



MALAYSIA BUDGET 2023

Developing Malaysia

MADANI

Snapshots of Malaysia Budget 2023 (Re-tabled)

An analysis by

“ Kindness and grace are essential in upholding social justice to ensure the well-being of ALL

This Belanjawan MADANI reflects the principles of accountability and pure value system that can address the current challenges including the highly uncertain global economic challenge

”

Yang Amat Berhormat
Dato' Seri Anwar bin Ibrahim

Malaysia's Prime Minister



Budget 2023

to take account of current **Economic Performance & Challenges**



1 The government inherited a **high debt burden**

The national debt is projected to reach **RM1.2 trillion** or **> 60% of GDP** for the year 2023.

The payment of **RM46 billion** is **only for the payment of interest** and not to service the principal.

2 Malaysia is experiencing a **decline in governance**

Malaysia's **Corruption Perception Index (CPI) 2022 ranking** has plummeted to **rank 61** when compared to rank 29 in 1998.

The Auditor General's report for 2020 and 2021 recorded **leakage of almost RM3 billion**, which covers loss of public money, wastage, and irregular payments.

There are **leakages in the diesel subsidy** implementation with **almost RM10 billion** worth of diesel subsidy estimated to being misappropriated last year.

3 The country needs to navigate the **global economic uncertainty**

The **inflation rate** continues to see pressure against global commodity prices that are still too high, and the food supply chain disruption due to the Russia-Ukraine war.

Global economic growth is projected **slower at 2.9% for 2023**, compared to 3.4% in the previous year. Global trade is also projected to slow down at a rate of 2.4%, compared to 5.4% in 2022.

4 Investments have **not recovered** to pre-pandemic levels

Malaysia's position in the **World Competitiveness Ranking** by the International Institute for Management Development (IMD) has also fallen to **rank 32** when we were once ranked 12.

The **inflation rate** this year is expected to remain the **same**.

5 Economic challenges that affect the Rakyat

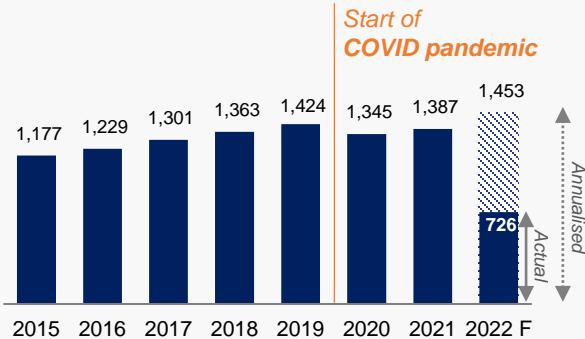
Youth unemployment rate for those aged 25 years and below is still **>10%**. Their average **income is also low**, around RM1,700 in 2021.

Key Challenges in The Malaysian Economy



Contraction in Gross Domestic Product (GDP)

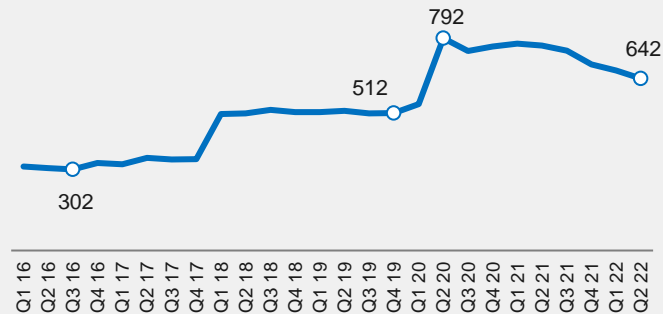
Malaysia's GDP (RM Billion, 2016 – 2022F)



Malaysia's GDP has slipped during COVID-19 which hit us in year 2020 and a slight upward trend is observed by the first half of 2022, on the back of a more contained pandemic situation, indicating a trend to surpass the pre-COVID GDP by H2 2022.

High Unemployment

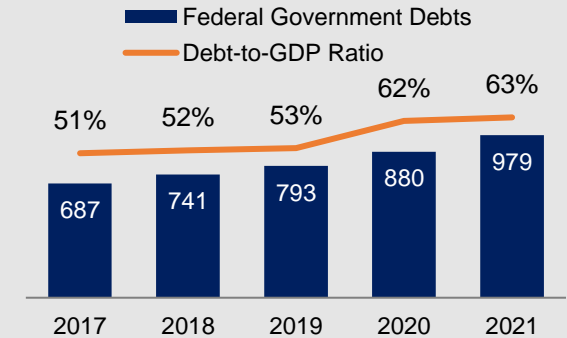
Unemployment ('000 People, 2016 – Q2 2022)



Significant job loss of > **130k** as compared to pre-covid levels. Despite recent improvement amid economic recovery it still stood at \approx **213%** signifying the lowest point in recent years (Q3 2016) at 302k.

Increase in National Debt

National Debt of Malaysia (RM Billion, 2018-June 2022)



The national debt has been on increasing trend which is closed to the threshold at 65%. The federal governments debts is expected to hit RM1.2 trillion this year.

“Developing a Madani Nation” concept as the foundation for a civilised and progressive society



Malaysia’s government has launched the Malaysia “Madani” concept, envisioning a country which emphasizes humanity and good values such as fair, just and effective governance.

“MADANI” concept comprises 6 values: **Sustainability, Care & Compassion, Respect, Innovation, Prosperity And Trust** become a pillar in mapping Malaysia's direction towards a developed and prosperous nation.

6
VALUES

KE M AMPAN	KESEJ A HTERA	D AYA CIPTA	HORM A T	KEYAKI N AN	I HSAN
Sustainability	Care & Compassion	Innovation	Respect	Prosperity	Trust

3
PILLARS

Inclusive and sustainable economic growth	Institutional reforms and good governance to restore confidence	Combating inequality through social justice
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12
MAIN MEASURES

Fiscal Sustainability	Fulfilling the Rakyat’s Economic Needs	Readiness in Facing Disasters Achieving High Impact Investments	Achieving High Impact Investments	Public Sector Reform	Empowering Public-Private Partnership
Prioritising Digital Agenda	Strengthening the Role of Government-Linked Companies and Agencies	Eradicating Hardcore Poor	Achieving High Impact Investments	Ensuring Harmony and Unity	Providing Quality Basic Amenities

Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

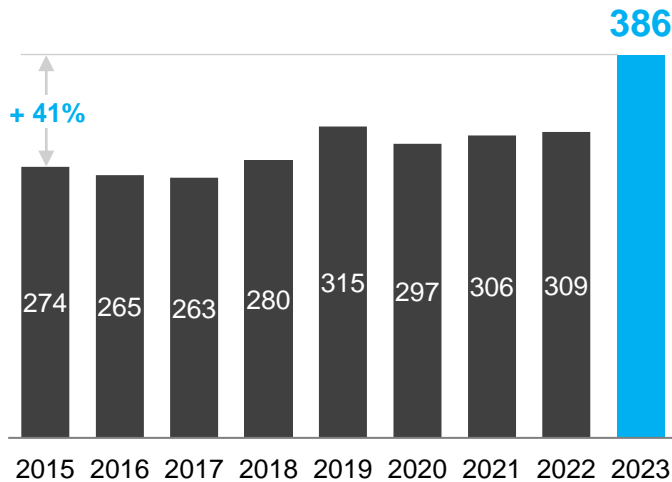
Budget 2023 is the largest budget in Malaysia's history

The government has tabled Budget 2023 with a total amount of **RM386.14 billion**, making it the largest budget allocation to date.



The budget 2023 **increased 41%** compare RM273.90 billion in 2015.

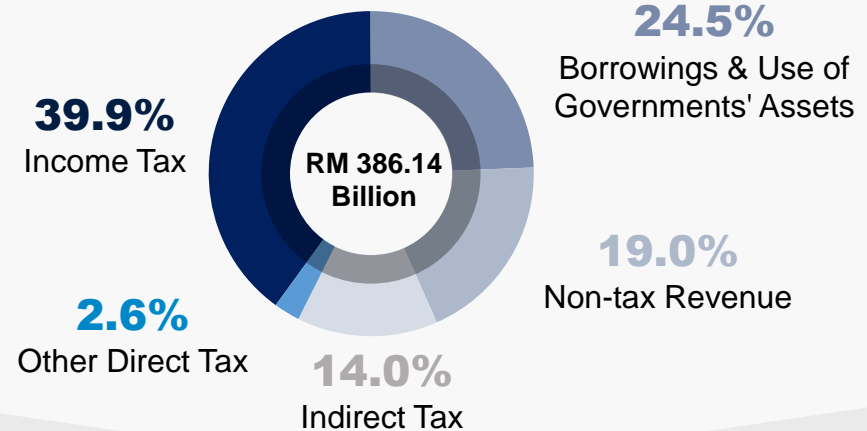
Total Budget Allocation of Malaysia
(RM Billion, 2015 – 2023)



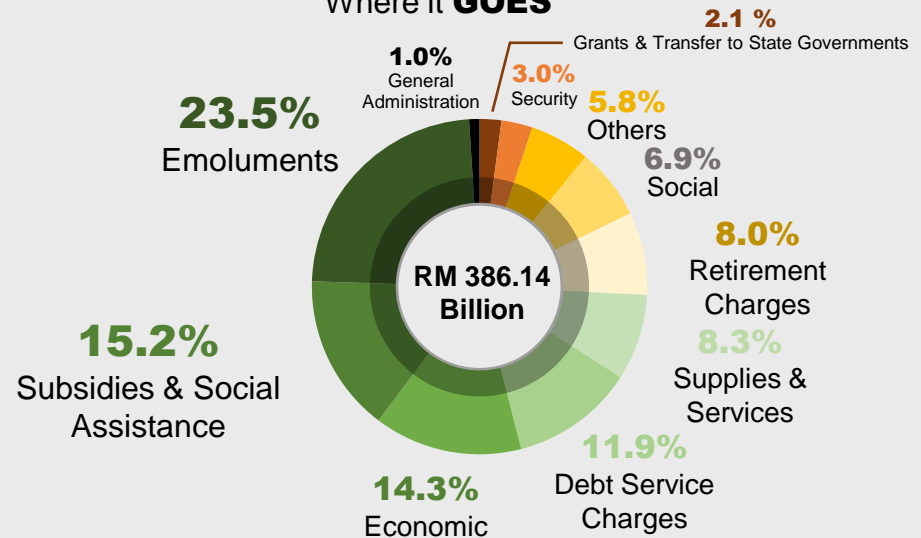
Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Where it **COMES FROM**



Where it **GOES**



Percentage of budget deficit improved since year 2020 at 6.2% due to economic growth and it is expected to hit 5% this year

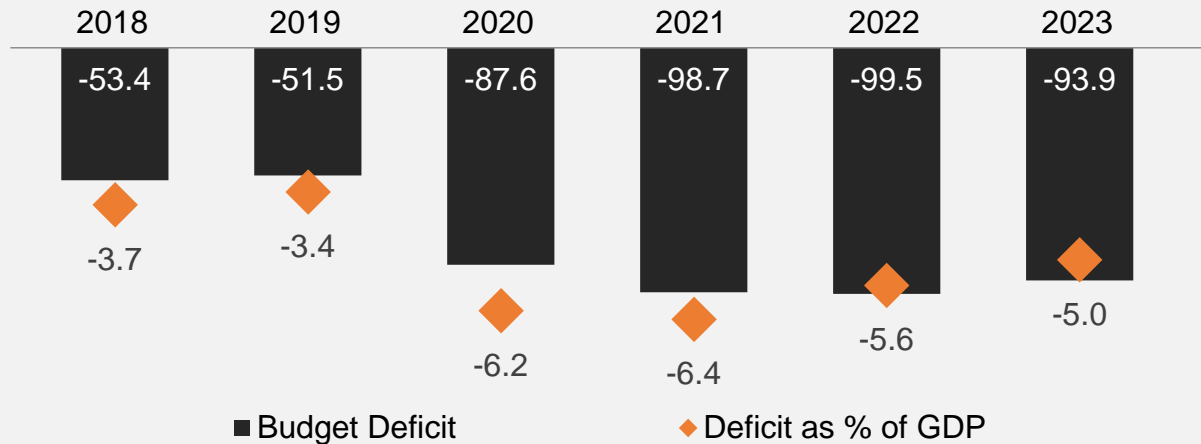


Budget Deficit

(RM Billion, 2018 - 2023)

Budget Deficit as Percentage of GDP

(% of GDP, 2018 - 2023)

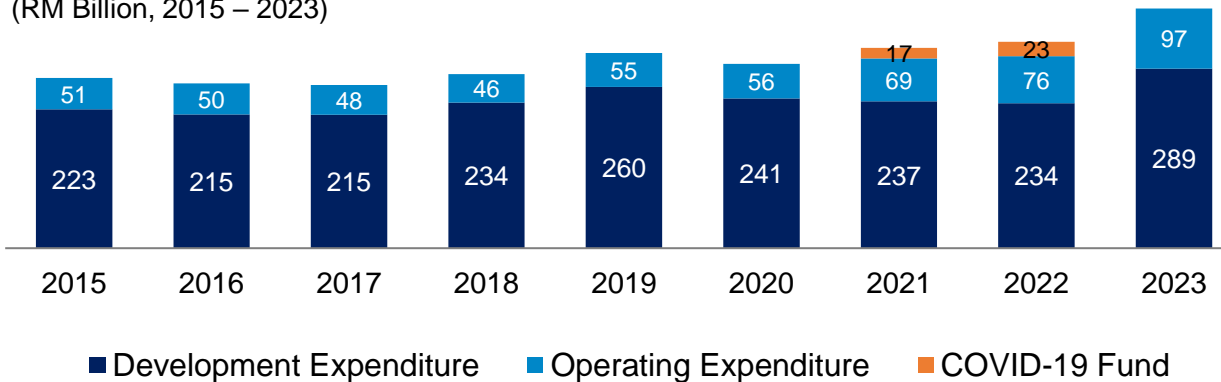


Percentage of budget deficit improved since year 2020 at 6.2% due to economic growth and it is expected to hit **5.0% in 2023**.

Malaysia is aiming to reduce budget deficit to **4.1% by 2024** and **3.2% by 2025**.

Distribution of Budget Allocation Malaysia

(RM Billion, 2015 – 2023)

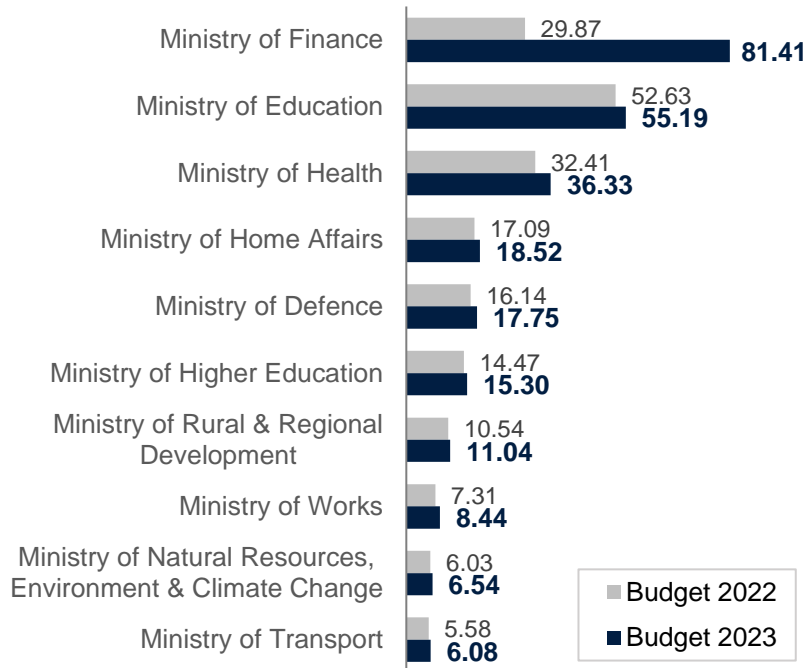


25% of total budget (RM 97 billion) is allocated to **Development Expenditure**, which is the **highest in past 9 years**.

Also, **Covid-19 fund** has been **excluded** in the re-tabled Budget 2023.

Top 10 ministry receivers from Budget 2023

Top 10 Budget Allocated by Ministry (RM Billion, 2022 vs 2023)



Sum of Budget from the top 10 receivers is RM 256.59 Billion, which is 66.45% of the the Budget 2023. The Ministry of Finance has the highest jump from RM 30 Billion to RM 81 Billion (+173%) due to more allocation of subsidies to help the nations, from RM 5 Billion to RM 40 Billion as well as various capital injection schemes of RM 23 Billion.

Source: Anggaran Perbelanjaan Persekutuan (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Ministry's Budget Allocation by Key Items

Ministry of Finance

RM 81.41 Billion, 21.1% of Budget

- RM 42.48 billion of subsidies and social aids
- RM 23.18 billion for various capital injection
- M 2.8 billion for special project facility
- RM 2 billion for LHDN agency fee
- RM 1.68 billion for loan remuneration subsidy
- RRM 1.5 billion for refund and write off for Public Sector Housing Financing Board
- RM 1.44 billion for 19 statutory boards

Ministry of Health

RM 36.33 Billion, 9.4% of Budget

- RM 5.5 billion to run public health service, such as government health clinics
- RM 3.3 billion for health facility medical supply
- RM 2.6 billion for contract staff emoluments
- RM 2.3 billion for PPP/PFI
- RM 1.7 billion allocated for new onboarding staff
- RM 1.6 billion for private drug laboratories and stores

Ministry of Education

RM 55.19 Billion, 14.3% of Budget

- RM 40.32 billion to run the school, in which RM 0.94 for pre-school, RM 20.16 billion for primary school and RM 18.86 billion for secondary
- RM 4 billion for administration such as human resource, IT and state administration
- RM 5.69 billion to upgrade school facilities and academics
- RM 1.58 billion for food in boarding school

Ministry of Home Affairs

RM 18.52 Billion, 4.8% of Budget

- RM 8.66 billion for the police force operation
- RM 2.2 billion to upgrade the police's equipment and police office; in which RM 0.9 billion is for Built, Lease and Transfer project
- RM 1 billion to run the prisons
- RM 0.54 billion to upgrade and renovate the headquarter
- RM 0.39 billion for rangsum

Top 10 ministry receivers from Budget 2023 (Cont')

Ministry's Budget Allocation by Key Items

Ministry of Defence

RM 17.75 Billion, 4.6% of Budget

- RM10 billions for the country defense, in which RM 5.7 billion for the expenses of land defense, RM 1.5 billion for marine defense and RM1.7 billion for air defense
- RM 4.4 billion for acquisition and enhancement of military and security equipment
- RM 0.7 billion for the construction of house for the army

Ministry of Higher Education

RM 15.30 Billion, 3.9% of Budget

- RM 7.4 billion will be used to finance 20 public universities where Universiti Teknologi MARA (UiTM), being the largest comprehensive university receives the biggest share at RM 2.62 billion
- RM 1.64 for 9 teaching hospitals
- RM 1.45 billion will go to Technical and Vocational Education and Training (TVET)

Minister of Rural and Regional Development

RM 11.04 Billion, 2.9% of Budget

- RM 2.5 billion to run education programs and education sponsorship under Majlis Amanah Rakyat (MARA) to provide guidance and training for Bumiputera in business and industry and RM1.4 billion is for MARA as operating cost
- RM 1.09 billion to upgrade the roads in rural area

Ministry of Works

RM 8.44 Billion, 2.2% of Budget

- RM 3.21 billion to build, maintain and upgrade roads and bridges in Peninsular Malaysia
- RM 2 billion to finance the construction of Pan Borneo Highway in Sabah and Sarawak
- RM 1.3 billion for PPP/PFI

Ministry of Natural Resources, Environment and Climate Change

RM 6.54 Billion, 1.7% of Budget

- RM 1 billion for flood mitigation
- RM 0.7 billion for sewerage project
- RM 0.33 billion for Non-Revenue Water

Ministry of Transport

RM 6.08 Billion, 1.6% of Budget

- RM 2.8 billion to upgrade KTMB and railway projects
- RM1 billion public transport development in the city
- RM1 billion for transport services

12% will be used for debt service charge, 8% goes to the retirees, 3% goes to the Department of Prime Minister

Debt Service Charge

RM 46 billion, 12% of budget

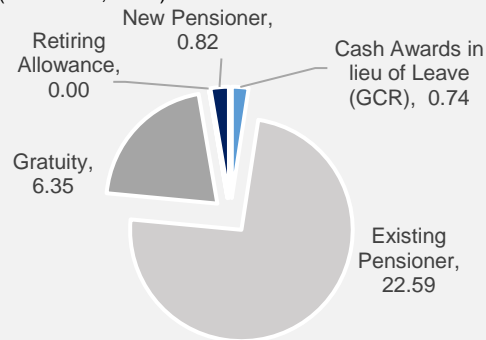
- **RM 46 billion** is allocated to pay for the coupons on government bonds and treasury bills, the debt instruments issued by the government to raise domestic fund
- The federal government debt is expected to hit RM1.2 trillion this year

Pension, Retiring Allowance, Gratuity

RM 39.5 billion, 8% of budget

- **RM 39.5 billion** is allocated to pension, retiring allowance and gratuity, which is 11% more compared to the budget allocated in year 2022e (RM27.5 Billion).
- This is expected to increase more, mainly due to the rising numbers of retirees, longer life expectancy and the salary increment during the service tenure

Pension, Retiring Allowance, Gratuity (RM Billion, 2023)



Department of Prime Minister

RM 11.82 billion, 3% of budget

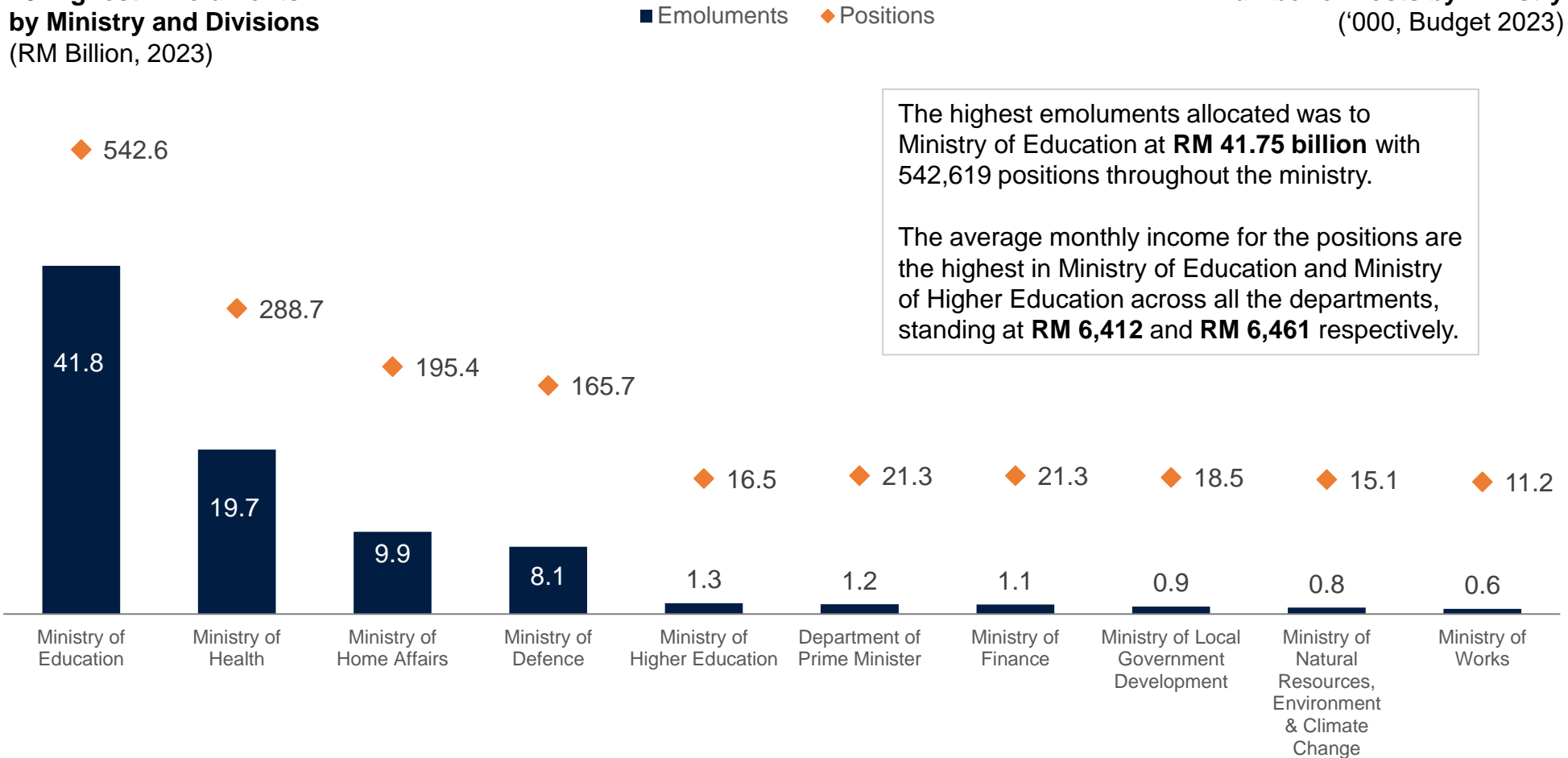
- **RM 1.35 billion** for PPP/PFI
- **RM 1.44 billion** for FELDA Program
- **RM 1 billion** for government digital service
- **RM 1 billion** for Jabatan Kemajuan Islam Malaysia (JAKIM)

Emoluments takes up **24%** of the total budget, stood at **RM 90.77 Billion**



10 Highest Emoluments by Ministry and Divisions (RM Billion, 2023)

Number of Posts by Ministry ('000, Budget 2023)



The highest emoluments allocated was to Ministry of Education at **RM 41.75 billion** with 542,619 positions throughout the ministry.

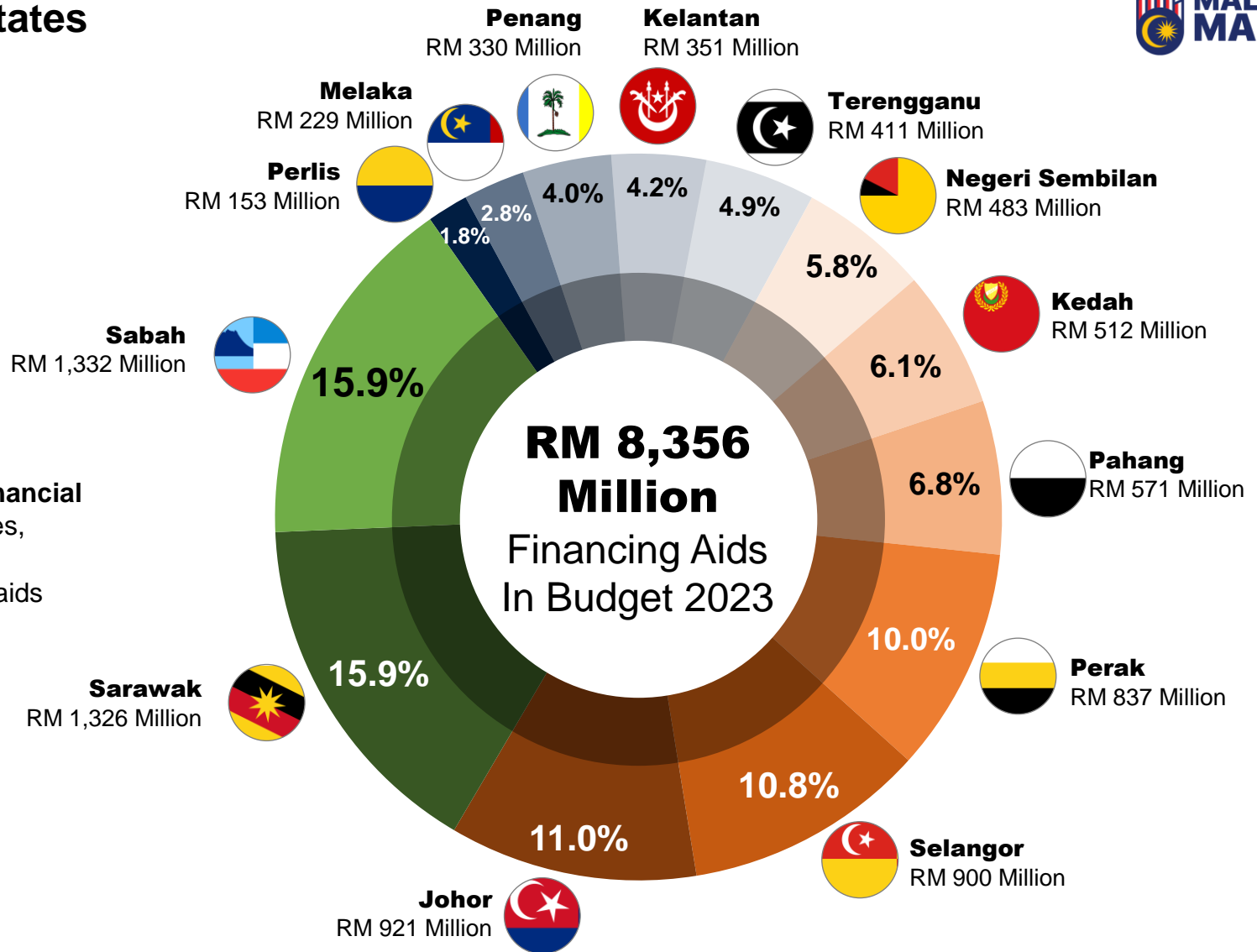
The average monthly income for the positions are the highest in Ministry of Education and Ministry of Higher Education across all the departments, standing at **RM 6,412** and **RM 6,461** respectively.

Source: Anggaran Perbelanjaan Persekutuan (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Financing Aids Allocated by States

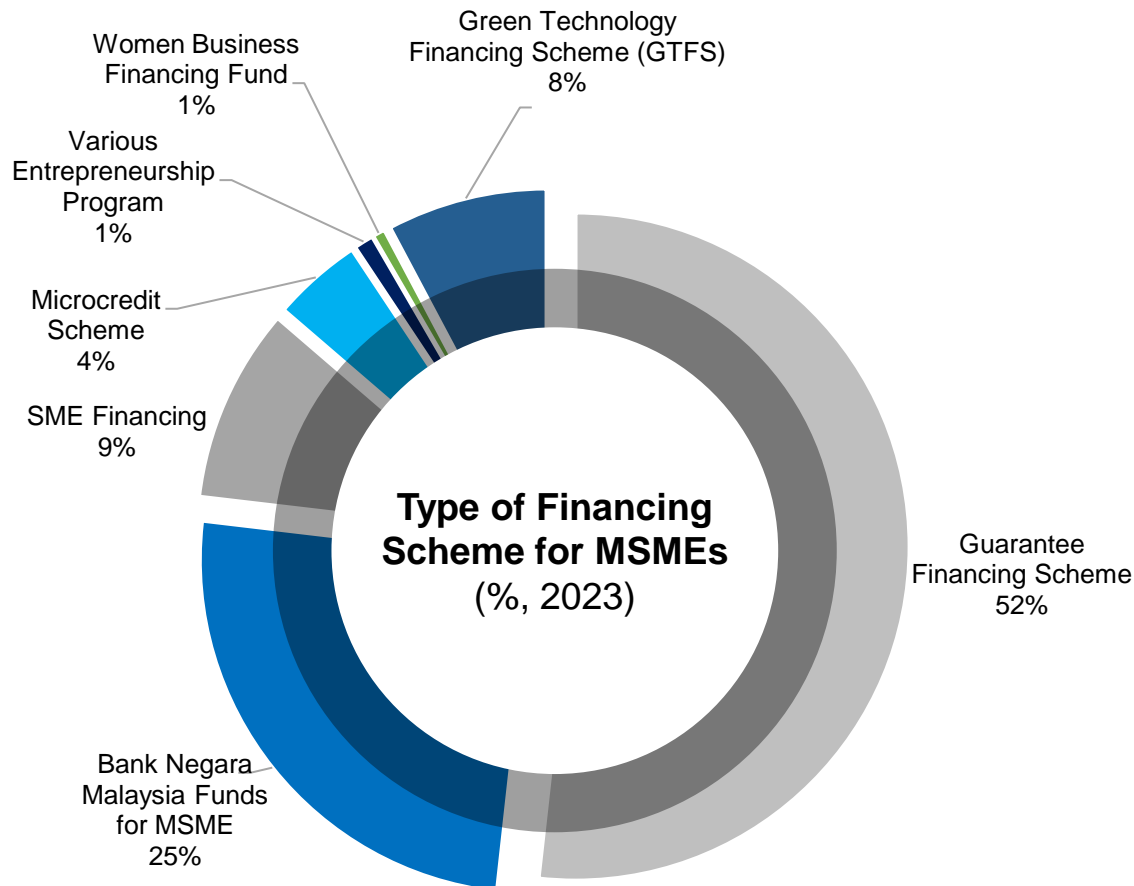
Sabah & Sarawak received the **highest financial aids** among all the states, totaling RM 2.66 Billion, **32%** of total financial aids



Source: Anggaran Perbelanjaan Persekutuan (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Up to RM40 billion financing facilities are made available to Micro, Small and Medium (MSME)s to support business growth



Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Key Highlights

SJPP

Wholly owned by Minister of Finance Incorporated

Guarantee Financing Scheme offered by Syarikat Jaminan Pembiayaan Perniagaan (SJPP) amounting to **RM 20 Billion**, focus on **Manufacturing, Agriculture, Tourism & High Technology** sectors.

These sectors can get financing up to **RM30 million** with up to **90%** guarantee coverage.



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Bank Negara Malaysia allocated **RM 1 Billion** each for **Automation & Digitalisation, Agrofood Facility, Low Carbon Transition and High Tech & Green Facility**.

RM 100 million is allocated under Digitization Grant Scheme for SMEs and small vendors, including hawkers to support business automation and digitisation.



Key Highlights: Agriculture, Food Security and Plantation



Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Key Highlights	
Sector	Description
Paddy	RM1.6 billion is allocated to subsidies and provide incentives for the price of rice, rice fertilizer, certified paddy seeds, and upland rice paddy fertilizer
	RM228 million cash assistance of RM200 per months to paddy farmers for 3 months
	BERNAS share 30% of net profits from rice imports and provide RM60 million to help poor paddy farmers
Oil Palm	RM80 million to enhance the sustainability of the industry and intensify the fight against anti-palm oil campaigns
	RM50 million matching grant to implement pilot project
Pineapple	RM29 million for modernization and empowerment
Rubber	RM350 million for Rubber Production Incentive (IPG)
	RM315.5 million for Smallholder Rubber Cultivation Area Development Program
	RM50 million for Rubber Cluster Planting Project in Sabah
	RM23.4 million for latex production incentives and efficient supply business model
Cocoa	RM22.6 million for development program

Key Highlights: Agriculture, Food Security and Plantation



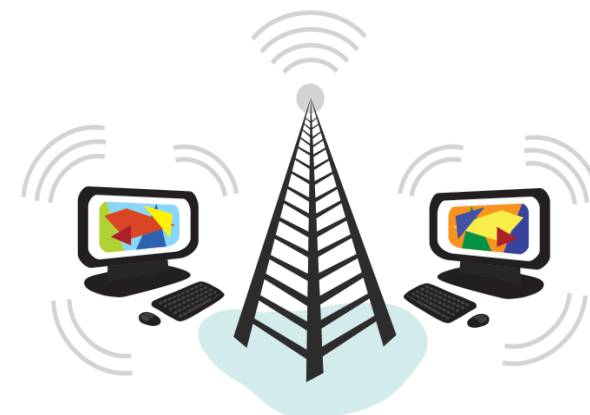
Key Highlights	
Sector	Description
Food Security	RM1.3 billion investment by GLC on projects
	RM1 billion fund from BNM under Agrofood Financing Scheme
	RM30 million with State Governments to implement agro-food projects
Digitalisation	RM10 million for Digital AgTech program training for technology adoption
Research	RM21.4 million for High Value Herbal Product Research Scheme Grant
FELDA, FELCRA and RISDA	RM2.6 billion for FELDA, FELCRA and RISDA
	RM610 million from Agrobank for working capital financing facilities for SMEs and value chain modernization program
Investment Fund & Financing	RM100 million for basic necessities supply and business development programs by Malaysia Cooperative Commission
	RM200 million to increase the income and productivity of small holders by Khazanah Nasional Berhad's Dana Impak

Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Key Highlights: High Technology – Digitalisation & Automation

Key Highlights	
Sector	Description
Financing Facility and Incentive	RM3 billion from BNM financing facility to support sustainable technology startup, help SMEs implement low carbon practices and automate and digitize business process
	RM1 billion from Bank Pembangunan Malaysia Berhad (BPMB) under Industrial Digitization Transformation Scheme
	RM700 million for National Fiberisation & Connectivity Plan (NFCP)
	RM230 million from Khazanah National Impact Fund to support startups and local human capital
	RM100 million is allocated under the SME Digitalisation Grant Scheme, which includes small hawkers.
Investment	RM50 billion for GLC and GLICs, focus on venture capital in highly innovative startup companies
Agriculture	RM10 million for Digital AgTech programme training for technology adoption
Internet	RM50 million for rural internet project



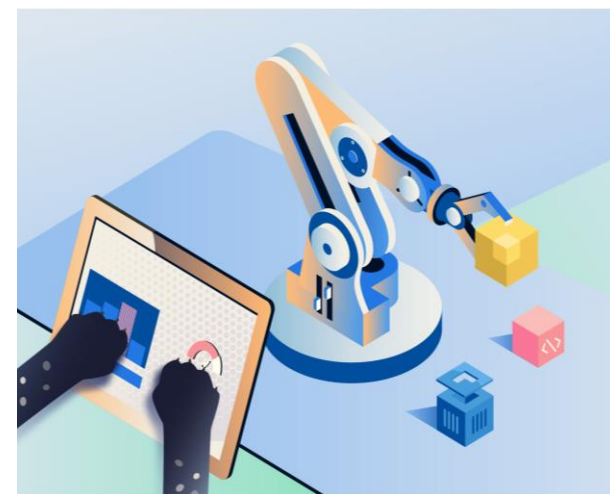
Source: Budget 2023 Speech

Snapshots of Malaysia Budget 2023 (Re-tabled)

Source: Budget 2023 Speech (2023)

Key Highlights: High Technology – Digitalisation & Automation

Key Highlights	
Sector	Description
E-Commerce	RM27 million for e-commerce ecosystem preparation program and adoption program
	RM5 million for Automation and Digitalisation: MARA's Business Digitalisation Program
	RM1.5 million for eTRADE 2.0
MSME Digitalisation	RM20 million for MSC Malaysia Special Incentive (MCI)
	RM6 million for E-Trans Phase II
	RM5 million for Research Incentive Scheme
Human Capital	RM1.2 million for MSME Digitalisation Transformation Program
	RM21 million for training program and empowerment in creative industry 2.0 and digital economy
Tax	Tax deduction of up to RM1.5 million on expenses incurred for listing on the Bursa for technology-based company



Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Key Highlights: Environment/ ESG/ SDG



Key Highlights	
Sector	Description
Financing Scheme	RM2 billion from BNN financing facility to support sustainable technology startup and help SMEs implement low carbon practices
	RM3 billion of guarantee value under Green Technology Financing Scheme (GTFS)
	RM150 million from Khazanah for the development of environmentally friendly projects including supporting the carbon market and reforestation
Energy	RM75 million of solar rooftop installation at government buildings in Putrajaya
	500 units of EV charging facilities throughout the country under GENTARI Initiatives
Electric Vehicle (EV)	Tax deductions for companies that rent electronic vehicles (EV), rental amount capped at RM300,000
	Income tax exemption of 100% on income of EV charging equipment manufacturers for the year of assessment from 2023 to 2032
	100% Investment Tax Allowance for 5 years
	Full import duty and excise duty, sales tax on components for locally assembled EV and locally assembled CKD EV until 31 December 2027; important CBU EV until 31 December 2025

Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Key Highlights: Environment/ ESG/ SDG



Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Key Highlights	
Sector	Description
	RM150 million for State Governments under the Ecological Fiscal Transfer for Biodiversity Conservation for tree replanting and gazettement of new protected areas
	RM140.4 million to repair, clean, maintain and treat rivers and Manual Saliran Mesra Alam infrastructure
	RM86.9 million for environmental regulation
	RM68.8 million for Mesra Alam River Drainage Management Plan
	RM 50 million to increase the number of rangers who guard the forest to 1,500 people nationwide,
Others	RM38 million for Wildlife Species Protection Program
	RM30 million to catalyze circular economy through Putrajaya Green City initiative through waste separation and recycling initiatives
	RM9.4 million for Precise Technology Management and Agricultural Sustainability
	RM3.2 million for Green Technology Project
	RM1.5 million for Ecotourism Program
	RM1.3 million for SDG Localisation: Zero Waste Community Development Among Selected Program Perumahan Rakyat (PPR) Communities
Tax	Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) until December 31, 2025.

Key Highlights: Sabah & Sarawak Allocation

Development Fund	
Sabah RM 6.5 Billion	Sarawak RM 5.6 Billion



Key Highlights	
Sector	Description
Infrastructure	RM2.6 billion to implement public infrastructure projects
	RM2 billion for the implementation of Sabah Pan Borneo Highway and Sarawak-Sabah Link Road
	RM920 million to upgrade buildings and infrastructure in 380 dilapidated schools
Social	RM300 million to upgrade the electricity supply (BES) in Sabah
	RM30 million to increase clinic facilities, banks and mobile courts
	RM12 million to facilitate Rakyat living in the rural area to obtain birth certificates
Plantation	RM50 million for Rubber Cluster Planting Project in Sabah
Transport	RM209 million for air transportation subsidy for Sabahan and Sarawakian
Others	Delegation of approval authority for federal project procurement for amount up to RM50 million
	Additional 36 PGA police border control posts, 3 Immigration posts and 3 ESSCOM posts

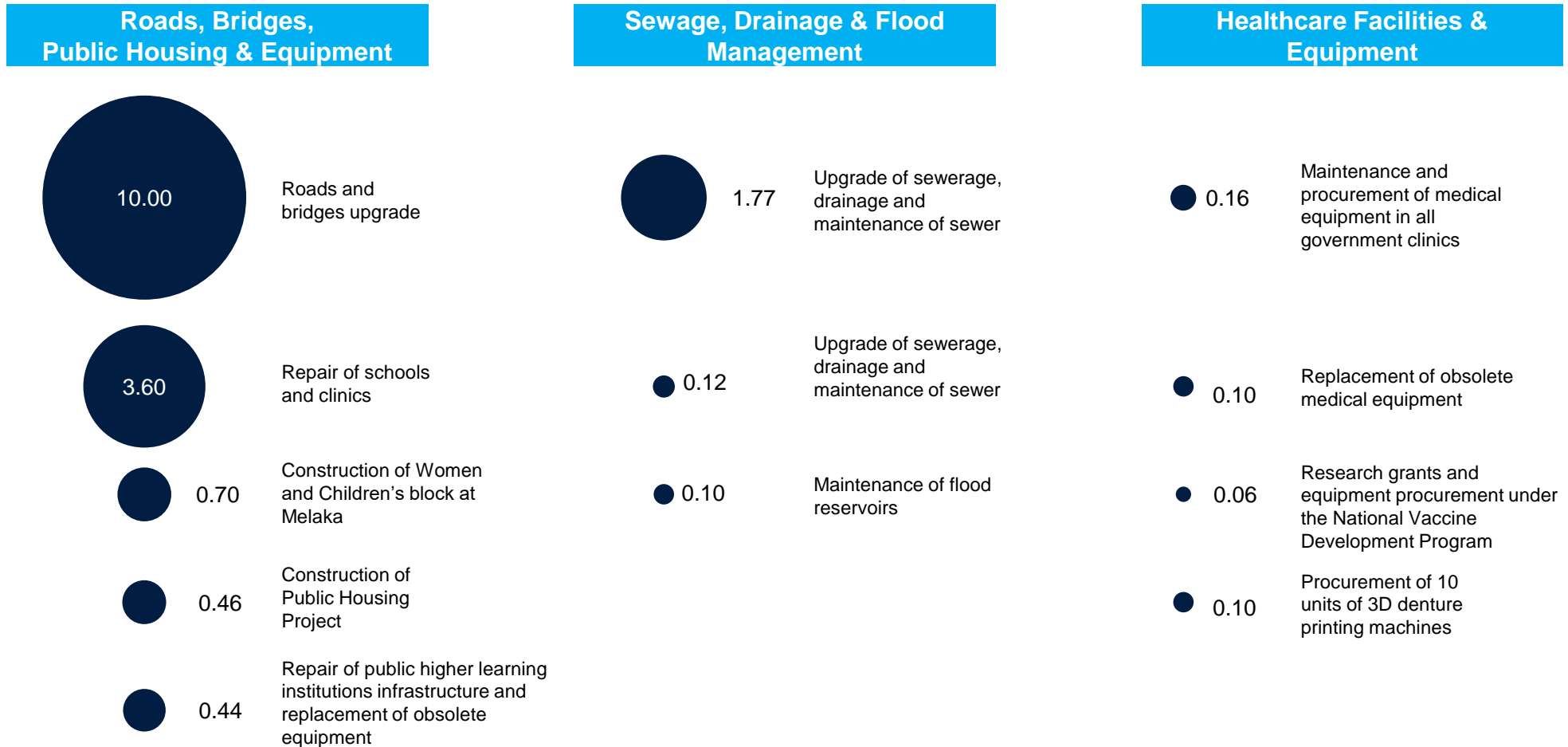
Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Allocations for major construction & development of public amenities



There re-tabled Budget 2023 has allocated sizable amounts for the construction and repairs of public amenities such as road, bridges, sewerage systems, healthcare etc. The diagram below illustrated the allocation size based on the major amenities groups:



Source: Budget 2023 Speech (2023)

Snapshots of Malaysia Budget 2023 (Re-tabled)

Some fun facts that you may not know ...

The highest overtime claim budget planned is allocated to the civil servants under Ministry of Health, standing a total at **RM 1 billion**, averagely **RM 3,463** annually for each position



The lowest allocation was made to Ministry of National Unity and Ministry of Plantation and Commodities at **RM 571 million** and **RM 671 million** respectively



RM 20 million is allocated for National Day and Malaysia Day Celebration to Ministry of Communication



RM 1 billion is allocated to operate the prisons across Malaysia with 61,242 capacity available, an average cost of **RM 1,445** for each inmate



The highest allocation of working overseas is **RM 11.75 million** for the Ministry of Defence



RM 35 million is allocated for Expo 2025 Osaka



RM 504 million will be extended to RTM for operation cost



Our Contacts



IVAN YEE
Associate Director | 27Advisory
ivan@27advisory.com.my
+6016 663 3886

CONTACT

Office : 63-02, 2nd Floor, Jalan Bangkung,
Bangsar Baru, 59100 Kuala Lumpur, Malaysia
Website : www.27.group
Phone : (603) 2201 8227



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27ADVISORY

Socio-Economic
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