100 billion mark. Based on MoF projections, retirement charges are on an upward trend, outpacing the increase in emoluments from 2024 to 2026.

To elaborate further, the combined expenditure on wages and pensions surpassed 40% since 2015 and continued at that level, with the figure surging to almost 50% in 2020 and 2021, after decreasing slightly in 2019. Meanwhile, the latest data show that the statistics continue to climb. We are comforted by the fact that the government is acutely aware of these rising contractual expenditure items, adding that the growing number of pensioners and beneficiaries is approaching one million recipients. To address this issue, the Fiscal Outlook 2026 report mentioned that the government is finalising the implementation of a defined-contribution (DC) scheme from the current defined-benefit (DB) scheme soon.

## Lower DE allocation offers fiscal space for policy recalibration

Interestingly, subsidies and social assistance are projected to fall next year, thanks to the government's ongoing effort to rationalise fuel subsidies. Lower commodity prices may also lead to more fiscal savings. However, the net fiscal gain could be disrupted by global oil price volatilities, in which additional spending may be needed to maintain the capped retail price at MYR1.99 per litre. For now, the government expects global oil prices to average between USD60 and USD 65 per barrel in 2026, down from the USD70 per barrel average price estimated this year. Therefore, the risk of higher retail oil prices due to external considerations is currently low.

We noticed that annual DE allocation fell short at MYR81 billion in 2026, compared to the average spending of MYR86 billion anticipated under the RMK-13. Nevertheless, it is higher than its downward revision in 2025 of MYR80 billion (Budget 2025: MYR86 billion). While it deviates from the anticipated fiscal trajectory, this could provide ample room to spend more in the remainder of RMK-13.

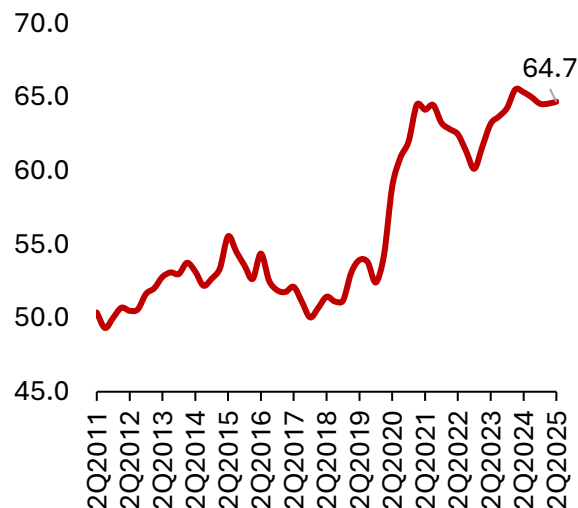
The transportation sub-sector remains the largest recipient of DE, at MYR17.5 billion, or 21.6% of the total allocation in 2026, up from MYR16.4 billion, or 20.5%, recorded in 2025. This is mainly due to the construction of ongoing infrastructure projects and new ones, such as the new Sambungan Kabel Dasar Laut MADANI (SALAM) initiative, amounting to MYR2 billion.

In 2026, the government expects higher DE spending in all sub-sectors except for agriculture, education and training and security.

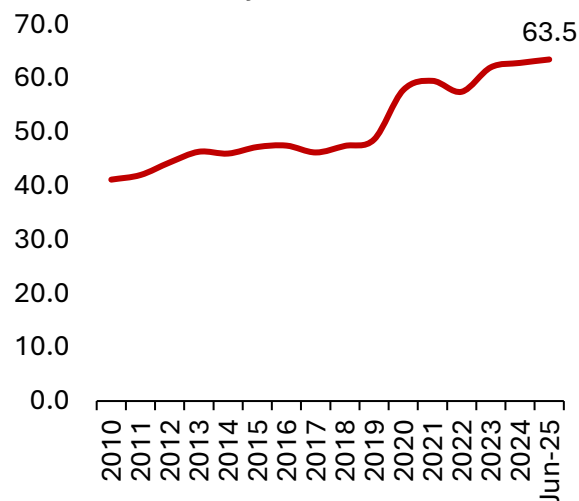

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# Budget 2026: Debt management

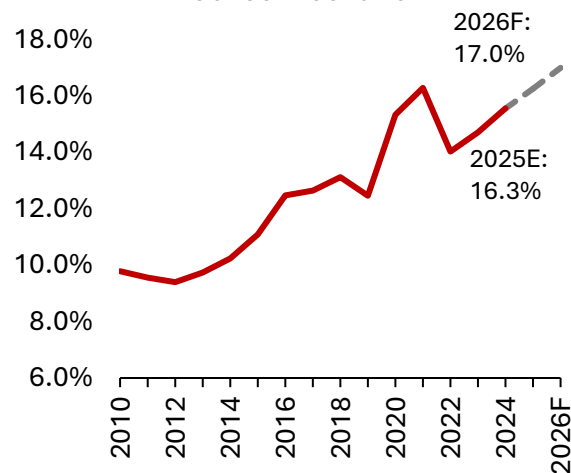
Debt-to-GDP, %



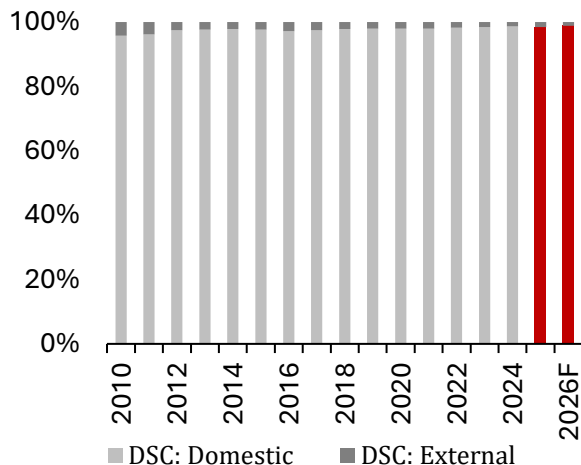
Statutory Debt-to-GDP, %



Debt service ratio



Debt Services Charges: by type



## Government debt risks contained

As of end-June 2025, Malaysia's total federal government debt-to-GDP ratio stood at 64.7%, little changed from 64.6% recorded at end-2024. Of this, statutory debt, which comprises Malaysian Government Securities (MGS), Government Investment Issues (MGII), and Malaysian Islamic Treasury Bills (MITB), accounted for 63.5% of GDP (as of end-2024: 62.8%).

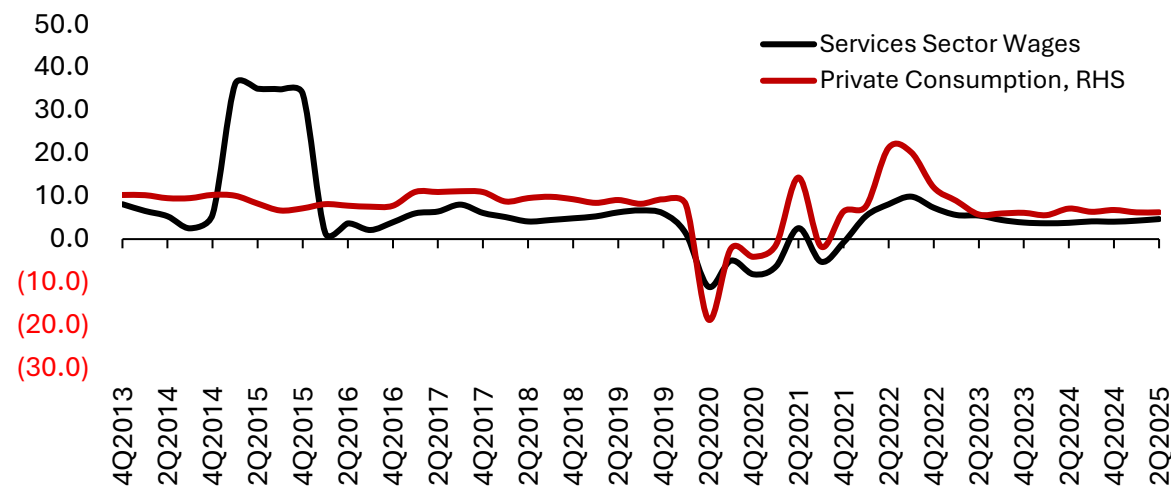
We expect a further uptick in the debt ratio by year-end, driven primarily by slower nominal GDP growth rather than a significant rise in borrowings. The government projects nominal GDP growth to moderate to 3.8%-4.6% in 2025, down from 5.9% in 2024. Nonetheless, we expect statutory debt to remain within the debt ceiling of 65% amid continued fiscal discipline.

The debt service ratio – defined as DSC as a share of total government revenue – is projected to rise to 16.3% in 2025 and further to 17.0% in 2026 (2024: 15.6%). While this warrants close monitoring, risks are contained given the low share of external debt and the largely domestic debt profile.

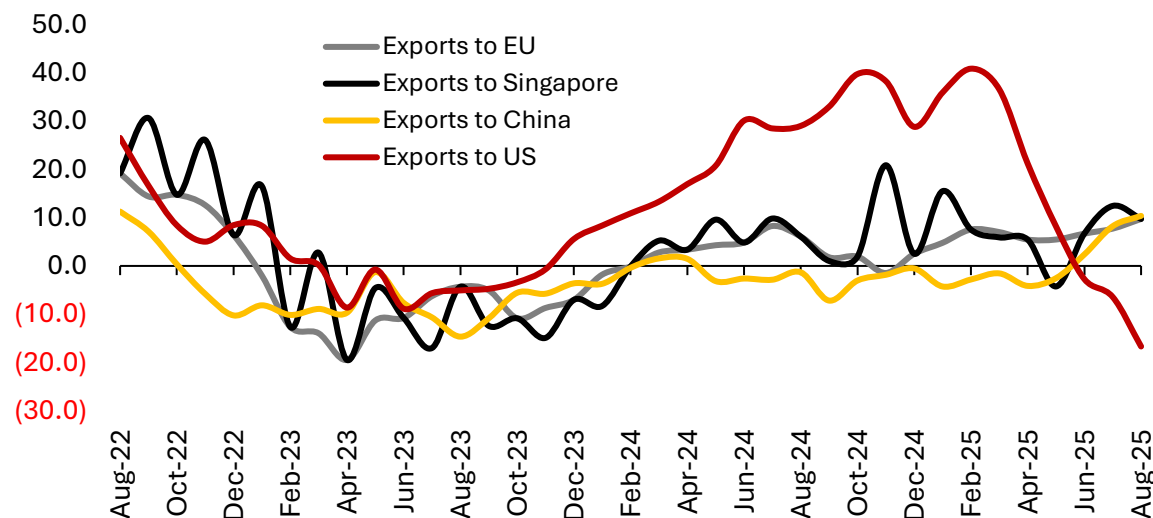

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# Budget 2026: Notable initiatives

Private Consumption vs Wages, y/y%



Exports by destination, y/y%, 3mma



## Notable Budget 2026 initiatives

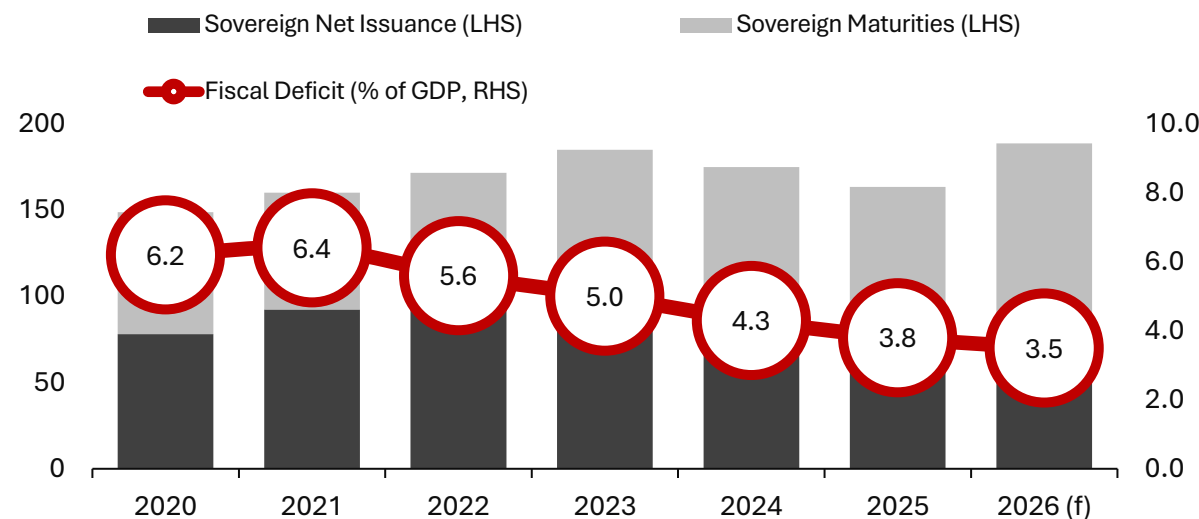
- **Tax measures:** Following the enhancements to the SST rate and scope, the full implementation of the e-invoice system in 2026 is expected to help reduce tax leakages and improve tax compliance, as part of the government's revenue-enhancing measures. In addition, the Carbon Tax will be introduced in 2026, starting with the iron, steel and energy sectors.
- **Household reliefs:** Budget 2026 continues to prioritise household support through continued cash handouts – namely STR and SARA – targeted subsidies, as well as targeted expansion of personal income tax reliefs. The government has allocated a combined MYR15.0 billion for STR and SARA, an increase from MYR13.0 billion previously. Other notable initiatives, such as i-Saraan Plus, MySalam, a MYR672 million allocation for affordable housing, and stamp duty exemption for first-time homebuyers, will underpin private consumption in 2026. Furthermore, the government is allocating MYR210.5 million for free tertiary education for e-Kasih recipients, a PTPTN repayment exemption for First-Class students, and a travel ban for PTPTN defaulters with outstanding loans of more than five years or borrowers earning more than MYR6,000 per month.
- **HGHV industries:** In line with the RMK-13, the government is intensifying its pro-growth efforts in semiconductors, renewable energy, artificial intelligence (AI) and the digital economy. These efforts are supported by a mix of policy tools, including tax incentives, targeted financing, and strategic investments by GLICs and GLCs. These initiatives support the government's ambition to increase electrical and electronics (E&E) exports to MYR1.0 trillion by 2030.
- **Development expenditure:** Marking the first budget of the RMK13, the DE allocation makes up 18.8% of the total expenditure, funding 2,300 programmes and projects. Additionally, the spending allocation is set to prioritise high-impact projects, including those under the New Industrial Malaysia Plan 2030 (NIMP 2030).
- **State/region initiative.** Higher allocations for East Malaysia, as Sabah and Sarawak receive MYR6.9 billion and MYR6.0 billion development allocation, respectively. In addition, both states will receive special grants of MYR600 million each. There are also state-level social, community and local infrastructure initiatives for upgrading schools, housing, local markets and water system, among others.
- **Visit Malaysia Year 2026:** The government is allocating MYR705 million to invigorate VMY26, excluding MYR10 million allocation for concerts by local and international artists.




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# Budget 2026: The financial market perspective

MGS/GII Issuance, Maturities & Fiscal Deficits (MYR billion) (2020-2026f)



Federal government debt by instrument (2024 vs. Jun 2025)

	MYR billion		Share of GDP (%)	
	2024	June 2025	2024	June 2025
<b>Domestic debt</b>	1,209.6	1,281.4	63.1	63.6
<b>MGS</b>	633.8	659.1	32.8	32.7
<b>GII</b>	571.8	614.8	29.5	30.5
<b>MTB</b>	5.0	2.0	0.3	0.1
<b>MITB</b>	10.0	5.5	0.5	0.3
<b>Offshore borrowings</b>	28.0	22.8	1.4	1.1
<b>Market loans</b>	25.0	19.8	1.2	1.0
<b>Project loans</b>	3.0	3.0	0.2	0.1
<b>Total</b>	1,247.6	1,304.2	64.6	64.7

In FY2026, we expect larger gross MGS+GII issuance but lower net issuance

- There is expected to be a larger gross MGS+GII issuance amount in FY2026 versus FY2025, even as the fiscal deficit target as a percentage of GDP is reduced to 3.5% of GDP in FY2026 (FY2025: 3.8%). However, we are not concerned with the larger primary MGS+GII size in the coming year, as the expected rise in gross issuance will mainly be due to refinancing of maturing MGS and GII in the coming year. In summary, we anticipate FY2026 gross MGS+GII offerings to be larger at MYR185.0 billion (FY2025: MYR165.0 billion), but relatively smaller net MGS+GII offerings at MYR75.0 billion (FY2025: MYR75-80.0 billion).
- As we expect MGS and GII net supply to rise by MYR75 billion in 2026, which, by our calculations, should raise the outstanding MGS and GII towards MYR1.36 trillion by end-2026 (est. MYR1.28 trillion end-2025). Our calculations suggest outstanding MGS+GII should reach 64.0% of GDP end-2026 (63.2% of GDP end-2025). We bring this up because, at 64.0% of GDP by end-2026, compared with the year before, in our opinion, the government is showing that it remains steadfast in pursuing fiscal constraint in terms of borrowings, commiserating with the debt and financing target levels as per the Fiscal Responsibility Act (FRA) 2023.

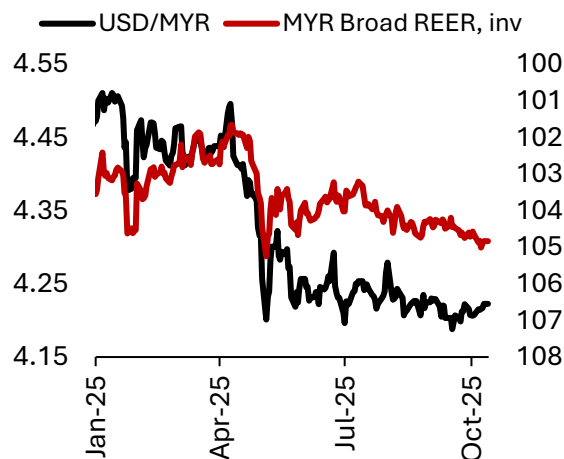
## DSC and GGs

- In ringgit terms, the debt service charges (DSC) are estimated to have increased to MYR54.3 billion or amounting to 16.3% of government revenue in FY2025 (FY2024: MYR50.5 billion or 15.6% of revenue). Nevertheless, there was a slower rise in DSC of 7.6% in FY2025 from +9.0% in FY2024, coming alongside slowing fiscal deficits to GDP in recent years.
- Government guarantees, at 21.1% of GDP, remain below the 25% of GDP threshold for Financial Guarantees as per the FRA 2023 limits, allowing the government ample room to fund development expenditure during the RMK-13 period via GGs (and rated bonds as well, which do not require explicit government guarantees).

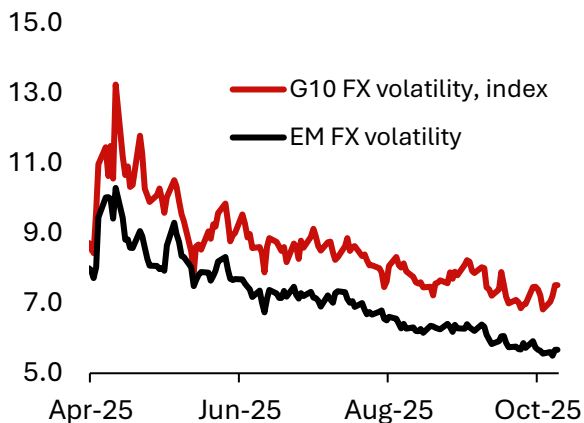

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# Budget 2026: The financial market perspective

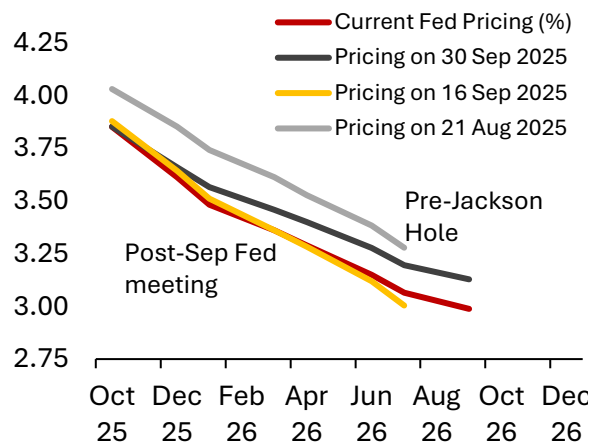
USD/MYR trading within a steady range since 2H2025



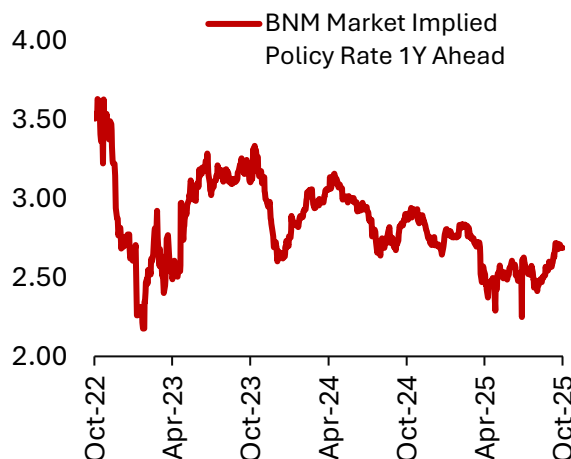
EM FX volatility on a more sustained downtrend since the US tariff shock in



Near-term forward Fed rate expectations has steadied since Powell's speech in Jackson Hole



Swap market bets of another BNM OPR cut in the near-term has faded



## Impact on MYR

Finance Minister II Amir Hamzah said that the Ringgit may extend recent gains due to the government's fiscal prudence and strong domestic spending, and projects USD/MYR to fall to 'just below' 4.00 in 12 months (a more than 5% gain). Despite the positive news of further fiscal consolidation, we think USD/MYR levels are unlikely to respond to this development in the near term. Instead, we believe that MYR will remain influenced by other factors, such as policy interest rate differentials, balance of payment flows (including the trade account), market sentiment, and other external developments.

Since 2H2025, USD/MYR has mostly traded within the 4.20-4.25 range, tracking relative stability across EM currencies amid PBOC-tempered swings for the CNY. While volatility among DM currencies is slightly higher recently due to greater uncertainties and risks in the US, UK, France, and Japan (policy, fiscal, and political turbulence), aggressive market bets early on have also priced in some of the latest developments – such as the current weakening US labour market conditions. Nevertheless, the Fed is not expected to ease monetary settings too aggressively beyond current market expectations, given still-elevated core inflation and still-nascent upside risks to it.

## USD/MYR and DXY forecasts

We target a USD/MYR level of 4.20 by end-2025, with a more gradual appreciation to the 4.16 level by 2Q2026. This is premised on: 1) A continued narrowing of policy rate differentials in favour of the MYR, 2) Better sentiment for Ringgit assets amid continued fiscal consolidation efforts – especially vis-a-vis DM fiscal worries and political turmoil regionally, and 3) Softening external demand and global trade momentum to temper excessive Ringgit gains due to a weakening trade account.

Domestic catalysts are expected to remain minimal and, in any case, should not impact MYR valuation. Instead, risks to our call arise from US-driven data (labour and inflation data) and other catalysts, such as Fed developments, including a) an unexpected hawkish tilt refocus towards inflation risks, and b) Candidate picks to replace key FOMC members Powell (Chairman) and Miran (Governor). The ongoing Supreme Court review of Trump's reciprocal tariffs, which were deemed illegal by lower US courts (with the process set to begin in early November), will also be closely watched, given its implications for the US fiscal outlook and the global trade/growth outlook for other countries.

# Appendices



## Fiscal Position: Overview

	MYR million			Change (%)			Share of Overall (%)		
	2024	2025RE	2026E	2024	2025RE	2026E	2024	2025RE	2026E
Revenue	324,617	334,115	343,124	3.1	2.9	2.7	16.8	16.6	16.1
OE	321,509	332,150	338,202	3.3	3.3	1.8	16.6	16.5	15.9
Current Balance	3,109	1,965	4,922				0.2	0.1	0.2
Gross DE	84,012	80,000	81,000	(12.6)	(4.8)	1.3	4.2	4.0	3.8
(-) Loan Recoveries	1,737	1,321	1,500	72.5	(23.9)	13.6	0.1	0.1	0.1
Net DE	82,275	78,679	79,500	(13.5)	(4.4)	1.0	4.3	3.9	3.7
Overall Balance	(79,166)	(76,714)	(74,578)				(4.1)	(3.8)	(3.5)

## Fiscal Position: Revenue

	MYR million			Change (%)			Share of Overall (%)		
	2024	2025RE	2026E	2024	2025RE	2026E	2024	2025RE	2026E
Tax Revenue	240,192	253,400	270,383	4.8	5.5	6.7	74.0	75.8	78.8
Direct Tax	171,693	177,145	187,357	0.2	3.2	5.8	52.9	53.0	54.6
CITA	92,776	97,033	103,353	1.1	4.6	6.5	28.6	29.0	30.1
Individual	41,099	44,859	49,069	8.8	9.1	9.4	12.7	13.4	14.3
PITA	20,528	16,906	15,698	(21.3)	(17.6)	(7.1)	6.3	5.1	4.6
Indirect Tax	68,499	76,255	83,026	18.4	11.3	8.9	21.1	22.8	24.2
SST	44,758	53,424	59,627	26.2	19.4	11.6	13.8	16.0	17.4
Excise Duties	13,383	12,508	12,791	1.8	(6.5)	2.3	4.1	3.7	3.7
Import Duty	3,072	3,077	3,081	1.2	0.2	0.1	1.0	0.9	0.9
Export Duty	2,092	1,920	1,913	2.6	(8.3)	(0.3)	0.6	0.6	0.6
Non-tax Revenue	84,426	80,715	72,741	(1.6)	(4.4)	(9.9)	26.0	24.2	21.2
Licenses & Permits	17,041	15,879	15,726	1.8	(6.8)	(1.0)	5.2	4.8	4.6
Investment Income	45,782	50,374	36,676	(18.0)	10.0	(27.2)	14.1	15.1	10.7
Total Revenue	324,618	334,115	343,124	3.1	2.9	2.7	100.0	100.0	100.0
Share to GDP, %	16.8	16.6	16.1						


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# Appendices

## Fiscal Position: Operating Expenditure

	MYR million			Change (%)			Share of Overall (%)		
	2024	2025RE	2026E	2024	2025RE	2026E	2024	2025RE	2026E
Emoluments	95,936	103,522	109,366	4.4	7.9	5.6	29.8	31.2	32.3
Retirement Charges	35,901	40,060	42,801	5.3	11.6	6.8	11.2	12.1	12.7
Debt Service Charges	50,481	54,300	58,300	9.0	7.6	7.4	15.7	16.3	17.2
Grants and transfers to state governments	8,949	9,260	9,828	3.0	3.5	6.1	2.8	2.8	2.9
Supplies and services	37,668	42,497	40,292	4.9	12.8	(5.2)	11.7	12.8	11.9
Subsidies and social assistance	67,360	57,062	49,004	(6.3)	(15.3)	(14.1)	21.0	17.2	14.5
Asset Acquisition	1,189	1,182	1,002	16.2	(0.6)	(15.2)	0.4	0.4	0.3
Refunds and write-offs	499	541	547	(5.1)	8.4	1.1	0.2	0.2	0.2
Grants to statutory bodies	13,997	14,804	15,809	(11.1)	5.8	6.8	4.4	4.5	4.7
Others	9,529	8,922	11,253	82.0	(6.4)	26.1	2.8	2.5	3.3
<b>Total</b>	<b>321,509</b>	<b>332,150</b>	<b>338,202</b>	<b>3.3</b>	<b>3.3</b>	<b>1.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Share to GDP (%)</b>	<b>16.6</b>	<b>16.5</b>	<b>15.9</b>						

## Fiscal Position: Development Expenditure

	MYR million			Change (%)			Share of Overall (%)		
	2024	2025RE	2026E	2024	2025RE	2026E	2024	2025RE	2026E
<b>Economic</b>	<b>43,401</b>	<b>36,648</b>	<b>36,785</b>	<b>(24.2)</b>	<b>(15.6)</b>	<b>0.4</b>	<b>51.7</b>	<b>45.8</b>	<b>45.4</b>
Transport	20,466	16,368	17,534	15.2	(20.0)	7.1	24.4	20.5	21.6
Trade and industry	2,985	2,615	3,031	(0.8)	(12.4)	15.9	3.6	3.3	3.7
Energy & utilities	2,185	2,471	2,790	(8.0)	13.1	12.9	2.6	3.1	3.4
Agriculture	2,810	2,940	551	(6.9)	4.6	(81.3)	3.3	3.7	0.7
Environment	2,625	3,005	3,818	41.1	14.5	27.1	3.1	3.8	4.7
<b>Social</b>	<b>25,602</b>	<b>27,784</b>	<b>28,592</b>	<b>5.6</b>	<b>8.5</b>	<b>2.9</b>	<b>30.5</b>	<b>34.7</b>	<b>35.3</b>
Education & training	12,590	14,703	14,451	3.3	16.8	(1.7)	15.0	18.4	17.8
Health	5,867	6,825	6,969	22.3	16.3	2.1	7.0	8.5	8.6
Housing	1,603	1,318	1,457	(23.9)	(17.8)	10.5	1.9	1.6	1.8
<b>Security</b>	<b>11,576</b>	<b>11,861</b>	<b>11,738</b>	<b>1.7</b>	<b>2.5</b>	<b>(1.0)</b>	<b>13.8</b>	<b>14.8</b>	<b>14.5</b>
<b>General Administration</b>	<b>3,433</b>	<b>3,707</b>	<b>3,885</b>	<b>6.5</b>	<b>8.0</b>	<b>4.8</b>	<b>4.0</b>	<b>4.7</b>	<b>4.8</b>
<b>Total</b>	<b>84,012</b>	<b>80,000</b>	<b>81,000</b>	<b>(12.6)</b>	<b>(4.8)</b>	<b>1.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Share to GDP (%)</b>	<b>4.4</b>	<b>4.0</b>	<b>3.8</b>						



# Appendices

## Budget 2025 revised estimates: Revenue

Revenue	MYR mil		
	Budget 2025	Revised Estimates	Difference
Tax revenue	259,037	253,400	(5,637)
Direct tax	188,799	177,145	(11,654)
CITA	106,478	97,003	(9,475)
Individuals	43,970	44,859	889
PITA	20,742	16,906	(3,836)
Indirect tax	70,238	76,255	6,017
SST	46,743	53,424	6,681
Excise duties	13,795	12,508	(1,287)
Import duty	3,269	3,077	(192)
Export duty	1,955	1,920	(35)
Non-tax revenue	80,669	80,715	46
Licences and permits	16,659	15,879	(780)
Investment income	48,213	50,374	2,161
<b>TOTAL REVENUE</b>	<b>339,706</b>	<b>334,115</b>	<b>(5,591)</b>

## Budget 2025 revised estimates: Operating Expenditure

Operating Expenditure	MYR mil		
	Budget 2025	Revised Estimates	Difference
Emoluments	105,917	103,522	(2,395)
Retirement charges	40,560	40,060	(500)
Debt service charges	54,700	54,300	(400)
Grants and transfers to state governments	9,260	9,260	0
Supplies and services	40,654	42,497	1,843
Subsidies and social assistance	52,571	57,062	4,491
Asset acquisition	1,182	1,182	0
Refunds and write-offs	541	541	0
Grants to statutory bodies	16,304	14,804	(1,500)
Others	13,311	8,922	(4,389)
<b>TOTAL OE</b>	<b>335,000</b>	<b>332,150</b>	<b>(2,850)</b>


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# Appendices

## Budget 2025 revised estimates: Development Expenditure

Development Expenditure	MYR mil		
	Budget 2025	Revised Estimates	Difference
<b>Economic:</b>	<b>39,976</b>	<b>36,648</b>	<b>(3,328)</b>
Transport	17,559	16,368	(1,191)
Trade and Industry	3,131	2,615	(516)
Energy and public utilities	3,044	2,471	(573)
Agriculture	3,062	2,940	(122)
Environment	3,203	3,005	(198)
<b>Social:</b>	<b>29,902</b>	<b>27,784</b>	<b>(2,118)</b>
Education and training	15,024	14,703	(321)
Health	6,853	6,825	(28)
Housing	2,318	1,318	(1,000)
<b>Security</b>	<b>12,334</b>	<b>11,861</b>	<b>(473)</b>
<b>General administration</b>	<b>3,788</b>	<b>3,707</b>	<b>(81)</b>
<b>TOTAL DE</b>	<b>86,000</b>	<b>80,000</b>	<b>(6,000)</b>

## Fiscal performance: YTD

	Revised Budget Allocation		
	Revenues MYR	Expenditures MYR	Fiscal Balance MYR
2023	303,200	396,440	(93,240)
2024	322,050	406,346	(84,296)
2025	334,115	410,829	(76,714)

	Actual		
	Revenues MYR	Expenditures MYR	Fiscal Balance MYR
8M2023	201,405	248,610	(47,205)
8M2024	198,151	253,399	(55,248)
8M2025	207,705	257,085	(49,380)

	Fiscal Performance (Actual vs Revised Budget)		
	Revenues	Expenditures	Fiscal Balance
8M2023	66.4%	62.7%	50.6%
8M2024	61.5%	62.4%	65.5%
8M2025	62.2%	62.6%	64.4%

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