

2021 Fiscal Outlook and Federal Government Revenue Estimates



FOREWORD



**PRIME MINISTER
MALAYSIA**

Countries around the world have been intensifying their efforts since the beginning of 2020 to support the fight against the COVID-19 pandemic, which has led to one of history's most challenging global humanitarian and health crises. Most countries have imposed containment measures such as lockdowns and quarantines to prevent a wider outbreak, and Malaysia is no exception in implementing similar measures to protect her people. With most economic sectors closed for nearly two months, businesses and jobs are at risk. The repercussions brought about by COVID-19 have impacted businesses operations, thus affecting revenue and income streams, and subsequently impacting the livelihood of the people.

Most governments, Malaysia included, have been battling to balance both saving lives while protecting the livelihood of the people and the economy. External factors, including a slowdown in global trade and instability of crude oil prices, have also amplified the need for fiscal policy intervention to support the economic recovery. Coping with this unprecedented health and economic catastrophe was not an easy task. Nevertheless, the Government has displayed a high level of commitment with prompt unconventional-yet-dynamic policy responses executed in response to this challenging period.

The Government has steered the country through these challenging times by taking an approach focused on the 6R strategy: Resolve, Resilient, Restart, Recovery, Revitalise and Reform. On the verge of entering the fifth phase, the Government remains focused on completing the nation's journey from Restart to Recovery through the implementation of strategic economic stimulus packages and recovery plan to propel the nation's growth. Fiscal and non-fiscal measures of RM305 billion or around 20% of GDP has been injected into the economy through measures under the PRIHATIN, PRIHATIN SME+, PENJANA, and KITA PRIHATIN stimulus packages.

Over the medium term, the policy and initiatives will be formulated in the context of a 'new normal' for a post-COVID-19 environment. The 2021 Budget will continue to focus on protecting the livelihood and welfare of the people, revitalising and supporting the economy, promoting rural and regional development, enhancing the digitalisation agenda, and strengthening public service delivery. The COVID-19 pandemic has also catalysed a new norm which has forced a dramatic change in how we work and interact. Thus, it is equally important for the Government to provide an enabling ecosystem to

help workers return to work, which include incentivising technology adoption to further facilitate remote learning and working from home. While the Government assumes a key facilitative role, shaping the recovery and charting a new course for growth will require greater collaboration from all stakeholders who are leading any organisation, from corporations to institutions. Nevertheless, Malaysians have demonstrated it admirably during the nation's toughest months. Movements such as #KitaJagaKita have witnessed Malaysians coming together with NGOs and companies, assisting fellow Malaysians.

As the nation adapts to these changing times, it is vital to ensure fiscal resources will be utilised to spur investments with the ultimate goal to protect the livelihood of the people, support businesses and propel the nation's economic growth. The Government believes that the current fiscal policy response is the right course of action as there has been an urgent need to ensure substantial stimulus measures and economic recovery plan are implemented expeditiously. Despite the budget deficit likely to rise in 2020, the Government is of the view that the PRIHATIN, PRIHATIN SME+, PENJANA and KITA PRIHATIN measures will be able to ensure that Malaysia has the ability and capacity to quickly rebound post-COVID recovery. Moving forward, the Government will remain focused on preserving fiscal discipline to maintain the systemic strength and accountability of public finances. The Government is also committed to enhancing institutional and structural reforms, ensuring effective delivery of public services and better governance for the long-term sustainability and resiliency of the Malaysian economy.

In these times of adversity, it is imperative that we intensify our efforts to build, maintain and enhance mutual trust and confidence for the benefit of our people. As a nation, we have faced multiple crises before, and *Alhamdulillah*, we have managed to overcome all these difficulties successfully. Our prudent and unconventional policy responses, coupled with the determination of the people to face such challenges have enabled the country to emerge stronger. Thus, I am confident that every Malaysian will remain resolute and united to provide a better and brighter future for the nation, *Insyaa-Allah*.



TAN SRI HAJI MUHYIDDIN BIN HAJI MOHD YASSIN
6 November 2020



PREFACE



**MINISTER OF FINANCE
MALAYSIA**

The COVID-19 pandemic, which triggered a worldwide health crisis, has paralysed global growth and in turn, hampered domestic businesses and economic activities in 2020. In safeguarding and protecting the invaluable lives of the people, the Government has undertaken stringent measures to contain the outbreak by implementing movement restrictions in various form. While the restrictions have managed to control the spread of the COVID-19 by restricting people's daily activities, its implementation has disrupted the flow of goods and services and impacted the economic supply chain. As a result, business operations were severely disrupted, and cashflows were distressed, impacting the whole economy. With the ensuing loss of jobs, unemployment rose, and household income was also severely affected, impacting economic demand.

The Government has proactively responded with the swift mobilisation of a series of economic stimulus packages and recovery plans, which collectively form the largest economic stimuli in Malaysia's history. These four packages namely – PRIHATIN (RM250 billion), PRIHATIN SME+ (RM10 billion), PENJANA (RM35 billion) and KITA PRIHATIN (RM10 billion) – are collectively valued at RM305 billion, comprising fiscal and non-fiscal measures with direct fiscal injection of RM55 billion. Fiscal and monetary policy interventions were implemented to protect people's lives and livelihood, to ease businesses' cash flows as well as to support and revitalise the economy.

The Parliament passed a new Act to establish the COVID-19 Fund, a dedicated trust fund to implement all the measures under the stimulus packages and economic recovery plan. The Act also ensures fiscal discipline, accountability and transparency in the implementation of measures under the stimulus packages. Consequently, the Government revised its 2020 deficit target upward from 3.2% to 6% of GDP. It is important to note that these measures are financed through domestic borrowings, and the new debt level has been sanctioned by a temporary increase of the statutory debt limit up to 60% of GDP from the current 55% threshold. The Act is in force only until end-2022, when the debt level is expected to be reduced to its pre-crisis level once the economy is back on a firm growth trajectory.

With the objective to restore and reinvigorate the economy, the Government will continue to protect the people and their livelihood as well as support the 'revitalisation' phase of the economy in the 2021 Budget. This Budget is structured across four broad themes –

caring for the people, steering the economy, enabling sustainable living and enhancing public service delivery. I am confident that this Budget will support the economic recovery momentum and ensure the well-being of the rakyat and businesses, while further enhancing public spending efficiency and effectiveness.

While the impact of the pandemic may well spill over into 2021, the fiscal deficit is targeted to reduce to 5.4% of GDP. The Government will resume its fiscal consolidation once the economy recovers from the COVID-19 crisis. Under its fiscal reform agenda, the Government aims to reduce the fiscal deficit to under 4% of GDP over the next three to four years. This will be achieved through measures such as improvements to the current tax collection system as well as broadening the Government's revenue base. Concurrently, the Government has made progress in its rationalisation exercise to increase operating efficiency and improve cost management. The formulation of the Fiscal Responsibility Act is currently ongoing, to enhance discipline and governance of fiscal management in ensuring sound and sustainable public finances.

The Fiscal Outlook and Federal Government Revenue Estimates are published with the intention to enhance transparency in communicating the Government's fiscal policies to the people. This publication, complemented by other reports produced by the Ministry of Finance, will provide a better understanding of fiscal operations and public finances, covering all levels of Government and public corporations.

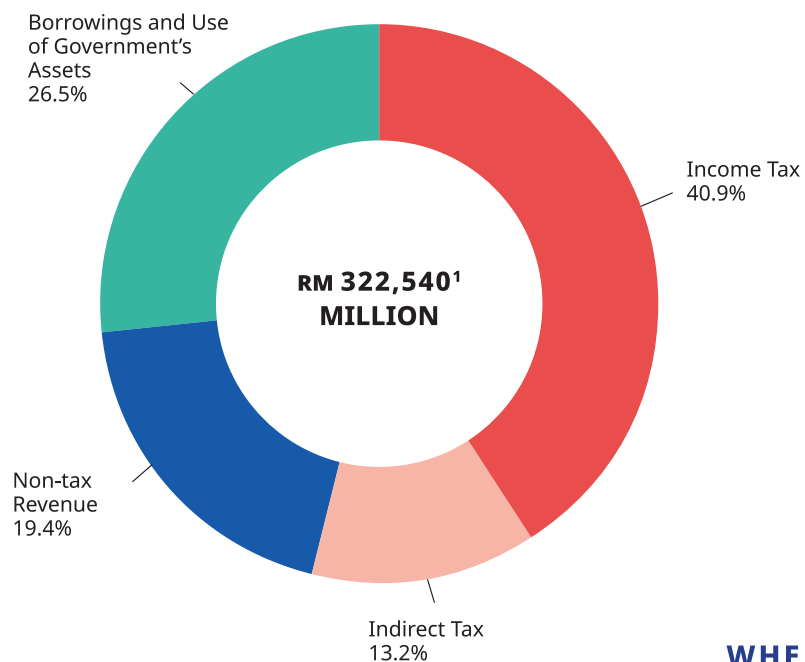
The year 2020 has tested the fundamentals and resilience of our economy. On the other hand, this unprecedented period is a valuable opportunity to undertake a rebalancing act, to do the best with the resources we have, and to ensure sustainable growth moving forward. *Insyah-Allah*, in overcoming these challenges, there will be opportunities for the Government to rebuild and strengthen our fiscal foundation and finances in the coming years.



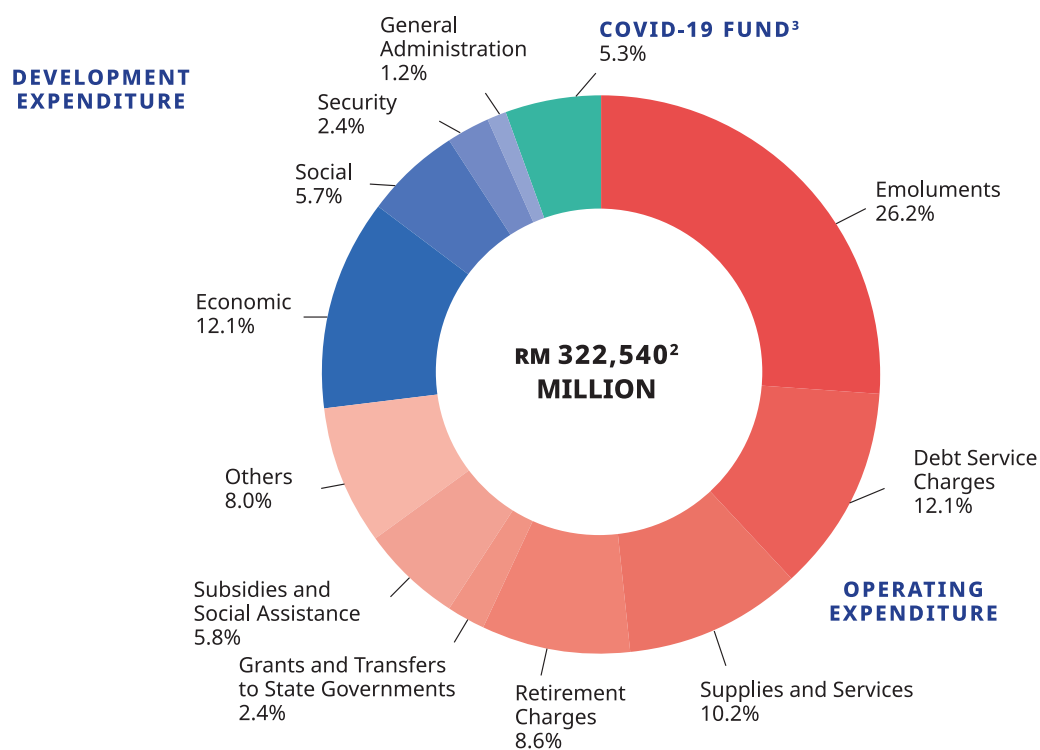
SENATOR TENGKU DATO' SRI ZAFRUL TENGKU ABDUL AZIZ
6 November 2020

THE 2021 FEDERAL GOVERNMENT BUDGET

WHERE IT COMES FROM



WHERE IT GOES



¹ Consists of revenue and borrowings

² Excludes contingency reserves

³ COVID-19 Fund under the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020

Source: Ministry of Finance, Malaysia

MALAYSIA: PERANGKAAAN PENTING DAN UNJURAN

MALAYSIA: KEY DATA AND FORECAST

LUAS KAWASAN (Kilometer persegi) AREA (Square kilometres)						
Malaysia	Semenanjung Malaysia ¹ Peninsular Malaysia ¹		Sarawak		Sabah ²	
330,548	132,104		124,450		73,994	
	2019		2020 ⁶		2021 ⁷	
PENDUDUK (juta) POPULATION (million)	32.4		32.7		33.1	
PENGELUARAN DALAM NEGERI DOMESTIC PRODUCTION	RM juta RM million	% perubahan % change	RM juta RM million	% perubahan % change	RM juta RM million	% perubahan % change
Keluaran Dalam Negeri Kasar (harga malar 2015) Gross Domestic Product (constant 2015 prices)	1,421,454	4.3	1,357,731	-4.5	1,450,830	6.5 - 7.5
Pertanian Agriculture	101,549	2.0	100,344	-1.2	105,086	4.7
Perlombongan dan pengkuarian Mining and quarrying	101,438	-2.0	93,568	-7.8	97,404	4.1
Pembuatan Manufacturing	316,320	3.8	306,845	-3.0	328,215	7.0
Pembinaan Construction	66,266	0.1	53,859	-18.7	61,340	13.9
Perkhidmatan Services	820,069	6.1	789,379	-3.7	844,554	7.0
Duti import Import duties	15,812	-1.2	13,736	-13.1	14,231	3.6
Keluaran Dalam Negeri Kasar (harga semasa) Gross Domestic Product (current prices)	1,510,693	4.4	1,439,374	-4.7	1,568,104	8.6 - 9.6
Perbelanjaan penggunaan akhir: Awam Final consumption expenditure: Public	176,673	2.2	179,779	1.8	183,713	2.2
Swasta Private	903,720	8.7	899,102	-0.5	987,240	9.8
Pembentukan modal tetap kasar: Awam ³ Gross fixed capital formation: Public ³	94,374	-9.7	85,546	-9.4	100,337	17.3
Swasta Private	252,471	2.7	222,026	-12.1	239,853	8.0
Perubahan inventori dan barangan berharga Changes in inventories and valuables	-28,957	-	-27,679	-	-25,502	-
Eksport barangan dan perkhidmatan Exports of goods and services	985,283	-0.7	842,053	-14.5	916,286	8.8
Import barangan dan perkhidmatan Imports of goods and services	872,871	-2.5	761,454	-12.8	833,823	9.5
PENDAPATAN DAN PERBELANJAAN NEGARA NATIONAL INCOME AND EXPENDITURE						
Pendapatan Negara Kasar (harga malar 2015) Gross National Income (constant 2015 prices)	1,398,921	4.8	1,344,443	-3.9	1,427,963	6.2
Pendapatan Negara Kasar (harga semasa) Gross National Income (current prices)	1,470,426	4.9	1,415,688	-3.7	1,526,546	7.8
Tabungan Negara Kasar (harga semasa) Gross National Savings (current prices)	368,738	-2.5	328,349	-11.0	334,965	2.0
Pendapatan Per Kapita (harga semasa, RM) Per Capita Income (current prices, RM)	45,212	4.4	43,350	-4.1	46,101	6.3

MALAYSIA: PERANGKAAN PENTING DAN UNJURAN (samb.)
MALAYSIA: KEY DATA AND FORECAST (cont'd)

	2019		2020 ⁸		2021 ⁹	
KEWANGAN KERAJAAN PERSEKUTUAN FEDERAL GOVERNMENT FINANCE	RM juta RM million	% perubahan % change	RM juta RM million	% perubahan % change	RM juta RM million	% perubahan % change
Hasil <i>Revenue</i>	264,415	13.5	227,270	-14.0	236,900	4.2
Perbelanjaan mengurus <i>Operating expenditure</i>	263,343	14.0	226,720	-13.9	236,540	4.3
Baki semasa <i>Current balance</i>	1,072	-	550	-	360	-
Perbelanjaan pembangunan (bersih) <i>Development expenditure (net)</i>	52,570	-4.9	49,000	-6.8	68,200	39.2
Kumpulan Wang COVID-19 <i>COVID-19 FUND</i>	-		38,000	-	17,000	-55.3
Baki keseluruhan Overall balance	-51,498		-86,450		-84,840	
% KDNK <i>% of GDP</i>	-3.4		-6.0		-5.4	
Pinjaman dalam negeri (bersih) <i>Domestic borrowings (net)</i>	44,755		87,051		-	
Pinjaman luar pesisir (bersih) <i>Offshore borrowings (net)</i>	6,977		-303		-	
Perubahan aset ⁴ <i>Change in assets⁴</i>	-234		-298		-	
		% KDNK % GDP		% KDNK % GDP		
Hutang Kerajaan Persekutuan⁵ Federal Government Debt⁵	792,998	52.5	874,276	60.7	-	-
Hutang dalam negeri Domestic debt	764,233	50.6	845,026	58.7	-	-
Bil Perbendaharaan <i>Treasury bills</i>	4,500	0.3	24,000	1.7	-	-
Terbitan Pelaburan Kerajaan Malaysia <i>Malaysian Government Investment Issues</i>	338,800	22.4	360,266	25.0	-	-
Sekuriti Kerajaan Malaysia <i>Malaysian Government Securities</i>	394,133	26.1	436,660	30.3	-	-
Sukuk Perumahan Kerajaan <i>Government Housing Sukuk</i>	26,800	1.8	24,100	1.7	-	-
Pinjaman luar pesisir Offshore borrowings	28,765	1.9	29,250	2.0	-	-
Pinjaman pasaran <i>Market loans</i>	23,347	1.5	23,895	1.6	-	-
Pinjaman projek <i>Project loans</i>	5,418	0.4	5,355	0.4	-	-

¹ Termasuk Wilayah Persekutuan Kuala Lumpur dan Wilayah Persekutuan Putrajaya

² Termasuk Wilayah Persekutuan Labuan

³ Termasuk pelaburan oleh syarikat awam

⁴ (+) menunjukkan penggunaan aset; (-) menunjukkan pertambahan aset

⁵ Pada 2020, data adalah sehingga akhir September 2020

⁶ Anggaran

⁷ Unjuran

⁸ Anggaran disemak

⁹ Anggaran belanjawan tidak termasuk langkah Belanjawan 2021

Nota: Jumlah angka mungkin berbeza disebabkan pembundaran

¹ Includes the Federal Territory of Kuala Lumpur and Federal Territory of Putrajaya

² Includes the Federal Territory of Labuan

³ Includes investment of public corporations

⁴ (+) indicates drawdown of assets; (-) indicates accumulation of assets

⁵ For 2020, data is at end-September 2020

⁶ Estimate

⁷ Forecast

⁸ Revised estimate

⁹ Budget estimate, excluding 2021 Budget measures

Note: Total may not add up due to rounding

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ACRONYMS AND ABBREVIATIONS

12MP	Twelfth Malaysia Plan	LPPSA	Public Sector Home Financing Board
1MDB	1Malaysia Development Berhad	MAA	Malaysia Automotive Association
BNM	Bank Negara Malaysia	MCO	Movement Control Order
BPB	Bantuan Prihatin Nasional	MGII	Malaysian Government Investment Issues
bps	basis points	MGS	Malaysian Government Securities
BSH	Cost of Living Aid	MITB	Malaysian Islamic Treasury Bills
BTC	bid-to-cover	MOE	Ministry of Education
CITA	companies income tax	MOF	Ministry of Finance
COVID-19	Coronavirus Disease 2019	MOF Inc.	Minister of Finance Incorporated
CPS	consolidated public sector	MOH	Ministry of Health
DE	development expenditure	MPC	Monetary Policy Committee
DMO	Debt Management Office	MRT	Mass Rapid Transit
DSC	debt service charges	MSC	Multimedia Super Corridor
EPF	Employees Provident Fund	MTB	Malaysian Treasury Bills
FRA	Fiscal Responsibility Act	MTFF	Medium-Term Fiscal Framework
GDP	Gross Domestic Product	MTRS	Medium-Term Revenue Strategy
GG	government guarantees	NFPCs	non-financial public corporations
IMF	International Monetary Fund	OE	operating expenditure
IPSAS	International Public Sector Accounting Standards	OPR	overnight policy rate
KHAZANAH	Khazanah Nasional Berhad	PBLT	PBLT Sdn. Bhd.
KVDT	Klang Valley Double Track	PDRM	Royal Malaysian Police
KWAP	Retirement Fund (Incorporated)	PENJANA	National Economic Recovery Plan
LAKSANA	Implementation and Coordination of National Agencies on the Economic Stimulus Unit	PETRONAS	Petroleum Nasional Berhad
LHDN	Inland Revenue Board		

ACRONYMS AND ABBREVIATIONS

PFI	private finance initiative	RPGT	real property gains tax
PITA	petroleum income tax	SME	small and medium enterprise
PPP	public private partnership	SPK	Government Housing Sukuk
PPR	People's Housing Project	SRR	Statutory Reserve Requirement
PRE	Economic Stimulus Package	SST	Sales Tax and Service Tax
PRIHATIN	Prihatin Rakyat Economic Stimulus Package	TVET	technical and vocational education and training
PRIHATIN SME+	Additional PRIHATIN SME Economic Stimulus Package	WSP	Wage Subsidy Programme

SECTION 1

Fiscal Policy Overview

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SECTION 1

Fiscal Policy Overview

Overview

An effective fiscal policy that strikes the right balance between growth considerations and fiscal sustainability is crucial for Malaysia to achieve macroeconomic stability and sound public finances. Therefore, the fiscal stance needs to be more flexible and operate on the efficacy of tax and expenditure measures in charting the nation's development path. This is particularly important at a time when Malaysia is facing the impact of the unprecedented COVID-19 pandemic that has severely affected economies and trade globally. Thus, a comprehensive countercyclical fiscal policy is even more imperative to address the crisis immediately while building economic resilience in the medium-term.

The pandemic has forced most countries, including Malaysia, to impose movement restrictions or lockdowns to prevent wider outbreaks. Malaysia's Movement Control

Order (MCO) was enforced on 18 March 2020 to protect the lives of the rakyat. As saving lives was given the top priority, the MCO was carried out at the expense of the economy. With most economic sectors closed for nearly three months, many businesses were in financial distress and at risk of closing down. This resulted in higher retrenchment, which subsequently impacted the livelihood of the rakyat. To cushion the adverse impact of the pandemic on the domestic economy, the Government announced a series of economic stimulus packages and recovery plan initially worth RM295 billion or 20% of Gross Domestic Product (GDP). These initiatives, namely the Economic Stimulus Package (PRE), Prihatin Rakyat Economic Stimulus Package (PRIHATIN), Additional PRIHATIN SME Economic Stimulus Package (PRIHATIN SME+) and the National Economic Recovery Plan (PENJANA), reflects the Government's proactive policy intervention in its effort to mitigate the impact of the crisis at the different stages of recovery.

TABLE 1.1. Federal Government Financial Position, 2019 – 2021

	RM MILLION			CHANGE (%)			SHARE OF GDP (%)		
	2019	2020 ³	2021 ⁴	2019	2020 ³	2021 ⁴	2019	2020 ³	2021 ⁴
Revenue	264,415	227,270	236,900	13.5	-14.0	4.2	17.5	15.8	15.1
Operating expenditure	263,343	226,720	236,540	14.0	-13.9	4.3	17.4	15.8	15.1
Current balance	1,072	550	360				0.1	0.0	0.0
Gross development expenditure	54,173	50,000	69,000	-3.4	-7.7	38.0	3.6	3.5	4.4
Less: Loan recovery	1,603	1,000	800	103.4	-37.6	-20.0	0.1	0.1	0.1
Net development expenditure	52,570	49,000	68,200	-4.9	-6.8	39.2	3.5	3.4	4.3
COVID-19 Fund ¹	-	38,000	17,000			-55.3		2.6	1.1
Overall balance	-51,498	-86,450	-84,840				-3.4	-6.0	-5.4
Primary balance²	-18,565	-51,505	-45,840				-1.2	-3.6	-2.9

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Excluding debt service charges

³ Revised estimate

⁴ Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance, Malaysia

The PRIHATIN package amounting to RM250 billion, which include PRE, were introduced to protect the economy, people and businesses. Meanwhile, to further support affected small and medium businesses, the Government has announced PRIHATIN SME+ amounting to RM10 billion. On 5 June 2020, the PENJANA package was launched with an allocation of RM35 billion focusing on empowering the rakyat, propelling businesses and stimulating the economy. The economic stimulus packages and recovery plan involved a direct fiscal injection from the Government amounting to RM45 billion or 3.1% of GDP and will be financed via domestic borrowing. The Government has also established a dedicated trust fund, the COVID-19 Fund, to consolidate, execute and monitor all fiscal measures under the economic stimulus packages.

In addition, on 23 September 2020, the Government announced an additional RM10 billion under the KITA PRIHATIN package to further enhance existing measures under the PRIHATIN and PENJANA packages. Most of the measures introduced in the economic stimulus packages and recovery plan are short-term in nature, thus, are expected to have a minimal impact on the Government's fiscal position in the medium- and long-term.

Fiscal Challenges During COVID-19 Pandemic

The COVID-19 crisis has brought about greater challenges in managing public finances and heightened fiscal risk exposure. Among others, the major risk factors include a protracted economic downturn, a prolonged pandemic period and lower crude oil prices. These will result in lesser revenue collection, while higher expenditure is needed to pump-prime the economy through countercyclical measures. Consequently, these challenges will increase the debt level and may temporarily disrupt the medium-term fiscal consolidation path.

In the past decade, the Government has successfully consolidated its fiscal deficit. From a high of 6.7% of GDP in 2009 following the Global Financial Crisis, its fiscal deficit was halved to 2.9% in 2017. This was a result of concerted fiscal reform initiatives including revenue diversification and enhancement, spending optimisation and effective debt management. These reforms provided additional fiscal space that enabled the Government to manoeuvre during emergency periods. The achievement provides evidence of the ability of the Government to resume fiscal consolidation, strengthen public finances and manage debt level in the coming years.

FEATURE ARTICLE

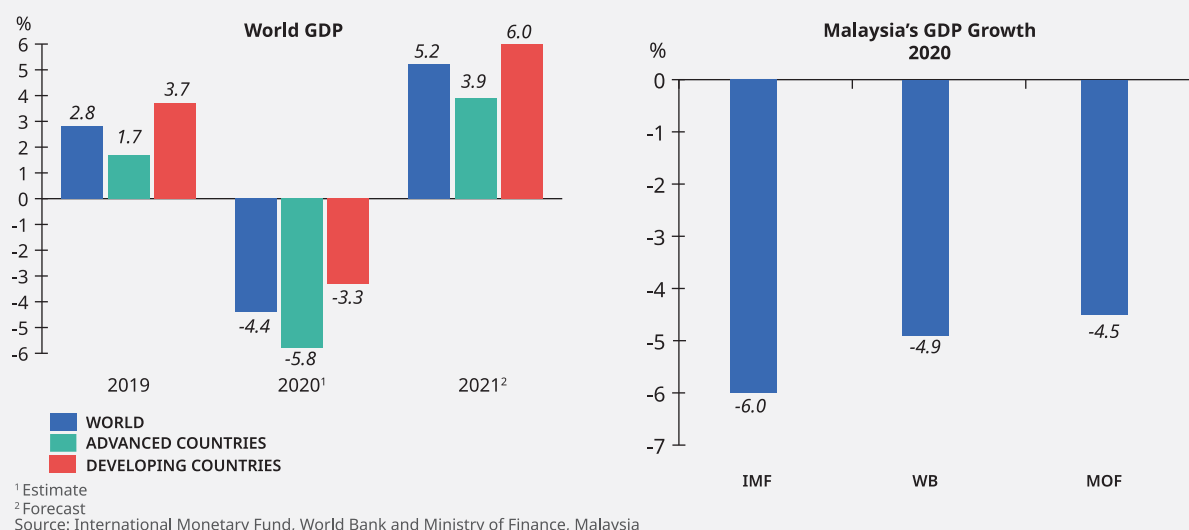
Fiscal Stance in Supporting the Economy - Policy Response to COVID-19 crisis

Introduction

The Corona Virus Disease 2019 (COVID-19) outbreak has triggered a global health crisis, which in turn paralysed economic growth worldwide. To date, the World Health Organisation reported that the virus has spread to most countries globally, infecting over 27 million people with total death surpassing 1 million. The unprecedented crisis has necessitated affected countries to impose containment measures, such as lockdowns and quarantines, to curb the spread of the virus. In addressing the pandemic, both health and economic dimensions were given due consideration in Malaysia. Based on a systematic approach, Malaysia imposed the Movement Control Order (MCO) from 18 March 2020 until 3 May 2020 and the Conditional Movement Control Order (CMCO) from 4 May 2020 until 9 June 2020 to flatten the COVID-19 curve. Once this was achieved, the economy was gradually opened with the Recovery Movement Control Order (RMCO) from 10 June 2020 until end of the year. As a result, Malaysia has been generally successful in containing the spread of COVID-19 pandemic, keeping the fatality rate at about 1% of total positive cases.

While the MCO has managed to control the outbreak, trade and economic activities were severely impacted, thus affecting businesses' cashflows and household incomes. The International Monetary Fund (IMF)¹ projects the global economy to decline by 4.4% from an initial estimate of 3.3%, while Malaysia's GDP to contract by 6%. The negative impact of COVID-19 requires a prompt policy response by the Government to protect vulnerable groups and stimulate the economy. In this case, the Government has been decisive in balancing between saving lives and protecting the livelihood of the rakyat and the economy.

FIGURE 1. World Economic Outlook



Malaysia's Fiscal Policy Response to Past Economic Crises

In times of crisis, government intervention is imperative in softening the impact through fiscal and monetary policies. In this regard, most countries will undertake countercyclical measures to cushion the impact and support economic growth. Historically, Malaysia has proven its capability to manoeuvre various crises which have affected its economy. During the Asian Financial Crisis in 1997/1998, the Government was able to introduce an economic stimulus package to revitalise the domestic economy without excessive borrowing on the back of five consecutive years of fiscal surplus prior to the crisis. A total of RM7 billion or 2.5% of GDP was injected into the economy as a countercyclical measure. The overall balance in 1998 recorded a deficit of 1.8% of GDP from a surplus of 2.4% in the previous year.

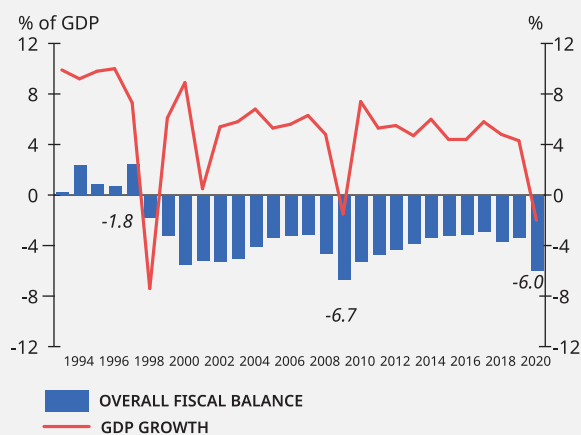
Malaysia was affected by the slow-down in the global growth following another crisis namely the Global Electronics Downturn and the 11 September attack in 2000/2001. The Government then implemented pump-priming measures amounting to RM7.3 billion or 2.1% of GDP to cushion the impact of the crisis. In 2003, the Severe Acute Respiratory Syndrome (SARS) outbreak and the Iraq War affected the world economic recovery. The adverse events forced the Government to implement another round of pre-emptive package amounting to RM7.3 billion or 2% of GDP. Two series of economic stimulus packages in 2003 further increased the deficit level to around 5% of GDP. However, with the swift implementation of stimulus packages, the economy recovered strongly with an annual average growth rate of 6% during the period of 2003–2007. More importantly, the Government subsequently embarked on a fiscal consolidation path and successfully reduced the fiscal deficit to 3.1% of GDP in 2007.

¹ World Economic Outlook, October 2020: A Long and Difficult Ascent

In the wake of the 2008/2009 Global Financial Crisis, the fiscal policy reassumed a leading role in stabilising the impact of the global slow-down on the domestic economy. The Government introduced two stimulus packages amounting to RM67 billion or 9.4% of GDP. The packages focused on protecting jobs, providing skills training and re-training, facilitating private sector activities as well as easing the burden of vulnerable groups. As a result, the fiscal deficit surged to 6.7% of GDP at the end of 2009. Post-crisis, the Government resumed its consolidation path and successfully reduced the fiscal deficit to 2.9% of GDP in 2017.

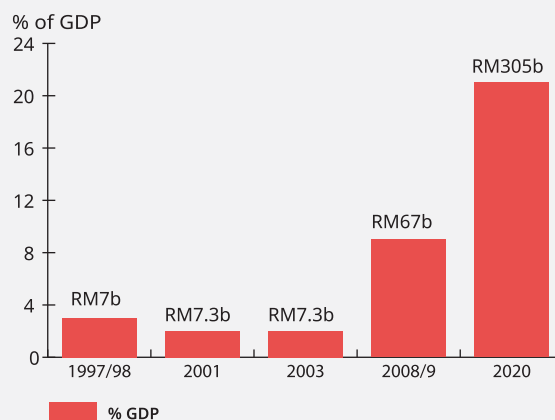
In managing various economic crises during the 1998–2009 period, the Government has extensively leveraged on fiscal policy tools, supported by monetary policy and administrative measures, to safeguard the nation's economy and ensuring the well-being of the rakyat. In total, the countercyclical fiscal measures has registered approximately RM88 billion or 12% of GDP. This portrayed the nation's ability to weather crises which enabled it to emerge stronger, supported by sound economic fundamentals and effective institutional capacity.

FIGURE 2. Federal Government Financial Position and GDP Growth, 1993 – 2020



Source: Ministry of Finance, Malaysia

FIGURE 3. Fiscal Stimulus Packages



The 2020 COVID-19 Crisis and Stimulus Packages

Entering the new decade of 2011–2020, the Government continued to implement fiscal reforms through bold public finances management initiatives. Among the measures implemented include broadening and diversifying the revenue base as well as instituting expenditure rationalisation and prudent debt management. These efforts have provided fiscal flexibility for the Government to mitigate the COVID-19 crisis, which has affected the rakyat and economy extensively.

In addressing the current crisis in 2020, the Government has introduced the 6R strategy: Resolve, Resilient, Restart, Recovery, Revitalise and Reform. The Government remains focused on completing the various stages of the strategy through the implementation of several economic stimulus packages and recovery plan, namely the Economic Stimulus Package (PRE), PRIHATIN Rakyat Economic Stimulus Package (PRIHATIN), Additional PRIHATIN SME Economic Stimulus Package (PRIHATIN SME+), National Economic Recovery Plan (PENJANA) and KITA PRIHATIN.

In March, the Government introduced the PRIHATIN stimulus package which include PRE, with a total size of RM250 billion with a direct fiscal injection of RM25 billion, which focuses on supporting and protecting people's livelihood as well as easing business cashflows. Assistance under PRIHATIN includes direct cash assistance to households and funds for businesses. Other measures include an allocation for healthcare services and a 6-month loan repayment moratorium for individuals and businesses, especially SMEs.

The *Bantuan Prihatin Nasional* (BPN), a one-off cash assistance to ease the burden of the people, is expected to benefit about 10 million recipients with an allocation of RM11.2 billion. In addition, the Wage Subsidy Programme (WSP) was introduced to assist employers in retaining their workers. The programme is expected to benefit 3.3 million employees. An additional allocation of RM1.5 billion is channelled for healthcare support and purchase of medical apparatus to curb the spread of the COVID-19. The Government also introduced i-Lestari, an initiative worth RM40 billion by the Employees' Provident Fund (EPF), which allows contributors to withdraw up to RM500 a month from their retirement fund. Banking institutions have also offered a 6-month moratorium on bank loans repayment worth RM100 billion to companies, SMEs and individuals to ease the cash flow burden. In addition, on 6 April 2020, the PRIHATIN plus package was launched to further support the SMEs businesses with a direct fiscal injection of RM10 billion. The package include enhancement of the WSP and introduction of PRIHATIN Special Grants (GKP) for SMEs.

On 5 June 2020, the Government unveiled PENJANA, a short-term economic recovery plan worth RM35 billion with a direct fiscal injection of RM10 billion. The PENJANA package focuses on three thrusts, namely empower the people, propel businesses and stimulate the economy. In empowering the people, various measures have been formulated to protect jobs and promote employment. Among others, the Government has provided allocations for hiring, reskilling and training as well as enhance the WSP to ensure businesses are ready to restart their operations.

Under the second thrust, the focus is towards sustaining business operations as well as enhancing productivity and competitiveness in the new normal environment. The measures include financial support to businesses through various schemes, such as SME and micro-financing, tourism financing and Bumiputera Relief Financing. In addition, to ease the financial burden, a tax incentive is provided for COVID-19 related expenses and remission of penalties related to late tax payments.

The third thrust, which aims to stimulate the economy will emphasise efforts to accelerate the economic recovery process. The tourism sector, the most affected by the COVID-19 pandemic, will be provided with systematic support through various tax incentives and financial assistance to enable the sector to adapt and expand in the new normal. Incentives are also provided for the property and automotive subsectors to help stimulate and boost activities in these subsectors. In addition, the incentives will provide financial relief to home and passenger car buyers.

On 23 September 2020, the Government announced an additional RM10 billion to further enhance existing measures, namely the BPN, GKP and a more targeted WSP under KITA PRIHATIN package. The package involved an additional allocation of RM7 billion for BPN, RM2.4 billion for wage subsidy and RM600 million for the SMEs Special Grant. This allocation will be partly financed through borrowing.

In all, the COVID-19 crisis has forced the Government to implement policy intervention with an extensive fiscal stimulus and economic recovery plan. These countercyclical measures are imperative to cushion the impact of the crisis as well as stimulate the economy and enhance the recovery process. The economic stimulus packages and recovery plan amounting to around 20% of GDP was injected into the economy. The direct fiscal injection reflects higher spending by the Government to cushion the impact of the COVID-19 crisis.

TABLE 1: 2020 Economic Stimulus Packages and Recovery Plan

PACKAGE	TOTAL VALUE		DIRECT FISCAL INJECTION	
	RM BILLION	% OF GDP	RM BILLION	% OF GDP
PRIHATIN	250.0	17.4	25.0	1.7
<i>PRE</i>	19.7	1.4	3.2	0.2
<i>PRIHATIN</i>	230.3	16.0	21.8	1.5
PRIHATIN SME+	10.0	0.7	10.0	0.7
PENJANA	35.0	2.4	10.0	0.7
SUB TOTAL	295.0	20.5	45.0	3.1
KITA PRIHATIN	10.0	0.7	10.0	0.7
TOTAL	305.0	21.2	55.0	3.8

Note: Additional spending exceeding RM45 billion of the COVID-19 Fund will be tabled to the Parliament
Source: Ministry of Finance, Malaysia

Impact of the Economic Stimulus Packages and Recovery Plan

The restriction movement imposed by the Government has caused major disruptions to economic activities in the second quarter of 2020. However, the economy is expected to gradually recover in the latter half of the year due to the Government's capability to contain COVID-19 cases. This has enabled the Government to lift the movement restrictions gradually and reopen more sectors. Fiscal policy measures, coupled with the accommodative monetary policy introduced by the Government at the same time, has reduced the severity of COVID-19 pandemic on the Malaysian economy. The implementation of stimulus packages and recovery plan is expected to boost aggregate demand and sustain employment. The PRIHATIN and PENJANA measures are estimated to improve the GDP growth by over 4.0 percentage points and contribute 3.5 percentage points to employment growth.

In the 2020 Budget, the Government targeted a fiscal deficit of 3.2% of GDP. However, with the additional fiscal injection for economic stimulus packages and recovery plan, lower GDP estimate and lower crude oil prices, the fiscal deficit is expected to rise to 6% of GDP. The expected higher deficit is based on the assumption of a lower average crude oil price of USD40 per barrel compared with the original estimate of USD62, revenue forgone in the form of tax incentives partly cushioned by additional dividends and special payments, expenditure savings and recalibration of existing allocations. Nevertheless, all measures in the PRIHATIN and PENJANA packages are short-term in nature, thus, they will not burden the Government's finances in the medium term. The Government will resume its fiscal consolidation path with a lower deficit averaging 4.5% of GDP over the medium term. The expected lower deficit will create sufficient fiscal space and ensure that the Government's fiscal position and debt level remain manageable and sustainable.

Formulation of the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) 2020 Act

The COVID-19 crisis requires an extraordinary fiscal policy response to address the crisis effectively. It is vital to provide a temporary reprieve from fiscal discipline in view of the more pressing need to ease the burden of the people, facilitate the businesses and revitalise the economy. Therefore, the Government formulated a new Act to ensure the financing and implementation of PRIHATIN and PENJANA packages are still carried out within existing legislations.

The Act, which is known as the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) 2020 Act, was passed by the Parliament on 21 September 2020 and will remain in force until 31 December 2022. The Act allows the Government to obtain additional borrowing to finance measures under the economic stimulus packages and recovery plan. Under this Act, the statutory limit of the Federal Government's outstanding debt has been temporarily lifted from 55% to 60% of GDP.

Parallel with the enactment of the Act, the Government has also established a trust fund known as the COVID-19 Fund. Under the new Act, proceeds from borrowings are allowed to be transferred into this specific Fund to finance programmes under the PRIHATIN and PENJANA packages. The establishment of the Fund will ensure a swift and effective roll-out of the initiatives under the stimulus packages. The initiatives are also monitored by the Implementation and Coordination of National Agencies on the Economic Stimulus Unit (LAKSANA), a unit under the Ministry of Finance. LAKSANA is tasked in ensuring effective and efficient implementation of all initiatives across all ministries and Government agencies.

Conclusion

The COVID-19 pandemic has posed a serious threat to human health and caused a severe shock to the global economy. Most countries have introduced stimulus packages and recovery plans to mitigate the impact of the pandemic. Generally, governments need to strike a balance between saving lives and protecting the livelihood of the people as well as supporting the economy. As for Malaysia, fiscal policy interventions and an accommodative monetary policy are crucial in protecting its people as well as the economy which has been built and developed over the past six decades. Hence, compliance with fiscal discipline has been given a temporary reprieve given the pressing need to manage the crisis. The Government is committed to resume its fiscal consolidation in the medium-term once the crisis ends, and continue to implement fiscal reforms to ensure long-term fiscal sustainability.

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Fiscal Position in 2020

The revenue performance is expected to be negatively affected amid slower domestic economic activities and lower crude oil prices assumption due to the COVID-19 pandemic. The revenue shortfall, estimated at around 20% from the budget estimates, will be cushioned by additional dividends and a special contribution from Government's entities, such as Petroliaam Nasional Berhad (PETRONAS), Khazanah Nasional Berhad (KHAZANAH) and Retirement Fund (Incorporated) (KWAP). Total revenue is revised to be lower at RM227.3 billion or 15.8% of GDP as compared to the budget estimates at RM244.5 billion.

In contrast, total expenditure is expected to increase by 6% or RM17.7 billion to RM314.7 billion compared to initial estimates of RM297 billion. The net increase is due to the fiscal stimulus injection of RM38 billion off-set by savings of RM20.3 billion from the revision of existing programmes and projects, as well as the shortfall in spending from budget estimates. Total savings from operating expenditure (OE) is anticipated at RM9.3 billion, which include fuel subsidies, supplies and services and grants to statutory bodies. The balance of RM11 billion is from the expected shortfall in development expenditure (DE) following the revision and rescheduling of several projects due to the MCO.

The OE is estimated to be rationalised by 5.9% to RM226.7 billion from original estimates at RM241 billion, mainly due to savings and reclassification of development-related items. The DE is expected to decrease by 11% to RM50 billion from budget estimates of RM56 billion after taking into account spending shortfalls and the reclassification of several development-related items from OE. The spending for the stimulus packages and recovery plan under the newly created COVID-19 Fund will be based on an estimated disbursement at RM38 billion with the balance will be carried over the following years.

Overall, the Federal Government's fiscal deficit is expected to increase to 6% of GDP, reflected by the pump-priming measures and lower GDP

estimate and revenue collection. Consequently, excluding debt service charges, the primary balance is estimated to record a higher deficit of 3.6% of GDP.

Outlook for 2021

During the transitional year of 2021 from crisis to recovery, the Government will continue to focus on the recovery measures to revitalise the economy, support business activities and protect the well-being of the rakyat. The Government will shift from broad-based support to a more targeted fiscal support with measures directed towards fulfilling the essential needs of the rakyat, retaining employment and ensuring continuity of businesses. In addition, the 2021 Budget, which marks the beginning of the Twelfth Malaysia Plan, 2021-2025 (12MP) period will chart the nation's development path in the new normal. Allocations will be channelled towards more targeted programmes and projects with high multiplier impact to ensure value-for-money. The Government will continue to invest in public infrastructure projects to support the economy and stimulate growth in these challenging times.

The Federal Government's revenue is forecast at RM236.9 billion or 15.1% of GDP in 2021. The higher revenue projection is based on the expected increase in tax revenue collection to RM174.4 billion, and the estimated non-tax revenue of RM62.5 billion. Total expenditure is estimated at RM322.5 billion or 20.5% of GDP. OE is budgeted at RM236.5 billion and DE at RM69 billion, while the remaining RM17 billion is for COVID-19 Fund disbursement. The OE is mainly for emoluments, debt service charges as well as supplies and services. The DE allocation will be mainly steered towards accelerating impactful public infrastructure projects, primarily for transport and connectivity, such as Mass Rapid Transit 2 (MRT2), Pan Borneo Highway and National Fiberisation and Connectivity Plan (NFCP) as well as for education and training, particularly in the reconstruction of dilapidated schools. In addition, the Government will provide a

sizeable allocation to ensure better quality healthcare and accessibility to health services for ongoing projects including the construction of pathology laboratories and procurement of medical equipment. The implementation of programmes and projects will continue to be aligned with the nation-building agenda that is based on sustainable development.

The Government will ensure a swift implementation of the economic stimulus packages and recovery plan under the COVID-19 Fund. Among programmes and projects under the Fund include the Wage Subsidies Programme, consolidation of cash assistance programmes under the *Bantuan Prihatin Nasional* (BPN), small-scale infrastructure projects, as well as food security programme.

Despite taking into account additional economic stimulus package, the 2021 fiscal deficit is expected to reduce to 5.4% of GDP with the primary deficit estimated at 2.9%. Nevertheless, the Government is committed to gradually consolidate its deficit level in the medium-term and resume its fiscal consolidation trajectory without disrupting the momentum of economic recovery and long-term development agenda.

Medium-Term Fiscal Framework 2021-2023

The Medium-Term Fiscal Framework (MTFF) provides a macro-fiscal projection over three years. The set targets for revenue and expenditure will serve as guidance for the Government's medium-term fiscal path. Hence, the MTFF is an important tool for fiscal policy management, which promotes fiscal discipline, ensures appropriate resource allocation and forecast beyond the annual planning horizon.

The 2021 – 2023 MTFF is based on the updated macroeconomic and fiscal assumptions after taking into account the impact of the COVID-19

crisis. The revised MTFF assumptions include real GDP growth of between 4.5% and 5.5% (nominal GDP growth: 5.5% and 6.5%), crude oil prices between USD45 and USD55 per barrel and crude oil production of 580,000 barrels per day.

In the medium-term period, total revenue is expected to reach RM731 billion or 14.7% of GDP, contributed mainly from non-petroleum revenue which is forecast at RM609.7 billion or 12.3% of GDP. Petroleum-related revenue is projected at RM121.3 billion or 2.4% of GDP. The Government will enhance its revenue by exploring new sources, widening the revenue base, improving tax administration and adopting the Medium-Term Revenue Strategy (MTRS).

TABLE 1.2. *Medium-Term Fiscal Framework (MTFF), 2021 – 2023*

	2021 – 2023	
	RM BILLION	SHARE OF GDP (%)
Revenue	731.0	14.7
<i>Non-petroleum</i>	609.7	12.3
<i>Petroleum-related</i>	121.3	2.4
Operating expenditure	730.3	14.7
Current balance	0.7	0.0
Gross development expenditure	212.5	4.3
<i>Less: Loan recovery</i>	2.0	0.1
Net development expenditure	210.5	4.2
COVID-19 Fund ¹	17.0	0.3
Overall balance	-226.8	-4.5
Primary balance	-102.8	-2.1
Underlying assumptions:		
Real GDP growth (%)	4.5 - 5.5	
Nominal GDP growth (%)	5.5 - 6.5	
Crude oil price (USD per barrel)	45 - 55	
Oil production (barrels per day)	580,000	

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan
Note: MTFF estimate, excluding budget measures

The total indicative ceiling for the three-year expenditure, including COVID-19 Fund allocation, is estimated at RM959.8 billion or 19.3% of GDP. OE allocation is projected at RM730.3 billion or 14.7% of GDP, while DE at RM212.5 billion or 4.3% of GDP. The indicative ceiling will provide broad guidance to ministries and agencies in their budget planning in ensuring a more targeted and disciplined in fiscal management.

Thus, the overall fiscal deficit is targeted to average 4.5% of GDP for the three years while the Federal Government debt is expected to increase, albeit at a manageable level. During the MTFF period, the Government will continue to support economic recovery and build capacity towards a more resilient and sustained economic growth. The fiscal stance will complement these initiatives while observing sound public finances and continuing fiscal reform initiatives.

INFORMATION BOX

An Update On Fiscal Responsibility Act

Introduction

The Fiscal Responsibility Act (FRA) is identified as one of the reform initiatives to strengthen fiscal institutions through enhancement of fiscal discipline, spending effectiveness and public finance transparency. The main purpose of the law is to secure sound public finance while ensuring medium- and long-term fiscal sustainability as well as to support economic stability in the country. In the 2019 Budget, the Government has announced the commitment to legislate the FRA in 2021.

The FRA will be formulated based on international best practices of fiscal responsibility legislations (FRLs). Many countries have enacted a specific law to govern public finances including Australia, Brazil, Chile, Ireland, New Zealand, Thailand and the United Kingdom. Among good principles and practices of responsible fiscal management include establishment of fiscal rules, reduction of public debt to a prudent level, maintaining operating surplus and net worth, managing fiscal risks, and maintaining a predictable and stable tax rate.

FIGURE 1. Examples of good and responsible fiscal management principles and practice



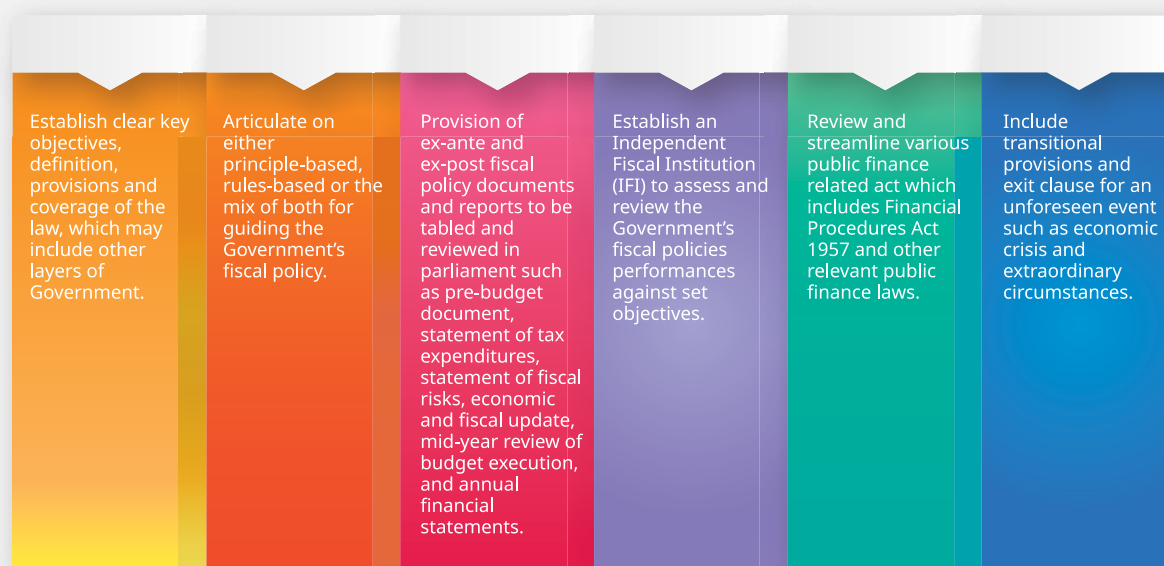
Source: Manual of Fiscal Transparency, International Monetary Fund (IMF)

Current Status

Beginning 2019, a Steering Committee was established with the main objective to guide and direct the development of FRA. The members of Steering Committee consist of representatives from the Ministry of Finance (MOF), Attorney General's Chambers, National Audit Department, Economic Planning Unit, Bank Negara Malaysia and Accountant General's Department of Malaysia. The Steering Committee is responsible for providing guidance on analysis and assessment related to the FRA as well as propose a legislation draft. The committee deliberated on policy issues, which includes elements and framework of the FRA as well as transparency and accountability.

MOF has also engaged with the International Monetary Fund (IMF) for technical assistance on FRA. A knowledge-sharing workshop was conducted by the IMF in February 2020 to identify suitable international best practices that could be applied in Malaysia. The IMF team had also met with the Public Accounts Committee (PAC) of Parliament to get their views on the FRA.

FIGURE 2. Key FRA elements for considerations



Conclusion

The FRA is one of the key elements of the fiscal reforms initiatives which will provide the impetus towards a more disciplined and prudent public finance management. As the Government aspires to enhance its fiscal governance and transparency to be in line with international best practices, the formulation of the FRA is imperative. Currently, the Government is engaging and discussing with key domestic and international agencies to explore various options in the formulation of the FRA.

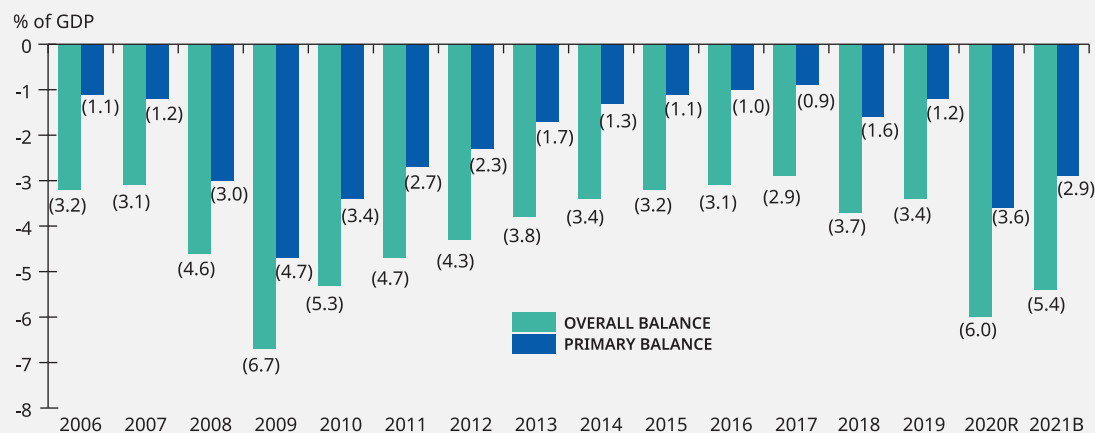
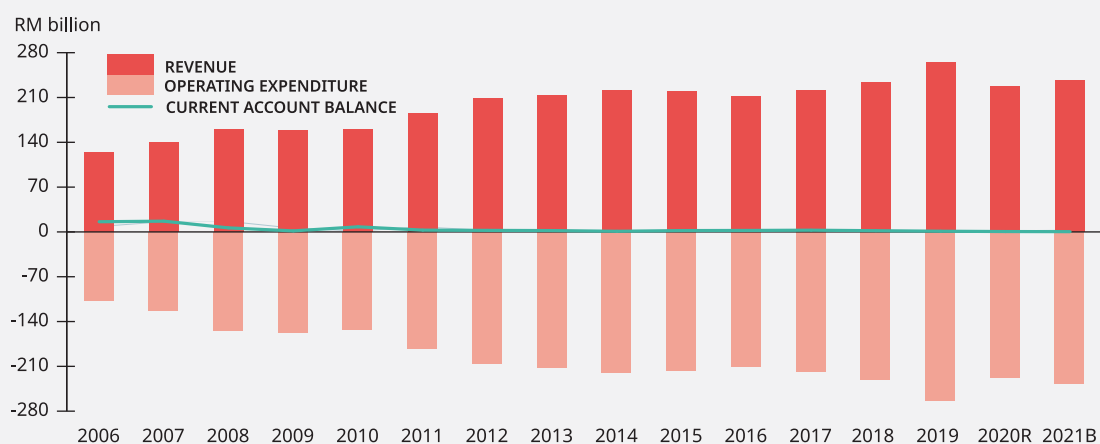
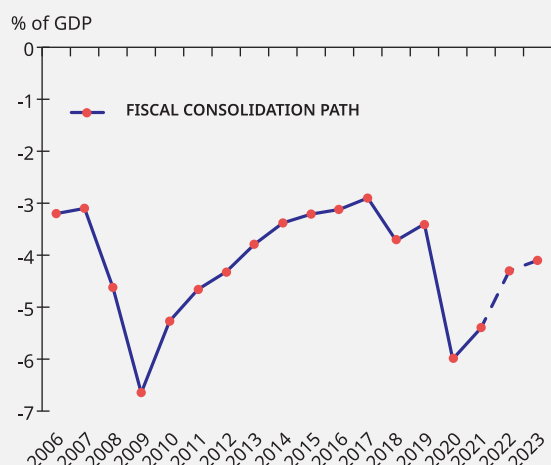
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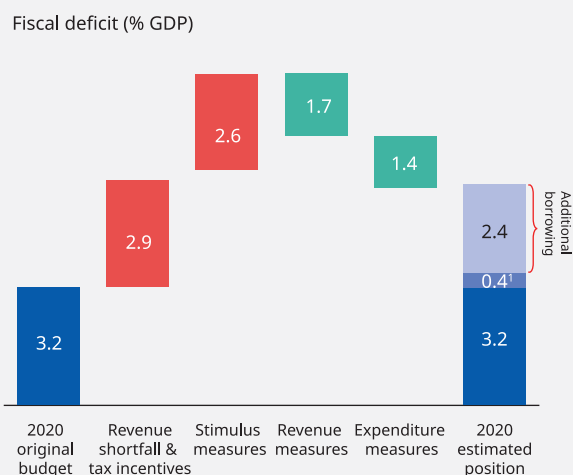
Conclusion

The Government will continue to fulfil its utmost responsibility to safeguard the nation's interests, particularly during times of adversity. In addressing unprecedented challenges which impacted the economy and the people, the Government has acted swiftly by implementing countercyclical measures with the series of economic stimulus packages and recovery

plan. The immediate fiscal policy response is critical to ensure the economy has the ability and capacity to quickly rebound post-recovery. Concurrently, fiscal reform initiatives are also in place. These initiatives, namely the formulation of the Fiscal Responsibility Act, development of the MTRS and medium-term budgeting framework, are undertaken to further enhance sustainability and accountability by the Government in pursuing sound public finances.

FIGURE 1.1. Federal Government Overall and Primary Balance**FIGURE 1.2.** Federal Government Revenue, Operating Expenditure and Current Balance**FIGURE 1.3.** Federal Government MTFF Overall Balance

Note: 2020: Revised estimate
 2021: Budget estimate, excluding 2021 Budget measures
 Source: Ministry of Finance, Malaysia

FIGURE 1.4. Revised Fiscal Position in 2020

*Reflecting lower nominal GDP

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SECTION 2

Federal Government Revenue

Overview

The COVID-19 pandemic has led to a global economic crisis that drastically impacted businesses and livelihood around the world. To mitigate its impact on Malaysia, the Government has implemented countercyclical measures through series of economic stimulus packages and recovery plan in 2020. These measures were aimed at cushioning the impact of the COVID-19 crisis on businesses, households and individuals through among others direct cash assistance, loan repayment moratorium and tax measures.

Total revenue is expected to be severely affected following the decline in business, trade and tourism receipts as the worldwide lockdown actions reduce global trade vibrancy and people's mobility. In addition, due to the lower crude oil prices, the income tax and duties collection will also be impacted. Nevertheless, the expansionary fiscal stance is expected to support and rejuvenate domestic economic activities and ease business cash flows, thus mitigating the impact of the crisis and providing impetus for recovery.

Revenue in 2020

In 2020, the Federal Government's revenue is projected to decrease by 14% to RM227.3 billion (2019: RM264.4 billion) as a result of lower tax collection. Despite the impact of COVID-19 and lower estimated average crude oil price of USD40 per barrel, tax collection continues to be the major contributor to Federal Government's revenue with an estimated collection of RM153.3 billion or 67.4% to total revenue, albeit lower than the previous five-year average of 75.8%. Consequently, total revenue as a percentage to GDP is expected to be lower at 15.8%, of which tax revenue constitutes 10.6%, while non-tax revenue represents 5.2%.

Direct tax, which accounts for 50.6% of total revenue, is expected to decrease by 14.6% to RM115.1 billion (2019: RM134.7 billion). Collections from all direct tax components are projected to decline primarily due to weak economic activities which affected businesses and individuals' incomes as well as lower crude oil price assumption. Companies income tax (CITA), the major contributor to total revenue, is estimated to be lower at RM59.4 billion (2019: RM63.7 billion), which is about 21% shortfall from the original estimate of RM75.5 billion. This is mainly due to lower business income resulting from decelerating economic activities in line with the global movement restriction and preventive measures. In addition, the reduction in revenue collection is partly attributed to several tax incentive announced under the economic stimulus packages. These include deferment of tax payments for all businesses in the tourism sector until December 2020, postponement of tax payments from April to June 2020 for small and medium enterprises (SMEs), and extension of tax incentive period for accelerated capital allowance on capital expenditure on machines and equipment. Other tax measures include stamp duty exemptions for sale and purchase as well as home financing agreement, individual income tax reliefs on domestic travel spending, and the Real Property Gains Tax (RPGT) exemptions on disposal profits from 1 June 2020 until 31 December 2021.

Individual income tax is anticipated to decline by 4% to RM35.9 billion compared with the original estimates of RM37.4 billion. The main factors affecting the collection performance are higher retrenchment incidence as well as salary reductions and unpaid leave offers by employers to manage cash flows and ensure business continuation. Petroleum income tax (PITA) is forecast to decline significantly by 58.9% to RM8.5 billion (2019: RM20.8 billion) in tandem with the lower estimated average crude oil price at USD40 per barrel and

slower demand. Other direct tax collections, including stamp duty and RPGT, are estimated to be lower at RM8.2 billion, following the exemptions announced in the economic stimulus packages.

Indirect tax, which constitutes 16.8% of total revenue, is estimated to decrease by 19.4% to RM38.1 billion compared with the original estimate of RM47.3 billion, with all components are expected to decline. Sales Tax and Service Tax (SST) are expected to be lower at RM24.5 billion (2019: RM27.7 billion) with sales tax collection projected to reduce by 21.4% to RM12.1 billion (2019: RM15.4 billion). This is in line with the Government's initiative to provide tax exemptions for the purchase of locally-assembled and fully-imported passenger cars under the PENJANA package. Excise duties collection is estimated at RM8.5 billion (2019: RM10.5 billion), a reduction of 19.1% mainly due to the suspension of operations of a

majority of motor assembly plants during the Movement Control Order (MCO) period from March to May 2020. The lower average crude oil price assumption of USD40 per barrel in 2020 coupled with decreased export volume are expected to reduce export duty collection by 28.8% to RM0.8 billion (2019: RM1.1 billion). In addition, other tax exemption measures announced under the economic stimulus packages, which include tourism tax and service tax on hotel accommodation, are expected to further reduce the indirect tax collection.

Non-tax revenue is envisaged to register RM74 billion (2019: RM83.8 billion), largely contributed by higher dividends from PETRONAS amounting to RM34 billion, of which RM10 billion is a special payment mainly from their divestment exercise in 2019. The Government has received RM3.5 billion from Bank Negara Malaysia and is expected to

TABLE 2.1. *Federal Government Revenue 2019 – 2021*

COMPONENT	RM MILLION			CHANGE (%)			SHARE (%)		
	2019	2020 ¹	2021 ²	2019	2020 ¹	2021 ²	2019	2020 ¹	2021 ²
Tax revenue	180,566	153,260	174,370	3.7	-15.1	13.8	68.3	67.4	73.6
Direct tax	134,723	115,105	131,870	3.6	-14.6	14.6	51.0	50.6	55.7
of which:									
CITA	63,751	59,385	64,596	-4.1	-6.8	8.8	24.1	26.1	27.3
Individual	38,680	35,906	42,439	18.6	-7.2	18.2	14.6	15.8	17.9
PITA	20,783	8,551	13,000	3.5	-58.9	52.0	7.9	3.8	5.5
Indirect tax	45,843	38,155	42,500	4.1	-16.8	11.4	17.3	16.8	17.9
of which:									
SST	27,668	24,533	27,900	7.7	-11.3	13.7	10.5	10.8	11.8
Excise duties	10,511	8,507	8,768	-2.5	-19.1	3.1	4.0	3.7	3.7
Import duty	2,733	2,035	2,050	-5.7	-25.5	0.7	1.0	0.9	0.9
Export duty	1,126	802	922	-31.0	-28.8	15.0	0.4	0.4	0.4
Non-tax revenue	83,849	74,010	62,530	42.5	-11.7	-15.5	31.7	32.6	26.4
of which:									
Licences and permits	14,499	13,237	12,736	3.4	-8.7	-3.8	5.5	5.8	5.4
Investment income	60,058	48,666	36,775	88.3	-19.0	-24.4	22.7	21.4	15.5
Total revenue	264,415	227,270	236,900	13.5	-14.0	4.2	100.0	100.0	100.0
Share of GDP (%)	17.5	15.8	15.1						

¹ Revised estimate

² Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance, Malaysia

receive dividends from Khazanah Nasional Berhad amounting to RM2 billion. In addition, a special payment of RM5 billion was received from the Retirement Fund (Incorporated) (KWAP) to partly finance the current year's retirement charges. In contrast, receipts from licences and permits are estimated to decline by 8.7% to RM13.2 billion (2019: RM14.5 billion), mainly due to lower proceeds from petroleum royalty.

Petroleum-related revenue is forecast to decline by 40.3% to RM50 billion in 2020 (2019: RM83.8 billion), due to exclusion of special dividend for tax refund as well as reduction in PITA and royalty amounting to RM8.5 billion and RM4.2 billion, respectively, based on lower global crude oil prices. Consequently, the share of petroleum-related revenue is also expected to decline from 31.7% in 2019 to 22% in 2020. Given the significant impact of the economic slowdown, **non-petroleum revenue** is estimated to decrease by 1.8% to RM177.3 billion (2019: RM180.6 billion), cushioned by special payments from government entities. As a percentage to GDP, non-petroleum revenue is forecast to increase by 0.3 percentage points to 12.3% from 2019 position (12%).

Outlook for 2021

The COVID-19 pandemic has severely impacted revenue collection capacity of the Federal Government. This is particularly due to shrinking corporate earnings and individual incomes as well as the introduction of temporary tax exemption measures to ease cash flows and support businesses. Nonetheless, the year 2021 is expected to be a transition year as the nation will shift from the recovery phase towards achieving its growth potential in the new normal. In this regard, the Government is anticipating an improvement in tax revenue collection and the overall revenue performance to return to the pre-crisis level. The economy is expected to attain full economic recovery in the medium term.

The Federal Government's revenue in 2021 is envisaged to turn around by 4.2% to RM236.9 billion or 15.1% of GDP, on the back

of improving economic growth and business prospects. The higher revenue is largely attributed to better **tax revenue** collection, which is estimated to increase by 13.8% to RM174.4 billion. As a percentage to GDP, tax revenue constitutes 11.1% while non-tax revenue at 4%.

Direct tax collection is forecast to increase by 14.6% to RM131.9 billion, constituting 55.7% to total revenue. The expected higher collection are largely contributed by CITA, PITA and individual income taxes. CITA, as the major contributor to direct tax and total revenue, is projected to rebound by 8.8% to RM64.6 billion. This is in tandem with improving economic activities and higher earning expectation, coupled with continuous efforts by the Inland Revenue Board (LHDN) to enhance auditing and tax compliance. Similarly, PITA is anticipated to rebound by 52%, on account of improved demand and slightly higher average crude oil price assumption at USD42 per barrel. For individual income tax collection, it is estimated to be higher at RM42.4 billion attributed to stable employment prospect and sustained wage growth. Revenue from other direct tax consist of stamp duty, RPGT and other taxes is expected to increase by 7% to RM8.8 billion.

Collection from **indirect tax** is anticipated to rebound by 11.4% to RM42.5 billion, mainly contributed by higher SST collection. In 2021, SST collection is forecast at RM27.9 billion, an increase of 13.7% contributed by higher consumption spending. Likewise, excise duties are estimated to expand by 3.1% to RM8.8 billion in tandem with higher demand for motor vehicles. The Malaysia Automotive Association (MAA)¹ forecasts that the total industry volume for vehicles will increase by 17% in 2021, following the introduction of new models and ongoing promotional campaigns by automotive sector. Export duty are forecast to remain stable at RM0.9 billion.

Non-tax revenue is projected to decline by 15.5% to RM62.5 billion in 2021, primarily due to lower proceeds from investment income. Dividends from PETRONAS and Khazanah are estimated at RM18 billion and RM1 billion,

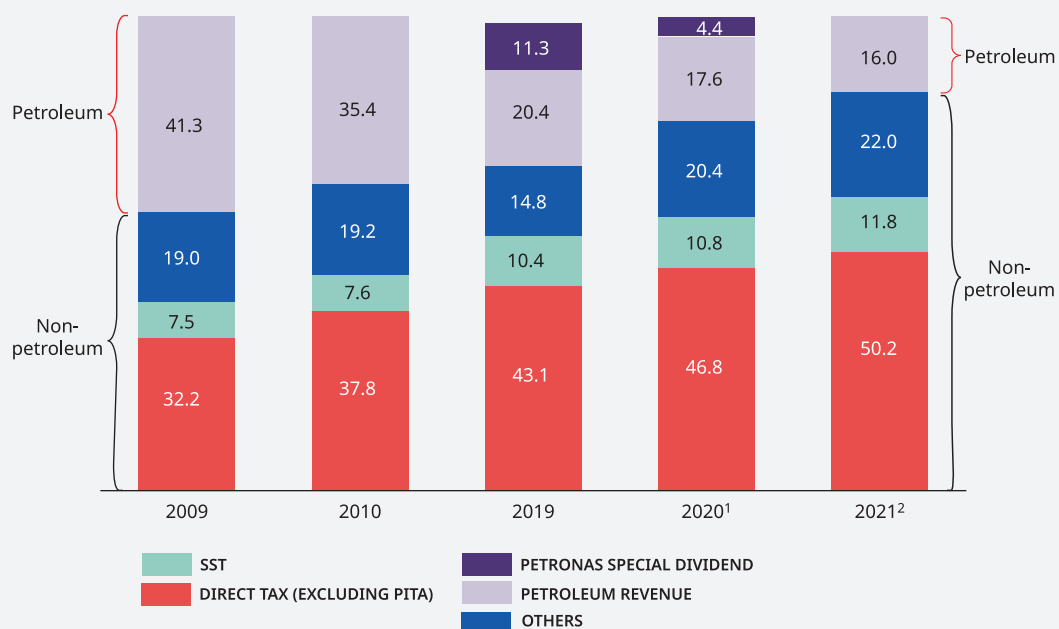
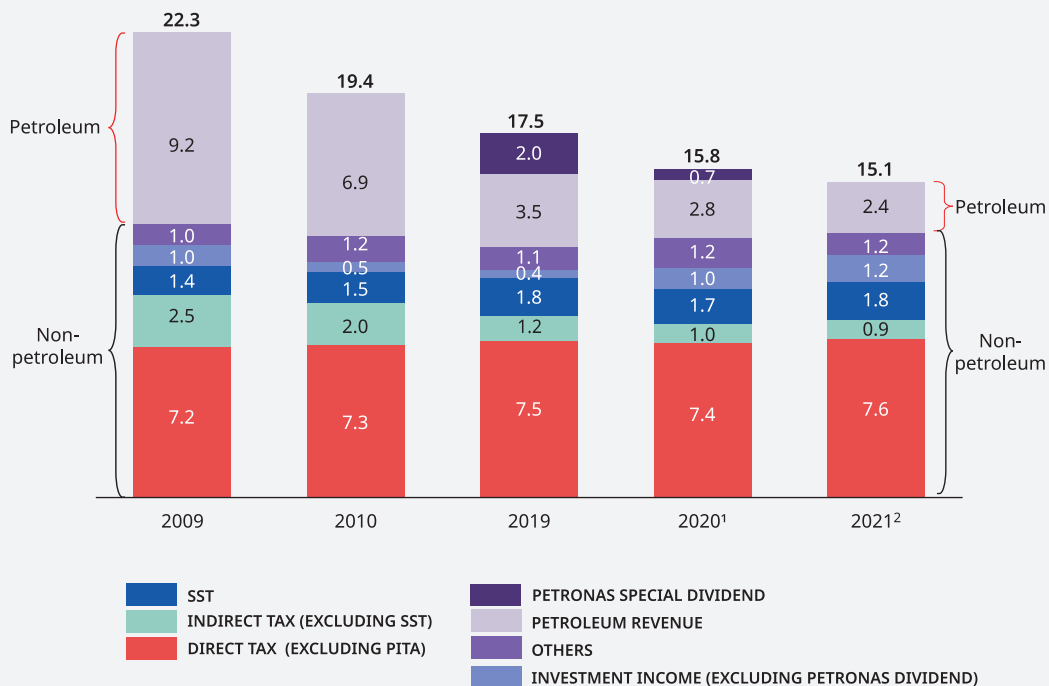
¹ Malaysia Automotive Association. Market review 1st half 2020. Retrieved from <http://www.maa.org.my/news.html>

respectively. In addition, the Government will continue to receive a special payment from KWAP amounting to RM5 billion to partly finance the retirement charges. For licences and permits, it is estimated to decrease by 3.8% to RM12.7 billion. However, petroleum royalty is forecast to reach RM4.3 billion in consonance with higher average of crude oil prices. Likewise, collection from motor vehicle licences is anticipated to record RM3.1 billion in line with higher estimated vehicles registration.

With continued efforts to reduce the reliance on **petroleum-related revenue**, its share to total revenue is forecast to decline further to 16% in 2021. Petroleum-related revenue is forecast to be lower at RM37.8 billion or 2.4% of GDP, compared with RM50 billion or 3.5% in 2020. Consequently, **non-petroleum revenue** is envisaged to increase by 12.3% to RM199.1 billion.

Conclusion

The Government will continue to strengthen and maximise its tax revenue collection and enhance its buoyancy via tax reform initiatives. These include efforts to broaden the revenue base, tap the informal sector, curtail under-reporting and under-declaring practices, reduce tax leakages as well as to enhance tax administration through effective data management and integration with relevant agencies. In addition, the tax incentive packages will be consolidated and further strengthened to be more targeted, based on a higher impact and cost-benefit approach. In the medium term, the Federal Government will enhance its revenue strategy that is anchored by the Medium-Term Revenue Strategy (MTRS) to ensure sustainable revenue generation.

FIGURE 2.1. *Petroleum-Related and Non-Petroleum Revenue (% of total revenue)***FIGURE 2.2.** *Revenue as Percentage to GDP*¹Revised estimate²Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance, Malaysia

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SECTION 3

Federal Government Expenditure

Overview

The global COVID-19 pandemic has forced most Governments to implement countercyclical measures to cushion the impact of the crisis. In this regard, the Federal Government undertook an immediate policy response by providing a substantial fiscal injection to stimulate the economy. Expansionary fiscal policy measures through additional allocation and tax relaxation are crucial to protect people's livelihood, support businesses and mitigate the fallout of economic activities from the crisis.

The Government has proactively responded with swift mobilisation of stimulus packages and a recovery plan to address the crisis, of which the total cost is the largest in Malaysia's fiscal history. The ability to implement these measures was due to the availability of fiscal space, following concerted fiscal consolidation efforts since 2009 and sufficient liquidity in the domestic market to support additional financing requirements. The Government will focus on channelling its spending in stimulating the economy, enhancing capacity building through infrastructure development, safeguarding the welfare of the rakyat and providing a conducive business environment. In addition, the Government will continue to review non-essential programmes and reprioritise expenditure based on the current needs and urgency of the nation. Similarly, the Government will enhance its spending efficiency and effectiveness through a rigorous assessment on benefits, costs and risks of the programmes, while reducing expenditure leakages.

Although the COVID-19 crisis has hampered the Government's fiscal reform agenda, the Government remain committed to resuming its fiscal consolidation path in the medium term. All measures announced in the stimulus

packages and economic recovery plan are short-term, which will not burden the Federal Government's finances in the medium and long term. Given the magnitude of the public funds involved, it is imperative that transparency and good governance are being upheld throughout the implementation of these fiscal measures. Towards this end, the Government has established a specific COVID-19 Fund to implement and monitor all measures comprehensively.

Expenditure in 2020

The prolonged COVID-19 crisis has necessitated the Government to implement extensive expansionary fiscal stance. The immediate and proactive response to the COVID-19 consists of a series of economic stimulus packages, amounting to RM295 billion, which include fiscal and non-fiscal measures. Of the total, RM45 billion was from a direct fiscal injection. The packages are the Economic Stimulus Package (PRE) announced in February; followed by the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) in March; the Additional PRIHATIN SME Economic Stimulus Package (PRIHATIN SME+) in April; and National Economic Recovery Plan (PENJANA) in June. In addition, the KITA PRIHATIN package was announced in September with an allocation of RM10 billion to enhance existing measures, including the *Bantuan Prihatin Nasional* (BPN), PRIHATIN Special Grants and the Wage Subsidy Programme (WSP). These economic packages and recovery plan are one-off and temporary measures that aim to protect the livelihood of the rakyat, propel businesses and revitalise the nation's economy.

The Federal Government total expenditure allocation for 2020 is revised upwards to RM314.7 billion from the initial budget estimate of RM297 billion. The net increase

of RM17.7 billion is derived from the fiscal stimulus injection estimated at RM38 billion and savings from expenditure amounting to RM20.3 billion. These savings are generated from reviewing existing programmes and projects, as well as the shortfall in spending due to savings in expenditure and delayed progress in the implementation of projects during the movement control period. About 55% or RM11 billion of the savings is attributed to the shortfall in development expenditure (DE). The balance of RM9.3 billion is from savings in operating expenditure (OE), which include reductions in fuel subsidies, supplies and services, and grants to statutory bodies.

Excluding the economic stimulus packages and recovery plan, the total revised allocation for 2020 is estimated at RM276.7 billion. Of these, OE constitutes RM226.7 billion or 15.8% of GDP, while DE at RM50 billion or 3.5% of GDP. Except for charged expenditure and transfer payments, which account for 27.8% of total expenditure, the social sector will continue to receive the bulk of the allocation at 37.9%

or 7.3% of GDP. This is followed by economic (16.2%; 3.1% of GDP), security (10.9%; 2.1% of GDP) and general administration (7.2%; 1.4% of GDP) sectors.

Operating Expenditure

OE for 2020 is revised downwards by 5.9% or RM14.3 billion to RM226.7 billion from the initial allocation of RM241 billion. The downward revision is partly due to savings, particularly on fuel subsidies following lower global crude oil prices and reduction of grants to statutory bodies with high reserves. In addition, savings are also generated from lower supplies and services outlays especially repairs and maintenance as well as professional services and reclassification of several development-related items to DE.

The revised OE of RM226.7 billion in 2020 is lower by 13.9% (2019: RM263.3 billion). This is mainly due to the absence of the one-off outstanding tax refund allocation of RM37 billion. Emoluments are estimated to increase to RM82.6 billion, mainly due to the

TABLE 3.1. *Federal Government Operating Expenditure by Component, 2019 – 2021*

COMPONENT	RM MILLION			CHANGE (%)			SHARE (%)		
	2019	2020 ²	2021 ³	2019	2020 ²	2021 ³	2019	2020 ²	2021 ³
Emoluments	80,534	82,611	84,532	0.7	2.6	2.3	30.6	36.4	35.7
Retirement charges	25,894	27,055	27,583	2.8	4.5	2.0	9.8	11.9	11.7
Debt service charges	32,933	34,945	39,000	7.8	6.1	11.6	12.5	15.4	16.5
Grants and transfers to state governments	7,574	7,749	7,745	-0.4	2.3	-0.1	2.9	3.4	3.3
Supplies and services	31,507	30,101	32,770	-10.7	-4.5	8.9	12.0	13.3	13.9
Subsidies and social assistance	23,901	20,145	18,853	-13.1	-15.7	-6.4	9.1	8.9	8.0
Asset acquisition	770	650	542	72.1	-15.6	-16.6	0.3	0.3	0.2
Refunds and write-offs	893	987	511	1.1	10.5	-48.2	0.3	0.4	0.2
Grants to statutory bodies	13,780	14,040	15,430	0.1	1.9	9.9	5.2	6.2	6.5
Others	45,557 ¹	8,437	9,574	367.3	-81.5	13.5	17.3	3.8	4.0
Total	263,343	226,720	236,540	14.0	-13.9	4.3	100.0	100.0	100.0
Share of GDP (%)	17.4	15.8	15.1						

¹ Including a one-off allocation for outstanding tax refunds

² Revised estimate

³ Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance, Malaysia

annual salary increments. Likewise, retirement charges are expected to increase to RM27.1 billion on the back of special cash assistance to pensioners and to accommodate the rising number of pensioners. Debt service charges are estimated to escalate further by 6.1% to RM34.9 billion in 2020. In contrast, supplies and services are projected to be lower at RM30.1 billion. The outlays for subsidies and social assistance are estimated to contract by 15.7% to RM20.1 billion, as opposed to RM23.9 billion in 2019. The decrease is particularly due to lower fuel subsidies outlays as a result of declining global crude oil prices. In addition, Cost of Living Aid (BSH) is estimated at RM5 billion (2019: RM4.5 billion), which would benefit about 5 million recipients.

Development Expenditure

DE in 2020 is revised downward to RM50 billion from the original estimates of RM56 billion (2019: RM54.2 billion). The downward revision is due to the deferment and slower progress of several projects during the movement control period. However, the lower DE is partially offset by the reclassification of several development-related items from OE. Of total DE, RM47.5 billion comprises direct allocation, while RM2.5 billion is in the form of loans to state governments and Government-linked entities. In comparison to 2019, expenditures are expected to be lower across all sectors, except for the general administration sector.

The economic sector continues to remain as the sector with the largest share of DE at 57.1%, followed by social (26.1%), security (11.1%) and general administration (5.7%) sectors. The outlays for the economic sector are projected to register at RM28.5 billion, primarily for upgrading public transportation and communication connectivity infrastructure, improving public utilities, enhancing agriculture and rural development as well as intensifying trade and industrial activities. The transport subsector is allocated RM10.2 billion, mainly to finance the construction of the Pan Borneo Highway, electrified double track project, Mass Rapid Transit 2 (MRT2) and Klang Valley Double Track Phase 1 (KVDT1) infrastructure and system upgrades. Energy and public utilities, as well as agriculture and rural development subsectors, are allocated RM3.6 billion and

RM3 billion, respectively. Among key projects and programmes include construction and upgrading of sewage treatment plant as well as water distribution system for rural areas, settlers' development programme, strengthening paddy farming productivity and Monsoon Season Aid.

Overall spending for the social sector is expected to contract by 9.8% to RM13.1 billion in 2020. Education and training, as well as health and housing subsectors, continue to receive the highest allocation. A sum of RM5.9 billion will be channelled to the education and training subsector, particularly for construction, upgrading and refurbishment of schools, teachers' quarters and tertiary institutions; extension of infrastructure and facilities for teaching hospitals; expanding training and education programmes; enhancing technical and vocational education and training (TVET) programmes; and providing education loans.

Nevertheless, the health subsector expenditure is estimated to record an increase of 57.8% to RM2.9 billion. The spending is mainly for construction and upgrading of hospitals and clinics, including the Tanjung Karang Hospital, Kemaman Hospital and Sabah Dental Specialist Centre. Meanwhile, the outlays for the housing subsector are expected to decrease by 30% to RM1.5 billion in contrast to 2019. Projects and programmes under this subsector include the construction of affordable homes for civil servants and People's Housing Programme (PPR).

The security sector is provided with an allocation of RM5.6 billion in 2020. The expenditure is aimed at strengthening and intensifying the country's defence and internal security. The outlays are mainly for acquisition and enhancement of military and security equipment; ongoing construction of offices, quarters and camps; and maintenance of integrated communication systems. The general administration sector's allocation is expected to increase by 3.1% to RM2.9 billion with the bulk of the outlays is meant for comprehensive network systems, asset management as well as upgrading of Government offices and equipment.

TABLE 3.2. *Federal Government Development Expenditure by Sector, 2019 – 2021*

SECTOR	RM MILLION			CHANGE (%)			SHARE (%)		
	2019	2020 ¹	2021 ²	2019	2020 ¹	2021 ²	2019	2020 ¹	2021 ²
Economic	31,300	28,525	38,887	-13.3	-8.9	36.3	57.8	57.1	56.4
<i>of which:</i>									
Transport	13,750	10,195	15,036	-19.1	-25.9	47.5	25.4	20.4	21.8
Trade and industry	3,054	2,438	3,121	21.6	-20.2	28.0	5.6	4.9	4.5
Energy and public utilities	2,760	3,586	3,330	22.4	29.9	-7.1	5.1	7.2	4.8
Agriculture and rural development	2,314	3,016	2,894	8.5	30.3	-4.0	4.3	6.0	4.2
Environment	1,723	1,734	1,891	3.5	0.6	9.1	3.2	3.5	2.7
Social	14,484	13,058	18,369	12.5	-9.8	40.7	26.7	26.1	26.7
<i>of which:</i>									
Education and training	7,629	5,871	8,873	17.3	-23.1	51.1	14.1	11.7	12.9
Health	1,827	2,883	4,726	3.0	57.8	63.9	3.4	5.8	6.8
Housing	2,126	1,491	1,834	65.4	-29.9	23.0	3.9	3.0	2.7
Security	5,614	5,557	7,780	13.9	-1.0	40.0	10.4	11.1	11.2
General administration	2,775	2,860	3,964	26.7	3.1	38.6	5.1	5.7	5.7
Total	54,173	50,000	69,000	-3.4	-7.7	38.0	100	100	100
Share of GDP (%)	3.6	3.5	4.4						

¹ Revised estimate² Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance, Malaysia

COVID-19 Fund

The Government has established a COVID-19 Fund in 2020 to enable a structured monitoring and transparent reporting of the implementation of programmes and projects under the economic stimulus packages and recovery plan. A total of RM45 billion of fiscal injection is allocated under the Fund, which consists of RM3.2 billion for PRE, RM21.8 billion for PRIHATIN, RM10 billion for PRIHATIN SME+ and RM10 billion for PENJANA. In addition, the Government has announced another RM10 billion in September for the enhancement of existing economic stimulus programmes, namely the BPN, PRIHATIN Special Grants, and WSP. Of the total allocation, RM38 billion will be disbursed in 2020 with the bulk of allocation channelled for BPN and WSP. The balance of RM17 billion is expected to be spent in 2021 mainly on WSP,

small scale infrastructure projects, SME soft loans and food security. The COVID-19 Fund is a temporary fund which spans over three years until end of 2022. Annual financial statement of the COVID-19 Fund, which records its actual spending performance will be tabled to Parliament.

Outlook for 2021

The year 2021 will be a transition year for economic recovery phase with revitalised growth and restored investor and consumer confidence. Thus, budget allocation will be geared towards facilitating recovery through among others, reviving business activities, developing public infrastructure as well as promoting upskilling and reskilling programmes. The allocation will also focus on building the nation's resilience against future economic shocks, including the possibility of a resurgence of COVID-19 cases. In addition,

INFORMATION BOX:

COVID-19 Fund**Introduction**

The severity of the COVID-19 outbreak has led most countries to implement various strategies and measures to address the crisis. Like many other countries, the Malaysian Government embarked on a swift expansionary fiscal policy through the implementation of several economic stimulus packages and a short-term recovery plan. The packages, amounting to RM295 billion or about 20% of GDP, comprise fiscal and non-fiscal measures, with a direct fiscal injection of RM45 billion. In addition, the Government has announced another RM10 billion in September 2020 for enhancement of existing stimulus programmes, namely the *Bantuan Prihatin Nasional* (BPN), PRIHATIN Special Grants for SMEs and Wage Subsidy Programme. A new Act, the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 (COVID-19 Act) was also approved in September 2020 by Parliament for financing the economic stimulus packages within the legal framework.

The COVID-19 Act provides for a temporary increase in the statutory limit of the Federal Government's outstanding debt and for the establishment of a specific trust fund, known as the COVID-19 Fund, incorporated into the Second Schedule of the Financial Procedure Act 1957 [Act 61]. The Act also allows for any sums raised under the Loan (Local) Act 1959 [Act 637] and Government Funding Act 1983 [Act 275] to be transferred into the COVID-19 Fund. The establishment of the COVID-19 Fund promotes transparency and is in line with good governance practices as it requires the tabling and reporting of all measures and transactions to Parliament.

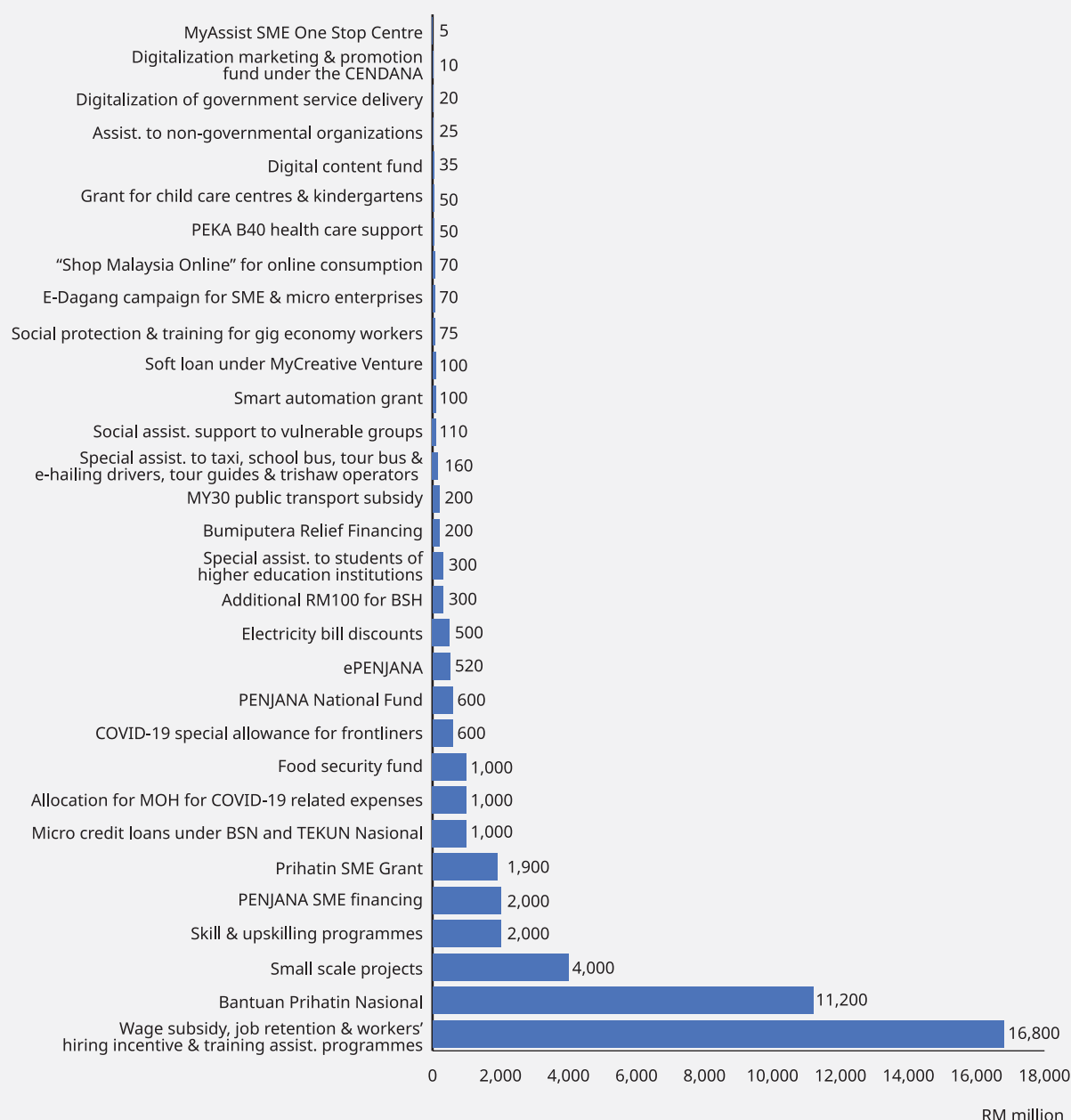
The COVID-19 Fund

The COVID-19 Fund was established with a validity period of three years ending 31 December 2022. Allocations for programmes and projects under the Fund are allowed to be spent within the validity period. The Fund may receive proceeds from borrowings as provided under subsection 4(1) of the COVID-19 Act. This enables programmes and projects under the economic stimulus packages and recovery plan to be fully funded by proceeds from domestic borrowings.

Upon the expiry of the Act, any amount payable from the Fund shall be paid within six months from the expiration date. The balance in the Fund will be transferred into the Development Fund. The COVID-19 Fund will then be dissolved, and the Dewan Rakyat may remove the Fund from the Second Schedule of the Financial Procedure Act 1957 by way of a resolution. Annual statement of receipts and expenditure of the Fund will also be prepared as part of the Federal Government Financial Statement. This is to ensure proper recordings and reporting of the transactions in the Fund.

Programmes and Allocations under the COVID-19 Fund

The Government's fiscal injection amounting to RM45 billion under the COVID-19 Fund consists of several stimulus packages comprising RM3.2 billion for Economic Stimulus Package (PRE), RM21.8 billion for Prihatin Rakyat Economic Stimulus Package (PRIHATIN), RM10 billion for Additional PRIHATIN SME Economic Stimulus Package (PRIHATIN SME+), and RM10 billion for *Pelan Jana Semula Ekonomi Negara* (PENJANA).

FIGURE 1. List of Programmes and Allocation under the Schedule to the COVID-19 Act

Source: Ministry of Finance, Malaysia

Of the total allocation, RM16.8 billion is allocated for the Wage Subsidy, Job Retention and Workers' Hiring Incentive and Training Assistance Programmes. The programmes are aimed at promoting employee retention and reduce layoffs as well as encourage the hiring of employees. A sum of RM11.2 billion is provided for BPN to ease the burden of the rakyat, especially the lower-income group. Small scale projects are allocated RM4 billion to spur economic activities. At the same time, RM1.6 billion is channelled for healthcare services and purchase of medical apparatus as well as allowances for frontliners. Other measures, including food security programme; cash assistance, subsidies and incentives; and loans for SMEs and businesses, are allocated RM11.4 billion.

As provided under subsection 5(1) of the COVID-19 Act, allocations in the COVID-19 Fund shall be disbursed and applied only for the purposes of programmes and projects specified in the Schedule. Virement of allocations between programmes and projects are allowed within the given limit of RM45 billion. In addition, suspending or limiting any allocations for any programme in the Schedule is allowable. In the event where new programmes or additional allocation are required, the Government must amend and table the revised Schedule to COVID-19 Act to Parliament for approval.

Conclusion

The COVID-19 crisis has necessitated the establishment of the COVID-19 Fund, which allows proceeds from borrowings to be transferred into the Fund and utilised for measures under the economic stimulus packages and recovery plan. The Fund was designed for swift implementation, effective monitoring and proper reporting of the packages, which further enhances the accountability and transparency of public finance management. It also provides clear segregation between annual budget allocation versus crisis spending.

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expenditure will be prioritised towards targeted economic sectors to ensure a high multiplier impact and quality investment as well as to protect the well-being of the rakyat and to support businesses.

Concurrently, the Federal Government has to balance the needs to support the recovery phase and ensure sound public finances. In this regard, the Government is committed to upholding its fiscal reform agenda and resuming its fiscal consolidation efforts in the medium term. The efforts will be

supported through the enhancement of good practises in expenditure management, which includes minimising leakages through closer monitoring of budget execution and increasing spending efficiency.

Towards this end, a total of RM322.5 billion (20.6% of GDP) will be allocated in the 2021 Budget. Of this total, RM236.5 billion (73.3%) will be channelled to OE, RM69 billion (21.4%) to DE and RM17 billion (5.3%) is for the COVID-19 Fund. In terms of sectoral allocation excluding the COVID-19 Fund, 37.7%

is allocated for programmes and projects under the social sector, followed by the economic (18.3%), security (11%) and general administration (7.7%) sectors. The balance of the budget amounting to RM77.4 billion (25.3%) is allocated for charged expenditure and transfer payments. The top three recipients constituting 38.5% of total expenditure or RM117.5 billion are the Ministry of Education (MOE), Ministry of Finance (MOF) and Ministry of Health (MOH).

Operating Expenditure

The allocation for OE is estimated to be higher at RM236.5 billion (15.1% of GDP) in 2021. Compared to 2020, the amount is slightly higher by 4.3% from the revised budget of RM226.7 billion. The bulk of OE is channelled to emoluments which constitute 5.4% of GDP, followed by supplies and services (2.1%), debt service charges (2.5%), retirement charges (1.8%) as well as subsidies and social assistance (1.2%).

Emoluments remain the largest component constituting 35.7% of OE. The component is estimated to increase to RM84.5 billion, contributed mainly by the provisions for annual salary increments for civil servants. Retirement charges are estimated to increase by 2% to RM27.6 billion, representing 11.7% of total OE. This amount includes pension payments, gratuity payments and cash awards in lieu of accumulated leave. Around 74% of the retirement charges comprises of monthly pension payments for pensioners and beneficiaries.

A sum of RM39 billion is allocated for debt service charges in 2021. Of the amount, 97.7% is allocated for the payment of coupons on domestic debts while the balance is for offshore loans. The debt service charges ratio to OE is estimated at 16.5%.

Supplies and services, which represent 13.9% of OE, is expected to increase by 8.9% to RM32.8 billion. The increase is mainly due to higher estimated outlays for repairs and maintenance, rentals as well as an allocation for professional services. The MOH receives the highest allocation of 29.2%, mainly for

procurement of medical supplies as well as repairs and maintenance of medical facilities, followed by the MOE at 16% with substantial allocation for repairs and maintenance of school facilities.

Subsidies and social assistance, which comprises of subsidies for goods and services, incentives and social assistance, is projected to fall by 6.4% to RM18.9 billion. The decline is mainly due to consolidation of cash assistance programmes under BSH and BPN. In addition Grants to statutory bodies are allocated at RM15.4 billion. The bulk of the allocation is mainly for operational expenses, such as emoluments as well as supplies and services of public universities and teaching hospitals. Grants and transfers to state governments are estimated at RM7.7 billion, of which RM5.7 billion is constitutional transfers as stipulated under the Federal Constitution.

Development Expenditure

The year 2021 is expected to remain a challenging year for the Government as it is the first year under the Twelfth Malaysia Plan, 2021–2025 (12MP) amid ongoing COVID-19 pandemic. In tandem with economic recovery, the DE will continue to be channelled to programmes and projects with high multiplier impact to promote economic growth and support the livelihood of the rakyat. A sum of RM69 billion is allocated for 2021, an increase of 38% from 2020. A larger allocation is provided to support economic growth and provide a better quality of life and living environment through the implementation of new and ongoing programmes and projects, mainly in the areas of education, healthcare, housing, transportation and public utilities. In addition, the Government is also providing a sizeable allocation to the trade and industry subsector to enhance the nation's competitiveness and productivity, improve ease of doing business as well as support the growth and recovery of businesses, especially SMEs, during and post COVID-19 crisis. Of the total DE, RM67.3 billion is in the form of direct allocation, while RM1.7 billion is for loans to state governments and Government-linked entities. In terms of allocation by sector, the economic sector remains the largest recipient

at 56.4% of DE, followed by social (26.7%), security (11.2%) and general administration (5.7%) sectors.

The allocation for the economic sector is at RM39 billion (2020: RM28.5 billion) in line with the efforts to drive and enhance the growth of the economy. The main focus for the sector is transportation, trade and industry as well as energy and public utilities related projects. The transport subsector accounts for the largest share at 21.8% of total DE or RM15 billion. Projects under the subsector include upgrading, expansion and maintenance of highways, roads, railways, bridges, ports and airports such as the construction of Electrified Double Track Gemas - Johor Bahru, Pan Borneo Highway, KVDT1, Rapid Transit System as well as the expansion of Kuantan Port and airport in Sandakan.

The energy and public utility subsector will be allocated with a sum of RM3.3 billion (4.8% of the total DE), in line with Government's effort to provide a higher quality of living environment and improve rural access to public amenities. Projects under the subsector include providing and improving electricity and water supply, telecommunications access and sewerage services. A sum of RM3.1 billion (4.5% of total DE) will be allocated for the trade and industry subsector. Programmes and projects under the subsector focus on strengthening entrepreneurial skills for SMEs, promoting and enhancing technological adoption among businesses, accommodating the needs of industries and entrepreneurs' development programmes. Among the projects and programmes are PUNB Entrepreneur Financing Programme, corridor development as well as Soft Loan Scheme for Automation and Modernisation. In addition, the agriculture and rural development subsector will be allocated with RM2.9 billion primarily for paddy irrigation system and oil palm and rubber replanting activities, while the environment sector will be provided with RM1.9 billion, mainly for flood mitigation and river restoration projects. Similarly, allocation is provided for the implementation of the National Fiberisation Connectivity Plan under communications subsector.

Expenditure for the social sector amounting RM18.4 billion (26.7% of total DE) is the second-largest component in DE. About RM8.9 billion is allocated for the education and training subsector to provide better education facilities for the rakyat, mainly through the development and upgrading of schools and higher learning and training institutions infrastructures. A sum of RM1.8 billion (2.7% of total DE) is allocated for the housing subsector for the construction of more civil servant quarters as well as low-cost and affordable housing mainly under the PPR. In addition, one-off construction assistance for dilapidated houses is also provided under the Housing Assistance Programme.

The health subsector remains as a priority subsector with an allocation of RM4.7 billion (6.8% of total DE; 0.3% of GDP). The focus of spending under this subsector will be to expand the health sector and provide an effective national healthcare system. More new hospitals and clinics will be built, especially in small districts, to ensure an affordable, equitable and accessible healthcare system. In addition, outlays will also be provided for the upgrading and maintenance of hospitals and clinics as well as procurement of medical service vehicles and equipment. Major ongoing projects under this subsector include the construction of Serdang Hospital Cardiology Centre, Putrajaya Hospital Endocrine Complex, and Lawas Hospital as well as upgrading of Kajang Hospital and Tawau Hospital. Other ongoing project include the construction of National Centre for Food Safety to enhance the control of food safety and quality in Malaysia.

Ensuring national security and public safety remains an important priority of the Government. In this regard, the security sector comprising defence and internal security will be allocated with RM7.8 billion. Of the total, RM4.9 billion will be channelled to the defence subsector while RM2.9 billion for the internal security subsector. The allocation will be used for upgrading military and security equipment, enhancing the skills of security personnel and developing integrated network services. Additionally, the expenditure is also for the construction and refurbishment of police stations, military camps, prisons and quarters for security personnel.

The general administration sector will be allocated RM4 billion in line with the Government's initiative to improve productivity and quality of public sector delivery system. The outlays will be mainly for the enhancing of digitalisation in Government departments, as well as refurbishments and maintenance of Government buildings and facilities such as civil servant quarters, courts and training institutions. Major projects include the Malaysia Government Integrated Communication and Government Hybrid Cloud Service.

Federal Recoverable Loans

The total outstanding Federal Recoverable Loans¹, disbursed through the Development Fund, as at 31 December 2019 was RM41.9 billion or 2.9% of GDP. Companies account for the largest debt amounting to RM23.2 billion or 55.5% of the total outstanding loans and state governments loans amounted to RM13.4 billion or 32% of the total outstanding amount. Likewise, outstanding loans to statutory bodies accounted for RM4.9 billion (11.7%), local governments RM0.2 billion (0.4%), other organisations RM0.2 billion (0.4%) and cooperatives RM6.8 million (0.02%).

The loan disbursement via DE is estimated to reach RM2.5 billion in 2020. The amount was higher by 19% as compared to 2019 at RM2.1 billion. Companies remained the largest recipient accounting for 76.4% of the total disbursement, followed by state governments at 20%, statutory bodies (2.7%) and others (0.9%). Loans to companies were mainly for physical projects such as road infrastructure and water supply projects, while loans to state governments were for water supply and sewerage projects.

The Government is expected to receive RM1 billion of loan repayments in 2020. The repayment from state governments is estimated at RM704 million or 70.4% of the

total loan repayment, with Sarawak and Sabah expected to be the highest contributors. A sum of RM145.5 million (14.5% of total loan repayments) is estimated to be received from companies. The companies, namely Pengurusan Aset Air Berhad, Bank Pertanian Malaysia Berhad (Agrobank) and Yayasan Tekun Nasional, are expected to be the top three payers with total repayments amounting to RM115.5 million. The repayments from statutory bodies and local governments are projected at RM125.3 million and RM7.3 million, respectively. In addition, the repayments from other organisations, such as clubs and associations, are expected at RM17.9 million.

In 2021, the Federal Government continues to provide loans to state governments, statutory bodies, companies and other organisations via DE to improve the overall nation's economy and quality of life of the rakyat. The total loan disbursement is estimated at RM1.7 billion with the state governments being at the top of the recipient list. The loan provided to state governments is estimated at RM730.8 million, followed by companies (RM715.5 million), statutory bodies (RM108.1 million) and other organisations (RM145.7 million). Loans received by companies will be mainly utilised to fund programmes and projects related to water and electricity supply, land rehabilitation, oil palm replanting and roads constructions. Similarly, the state governments, local governments and statutory bodies will use the loans mainly to upgrade water supply and sewerage infrastructure, as well as to finance agriculture projects.

The loan repayments in 2021 are estimated at RM800 million. Of the total, RM436.4 million (54.5%) repayments is anticipated from the state governments. Loan repayment from companies are expected at RM276.9 million, statutory bodies (RM74.7 million), local governments (RM6.4 million) and other organisations (RM5.6 million).

¹ The Federal Recoverable Loans are part of the Federal Government Financial Assets, which consist of loans facilities given to state governments, local governments, statutory bodies, companies, cooperatives and various organisations.

Conclusion

The COVID-19 pandemic has a major impact on the Government's fiscal policy, on both the Federal Government revenue and expenditure. Nevertheless, the Federal Government is committed to reduce expenditure leakages as

well as improve the efficiency and effectiveness of its spending in light of the new normal post-COVID-19. In addition, the Federal Government will also continue exploring and adopting good practices in public expenditure management as well as emphasising the importance of financial transparency reporting.

FIGURE 3.1. Total Expenditure by Sector¹

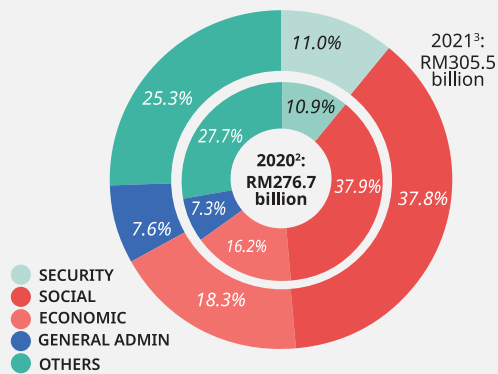


FIGURE 3.2. Total Expenditure by Ministry and Agency¹

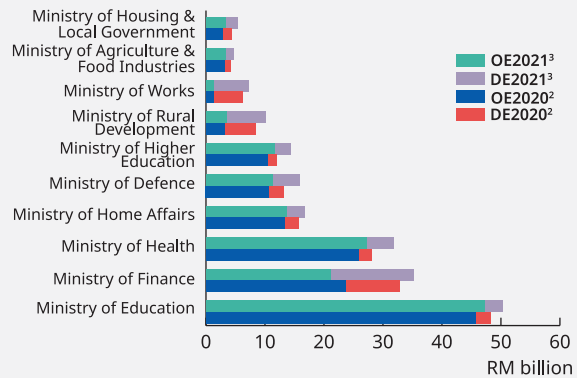


FIGURE 3.3. Operating Expenditure by Component (% to OE)

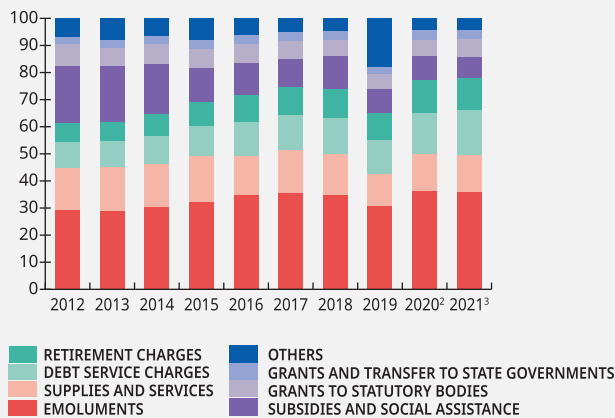


FIGURE 3.4. Operating Expenditure by Sector

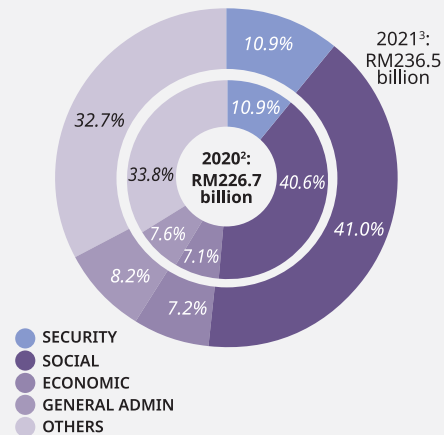


FIGURE 3.5. Development Expenditure by Sector

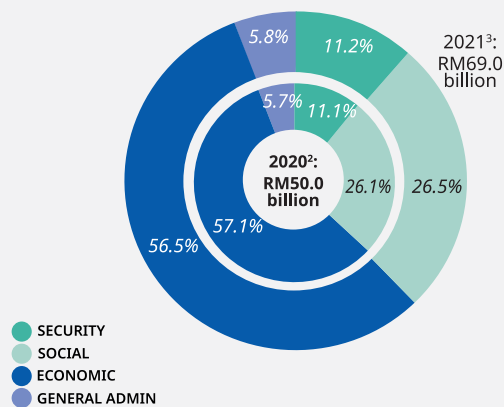
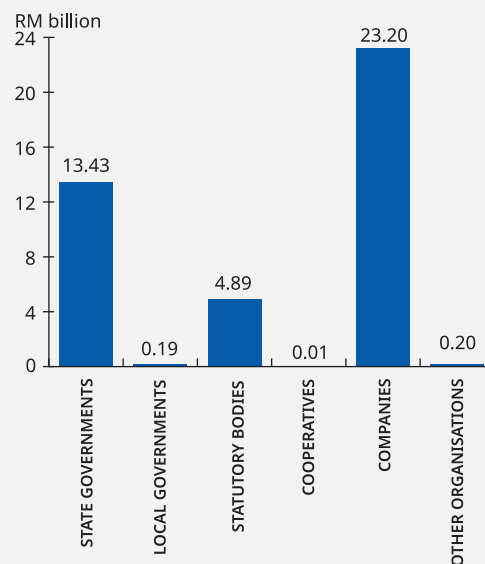


FIGURE 3.6. Federal Recoverable Loans under Development Fund by Debtor, End-2019



¹Excluding COVID-19 Fund

²Revised estimate

³Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance Malaysia

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SECTION 4

Debt Management

Overview

The world is facing unprecedented challenges from the COVID-19 pandemic that has severely affected lives, which in turn disrupted economic activities and social well-being. With a sharp drop in global output, massive fiscal responses have been deployed to support household income and businesses cash flows, as governments implemented movement restriction measures to flatten the infection curve. The International Monetary Fund (IMF)¹ has estimated global fiscal stimulus packages amounting to USD11.7 trillion or nearly 12% of global Gross Domestic Product (GDP). Additional stimulus are in the pipeline due to the resurgence of the COVID-19 infections.

In the first nine months of 2020, the US and Japan have approved fiscal packages worth USD3 trillion and USD1.7 trillion, respectively, to stimulate their ailing economy. Likewise, the UK and South Korea have allocated USD678 billion and USD220 billion, respectively, for disease prevention, supporting household's income, providing loans and guarantees for businesses, and stimulating domestic economies. Similarly, regional countries such as Singapore have announced stimulus packages of USD70 billion, Thailand USD64 billion and Indonesia USD42 billion. Overall, the global public debt, which averaged around 80% of GDP in the past five years, is expected to exceed the 100% mark, the highest level in recorded history.

On the domestic front, the Government implemented the Movement Control Order (MCO) beginning March 2020 and gradually

eased the restrictions to resume economic activities, as the rate of infection was contained. The crisis has led the Government to introduce four economic stimulus packages and recovery plan worth RM295 billion comprising fiscal and non-fiscal measures, the largest in history, to ensure the safety of the rakyat and the resilience of the economy during the COVID-19 crisis. Of the total, direct fiscal injection amounted to RM45 billion or 3% of GDP. In order to provide fiscal space and ensure smooth execution of measures under these stimulus packages, the Government has temporarily increased the statutory debt limit under the Loan (Local) Act 1959 [Act 637] and the Government Funding Act 1983 [Act 275], from 55% to 60% of GDP until end-2022. Subsequently, on 23 September 2020, the Government announced an additional RM10 billion to further enhance existing measures, namely the *Bantuan Prihatin Nasional* (BPN), PRIHATIN Special Grants and the Wage Subsidy Programme.

Financing

In the 2020 Budget, the Government initially targeted a fiscal deficit of 3.2% of GDP. However, the fiscal deficit is anticipated to widen to 6% of GDP due to the implementation of economic stimulus packages and recovery plan as well as lower GDP estimate and global crude oil prices in 2020. Consequently, the Federal Government **total gross borrowings** are expected to increase by 31.5% from the original estimate to record RM181.5 billion or 12.6% of GDP.

¹ IMF October 2020 Fiscal Monitor.

Nevertheless, sufficient liquidity in the domestic market has enabled the Government to swiftly raise its borrowings and is well-positioned to manage the cash flow requirements. Enhancement are being made in terms of borrowing operations to reduce the number of outstanding papers and enlarge issuance sizes by reopening benchmark papers. In addition, short-term bill auctions and sizes will be increased for liquidity purposes and meet investor preference.

Of the total gross borrowings, RM94.7 billion will be utilised for principal repayments while RM86.5 billion for deficit financing. The principal repayments comprise maturing Malaysian Government Securities (MGS) of RM30.7 billion, Malaysian Government Investment Issues (MGII) totalling RM40 billion, Treasury bills amounting to RM21 billion,

Government Housing Sukuk (SPK) of RM2.7 billion and offshore loans totalling RM333 million.

Domestic borrowings will remain as the primary source of funding, estimated at RM181.5 billion or 99.9% of total gross borrowings, while the balance of RM30 million will be drawn down from offshore project loans. Almost the entire financing operations, including to finance stimulus packages are raised via domestic sources to minimise foreign exchange risk exposure. In 2020, the issuance of MGS is expected to register RM73 billion or 40.2% of total gross borrowings, while MGII at RM76.5 billion or 42.1%. Additionally, Treasury bills of RM32 billion, which was raised for cash and liquidity management, has doubled compared to the average issuance over the past five years.

TABLE 4.1. *Federal Government Financing 2019 – 2020*

	RM MILLION		SHARE (%)	
	2019	2020 ³	2019	2020 ³
Gross borrowings	134,782	181,496	100.0	100.0
Domestic	127,478	181,466	94.6	99.98
MGS	57,200	73,000	42.5	40.2
MGII ¹	58,500	76,466	43.4	42.1
Treasury bills	11,778	32,000	8.7	17.6
Offshore	7,304	30	5.4	0.02
Market loans	7,170	-	5.3	-
Project loans	134	30	0.1	0.02
Repayments	83,050	94,748	100.0	100.0
Domestic	82,723	94,415	99.6	99.6
Offshore	327	333	0.4	0.4
Net borrowings	51,732	86,748	-	-
Domestic	44,755	87,051	-	-
Offshore	6,977	-303	-	-
Change in assets²	-234	-298	-	-
Total deficit financing	51,498	86,450	-	-

¹ Including Sukuk Prihatin in 2020

² (+) indicates a drawdown of assets; (-) indicates accumulation of assets

³ Estimate

Source: Ministry of Finance, Malaysia

Malaysia's debt instrument portfolio has a wide range of maturities, which helps to meet different types of investors' needs and provides the Government with flexible funding options. The Government regularly issue papers with the selection of tenures, ranging from 3- to 30-year to ensure a well-spread maturity profile. Meanwhile, new issuances with 7-, 10- and 30-year tenure are issued to develop the benchmark yield curve, while selected papers are reopened to promote market liquidity. Composition of the Government borrowing profile is well-distributed with issuances of short- and medium-term papers are balanced with long-term issuances. Maturities of short-term papers (less than a year) are expected to account for 17.6% of total issuance. In comparison, issuances with a tenure ranging from 3- to 7-year are anticipated to register 32.6% of total domestic borrowings. Issuances of papers exceeding the 10-year tenure are estimated to comprise almost 50% of total issuances in 2020 (2019: 57%). Higher short-term papers are expected to be issued in 2020 to match market preference and investor risk appetite, given the uncertainties of the COVID-19 crisis in the longer term. Nevertheless, the Federal Government debt management objective in the medium term will still be aimed at minimising its funding cost with reasonable risk exposure.

In terms of borrowing operations, public auctions will remain as the Government's primary method of issuance. In 2020, the issuance process via auctions constitutes 90% of total issuances. The Government auction calendar incorporates new key features for enhanced liquidity and balanced issuances in line with investor demand, by increasing reopenings of benchmark papers with 88% reopening from 34 auctions in 2020 compared to 63% from 32 auctions in 2019. This has resulted in larger outstanding issuance sizes to further boost trading liquidity as well as narrow the bid-ask spreads and facilitate index-tracking activities.

Meanwhile, the Monetary Policy Committee (MPC) has reduced the Overnight Policy Rate (OPR) cumulatively by 125 basis points (bps) to 1.75% in the first nine months of 2020. Bank Negara Malaysia (BNM) has also announced new initiatives to ensure adequate market liquidity. Among the measures include a decrease in the Statutory Reserve Requirement (SRR) ratio by 100 bps to 2.00% in March and additional SRR flexibility given to Principal Dealers by recognising MGS and MGII as part of SRR compliance in May 2020. These measures have provided additional liquidity around RM46 billion into the banking system to support financial intermediation activities and subsequently contributing to lower yields.

The Government received a total bid of RM229.1 billion for market issuances of RM102.3 billion during the first three quarters, representing a bid-to-cover (BTC) ratio of 2.24 times. The bid amount was higher despite the domestic economic slowdown during the movement control period from March to June 2020. This indicates the Government's ability to manage surging borrowing needs to finance stimulus packages via short- and medium-term debt instruments. The demand for short- and medium-term papers (less than 10-year) was slightly higher as reflected by the BTC ratio of 2.39 times compared to long-term papers (10-year and above) at 2.13 times. This has been a general trend globally, where countries increased their short-term issuances temporarily during periods of uncertainties.

Consequently, monetary measures have also contributed to lower coupon rates. As at end-September 2020, the indicative coupon rate for the 3-year MGS was around 2%, while the 5-year and the 10-year papers at 2.25% and 2.68%, respectively. Lower interest rates also led the Government to secure the cheaper cost of financing and further support the Government's borrowing activities. Overall, the Government cost of borrowing has significantly reduced from 4.066% in 2016 to 3.041% as at end-September 2020.

In the secondary market, yields for all tenures saw a slight increase in mid-March following the announcement and implementation of the MCO. Subsequently, market yields started to decline since April until towards end-September in line with the four consecutive OPR cuts and decrease in the SRR ratio. Since the beginning of the year until end-September 2020, yields on the 3- and 5-year MGS were significantly lower by 101 and 94 bps, respectively. Likewise, the 10-year MGS yields were lower by 64 bps to record 2.68%.

The MGS yield curve shifted further downward, declining at an average of 66 bps as at end-September 2020 compared to end-2019. Short-term MGS yield spread decreased the most, within the range of 87 to 99 bps, while longer tenured securities narrowed between 30 to 63 bps, against the backdrop of capital flow volatility and risk aversion. Thus, the 10-year/3-year MGS yield spread widened from 32 to 68 bps, and 10-year/20-year from 45 to 71 bps, pushing the yield curve much steeper.

The domestic government debt market recorded net foreign fund outflows of RM16.6 billion during the first quarter of 2020 over concerns about domestic uncertainties due to change in Government, the economic impact of COVID-19 pandemic and fears of a global recession. However, foreign holdings showed a positive trend in the second quarter with a net inflow of RM11.4 billion, the highest net inflow since last quarter of 2019 (RM14.4 billion). The positive trend was attributed to increased global liquidity, stabilising oil prices, investors' confidence in economic stimulus, resumption

of economic activities and accommodative monetary policy. Thus, the total net foreign inflow for the first nine months of 2020 reached RM6.7 billion with foreign demand for MGS registered a net inflow of RM5.3 billion. Likewise, Treasury bills recorded a net inflow of RM2.3 billion, compared to a net outflow of RM1.1 billion in the corresponding period in 2019, reflecting investor's preference towards short-term papers in managing their portfolios.

As for Shariah-compliant instruments, the Government sukuk issuance is expected to increase by 49% in 2020. The issuance of MGII is expected to account for 42.1% of total gross borrowings, while Malaysia Islamic Treasury Bills (MITB) at 10.5%. Spreads between the Government's conventional and sukuk yields have been on a narrowing trend since the beginning of 2020, with yields on MGII declining at a faster pace compared to its MGS equivalent. As at end-September 2020, 5- and 10-year yields on MGII were about 3 bps and 4 bps lower, respectively, than the corresponding MGS yields of the same tenure. Furthermore, bidding interests of MGII papers recorded higher BTC ratio at 2.37 times compared to MGS at 2.13 times. Strong demand for Shariah-compliant government papers was eminent due to lower sukuk issuances by the private sector in the domestic market. The current market dynamics have supported the Government's strategy of maintaining a balance between conventional and Islamic issuances, while also emphasising on cost-effectiveness and meeting investors' demand.

On 22 September 2020, the Federal Government completed the issuance of Sukuk Prihatin with a maturity period of 2-year at an annual coupon rate of 2%. This issuance provides the platform for retails and corporates to also contribute to financing the measures to mitigate the COVID-19 crisis. The Sukuk was oversubscribed by 1.3 times at RM666.4 million, from the initial offering of RM500 million. Proceeds from the issuance will be channelled to the COVID-19 Fund, which was established to finance economic stimulus packages and recovery plan.

Gross offshore borrowings in 2020 are expected to be minimal due to the absence of new market issuances. The drawdown of an existing bilateral project loan is expected to be at RM30 million from the Japan International Cooperation Agency to finance its technical cooperation programme with a public university.

Federal Government Debt

The Federal Government debt is governed under several legislations, namely the Federal Constitution, Financial Procedure Act 1957 [Act 61] and specific Acts which are related to borrowings and debt. In terms of domestic instruments, conventional papers, which comprise of MGS and Malaysia Treasury Bills (MTB), are regulated under the Act 637 and the Treasury Bills (Local) Act 1946 [Act 188], respectively. Similarly, the Islamic papers, namely MGII and MITB, are administered under Act 275. Meanwhile, Federal Government offshore borrowings is governed under the External Loan Act 1963 [Act 403]. These Acts provide a guideline on issuances, utilisation of proceeds and outstanding debt ceiling, which also serve as fiscal rules and discipline in ensuring more prudent and sustainable debt management.

During the Global Financial Crisis, the Government revised its statutory debt limit from 45% of GDP in 2008 to 55% in 2009 to accommodate the implementation of fiscal stimulus measures. Subsequently, the debt-to-GDP ratio remained manageable below the statutory limit in the past decade through gradual fiscal consolidation efforts. In the 2020 Budget, Federal Government debt was initially estimated to hover around 53% of GDP, with the targeted fiscal deficit at 3.2% of GDP. However, the COVID-19 pandemic has led the Government to introduce fiscal stimulus packages as a countercyclical measure in ensuring the well-being of the rakyat and resilience of the economy. Hence, the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 was passed by the Parliament, which

TABLE 4.2. *Debt Legislative and Administrative Guidelines*

RULES	ACTS
Purpose of borrowings is to finance development expenditure & COVID-19 Fund Current balance must always in a surplus to ensure operating expenditure is financed by revenue	Loan (Local) Act 1959 Government Funding Act 1983 Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020
Domestic debt ceiling (MGS, MGII, MITB) not exceeding 60% of GDP [End-September 2020: 56.6% of GDP]	Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020
MTB ceiling not exceeding RM10 billion [End-September 2020: RM6.5 billion]	Treasury Bills (Local) Act 1946
Offshore borrowing ceiling not exceeding RM35 billion [End-September 2020: RM29.3 billion]	External Loans Act 1963
Limit of debt service charges (DSC) $\leq$ 15% of revenue [2020: RM34.9 billion (15.4% of revenue)]	Administrative Guideline Federal Constitution Article 98 (1)(b) - Allocation for debt service charges are charged items

allows the Government to further increase its debt statutory limit from 55% of GDP to 60%. Consequently, the new limit provides the fiscal space required for the implementation of economic stimulus packages and recovery plan.

As at end-September 2020, the Federal Government debt registered RM874.3 billion or 60.7% of GDP. The debt comprises 96.7% of ringgit-denominated securities and the balance in foreign currency, reflecting ample domestic liquidity supported by a developed domestic debt market and robust institutional investors. This allows the Federal Government to raise its financing needs domestically, thus reducing the exposure to foreign exchange risk. In terms of statutory limit applied to MGS, MGII and MITB, the debt-to-GDP ratio stood at 56.6%, due to the downward revision of 2020 GDP estimates compared to the initial estimates in the 2020 Budget.

Domestic debt increased to RM845 billion as at end-September 2020 (end-2019: RM764.2 billion) comprising MGS which amounted to RM436.6 billion and MGII totalling RM360.3 billion. The MGS remained as the primary

debt instrument at 49.9% of total Federal Government debt followed by MGII with a sizeable share of 41.2%. The Government is committed to promoting Shariah-compliant financing to enhance the vibrancy of the Islamic financial market and strengthening its position as the leading global hub for Islamic finance.

Treasury bills, namely MTB and MITB, are short-dated securities with maturity ranging between 90 to 365 days. These instruments are issued periodically at a discount through competitive auction to finance cash flow requirement. As at end-September 2020, outstanding Treasury bills stood at RM24 billion, representing 2.8% of total Federal Government debt, with MTB constitutes RM6.5 billion while MITB stood at RM17.5 billion. In addition, SPK was issued by the Government to finance the civil servant's housing loan. This instrument was issued before the establishment of the Public Sector Home Financing Board (LPPSA), which is a self-funding entity. As at end-September 2020, the remaining balance of SPK stood at RM24.1 billion or 2.8% from total Federal Government debt.

INFORMATION BOX

Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) 2020 Act

Introduction

Malaysia has a comprehensive set of fiscal rules and discipline based on the current legal framework in the Federal Constitution, Financial Procedure Act 1957 [Act 61] and debt-related Acts. Apart from rules set out by law, Malaysia also self-imposes administrative rules as part of its fiscal framework. In normal circumstances, these fiscal rules and discipline serve as a tool that guides the Government in ensuring prudent public finance management, which is in line with international standards and best practices. Nevertheless, in time of a crisis, selected exemptions to the rules and discipline or specific exit clause may be necessary to enable countercyclical measures in rejuvenating the economy.

International Best Practices

Good fiscal policy framework allows flexibility to fiscal rules, particularly during economic crises. This could be in the form of an exit clause where urgent and sizeable responses are required in emergency situations. This flexibility allows governments to temporarily suspend fiscal rules, such as raising the debt levels and expenditure beyond threshold limits or targets in implementing stimulus measures. However, based on international best practices in such a situation, an exit clause should have the following features:

- i. A well-defined triggering event that allows for exemptions from fiscal rules;
- ii. A distinctive level of authority that can activate the exit clause, for example, a Ruler's decree, Parliament, cabinet or minister;
- iii. A clear timeline to resume to the fiscal rules;
- iv. A good control system and governance during the exemption period; and
- v. An effective communication strategy on the implementation of the measures.

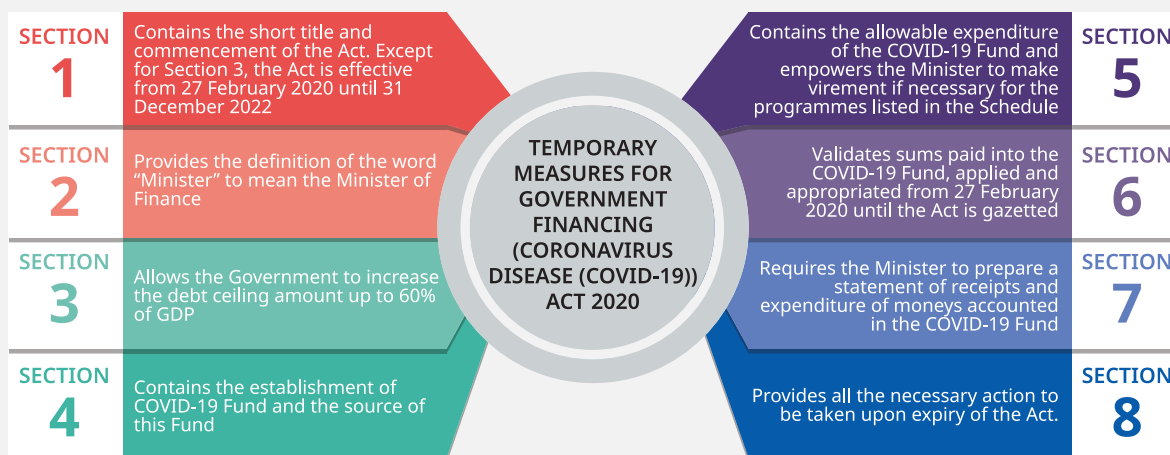
It was based on these best practices and engagement with various stakeholders that the Malaysian Government introduced a new act, the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) 2020 Act. The COVID-19 Act provides for the fiscal flexibility that the Government needed to execute measures in addressing the devastating socioeconomic impact of the COVID-19 pandemic urgently and effectively. The Act was passed by the House of Representatives on 24 August 2020 and approved by the Senate on 21 September 2020.

Features of the COVID-19 Act

The COVID-19 Act was formulated to provide temporary measures for the Government to reduce the impact from the COVID-19 pandemic by:

- i. increasing the debt ceiling amount raised under both the Loan (Local) Act 1959 [Act 637] and Government Funding Act 1983 [Act 275] from 55% up to 60% of Gross Domestic Product (GDP);
- ii. establishing a dedicated trust fund, namely the COVID-19 Fund, with a fiscal injection of RM45 billion;
- iii. allowing proceeds from borrowing under Act 637 and Act 275 to finance the COVID-19 Fund; and
- iv. allowing the monies allocated in COVID-19 Fund to be applied and appropriated for the purpose of economic stimulus packages and recovery plan.

FIGURE 1. Summary of the Act



In general, the Act was drafted based on five main pillars as follows:

i. Legal Framework

The Malaysian legal framework was strictly observed and in accordance with the Federal Constitution, Act 61, Act 637 and Act 275.

ii. Outcome

The programmes and projects under the Schedule of the Act are fiscal measures under the PRIHATIN and PENJANA packages. The measures are expected to have a large multiplier effect and immediate impact on the economy in the short- and medium-term. Nearly 90% of the measures under the Schedule represents direct assistance and support to the rakyat and businesses as well as health and medical-related expenses to overcome the COVID-19 pandemic.

iii. Affordability

The size of stimulus packages and the recovery plan was based on the ability of the Government to bear the additional financial obligation in funding the fiscal injection. Furthermore, the increased debt limit is temporary and only effective within three years until 31 December 2022. This provides for an adequate timeframe for the Government to resume its fiscal consolidation path and return to the previous debt threshold.

iv. Transparency

Specific programmes and projects, together with the allocated amount, are listed in the Schedule of the Act. The Act also requires the Government to prepare annual statements of receipt and expenditure which will be presented to Parliament. Thus, this expenditure will be incorporated in the Government fiscal position as a budgeted expenditure and not as an off-budget item.

v. Good Governance

Spending made under this Act can only be applied to the programmes and projects listed in the Schedule. Nevertheless, it is within the powers of the Minister of Finance to re-appropriate the amount within the existing programme in the schedule subject to not exceeding the total amount of RM45 billion, if necessary. Any additional programmes or increase in the total amount will require amendments of the Act which can only be approved by Parliament.

Conclusion

In a crisis situation, a responsible government must be proactive and agile by providing the fiscal space needed to implement measures in protecting the safety and ensuring the well-being of its rakyat. The formulation of the COVID-19 Act signifies the Government's effort in addressing the devastating socioeconomic impact of the COVID-19 pandemic within the legal framework with added flexibility and good governance in place. As the Act is temporary in nature, the Government will resume its fiscal consolidation path once the economy recovers to ensure the long-term sustainability of public finance.

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Parlimen Malaysia. *Penyata Rasmi Parlimen Dewan Rakyat Parlimen Keempat Belas Penggal Ketiga Mesyuarat Kedua*.

Offshore borrowings, which comprises market securities and project loans, remained stable at RM29.3 billion, well below the statutory limit of RM35 billion. The composition of foreign-denominated borrowings was mainly in US dollar (54.6%) and yen (44.8%). In terms of instruments, market securities which consist of global sukuk and Samurai bond stood at RM23.9 billion. Meanwhile, outstanding project loans via existing bilateral and multilateral financing arrangement registered RM5.4 billion to fund programmes and projects for universities, sewerage plants and water transfer infrastructure.

In terms of Federal Government debt maturity profile, the share of long-tenured papers has gradually increased as compared to short-term papers, leveraging the competitive yields and investors' preference. The uncertainties surrounding the COVID-19 pandemic has shifted investors' preference towards short-

tenured instruments. As at end-September 2020, the share of short-term papers with a remaining maturity of five years and below has increased to 39% (end-2019: 37.5%). Nevertheless, the share of long-tenured papers of above 15 years slightly enlarged to 17.1% (end-2019: 15.9%), thus the average time to maturity is expected to lengthen to 8.6 years in 2020 (2019: 8.1 years).

Debt service charges remain manageable at RM34.9 billion or 15.4% of total revenue in 2020, despite being higher than the initial estimate of 14.3% during the 2020 Budget. The increase in the ratio was due to the anticipated drop in revenue collection given the COVID-19 pandemic and lower crude oil prices. Financing costs for domestic debt instruments are expected to contribute the largest share at 97.7% while the balance is for offshore borrowings. The weighted average interest rate² on outstanding domestic market debt

² Calculation of weighted average interest rate only covers MGS, MGII and Treasury bills.

TABLE 4.3. Federal Government Debt by Instrument
2019 – 2020

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2019	2020 ²	2019	2020 ²	2019	2020 ²
Domestic debt	764,233	845,026	96.4	96.7	50.6	58.7
Treasury bills	4,500	24,000	0.6	2.8	0.3	1.7
MGS	394,133	436,660	49.7	49.9	26.1	30.3
MGII ¹	338,800	360,266	42.7	41.2	22.4	25.0
SPK	26,800	24,100	3.4	2.8	1.8	1.7
Offshore borrowing	28,765	29,250	3.6	3.3	1.9	2.0
Market loans	23,347	23,895	2.9	2.7	1.5	1.6
Project loans	5,418	5,355	0.7	0.6	0.4	0.4
Total	792,998	874,276	100.0	100.0	52.5	60.7
<i>Memorandum item:</i> Non-resident holdings of ringgit-denominated debt securities	186,493	193,212	24.4	22.9	12.3	13.4

¹ Including Sukuk Prihatin in 2020² End-September 2020

Source: Ministry of Finance, Malaysia

TABLE 4.4. Federal Government Debt by Holder
2019 – 2020

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2019	2020 ³	2019	2020 ³	2019	2020 ³
Resident	582,483	647,793	73.5	75.8	38.6	45.0
Employees Provident Fund	233,223	230,159	29.4	26.9	15.4	16.0
Retirement Fund (Incorporated)	24,894	24,259	3.1	2.8	1.6	1.7
Insurance companies	35,494	36,418	4.5	4.3	2.4	2.5
Banking institutions	229,465	295,494	28.9	34.6	15.2	20.5
Development financial institutions	18,852	12,690	2.4	1.5	1.3	0.9
Others ¹	40,555	48,773	5.2	5.7	2.7	3.4
Non-resident	210,515	206,275	26.5	24.2	13.9	14.3
Fund manager	81,407	72,192	10.2	8.5	5.4	5.0
Central bank, supranational and sovereigns	55,396	63,693	7.0	7.5	3.7	4.4
Banking institutions	26,029	25,920	3.3	3.0	1.7	1.8
Pension funds	33,820	30,732	4.2	3.6	2.2	2.1
Insurance companies	6,207	6,359	0.8	0.7	0.4	0.5
Others ²	7,656	7,379	1.0	0.9	0.5	0.5
Total	792,998	854,068	100.0	100.0	52.5	59.3

¹ Includes other non-bank financial institutions, statutory bodies, nominees and trustee companies, co-operatives, securities placed by institutional investors at the central bank and unclassified items² Include nominees/custodians, individuals, non-financial corporations, multilateral and bilateral institutions as well as unidentified sectors³ End-June 2020

Source: Ministry of Finance, Malaysia

instruments is at 4.030%, slightly less than 4.097% in 2019, given the low interest rate environment and ample liquidity in the market.

As at end-June 2020, the Federal Government debt holders are divided into residents and non-residents with holdings amounting to RM647.8 billion or 75.8% of total outstanding debt and RM206.3 billion or 24.2%, respectively. Large and long-term institutions continue to be the main investors with the Employees Provident Fund as the single largest domestic holder at 26.9%, followed by insurance companies (4.3%) and Retirement Fund (Incorporated) (2.8%). Meanwhile, the share of financial sector holdings, which include banking institution and development financial institutions, increased from 31.3% in

2019 to 36.1% of total debt. The remaining 5.7% consists of non-bank financial institutions, statutory bodies, nominees, trustee companies, co-operatives and securities.

Despite the unprecedented crisis that impacted the global economy, non-resident holdings remain substantial at RM206.3 billion or 24.2% from the total Federal Government debt. Long-term and institutional investors continue to represent sizeable holdings at 12.7% (RM108.2 billion), while the balance of 11.5% (RM98.1 billion) consists of fund managers and banking institutions. Additionally, support from non-resident in MGS holdings remained stable, constituting 37.3% of total MGS outstanding (end-2019: 41.6%).

FEATURE ARTICLE

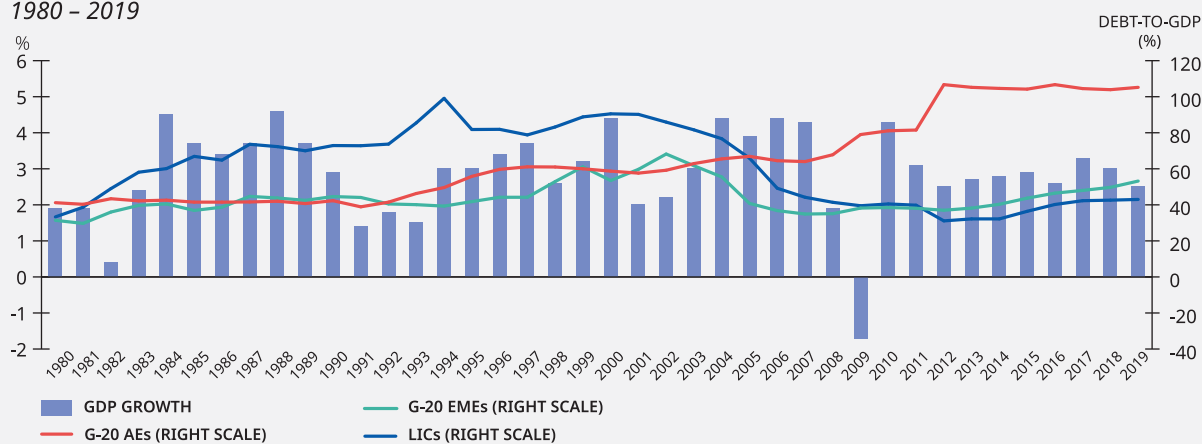
Managing Debt in Times of Crisis and Post-Recovery

Introduction

The global economy has experienced significant development over the past four decades, spurred by increased globalisation, the advancement of technology, trade liberalisation and financial market integration. Leveraging the openness of the economy, Malaysia has benefited from this global progression, which transformed the nation from an agriculture-based to an industrialised and services-oriented economy. The country is able to prosper, driven by structural reforms through the implementation of various strategic initiatives in the medium- and long-term economic development plans.

The fiscal policy and debt management have always been supportive in enabling Malaysia to thrive in this dynamic environment, guided by fiscal discipline and managed in a flexible and pragmatic manner. Likewise, the agile and accommodative monetary policy has laid a strong foundation for the economy. These combinations have provided macroeconomic stability to the nation.

FIGURE 1. Global GDP Growth and Debt
1980 – 2019



Source: World Bank and International Monetary Fund (IMF)

Episodes of Crisis and Policy Response

There was at least one episode of crisis in each decade, which led to a period of volatility, causing global economic recession and financial market disruption. The magnitude of each economic downturn varies across countries and regions, which has forced countries to take aggressive measures to address the impact of each crisis. The most prominent policy response encompasses the launching of fiscal stimulus packages, easing of monetary policies, bailing out banks and businesses as well as reforming financial regulatory systems. Substantial fiscal stimulus has been deployed during the recovery phase to boost growth and employment. As a result, these policy responses have led to soaring global public debt in 2019 at around 80% of Gross Domestic Product (GDP), compared to an average of 50% during the period of 1980s, mainly by advanced economies.

As a small and open economy, Malaysia is vulnerable to the global economic cycle. Like many other nations, Malaysia was exposed to these crises, and each episode is unique, affecting different sectors of the economy variably. The crises have substantially impacted the Government's fiscal position and debt level, where the Government has been at the forefront in dealing with these challenges.

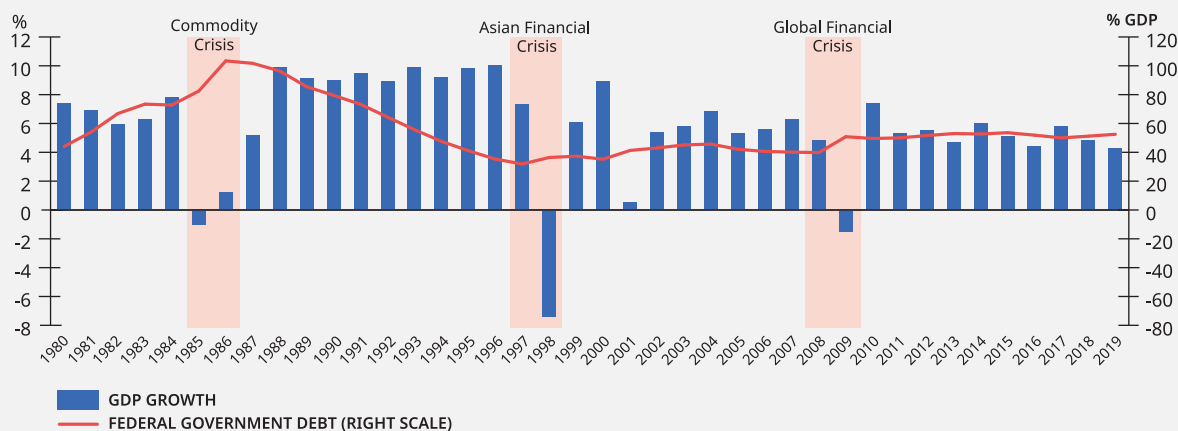
a. Commodity Crisis – 1985/86

In the period leading up to the mid-1980s, Malaysia was still highly dependent on mining and agriculture commodities, which caused the economy to be vulnerable to changes in global demand for the commodities. In 1985, the nation fell into a recession with the real GDP contracting by 1%, following a record slump in world commodity trade. The overall export price index plummeted by 30% between 1984 and 1986, reflecting a significant drop in tin and palm oil prices. Subsequently, the unemployment rate rose from 5.6% in 1985 to 7.4% in 1986. As a result, the Federal Government deficit level rose to 10.3% of GDP.

b. Asian Financial Crisis – 1997/98

Likewise, the 1997/98 Asian Financial Crisis had severely affected the Malaysian economy with the real GDP plunging to -7.4% in 1998 from 7.3% in 1997. Aggregate domestic demand declined in 1998 for the first time since 1986, owing to a significant reduction in private investments. Foreign capital investment also fell at an alarming rate, as funds flowed out of the country. In addition, there was speculative short-selling of the ringgit, causing the value to drop to its lowest level of RM4.90 against the USD in January 1998. The stock market also

FIGURE 2. Malaysia's Growth and Federal Government Debt
1980 – 2019



Source: Ministry of Finance, Malaysia

experienced the worst drop by almost 80% within a span of 18 months, where the index dropped to 263 points in September 1998 from approximately 1,272 points in February 1997.

The National Economic Action Council was formed to immediately formulate the national economic recovery plan. Subsequently, monetary measures were instituted in the form of capital controls and pegging of the ringgit at RM3.80 against the US dollar. The policy rate was also lowered for nine times from a high of 11% in 1998 to 5.5% in 1999. To rejuvenate the economy, the Government embarked on an expansionary fiscal policy with the unveiling of a fiscal stimulus package worth RM2 billion in July 1998. One of the strategies to further support the economy includes, the setting up of Pengurusan Danaharta Nasional Berhad to purchase the non-performing loans from financial institutions and maximise asset recovery value. In addition, strategic projects to reinvigorate investments were accelerated, involving the development of Putrajaya and the Multimedia Super Corridor (MSC). Thus, the countercyclical fiscal response turned from 5-consecutive years of budget surplus to a fiscal deficit of 1.8% in 1998 and 3.2% in 1999.

c. Global Financial Crisis – 2008/09

The 2008/09 Global Financial Crisis was triggered by the subprime mortgage in the US housing market, which nearly paralysed the global financial system. Malaysia's GDP contracted by 1.5% in 2009 while international reserves which peaked at RM410 billion in June 2008, plummeted to RM320 billion at the height of the crisis by the end-2008. Furthermore, share prices fell by 45% within the first 10 months of 2008, where the massive exodus of short-term capital flows took place, while exports also fell by 45% between July 2008 and January 2009.

Nevertheless, the Government entered the crisis from a much better position compared to the Asian financial crisis. This has enabled the Government to introduce two vigorous stimulus packages worth RM67 billion at around 10% of GDP. The funds provided by the stimulus package were allocated to projects that have high and immediate multiplier impacts on the economy. The implementation of policy measures, however, had caused a marked increase in the deficit level, with the fiscal deficit peaked at 6.7% of GDP in 2009. Simultaneously, between November 2008 and February 2009, the Monetary Policy Committee (MPC) lowered the Overnight Policy Rate (OPR) three consecutive times totalling 150 basis points to a low of 2.00%. Likewise, the Statutory Reserve Requirement (SRR) was reduced by 200 basis points to 1.00%. In addition, the Government formed Danajamin Nasional Berhad to promote the private sector to raise funds from the bond and sukuk market.

Debt Policy Transition

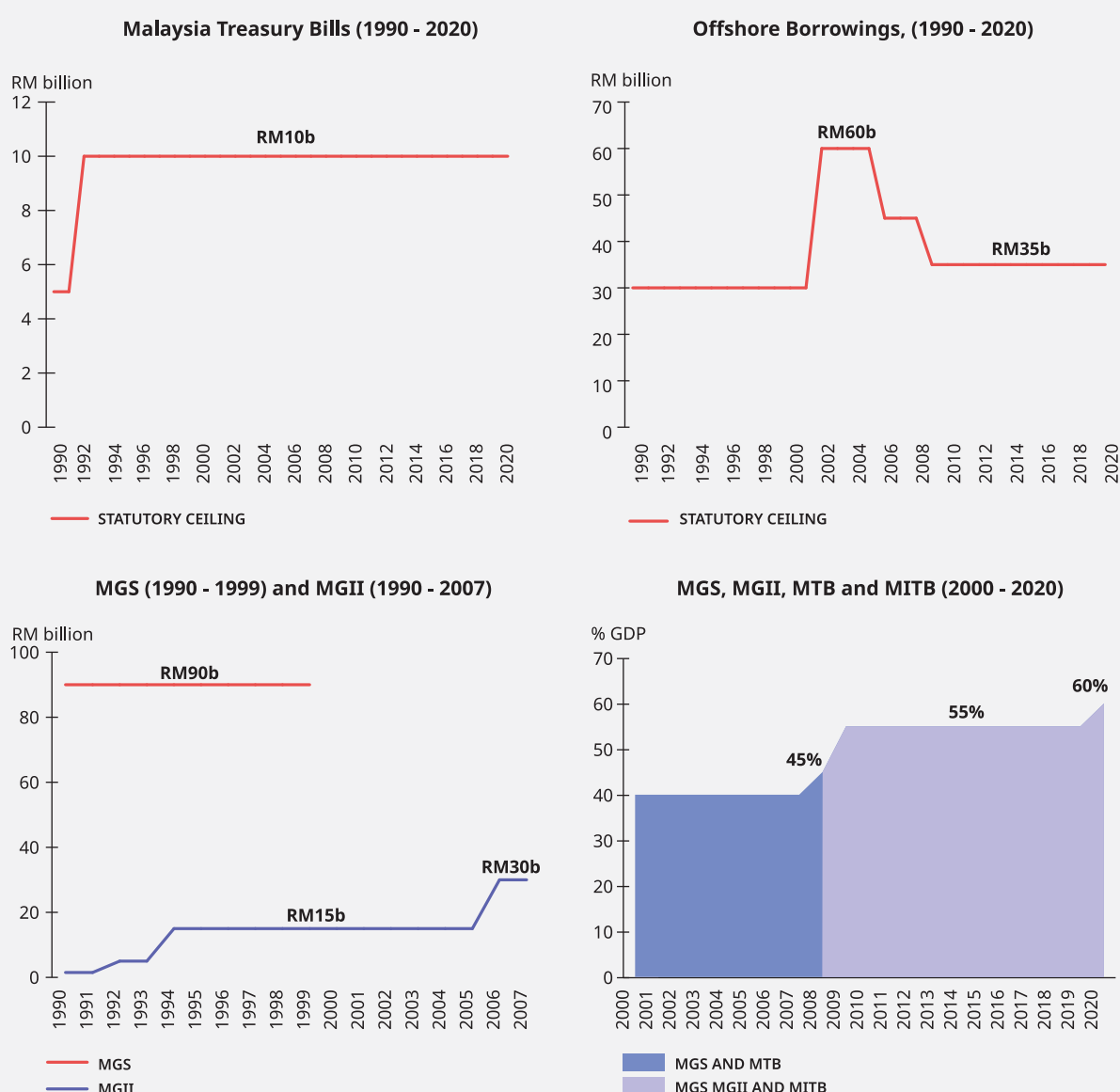
The Government's effort to undertake stimulus measures with sizeable fiscal injection during the crises had caused a notable increase in borrowings and interest payments, which subsequently elevated the debt level. The Federal Government debt level had increased from RM23.4 billion (44% of GDP) in 1980 to RM74 billion (103.4%) in 1986. This was due to a higher fiscal deficit of 10.3% of GDP during the crisis period. Furthermore, the composition of the offshore debt was significant at RM28.3 billion or 38.3% of total Federal Government debt in 1986, with bulk of the debt in the US dollar and yen constituting 80.5% of total offshore debt. Thus, the large risk exposure to foreign currency had further increased the debt level following the appreciation of the US dollar and yen against the ringgit since the Plaza Accord in 1985.

The Federal Government debt was consolidated from the peak of 103.4% of GDP in 1986 to 31.9% in 1997 on the back of robust growth and bold economic policy reforms, including privatisation and market-friendly initiatives. The shift in emphasis towards a private sector-driven growth also contributed to a conducive business environment, which in turn resulted in five consecutive years of fiscal surpluses. However, after the Asian Financial Crisis, the debt level rose to allow for pump-priming measures. While debt consolidation efforts resumed post-Asian Financial Crisis, the progress was hampered as the Government embarked on another round of fiscal stimulus

measures during the 2008/09 Global Financial Crisis. The additional borrowings to finance the fiscal stimulus were primarily funded via domestic borrowings as there was ample liquidity in Malaysia debt and capital market. Overall, there is a noticeable trend of gradual debt consolidation in the medium term once the economy returns to its growth trajectory, reflecting the Government's ability to reinstate fiscal discipline post-crisis.

Given the urgent need to implement stimulus measures, the Government has to review its debt rules accordingly, to provide adequate fiscal space in supporting the economy. The Federal Government debt management was guided by several constitutional provisions. Regulations under these Acts which impose limits on the borrowings by the Federal Government, were revised several times through the amendments to the Act and statutory borrowing ceiling order.

FIGURE 3. Federal Government Statutory Debt Ceiling



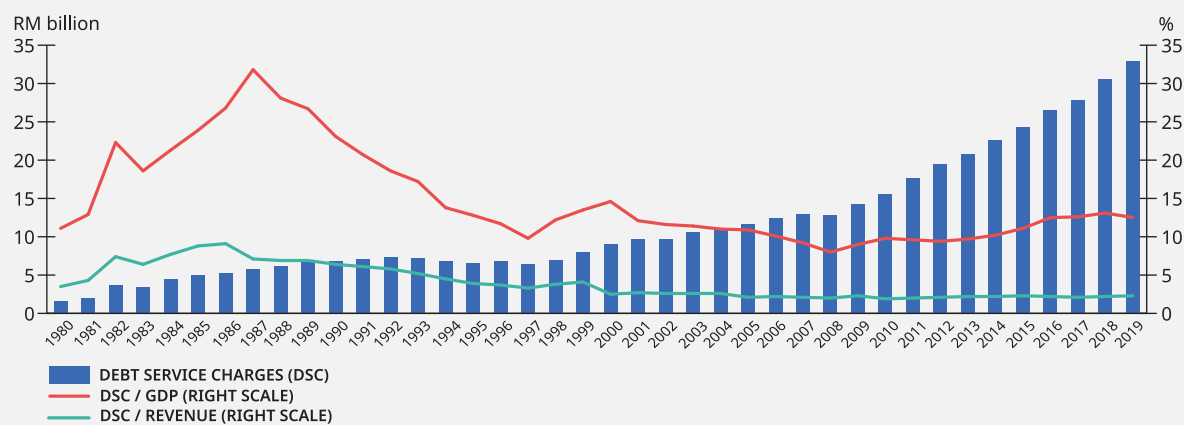
Source: Ministry of Finance and Attorney General Chambers, Malaysia

The debt limit rule is applied independently to domestic and external debt. The debt is raised through conventional market instruments, namely Malaysian Government Securities (MGS) for long-term papers, while Malaysian Treasury Bills (MTB) for short-term securities. The Shariah-compliant equivalents are Malaysian Government Investment Issues (MGII) and Malaysian Islamic Treasury Bills (MITB). MGS and MTB are issued under the Loan (Local) Act 1959 [Act 637] and the Treasury Bills (Local) Act 1946 [Act 188], respectively, while both MGII and MITB are issued under the Government Funding Act 1983 [Act 275].

In the beginning of 1980s, MGS and MGII was capped at RM15 billion and RM1 billion, respectively. However, the limit of MGII threshold was increased to RM15 billion in mid-1990s. Prior to the Global Financial Crisis, the Government revised the debt threshold by combining the outstanding debt of MGS, MGII and MITB under Act 637 and Act 275 to 45% of GDP in June 2008 and was further revised up to 55% beginning July 2009. Meanwhile, Act 188 limits the current maximum amount of outstanding Treasury bills at RM10 billion.

In addition, the Federal Government is also allowed to borrow in foreign-denominated currencies. Offshore borrowings, which was initially capped at RM30 billion in 1982, was revised upward to RM60 billion in 1985. However, the limit was scaled down to RM45 billion in 2006 and further reduced to RM35 billion during the Global Financial Crisis. The changes made to the debt policy combination was primarily to accommodate the fiscal injection requirement while facilitating the development of a deep and liquid domestic market. Furthermore, being less reliant on offshore borrowings have led to the reduction in both refinancing risk and exposure to foreign exchange risk.

FIGURE 4. Debt Service Charges
1980 – 2019



Source: Ministry of Finance, Malaysia

In addition to the debt limit legislation, other debt indicators observed are debt service charges (DSC) as a ratio to revenue and GDP, which indicates debt affordability. The DSC ratio to revenue and GDP increased significantly in 1987 to 31.8% and 7.1%, respectively, post-1985/86 Commodity Crisis. The same trend was observed during the Asian Financial Crisis, where the ratios increased from 11.7% and 3.7% in 1996 to 13.5% and 4.1% in 1999, respectively. The trend was in line with the increase in the Federal Government debt level and slower revenue performance in times of crisis. Nevertheless, the DSC to revenue ratio has reduced to around 10% post-Global Financial Crisis due to steady revenue performance as the Government embarked on revenue diversification initiative. The reduction demonstrates that the increase in the ratio was temporary and the level

is quickly reduced to below the administrative limit of 15% to revenue, once the crisis ebbed and economic growth resumed. Furthermore, the DSC to GDP ratio has also stabilised, averaging 2% in the past decade.

COVID-19 Crisis and Policy Response

The COVID-19 pandemic has severely affected the global trade and economy, as it threatened the lives of people due to its rapid spread. As of mid-October 2020, the spread of the virus has affected more than 200 countries, exceeding 37 million confirmed cases with a mortality rate of around 3%. The crisis, the worst since the 1930s Great Depression, has challenged all policymakers and industry players to prepare for a new normal and impose strict policy measures to contain the spread and flatten the infection curve.

The International Monetary Fund (IMF) has estimated a total fiscal injection of USD11.7 trillion or nearly 12% of global GDP by sovereigns across the globe. Most countries have further eased the fiscal rules and activated their exit clause. Meanwhile, Malaysia has introduced stimulus packages and economic recovery plan worth RM295 billion comprising fiscal and non-fiscal measures around 20% of GDP, with direct fiscal injection of RM45 billion. Simultaneously, the Parliament has passed an act on temporary measures for Government financing of COVID-19 in September 2020. The act among others stipulates to temporarily increase the combined outstanding debt of MGS, MGII and MITB limit from 55% to 60% of GDP and to establish a dedicated trust fund to implement all the stimulus measures within three years. The upward revision of the debt limit has provided fiscal space for the Government to fund the stimulus packages and implement economic recovery measures. Subsequently, on 23 September 2020, the Government announced an additional RM10 billion to further enhance existing measures, namely the *Bantuan Prihatin Nasional* (BPN), PRIHATIN Special Grants and the Wage Subsidy Programme.

In addition, the OPR was reduced by a cumulative 125 basis points to 1.75% by the MPC in the first nine months of 2020. This OPR reduction has provided additional policy stimulus to accelerate the pace of recovery while reduce the future cost of borrowing to the Government. Other monetary measures include financial relief, regulatory and supervisory measures, and adjustments to the SRR in March and May 2020. In particular, the adjustments to the SRR and flexibility to banking institutions to use MGS and MGII to fully meet the SRR compliance were part of the continuous efforts to ensure sufficient liquidity to support financial intermediation activities.

Way Forward

It is the utmost priority of a responsible government to protect the economy and the well-being of the rakyat, particularly during the times of adversity. Thus, the execution of stimulus packages and recovery measures will be rigorously pursued and monitored, despite the adverse impact on the Government fiscal and debt position. The Government is determined to rejuvenate the economy to ensure the nation return to a sustainable growth trajectory and fulfil the 2030 Shared Prosperity Vision.

Nonetheless, while the nation is in a transition towards a new normal era, the reform agenda will be reinforced in charting a more sustainable and sound public finance. This includes, among others, introducing fiscal responsibility legislation, enhancing the revenue base, instituting good governance and accelerating digitalisation. These initiatives will be accommodative towards regaining the growth momentum and aid the Government to resume its consolidation efforts

once the economy recovers. In addition, the availability of world-class infrastructure, dynamic and talented workforce as well as a proactive public service, will further complement the reform agenda. This is evident through Malaysia being ranked at 12th out of 190 economies in the World Bank Doing Business 2020 report, demonstrating the Government's competitiveness and business-friendly economic policies.

Conclusion

The pragmatic fiscal policy is vital in supporting the nation's growth and more importantly, in times of economic uncertainty and health crisis. The Government has demonstrated flexibility and dynamism in providing sufficient fiscal space for countercyclical measures, and ready to increase the financing requirements to further accommodate economic recovery. However, it is necessary to strike a balance in providing adequate fiscal support while achieving long-term sustainability. Thus, the debt rule revision is temporary, reflecting a firm commitment to fiscal consolidation in the medium term. As evidenced in the past crisis, the Government is fully committed towards the reform agenda in ensuring sound public finances and effective debt management.

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External Debt

The external debt coverage includes public and private sector offshore borrowings, non-resident holdings of ringgit-denominated securities, non-resident deposits and other external debt. As at end-June 2020, external debt increased to RM1 trillion or 69.7% of GDP. Overall, the increase was mainly contributed by the net issuance of international bonds and notes from public enterprises and private sectors. However, the increase was partially offset by withdrawal from non-resident holdings of domestic debt securities and deposits.

The largest component of external debt is offshore borrowings, which increased to RM624.3 billion, with a share of 62.2%. The medium- and long-term offshore borrowings accounted for RM383.2 billion, while short-term debt registered RM241.1 billion. The increase was mainly contributed by higher non-financial corporation borrowings, primarily

for foreign assets acquisition and intragroup borrowings among banks and non-banking private sector.

The other component of external debt is non-resident holdings and deposits, which represents ringgit-denominated external debt and deposits in domestic banking institutions. This component comprised RM295.4 billion or around 30% of the total external debt, which among others include non-resident holdings of government papers which stood at RM181.2 billion or 22% of total Federal Government domestic debt. Thus, the foreign holdings are not exposed to the valuation effects from the movements of ringgit.

In general, Malaysia's external debt position remains manageable. The external debt with medium- and long-term tenure accounted for 58.7% of total external debt, indicating a low refinancing risk. Furthermore, the availability of sizeable external assets is able to cushion the impact from external risks, demonstrating the nation's financial resilience.

TABLE 4.5. External Debt
2019 – 2020

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2019	2020 ³	2019	2020 ³	2019	2020 ³
Offshore borrowing	560,708	624,334	59.3	62.2	37.2	43.3
Medium-and long-term debt	344,322	383,169	36.4	38.2	22.9	26.6
Public sector	128,743	154,413	13.6	15.4	8.6	10.7
Federal Government	24,021	25,077	2.5	2.5	1.6	1.7
Public corporations	104,722	129,336	11.1	12.9	7.0	9.0
Private sector	215,579	228,756	22.8	22.8	14.3	15.9
Short-term debt	216,386	241,166	22.9	24.0	14.3	16.7
Non-resident holdings of ringgit-denominated debt securities	201,015	196,632	21.3	19.6	13.3	13.7
Medium-and long-term debt	193,270	186,748	20.5	18.6	12.8	13.0
Federal Government	182,151	176,001	19.3	17.5	12.1	12.2
Others ¹	11,119	10,747	1.2	1.1	0.7	0.8
Short-term debt	7,745	9,884	0.8	1.0	0.5	0.7
Non-resident deposits	102,928	98,821	10.9	9.9	6.8	6.9
Others²	80,767	83,168	8.5	8.3	5.3	5.8
Total	945,419	1,002,956	100.0	100.0	62.6	69.7

¹ Include private sector and public corporations

² Comprise trade credits, IMF allocation of Special Drawing Rights and miscellaneous

³ End-June 2020

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

TABLE 4.6. *Public Sector Debt*
2019 – 2020

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2019	2020 ¹	2019	2020 ¹	2019	2020 ¹
Federal Government	792,998	854,068	69.8	69.4	52.5	59.3
Domestic	764,233	824,033	67.3	67.0	50.6	57.2
Offshore	28,765	30,035	2.5	2.4	1.9	2.1
Statutory bodies	70,510	75,710	6.2	6.2	4.7	5.3
Domestic	70,510	75,710	6.2	6.2	4.7	5.3
of which: Guaranteed	70,510	75,710	6.2	6.2	4.7	5.3
Offshore	-	-	-	-	-	-
Non-financial public corporations	272,992	300,458	24.0	24.4	18.0	20.9
Domestic	171,873	176,744	15.1	14.4	11.3	12.3
of which: Guaranteed	171,873	176,744	15.1	14.4	11.3	12.3
Offshore	101,119	123,714	8.9	10.0	6.7	8.6
of which: Guaranteed	23,395	24,565	2.1	2.0	1.5	1.7
Total	1,136,500	1,230,236	100.0	100.0	75.2	85.5

¹ End-June 2020

Source: Ministry of Finance, Malaysia

Public Sector Debt

Public sector debt represents consolidated debts of the Federal Government, state governments, Non-Financial Public Corporations (NFPCs) and sovereign-guaranteed debt of statutory bodies. As at end-June 2020, public sector debt increased to RM1.2 trillion or 85.5% of GDP due to higher Federal Government fiscal deficit to finance the COVID-19 pandemic stimulus measures. The largest component in the public sector debt is Federal Government debt of RM854.1 billion or 69.4% of the total, followed by liabilities from NFPCs (24.4%) and statutory bodies (6.2%).

Statutory bodies guaranteed debt rose to RM75.7 billion, mainly attributed to additional sukuk issuances by LPPSA to finance public sector employees' housing loans. In addition, NFPCs' debt has also increased to RM300.4 billion, which include additional funding facilities drawdown to finance the capital expenditure in relation to the development of the mass rapid transit (MRT) project as well as investments in oil and gas sector.

Outlook for 2021

Against the backdrop of the uncertain economic environment in 2021, gross borrowing requirements are expected to remain substantial at around 11% of GDP. The Government will continue to finance stimulus measures during the transition phase in 2021, to fully support the economic recovery, emphasising on ensuring the well-being of the rakyat, protecting businesses and revitalising economic activities. At the same time, the Government will remain committed to prudent debt management strategies over the medium term, while adhering to the stipulated debt rules.

The Government will focus on ringgit-denominated issuance, leveraging the ample domestic liquidity, which aimed at maintaining a well-functioning market for government securities, while reducing cost and minimise foreign exchange risk exposure. In addition, the Government is prepared to weather future uncertainties supported by adequate monetary

space, deep domestic capital market as well as effective COVID-19 containment measures that are essential in building up investors' confidence. These conditions will further support long-term funding requirements, ensure a balanced debt maturity profile and meet investors' demand for government papers.

The COVID-19 pandemic has led to one of history's most challenging global humanitarian and health crises. Swift actions have been undertaken to protect lives, support businesses and strengthen the nation's economy. As a result of the increase in borrowing needs to support growth, the overall Federal Government debt is projected to increase to around 61% of GDP, with the statutory debt to remain around 58% in 2021. Nevertheless, most of the measures taken to stimulate growth are short-term in nature and does not fundamentally change the principles of debt management.

Moving forward, the Government is committed to continuing the debt consolidation path in the medium term once the economy recovers from the current crisis. In addition, the Government will further strengthen the

function of the Debt Management Office to improve its institutional structure, enhance debt management operation and governance, and ultimately reducing the Federal Government debt to a manageable level. At the same time, the commitment to enhance data collection and periodic reporting will further support debt sustainability in the longer term.

Conclusion

The effect of the COVID-19 pandemic on public finances reinforces the need to improve debt management and sustainability. The Government will strike a balance between addressing development needs and consolidating the debt-to-GDP level once the crisis subsides. Achieving this balance requires adhering to a sound medium-term fiscal framework, enhancing revenue base, improving the efficiency of spending, and facilitating private sector activities through structural reforms and improvements in governance. In developing debt strategies, the Government continue to emphasise keeping funding costs low, mitigating rollover risk and supporting well-functioning markets.

FIGURE 4.1. Issuance by Maturity

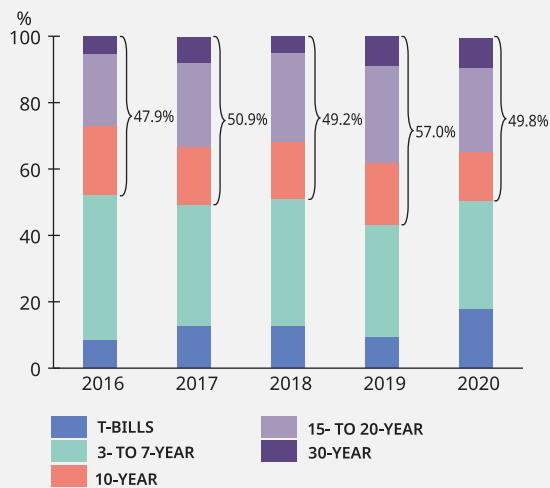


FIGURE 4.2. BTC Ratios of MGS and MGII

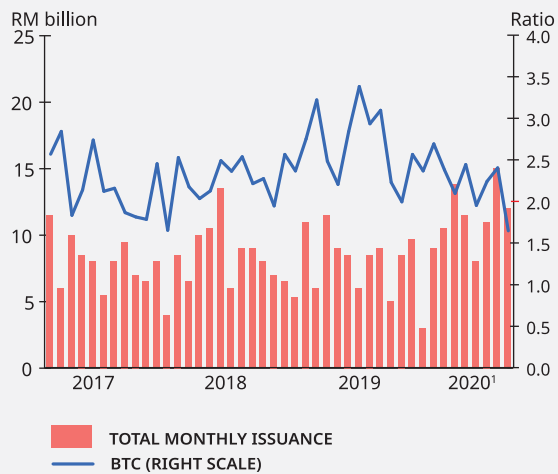


FIGURE 4.3. MGS Benchmark Yield Curve

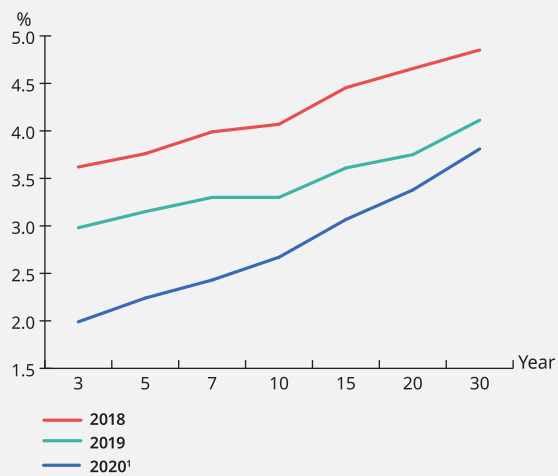


FIGURE 4.4. MGS Indicative Yields

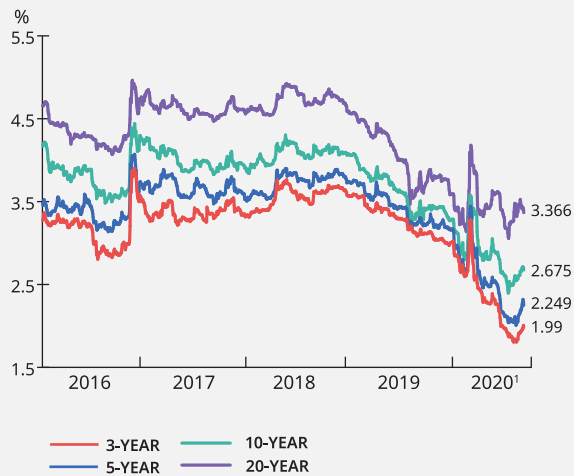
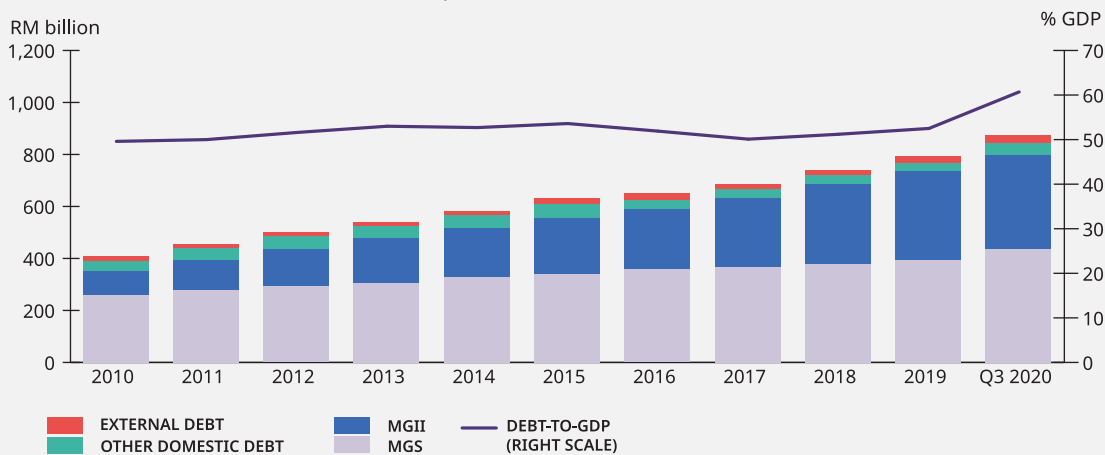
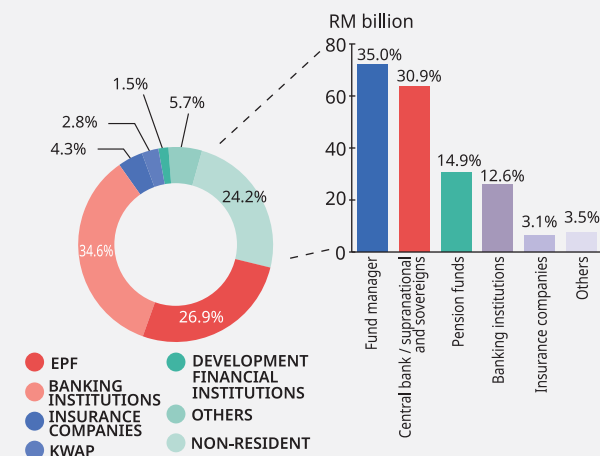
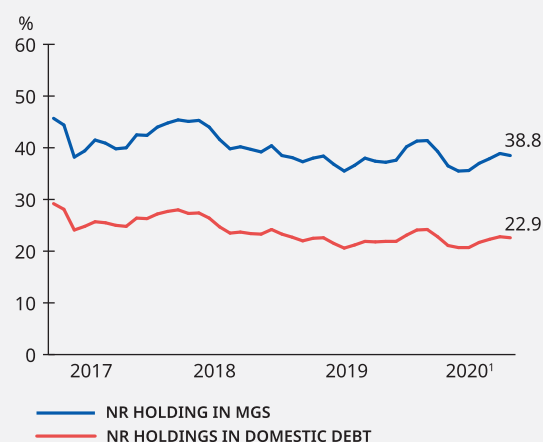
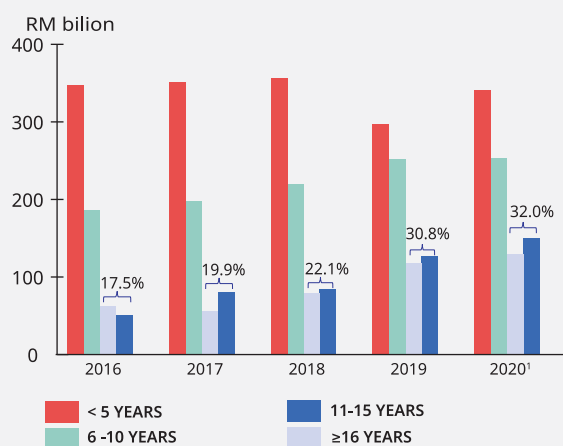
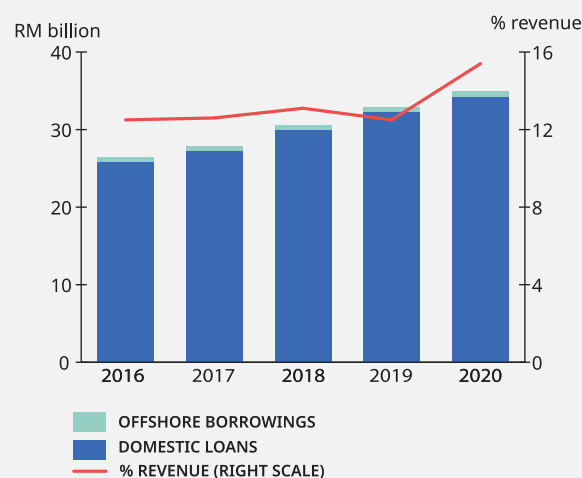
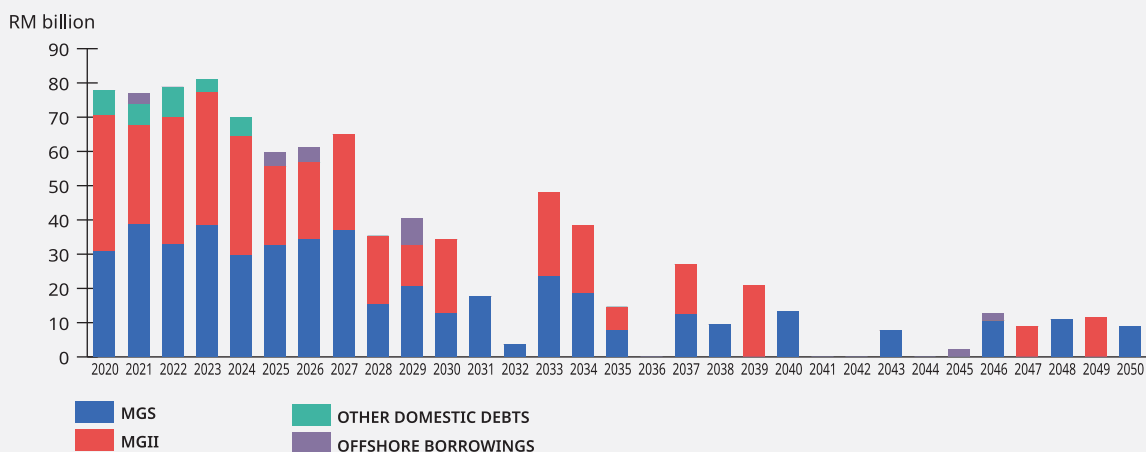


FIGURE 4.5. Federal Government Debt Composition



¹End-September 2020

Source: Ministry of Finance, Malaysia, Bank Negara Malaysia and Bloomberg

FIGURE 4.6. Federal Government Debt by Holder, End-June 2020**FIGURE 4.7.** Non-Resident Holdings of Ringgit-Denominated Debt Securities**FIGURE 4.8.** Federal Government Debt by Remaining Maturity**FIGURE 4.9.** Debt Service Charges**FIGURE 4.10.** Debt Maturity Profile¹End-September 2020

Source: Ministry of Finance, Malaysia

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SECTION 5

Fiscal Risk and Liability

Overview

In 2020, governments around the world are tested with an arduous mission to steer their countries out of the health crisis and economic downturn. The COVID-19 pandemic immobilised the global economy within a span of few months after the first transmission was discovered in late December 2019. Many governments have enforced movement restrictions to contain the extremely contagious virus, causing disruption in economic activities and adversely impacting businesses and livelihood of citizens.

The restrictions, while effective in containing the infections, have led to inevitable economic consequences which require interventions from governments. Fiscal risks are heightened as most governments increased their debt and other forms of leverage to finance the unexpected large fiscal deficits following various stimulus measures. Most of the stimulus measures consist of increased budget for the health sector, financial benefits for retrenched workers and employees forced to take pay cut or unpaid leave as well as equity injection, guarantees and support for businesses.

Malaysia is no exception, as a series of stimulus packages and recovery plan was launched to mitigate the crisis. In this regard, the deficit target for 2020 was revised from 3.2% of Gross Domestic Product (GDP) as announced during the tabling of the 2020 Budget to 6%. The Government enacted a new legislation to temporarily lift the statutory debt ceiling to raise additional borrowings to finance the packages. In addition, several measures were introduced to provide soft loans and guarantees for the affected businesses, especially small and medium enterprises (SMEs). These measures have increased fiscal risks in terms of

higher financial obligations and exposure. Nevertheless, the Government is committed to undertaking mitigation measures to ensure the risk exposure is contained.

Debt and Liabilities Exposure

Since 2018, the Government began to publish a more comprehensive debt and liabilities reporting. This is in line with efforts to transition to accrual accounting standards as well as statistical reporting under the International Public Sector Accounting Standards (IPSAS) and Public Sector Debt Statistics by the International Monetary Fund (IMF). The debt and liabilities exposure is composed of the Federal Government debt and other financial obligations such as committed guarantees, 1Malaysia Development Berhad's (1MDB) debt and other liabilities including estimated cash commitments of the Government. As at end-September 2020, the Federal Government debt and liabilities exposure was estimated at RM1,256.9 billion or 87.3% of GDP.

TABLE 5.1. *Federal Government Debt and Liabilities Exposure, 2019 – 2020*

COMPONENT	RM BILLION		SHARE OF GDP (%)	
	2019	2020 ¹	2019	2020 ¹
Federal Government debt	793.0	874.3	52.5	60.7
Committed guarantees	162.1	177.0	10.7	12.3
1MDB	31.9	32.3	2.1	2.3
Other liabilities (PPP, PFI, PBLT)	182.2	173.3	12.1	12.0
Total	1,169.2	1,256.9	77.4	87.3

¹ End-September

Source: Ministry of Finance, Malaysia

Government Guarantees

The Loans Guarantee (Bodies Corporate) Act 1965 [Act 96] authorises the Government to provide guarantee on a loan, bond, promissory note or any financing instrument raised by an entity, which is gazetted as a body corporate under this Act. The entities currently granted a **Government guarantee** (GG) include government-linked companies, statutory bodies as well as agencies under state governments. As at end-September 2020, total outstanding GGs stood at RM289.8 billion or 20.1% of GDP (end-2019: RM275.4 billion; 18.2%). The increase was mainly attributed to new issuances by DanaInfra and Prasarana to finance public transport infrastructure projects as well as financing raised by the Public Sector Home Financing Board (LPPSA) to fund housing loan facility for civil servants. Most of the GGs were for infrastructure (53.7%) and services (24.3%) sectors. The top 10 GG recipients composed more than 80% of the total loan guarantees.

As at end-September 2020, the overall portfolio of GGs recorded a weighted average time to maturity of 10.9 years. About 20% of the GGs

are expected to mature within the period six to 10 years while about 45% of the portfolio will mature beyond 10 years, thus refinancing risk is manageable. Exchange rate risk is relatively minimal as more than 90% of the outstanding GGs is mainly denominated in ringgit.

Loan guarantees which require financial assistance from the Government are classified under **committed guarantees**. The entities involved are provided guarantees under the Act 96 or financial undertakings under Section 14 of the Financial Procedure Act 1957 [Act 61]¹. These financial supports are provided to assist entities in carrying out projects, particularly during the construction phase and at the beginning of operations as well as those facing financial difficulties. Outstanding committed guarantees were estimated at RM177 billion or 12.3% of GDP as at end-September 2020, mainly to finance existing public transport infrastructure projects. The financial performance and subsequent development plans of these entities are reviewed regularly and placed under scrutiny in efforts to manage the downside risks to the Government.

TABLE 5.2. *Major Recipients of Loan Guarantees, as at end-September 2020*

ENTITY	RM MILLION	SHARE (%)	SHARE OF GDP (%)
Total loan guarantees	289,808	100.0	20.1
<i>of which:</i>			
DanaInfra Nasional Berhad	71,620	24.7	5.0
Prasarana Malaysia Berhad	37,914	13.1	2.6
National Higher Education Fund Corporation	37,300	12.9	2.6
Public Sector Home Financing Board	27,400	9.4	1.9
Malaysia Rail Link Sdn. Bhd.	21,016	7.3	1.4
Khazanah Nasional Berhad	11,300	3.9	0.8
Projek Lebuhraya Usahasama Berhad	11,000	3.8	0.8
Pengurusan Air SPV Berhad	10,260	3.5	0.7
GovCo Holdings Berhad	7,200	2.5	0.5
Suria Strategic Energy Resources Sdn. Bhd.	6,904	2.4	0.5
Total of major recipients	241,914	83.5	16.8

Source: Ministry of Finance, Malaysia

¹ Section 14(1) Act 61: No guarantee involving a financial liability shall be binding upon the Federal Government, unless it is entered into with the written authority of the Treasury or in accordance with federal law.

TABLE 5.3. *Committed Guarantees, 2019 – 2020*

ENTITY	RM MILLION		SHARE (%)	
	2019	2020 ²	2019	2020 ²
DanaInfra Nasional Berhad	63,820	71,620	39.4	40.4
Prasarana Malaysia Berhad	32,264	37,914	19.9	21.4
Malaysia Rail Link Sdn. Bhd. ¹	18,506	21,016	11.4	11.9
Urusharta Jamaah Sdn. Bhd.	19,600	19,600	12.1	11.1
GovCo Holdings Berhad	7,200	7,200	4.4	4.1
Suria Strategic Energy Resources Sdn. Bhd. ¹	6,708	6,904	4.1	3.9
Jambatan Kedua Sdn. Bhd. ¹	5,648	5,561	3.5	3.1
MKD Kencana Sdn. Bhd.	3,500	3,500	2.2	2.0
SRC International Sdn. Bhd.	3,485	2,485	2.2	1.4
Sentuhan Budiman Sdn. Bhd.	800	800	0.5	0.4
TRX City Sdn. Bhd.	372	313	0.2	0.2
Asset Global Network Sdn. Bhd.	177	126	0.1	0.1
Total	162,079	177,039	100.0	100.0

¹ Subject to exchange rate valuation² End-September

Source: Ministry of Finance, Malaysia

1Malaysia Development Berhad

1MDB was formed in 2009 as a Minister of Finance Incorporated (MOF Inc.) company envisioned to assist the Government in catalysing strategic growth. However, 1MDB landed in financial distress as a result of an unsustainable heavily-indebted business operating model. This has necessitated the vital intervention from the Government in restructuring 1MDB's businesses as well as assuming its financial obligations. As at end-September 2020, 1MDB's outstanding debt was estimated at RM32.3 billion.

Since April 2017 up to September 2020, the Government has financially assisted 1MDB in the form of loans and advances of RM9.4 billion to meet 1MDB's financial commitments and debt servicing. As at end-September 2020, a total of RM13.4 billion assets linked to 1MDB's financial trail was recovered and merged into a dedicated trust fund administered by the Ministry of Finance. The main assets recovered were a mixture of physical and cash assets seized by the United States Department of Justice worth RM2.6 billion as well as cash

received from Goldman Sachs as part of the settlement with the Government of USD2.5 billion. In addition, Goldman Sachs will assist and guarantee a full recovery value of at least USD1.4 billion worth of assets.

TABLE 5.4. *1MDB's Debt, as at end-September 2020*

COMPONENT	RATE (%)	MATURITY PERIOD	PRINCIPAL	
			(USD BILLION)	(RM BILLION)
Government Guarantee				
Sukuk	5.75	2039	-	5.00
IPIC-MOF Inc.				
1MDB Energy Ltd	5.99	2022	1.75	7.35 ¹
1MDB Energy (Langat) Ltd	5.75	2022	1.75	7.35 ¹
Letter of Support				
Global bond	4.44	2023	3.00	12.60 ¹
Total				32.30

¹ Subject to exchange rate valuation

Source: Ministry of Finance, Malaysia

Other Liabilities

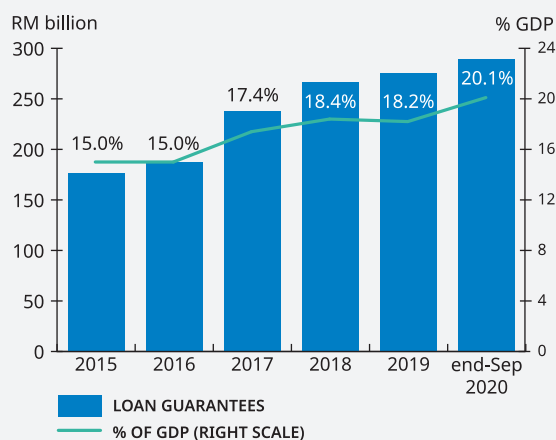
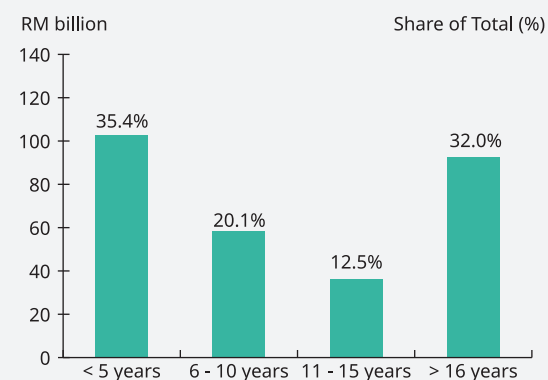
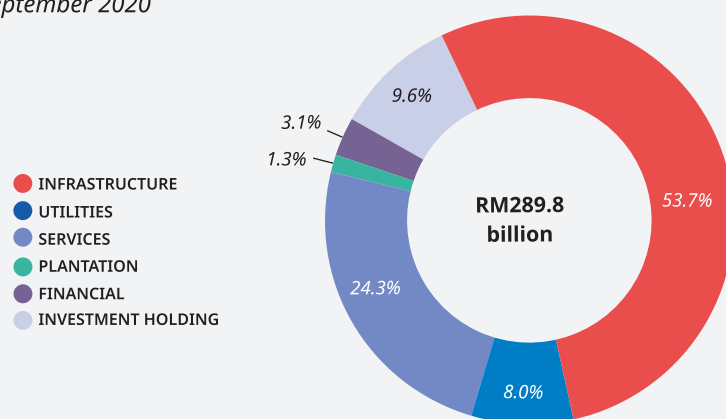
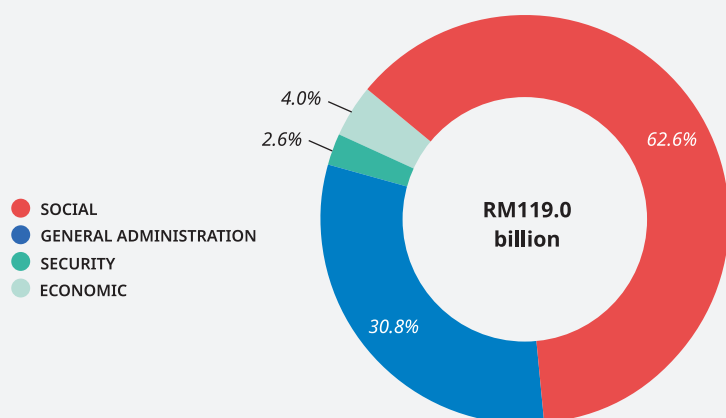
The public-private partnership (PPP) approach was initiated as a risk and reward-sharing development model between the Government and the private sector. As at end-September 2020, there are 97 PPP projects involving financial commitments from the Government up to the year 2047 estimated at RM119 billion. The commitments vary in the form of availability payments, maintenance charges, asset replacement charges, other expenses as well as payments for volume-based service contracts.

The private finance initiative (PFI) was introduced in the Ninth Malaysia Plan to facilitate infrastructure development projects including construction of schools, hospitals, universities and training centres. The PFI also provides for the maintenance and repair works of public buildings. The PFI liabilities were estimated at RM49.5 billion as at end-September 2020. Meanwhile, PBLT Sdn. Bhd.

(PBLT) was established in 2005 as a wholly-owned special purpose vehicle by MOF Inc. to raise funds and develop infrastructure projects including quarters, police stations and other facilities for the Royal Malaysian Police (PDRM) force. As at end-September 2020, the PBLT liabilities were estimated at RM4.8 billion.

Conclusion

The Government will continue to closely monitor and scrutinise its overall fiscal exposure to ensure the risks are identified and ensued by a mitigation plan. Most of the increment of the liabilities are to finance existing infrastructure development projects. In addition, risks related to PPP and other commitments have been identified and allocated in the budget. The Government will also give emphasis towards a more systematic data consolidation and comprehensive reporting to provide a holistic view of debt and liabilities exposure.

FIGURE 5.1. Outstanding Loan Guarantees**FIGURE 5.2. Maturity Profile of Loan Guarantees, End-September 2020****FIGURE 5.3. Loan Guarantees by Sector, End-September 2020****FIGURE 5.4. Outstanding PPP Obligations by Sector, End-September 2020**

Source: Ministry of Finance and Public Private Partnership Unit (UKAS), Prime Minister's Department, Malaysia

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SECTION 6

Consolidated Public Sector

Consolidated Public Sector

The consolidated public sector (CPS) in Malaysia consists of general government units and non-financial public corporations (NFPCs). The purpose of reporting CPS financial position is to estimate the size of the public sector, measure the impact of its activities on the economy and identify the sources of fiscal risks. In terms of global assessment, only general government and public sector data are internationally comparable. CPS requires all intra-transfers and net lending to be netted off from each public sector unit to represent its financial position as a single entity.

Nevertheless, the assessment of financial performance for the general government is different from that of the NFPCs. As a social-oriented unit, a higher deficit caused

by the development expenditure (DE) of the general government reflects the higher capital investment that generates socio-economic benefits. While for profit-maximising NFPCs, the higher deficit indicates capital expenditure that is classified as an investment for the formation of an income-generating asset in the statement of financial position.

In 2020, the CPS financial position is anticipated to record a lower current surplus of RM65 billion (2019: RM77.5 billion). This is due to a significant decline in NFPCs' current surplus of 33.1% to RM85.3 billion, particularly from the drop in NFPCs' revenue collection in tandem with the COVID-19 pandemic. In addition, the consolidated DE of the public sector is expected to remain at RM132 billion. After netting off intra-transactions between units, the overall deficit of the CPS is projected to increase significantly to RM105 billion or 7.3% of Gross Domestic Product (GDP) in 2020 (2019: RM54.9 billion; 3.6%).

TABLE 6.1. Consolidated Public Sector Financial Position, 2019 – 2021

	RM MILLION			CHANGE (%)		
	2019	2020 ²	2021 ³	2019	2020 ²	2021 ³
Revenue	248,052	244,153	261,033	2.9	-1.6	6.9
Operating expenditure	298,095	264,423	273,614	12.1	-11.3	3.5
Current balance	-50,043	-20,270	-12,581	100.1	-59.5	-37.9
NFPCs current surplus	127,548	85,279	86,033	-0.5	-33.1	0.9
Public sector current balance	77,505	65,009	73,452			
Development expenditure	132,434	131,987	154,189	-8.3	-0.3	16.8
General government	57,089	56,857	75,015	-10.3	-0.4	31.9
NFPCs	75,345	75,130	79,174	-6.8	-0.3	5.4
COVID-19 Fund ¹	-	38,000	17,000			-55.3
Overall balance	-54,929	-104,978	-97,737			
% of GDP	-3.6	-7.3	-6.2			

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Revised estimate

³ Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance, Malaysia

General Government

The general government refers to institutional units that perform the principal economic functions of the government.¹ The general government functions include the provision of goods and services to the community primarily on a non-commercial basis, income and wealth redistribution as well as financing activities primarily through taxation or transfers. The general government sector in Malaysia comprises the Federal Government, state governments, local governments and Federal statutory bodies.² The purpose of reporting the general government's financial position is to evaluate its performance and the overall impact of government operations on the economy.

The consolidated general government revenue is estimated to decrease by 10.5% to RM288.1 billion in 2020. Similarly, consolidated operating expenditure (OE) is estimated to be lower by 11.3% at RM264.7 billion. The reductions are attributed to a shortfall in both Federal Government revenue and OE, resulting in a lower current surplus of RM23.4

billion (2019: RM23.7 billion). Similarly, the consolidated DE is projected to decline marginally by 0.7% to RM56.9 billion, mainly due to lower Federal Government DE. Nonetheless, total expenditure is expected to increase to RM359.6 billion (2019: RM318.6 billion, after excluding tax refund) due to Federal Government's additional spending incurred under the newly established COVID-19 Fund for the economic stimulus packages and recovery plan. Consequently, after netting off intra-transfers and net lending, the general government's overall deficit is expected to increase to RM71.5 billion or 5% of GDP in 2020.

The overall deficit of the general government will be financed mainly by Federal Government borrowings and accumulated reserves. Under the legal provision, all state governments³ and Federal statutory bodies shall borrow only from or with the approval of the Federal Government. Local governments⁴ may only borrow with the consent of respective state governments. Thus, the credit risk exposure of the general government is contained within the Federal Government level.

TABLE 6.2. Consolidated General Government Financial Position, 2019 – 2021

	RM MILLION			CHANGE (%)		
	2019	2020 ²	2021 ³	2019	2020 ²	2021 ³
Revenue	322,020	288,096	297,033	10.4	-10.5	3.1
Operating expenditure	298,347	264,710	273,990	12.1	-11.3	3.5
Current balance	23,673	23,386	23,043			
Development expenditure	57,285	56,869	75,409	-10.2	-0.7	32.6
COVID-19 Fund ¹	-	38,000	17,000			-55.3
Overall balance	-33,612	-71,483	-69,366			
% of GDP	-2.2	-5.0	-4.4			

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Revised estimate

³ Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance, Malaysia

¹ Government Finance Statistics Manual (GFSM) 2014 by International Monetary Fund (IMF).

² Federal statutory bodies are governed by Federal ministries and are subjected to respective acts to carry out specific Government functions in various sectors, including education, health and agriculture. Revenues comprise mainly grants from the Federal Government.

³ Articles 111 and 112 of the Federal Constitution (except Sabah and Sarawak, which are allowed to borrow if approved by the Central Bank).

⁴ Section 41 and 42 of Local Government Act 1976.

State Governments

In 2020, the total consolidated revenue of state governments⁵ is estimated to increase by 10.6% to RM33.6 billion or 2.3% of GDP. Of the total, 79.9% or RM26.9 billion is from state-generated revenue derived mainly from sales tax, petroleum royalties, investment income, land premiums and land taxes. The balance is from Federal Government transfers and grants. State-generated revenue is expected to rebound 16.3% (2019: -7.1%), mainly attributed to the sales tax imposed by Sarawak on petroleum products. Sarawak, Sabah, Selangor, Terengganu and Johor continue to be the major contributors to the total consolidated state-generated revenue, constituting 83.1% or RM22.3 billion.

Tax revenue is estimated at RM8 billion or 23.9% of total consolidated revenue. Direct tax collection, comprising mainly tax on natural resources such as land, mines and forestry is expected to contribute RM3.4 billion. Indirect tax is projected to record RM4.6 billion or 58% of tax revenue, which is mainly contributed by Sarawak's sales tax⁶ at RM3.5 billion, primarily on petroleum products.

Non-tax revenue is expected to register RM13 billion, or 37.5% of the total consolidated revenue. The main components are compensation payment on petroleum-related items at RM3.5 billion, investment income at RM3.5 billion and land premiums at RM2.2 billion. Non-revenue receipts are expected to reach RM12.6 billion, which comprises mainly grants from the Federal Government. These include capitation grants based on annual population projections, State road grants, grants for operating expenditure of departments under the Concurrent List of the Federal Constitution and service charges for the involvement of states' employees in federal development projects.

The total consolidated expenditure of state governments in 2020 is projected to increase by 13.7% to RM25.9 billion, attributed to

TABLE 6.3. Consolidated State Governments' Financial Position, 2019 – 2020

	RM MILLION		CHANGE (%)	
	2019	2020 ¹	2019	2020 ¹
Revenue	30,349	33,563	-3.8	10.6
Operating expenditure	11,895	14,278	0.2	20.0
Current balance	18,454	19,285		
Gross development expenditure	10,866	11,612	-17.0	6.9
Development Fund	10,829	11,421	-17.1	5.5
Water Supply Fund	37	191	32.1	416.2
Less: Loan recovery	753	990	163.3	31.5
Net development expenditure	10,113	10,622	-21.1	5.0
Overall balance	8,341	8,663		
% of GDP	0.6	0.6		

¹ Estimate
Source: Ministry of Finance, Malaysia

higher expenditure in both OE and DE. The consolidated OE of state governments is expected to increase by 20% to RM14.3 billion (2019: 0.2%; RM11.9 billion), mainly due to higher transfers and fixed charges as well as supplies and services outlays. The consolidated DE is estimated to increase by 6.9% to RM11.6 billion (2019: -17%; RM10.9 billion).

Among the main development projects carried out in 2020 are the provision of public infrastructures and facilities in Sarawak rural areas, construction and upgrading of roads in Selangor, restoration and upgrading of water treatment plant in Terengganu, as well as the implementation of water supply projects in Terengganu and Pahang. Other projects include the development of administrative centre in Terengganu and implementation of flood mitigation projects in Pulau Pinang. Based

⁵ Excluding Federal Territories.

⁶ Sales tax in Sabah and Sarawak is under the states' jurisdiction and one of states' main sources of revenue as stipulated in Part V of the Tenth Schedule in Federal Constitution: Additional Sources of Revenue Assigned to States of Sabah and Sarawak.

on the performance above, the consolidated state governments' financial position in 2020 is anticipated to record a current surplus of RM19.3 billion or 57.5% of total consolidated revenue. The state governments' overall balance is estimated to also register a surplus of RM8.7 billion or 0.6% of GDP.

Non-Financial Public Corporations

The consolidated financial position of the NFPCs is expected to register a smaller current surplus of RM41.6 billion in 2020 (2019: RM54.1 billion). The decline in current surplus is due to a significant drop in revenue which outpaced the reduction in current expenditure, following weak market environment and cost rationalisation. In addition, the drop in global crude oil prices and slower economic activities due to global movement restrictions have also affected the NFPCs' financial performance. Thus, the overall deficit for 2020 is estimated at RM33.5 billion (2019: RM21.3 billion) or 2.3% of GDP.

TABLE 6.4. Consolidated NFPCs' Financial Position, 2019 – 2020

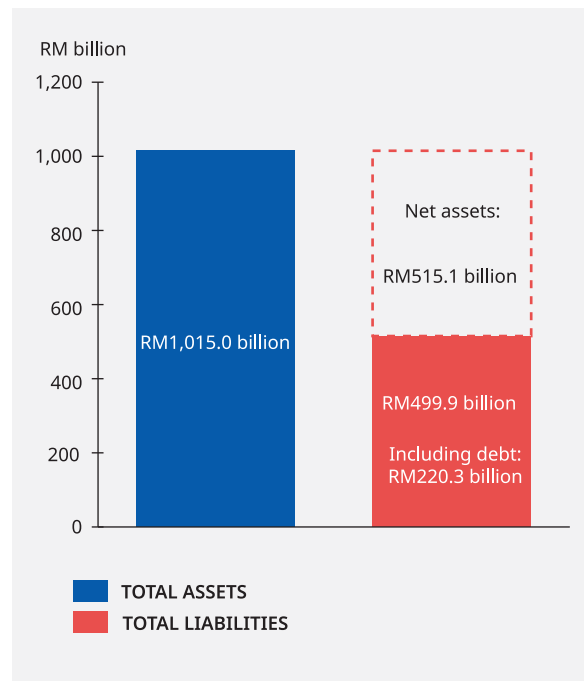
	RM MILLION		CHANGE (%)	
	2019	2020 ²	2019	2020 ²
Revenue	386,490	319,917	-2.2	-17.2
Current expenditure	332,439	278,280	4.7	-16.3
Current balance	54,051	41,637		
Capital expenditure	75,345	75,130	-6.8	-0.3
Overall balance	-21,294	-33,493		
% of GDP	-1.4	-2.3		

¹ Refers to 28 major NFPCs

² Estimate

Source: Ministry of Finance, Malaysia

FIGURE 6.1. NFPCs' Assets and Liabilities, End-2019



Source: Ministry of Finance, Malaysia.

The slower economic growth and decline in the global crude oil prices are the main factors that contribute to the projected decrease in consolidated revenue of the NFPCs by 17.2% to RM319.9 billion or 22.2% of GDP. In 2020, most economic sub-sectors are operating below capacity due to the limited availability of workers and raw materials as a result of the movement restriction, which has led to lower production. In contrast, telecommunications and energy sub-sectors are expected to record a slightly higher revenue, supported by an increase in consumer demand for online purchasing of essential goods and services as well as higher utilisation of internet and utilities due to remote working environment initiatives in the new norms.

Total NFPCs' expenditure for 2020 is estimated to decline to RM353.4 billion or 24.6% of GDP, attributed to lower spending in the current

expenditure by 16.3% to RM278.3 billion. During the year, most NFPCs have undertaken significant financial measures and reviewed their business strategies in anticipation of lower revenue collection in 2020. These include the reduction of overheads and input costs to ensure business continuation. Among those affected are airlines, logistics, transportation, tourism, oil and gas industries as well as the construction sector. Nonetheless, capital expenditure is estimated to remain at RM75.1 billion in line with companies' investment plan.

Despite the challenging market condition, the NFPCs are committed to ensuring the companies remain sustainable and at the same time continue to restore its financial performances. NFPCs will continue to implement its ongoing major projects, such as the construction of gas development project in Sabah and Sarawak, Mass Rapid Transit 2 (MRT2), Light Railway Transit 3 and enhancement of digital solution amid the COVID-19 pandemic. The project implementation is in-line with the Government's effort to rejuvenate the economy.

Statistik Kewangan Awam

***Public Finance
Statistics***

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1.1. KEWANGAN KERAJAAN PERSEKUTUAN

RM juta

1.1. FEDERAL GOVERNMENT FINANCE

RM million

	2017	2018	2019	2020 ⁴	2021 ⁵
Hasil Revenue	220,406	232,882	264,415	227,270	236,900
% perubahan % change	(3.8)	(5.7)	(13.5)	(-14.0)	(4.2)
Perbelanjaan mengurus Operating expenditure	217,695	230,960	263,343	226,720	236,540
% perubahan % change	(3.6)	(6.1)	(14.0)	(-13.9)	(4.3)
Baki semasa Current balance	2,711	1,922	1,072	550	360
Perbelanjaan pembangunan kasar Gross development expenditure	44,884	56,095	54,173	50,000	69,000
% perubahan % change	(6.9)	(25.0)	(-3.4)	(-7.7)	(38.0)
Perbelanjaan langsung Direct expenditure	42,277	54,405	52,058	47,468	67,300
% perubahan % change	(5.6)	(28.7)	(-4.3)	(-8.8)	(41.8)
Pinjaman kasar Gross lending	2,607	1,690	2,115	2,532	1,700
Tolak: Terimaan balik pinjaman Less: Loan recovery	1,852	788	1,603	1,000	800
Perbelanjaan pembangunan bersih Net development expenditure	43,032	55,307	52,570	49,000	68,200
% perubahan % change	(5.9)	(28.5)	(-4.9)	(-6.8)	(39.2)
Kumpulan Wang COVID-19¹ COVID-19 Fund¹				38,000	17,000
Baki keseluruhan Overall balance	-40,321	-53,385	-51,498	-86,450	-84,840
% KDNK % of GDP	-2.9	-3.7	-3.4	-6.0	-5.4
Baki primer² Primary balance²	-12,458	-22,838	-18,565	-51,505	-45,840
% KDNK % of GDP	-0.9	-1.6	-1.2	-3.6	-2.9
Sumber pembiayaan Sources of financing					
Pinjaman bersih luar pesisir Net offshore borrowings	-342	-320	6,977	-303	-
Pinjaman bersih dalam negeri Net domestic borrowings	40,732	54,427	44,755	87,051	-
Perubahan aset ³ Change in assets ³	-69	-722	-234	-298	-

¹ Kumpulan wang amanah khusus di bawah Akta Langkah-Langkah Sementara bagi Pembiayaan Kerajaan (Penyakit Koronavirus 2019 (COVID-19)) 2020 untuk membiayai pakej rangsangan dan pelan pemulihan ekonomi

² Tidak termasuk bayaran khidmat hutang

³ (+) menunjukkan penggunaan aset; (-) menunjukkan pertambahan aset

⁴ Anggaran disemak

⁵ Anggaran belanjawan tidak termasuk langkah Belanjawan 2021

¹ A specific trust account established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Excluding debt service charges

³ (+) indicates drawdown of assets; (-) indicates accumulation of assets

⁴ Revised estimate

⁵ Budget estimate, excluding 2021 Budget measures

2.1. HASIL KERAJAAN PERSEKUTUAN
 RM juta

2.1. FEDERAL GOVERNMENT REVENUE
 RM million

	2017	%	2018	%	2019	%	2020 ³	%	2021 ⁴	%
Cukai langsung <i>Direct tax</i>	116,024	52.6	130,034	55.8	134,723	51.0	115,105	50.6	131,870	55.7
% perubahan % change	(5.9)		(12.1)		(3.6)		(-14.6)		(14.6)	
Cukai pendapatan <i>Income taxes</i>	108,563	49.3	122,486	52.6	126,507	47.8	106,914	47.0	123,103	51.9
Syarikat <i>Companies</i>	64,465	29.2	66,474	28.5	63,751	24.1	59,385	26.1	64,596	27.3
Individu <i>Individual</i>	28,945	13.1	32,605	14.0	38,680	14.6	35,906	15.8	42,439	17.9
Petroleum	11,761	5.3	20,082	8.6	20,783	7.9	8,551	3.8	13,000	5.5
Pegangan dan lain-lain <i>Withholding and others</i>	3,392	1.5	3,325	1.4	3,293	1.2	3,072	1.3	3,068	1.3
Lain-lain ¹ <i>Others¹</i>	7,461	3.4	7,548	3.2	8,216	3.2	8,191	3.6	8,767	3.7
Cukai tidak langsung <i>Indirect tax</i>	61,634	28.0	44,026	18.9	45,843	17.3	38,155	16.8	42,500	17.9
% perubahan % change	(3.2)		(-28.6)		(4.1)		(-16.8)		(11.4)	
Duti eksport <i>Export duty</i>	1,355	0.6	1,600	0.7	1,126	0.4	802	0.4	922	0.4
Petroleum	938	0.4	1,513	0.6	1,091	0.4	650	0.3	747	0.3
Lain-lain <i>Others</i>	417	0.2	120	0.1	35	0.0	152	0.0	175	0.1
Duti import <i>Import duty</i>	2,784	1.3	2,897	1.2	2,733	1.0	2,035	0.8	2,050	0.9
Duti eksais <i>Excise duties</i>	10,112	4.6	10,779	4.6	10,511	4.0	8,507	3.6	8,768	3.7
Cukai jualan <i>Sales tax</i>	47	0.0	3,971	1.7	15,385	5.8	12,095	5.3	15,200	6.4
Cukai perkhidmatan <i>Service tax</i>	15	0.0	1,473	0.6	12,283	4.6	12,438	5.5	12,700	5.4
Cukai barang dan perkhidmatan <i>Goods and services tax</i>	44,290	20.1	20,236	8.7	-	-	-	-	-	-
Lain-lain <i>Others</i>	3,031	1.4	3,070	1.3	3,805	1.4	2,278	1.2	2,860	1.2
Hasil bukan cukai² Non-tax revenue²	42,748	19.4	58,821	25.3	83,849	31.7	74,010	32.6	62,530	26.4
% perubahan % change	(-0.8)		(37.6)		(42.5)		(-11.7)		(-15.5)	
Jumlah Total	220,406	100.0	232,882	100.0	264,415	100.0	227,270	100.0	236,900	100.0
% perubahan % change	(3.8)		(5.7)		(13.5)		(-14.0)		(4.2)	

¹ Termasuk hasil daripada duti setem dan cukai keuntungan harta tanah

² Termasuk faedah dan hasil daripada pelaburan, lesen, fi perkhidmatan, cukai jalan, denda dan penalti, sewaan, royalti petroleum, hasil daripada Wilayah Persekutuan dan terimaan bukan hasil

³ Anggaran disemak

⁴ Anggaran belanjawan tidak termasuk langkah Belanjawan 2021

Nota: Angka dalam kurungan ialah peratus perubahan tahunan

¹ Include revenue from stamp duties and real property gains tax

² Includes interest and returns on investment, licences, services fees, road tax, fines and penalties, rental, petroleum royalties, revenue from the Federal Territories and non-revenue receipts

³ Revised estimate

⁴ Budget estimate, excluding 2021 Budget measures

Note: Figures in parentheses are annual percentage changes

**3.1. PERBELANJAAN MENGURUS KERAJAAN
PERSEKUTUAN MENGIKUT KOMPONEN**
RM juta

**3.1. FEDERAL GOVERNMENT OPERATING
EXPENDITURE BY COMPONENT**
RM million

	2017	% ³	2018	% ³	2019	% ³	2020 ⁴	% ³	2021 ⁵	% ³
Emolumen <i>Emoluments</i>	77,036	35.4	79,989	34.6	80,534	30.6	82,611	36.4	84,532	35.7
Bayaran persaraan <i>Retirement charges</i>	22,800	10.5	25,177	10.9	25,894	9.8	27,055	11.9	27,583	11.7
Bayaran khidmat hutang <i>Debt service charges</i>	27,863	12.8	30,547	13.2	32,933	12.5	34,945	15.4	39,000	16.5
Dalam negeri <i>Domestic</i>	27,159	12.5	29,891	12.9	32,239	12.2	34,147	15.1	38,104	16.1
Luar negeri <i>External</i>	704	0.3	656	0.3	694	0.3	798	0.4	896	0.4
Pemberian dan serahan kepada kerajaan negeri <i>Grants and transfers to state governments</i>	7,109	3.3	7,605	3.3	7,574	2.9	7,749	3.4	7,745	3.3
Pemberian di bawah Perlembagaan <i>Constitutional grants</i>	5,101	2.3	5,495	2.4	5,619	2.1	5,659	2.5	5,705	2.4
Pemberian/pindahan lain ¹ <i>Other grants/transfers¹</i>	2,008	1.0	2,110	0.9	1,955	0.7	2,090	0.9	2,040	0.9
Perkhidmatan dan bekalan <i>Supplies and services</i>	34,738	16.0	35,283	15.3	31,507	12.0	30,101	13.3	32,770	13.9
Subsidi dan bantuan sosial <i>Subsidies and social assistance</i>	22,354	10.3	27,516	11.9	23,901	9.1	20,145	8.9	18,853	8.0
Pembelian aset <i>Asset acquisition</i>	516	0.2	447	0.2	770	0.3	650	0.3	542	0.2
Bayaran balik dan hapus kira <i>Refunds and write-offs</i>	973	0.4	883	0.4	893	0.3	987	0.4	511	0.2
Pemberian kepada badan berkanun <i>Grants to statutory bodies</i>	14,044	6.5	13,763	6.0	13,780	5.2	14,040	6.2	15,430	6.5
Lain-lain ² <i>Others²</i>	10,262	4.6	9,750	4.2	45,557	17.3	8,437	3.8	9,574	4.0
Jumlah Total	217,695	100.0	230,960	100.0	263,343	100.0	226,720	100.0	236,540	100.0
% perubahan % change	(3.6)		(6.1)		(14.0)		(-13.9)		(4.3)	

¹ Termasuk pemberian/pindahan selain pemberian yang ditetapkan di bawah Perlembagaan Persekutuan

² Termasuk pemberian kepada Kumpulan Wang Terkanun, syarikat awam, pertubuhan antarabangsa, tuntutan insurans dan pampasan serta lain-lain

³ % bahagian

⁴ Anggaran disemak

⁵ Anggaran belanjawan tidak termasuk langkah Belanjawan 2021

¹ Include grants/transfers other than those listed in the Federal Constitution

² Include grants to Statutory Funds, public corporations, international organisations, insurance claims and gratuities as well as others

³ % share

⁴ Revised estimate

⁵ Budget estimate, excluding 2021 Budget measures

3.2. PERBELANJAAN MENGURUS KERAJAAN PERSEKUTUAN MENGIKUT SEKTOR RM juta

3.2. FEDERAL GOVERNMENT OPERATING EXPENDITURE BY SECTOR RM million

	2017	2018	2019	2020 ³	2021 ⁴
Ekonomi Economic	16,878	14,064	15,605	16,209	17,057
Pertanian dan pembangunan luar bandar <i>Agriculture and rural development</i>	4,480	4,618	3,457	1,818	1,863
Tenaga dan kemudahan awam <i>Energy and public utilities</i>	96	297	243	369	406
Perdagangan dan perindustrian <i>Trade and industry</i>	3,156	2,703	2,936	3,078	3,495
Pengangkutan <i>Transport</i>	6,146	3,448	5,638	6,076	6,294
Perhubungan <i>Communications</i>	96	96	87	94	89
Alam sekitar <i>Environment</i>	99	70	135	126	140
Lain-lain <i>Others</i>	2,805	2,832	3,109	4,648	4,770
Sosial Social	87,409	90,968	93,494	91,933	96,942
Pendidikan dan latihan <i>Education and training</i>	54,227	56,233	56,546	56,321	59,139
Kesihatan <i>Health</i>	24,054	26,435	27,873	26,123	27,504
Perumahan <i>Housing</i>	715	13	10	-	-
Lain-lain <i>Others</i>	8,413	8,287	9,065	9,489	10,299
Keselamatan Security	26,006	27,229	23,429	24,654	25,834
Pertahanan <i>Defence</i>	11,683	16,283	10,633	10,681	11,355
Keselamatan dalam negeri <i>Internal security</i>	14,323	10,946	12,796	13,973	14,479
Pentadbiran am¹ General administration¹	12,048	17,597	16,901	17,194	19,323
Lain-lain² Others²	75,354	81,102	113,914	76,730	77,384
Jumlah Total	217,695	230,960	263,343	226,720	236,540
% perubahan % change	(3.6)	(6.1)	(14.0)	(-13.9)	(4.3)

¹ Termasuk perkhidmatan am, bayaran balik dan bayaran ganti serta perkhidmatan luar negeri

² Termasuk bayaran khidmat hutang, bayaran persaraan dan bayaran pindahan

³ Anggaran disemak

⁴ Anggaran belanjawan tidak termasuk langkah Belanjawan 2021

¹ Includes general services, refund and reimbursement, and foreign affairs services

² Include debt service charges, retirement charges and transfer payments

³ Revised estimate

⁴ Budget estimate, excluding 2021 Budget measures

**3.3. PERBELANJAAN PEMBANGUNAN KERAJAAN
PERSEKUTUAN MENGIKUT SEKTOR**
RM juta

**3.3. FEDERAL GOVERNMENT DEVELOPMENT
EXPENDITURE BY SECTOR**
RM million

	2017	% ³	2018	% ³	2019	% ³	2020 ⁴	% ³	2021 ⁵	% ³
Ekonomi Economic	24,186	53.9	36,103	64.4	31,300	57.8	28,525	57.1	38,887	56.4
% perubahan % change	(-3.7)		(49.3)		(-13.3)		(-8.9)		(36.3)	
Pertanian dan pembangunan luar bandar <i>Agriculture and rural development</i>	2,219	4.9	2,133	3.8	2,314	4.3	3,016	6.0	2,894	4.2
Tenaga dan kemudahan awam ¹ <i>Energy and public utilities¹</i>	2,475	5.5	2,254	4.0	2,760	5.1	3,586	7.2	3,330	4.8
Perdagangan dan perindustrian <i>Trade and industry</i>	3,800	8.5	2,512	4.5	3,054	5.6	2,438	4.9	3,121	4.5
Pengangkutan <i>Transport</i>	10,429	23.2	17,004	30.3	13,750	25.4	10,195	20.4	15,036	21.8
Perhubungan <i>Communications</i>	126	0.3	68	0.1	71	0.1	347	0.7	600	0.9
Alam sekitar <i>Environment</i>	2,061	4.6	1,665	3.0	1,723	3.2	1,734	3.5	1,891	2.7
Lain-lain <i>Others</i>	3,076	6.9	10,467	18.7	7,628	14.1	7,209	14.4	12,015	17.5
Sosial Social	12,425	27.7	12,873	22.9	14,484	26.7	13,058	26.1	18,369	26.7
% perubahan % change	(19.1)		(3.6)		(12.5)		(-9.8)		(40.7)	
Pendidikan dan latihan <i>Education and training</i>	6,306	14.0	6,505	11.6	7,629	14.1	5,871	11.7	8,873	12.9
Kesihatan <i>Health</i>	1,470	3.3	1,773	3.2	1,827	3.4	2,883	5.8	4,726	6.8
Perumahan <i>Housing</i>	785	1.7	1,285	2.3	2,126	3.9	1,491	3.0	1,834	2.7
Lain-lain <i>Others</i>	3,864	8.7	3,310	5.8	2,902	5.3	2,813	5.6	2,936	4.3
Keselamatan Security	5,334	11.9	4,929	8.8	5,614	10.4	5,557	11.1	7,780	11.2
% perubahan % change	(10.4)		(-7.6)		(13.9)		(-1.0)		(40.0)	
Pertahanan <i>Defence</i>	4,315	9.6	3,262	5.8	2,931	5.4	2,665	5.3	4,860	7.0
Keselamatan dalam negeri <i>Internal security</i>	1,019	2.3	1,667	3.0	2,683	5.0	2,892	5.8	2,920	4.2
Pentadbiran am² General administration²	2,939	6.5	2,190	3.9	2,775	5.1	2,860	5.7	3,964	5.7
% perubahan % change	(81.3)		(-25.5)		(26.8)		(3.1)		(38.6)	
Jumlah Total	44,884	100.0	56,095	100.0	54,173	100.0	50,000	100.0	69,000	100.0
% perubahan % change	(6.9)		(25.0)		(-3.4)		(-7.7)		(38.0)	

¹ Sebahagian besarnya bekalan elektrik dan air

² Termasuk perkhidmatan am, penyelenggaraan dan pengubahsuaian

³ % bahagian

⁴ Anggaran disemak

⁵ Anggaran belanjawan tidak termasuk langkah Belanjawan 2021

¹ Mainly electricity and water supply

² Includes general services, maintenance and renovations

³ % share

⁴ Revised estimate

⁵ Budget estimate, excluding 2021 Budget measures

**4.1. PINJAMAN BERSIH
KERAJAAN PERSEKUTUAN**
RM juta

**4.1. FEDERAL GOVERNMENT
NET BORROWINGS**
RM million

	2016	2017	2018	2019	2020 ¹
Pinjaman bersih dalam negeri Net domestic borrowings	37,682	40,732	54,427	44,755	87,051
Sekuriti Kerajaan Malaysia <i>Malaysian Government Securities</i>					
Terbitan kasar <i>Gross issuances</i>	43,500	60,416	51,030	57,200	73,000
Bayaran balik prinsipal <i>Principal repayments</i>	26,141	53,166	35,327	43,412	30,715
Bersih <i>Net</i>	17,359	7,250	15,703	13,788	42,285
Terbitan Pelaburan Kerajaan Malaysia <i>Malaysian Government Investment Issues</i>					
Terbitan kasar <i>Gross issuances</i>	42,500	53,500	64,305	58,500	76,466 ²
Bayaran balik prinsipal <i>Principal repayments</i>	22,000	20,000	27,500	24,000	40,000
Bersih <i>Net</i>	20,500	33,500	36,805	34,500	36,466
Bil Perbendaharaan <i>Treasury bills</i>					
Terbitan kasar <i>Gross issuances</i>	7,876	15,269	16,229	11,778	32,000
Bayaran balik prinsipal <i>Principal repayments</i>	8,053	15,287	14,310	13,711	21,000
Bersih <i>Net</i>	-177	-18	1,919	-1,933	11,000
Sukuk Perumahan Kerajaan <i>Government Housing Sukuk</i>					
Terbitan kasar <i>Gross issuances</i>	-	-	-	-	-
Bayaran balik prinsipal <i>Principal repayments</i>	-	-	-	1,600	2,700
Bersih <i>Net</i>	-	-	-	-1,600	-2,700
Pinjaman bersih luar pesisir Net offshore borrowings	835	-342	-320	6,977	-303
Projek <i>Project</i>					
Terimaan <i>Receipts</i>	145	63	36	134	30
Bayaran balik prinsipal <i>Principal repayments</i>	477	405	356	327	333
Bersih <i>Net</i>	-332	-342	-320	-193	-303
Pasaran <i>Market</i>					
Terimaan <i>Receipts</i>	5,837	-	-	7,170	-
Bayaran balik prinsipal <i>Principal repayments</i>	4,670	-	-	-	-
Bersih <i>Net</i>	1,167	-	-	7,170	-
Jumlah Total	38,517	40,390	54,107	51,732	86,748

¹ Anggaran

² Termasuk Sukuk Prihatin pada 2020

¹ Estimate

² Including Sukuk Prihatin in 2020

**4.2. HUTANG KERAJAAN PERSEKUTUAN
MENGIKUT PEMEGANG**
RM juta

**4.2. FEDERAL GOVERNMENT DEBT
BY HOLDER**
RM million

	2016	2017	2018	2019	2020 ⁵
Hutang dalam negeri <i>Domestic debt</i>	624,822	665,572	719,545	764,233	824,033
Bil Perbendaharaan <i>Treasury bills</i>	4,500	4,500	6,500	4,500	24,500
Institusi perbankan <i>Banking institutions</i>	2,673	855	2,481	2,989	20,729
Pemilik asing <i>Foreign holders</i>	1,776	3,331	3,733	1,511	3,757
Lain-lain <i>Others</i>	51	314	286	-	14
Terbitan Pelaburan Kerajaan Malaysia <i>Malaysian Government Investment Issues</i>	234,500	268,000	304,300	338,800	352,100
Kumpulan Wang Simpanan Pekerja <i>Employees Provident Fund</i>	76,663	91,350	105,281	118,676	120,531
Kumpulan Wang Persaraan (Diperbadankan) <i>Retirement Fund (Incorporated)</i>	11,916	11,163	8,968	9,273	8,583
Syarikat insurans <i>Insurance companies</i>	9,534	9,395	10,861	11,858	11,963
Bank Negara Malaysia	2,606	4,040	3,569	1,549	2,467
Institusi perbankan <i>Banking institutions</i>	83,477	100,760	125,432	138,829	150,547
Institusi kewangan pembangunan <i>Development financial institutions</i>	18,265	17,638	17,869	17,459	11,357
Pemilik asing <i>Foreign holders</i>	21,528	18,496	15,893	21,095	20,532
Lain-lain ¹ <i>Others¹</i>	10,511	15,158	16,427	20,061	26,120
Sekuriti Kerajaan Malaysia <i>Malaysian Government Securities</i>	357,422	364,672	380,345	394,133	420,633
Kumpulan Wang Simpanan Pekerja <i>Employees Provident Fund</i>	66,446	90,969	99,791	100,876	95,907
Kumpulan Wang Persaraan (Diperbadankan) <i>Retirement Fund (Incorporated)</i>	13,511	10,729	14,559	14,742	14,759
Syarikat insurans <i>Insurance companies</i>	22,888	21,544	24,153	23,002	23,841
Bank Negara Malaysia	6,066	4,616	6,715	2,680	9,525
Institusi perbankan <i>Banking institutions</i>	61,194	55,995	75,074	68,926	97,632
Institusi kewangan pembangunan <i>Development financial institutions</i>	1,278	796	1,256	530	470
Pemilik asing <i>Foreign holders</i>	168,460	164,399	146,152	163,888	156,909
Lain-lain ² <i>Others²</i>	17,579	15,624	12,645	19,489	21,590
Sukuk Perumahan Kerajaan <i>Government Housing Sukuk</i>	28,400	28,400	28,400	26,800	26,800

**4.2. HUTANG KERAJAAN PERSEKUTUAN
MENGIKUT PEMEGANG (samb.)**
RM juta

**4.2. FEDERAL GOVERNMENT DEBT
BY HOLDER (cont'd.)**
RM million

	2016	2017	2018	2019	2020 ⁵
Pinjaman luar pesisir <i>Offshore borrowings</i>	23,653	21,265	21,504	28,765	30,035
Pinjaman pasaran³ <i>Market loans³</i>	17,211	15,580	15,907	23,347	24,482
Kumpulan Wang Simpanan Pekerja <i>Employees Provident Fund</i>	1,223	1,107	1,130	1,118	1,168
Kumpulan Wang Persaraan (Diperbadankan) <i>Retirement Fund (Incorporated)</i>	906	820	837	828	866
Syarikat insurans <i>Insurance companies</i>	251	227	232	230	240
Bank Negara Malaysia	45	41	42	41	43
Institusi perbankan <i>Banking institutions</i>	1,730	1,566	1,599	1,582	1,653
Pemilik asing <i>Foreign holders</i>	12,022	10,883	11,111	18,603	19,524
Lain-lain ⁴ <i>Others⁴</i>	1,034	936	956	945	988
Pinjaman projek <i>Project loans</i>	6,442	5,685	5,597	5,418	5,553
Pemilik asing <i>Foreign holders</i>	6,442	5,685	5,597	5,418	5,553
Jumlah <i>Total</i>	648,475	686,837	741,049	792,998	854,068

¹ Termasuk institusi kewangan bukan bank; badan berkanun; syarikat penamaan dan pemegang amanah; syarikat kerjasama dan butiran yang tidak dapat diklasifikasikan

² Termasuk sekuriti yang disimpan oleh pelabur institusi dalam bank pusat.

³ Pegangan dikenal pasti semasa terbitan

⁴ Termasuk institusi kewangan bukan bank; orang perseorangan; syarikat bukan kewangan dan sektor yang tidak dapat dikenal pasti

⁵ Akhir Jun 2020

¹ Include non-bank financial institutions; statutory bodies; nominees and trustee companies; co-operatives and unclassified items

² Include securities placed by institutional investors at the central bank

³ Holders were identified at time of issuance

⁴ Include non-bank financial institutions; individuals; non-financial corporations and unidentified sectors

⁵ End-June 2020

4.3. HUTANG LUAR¹
RM juta

4.3. EXTERNAL DEBT
RM million

	2016	2017	2018	2019	2020 ⁶
Pinjaman luar pesisir¹ Offshore borrowings¹	530,931	508,583	565,800	560,708	624,334
Hutang jangka sederhana dan panjang² Medium- and long-term debt²	322,855	321,094	331,973	344,322	383,169
Sektor awam Public sector	130,679	132,464	138,238	128,743	154,413
Kerajaan Persekutuan Federal Government	18,464	16,567	16,708	24,021	25,077
Syarikat awam ³ Public corporations ³	112,215	115,897	121,531	104,722	129,336
Sektor swasta Private sector	192,176	188,630	193,735	215,579	228,756
Sektor perbankan Banking sector	52,936	46,284	47,980	53,949	57,315
Sektor bukan perbankan Non-bank sector	139,240	142,346	145,754	161,630	171,441
Hutang jangka pendek⁴ Short-term debt⁴	208,076	187,489	233,827	216,386	241,166
Sektor perbankan Banking sector	170,977	172,199	204,759	199,505	223,941
Sektor bukan perbankan Non-bank sector	37,099	15,290	29,068	16,881	17,225
Pemegangan sekuriti hutang dalam denominasi ringgit oleh bukan pemastautin Non-resident holdings of ringgit- denominated debt securities	212,767	207,389	180,228	201,015	196,632
Hutang jangka sederhana dan panjang² Medium- and long-term debt²	201,859	196,074	169,158	193,270	186,748
Kerajaan Persekutuan Federal Government	189,988	182,855	158,406	182,151	176,001
Lain-lain Others	11,871	13,220	10,752	11,119	10,747
Hutang jangka pendek⁴ Short-term debt⁴	10,908	11,314	11,066	7,745	9,884
Kerajaan Persekutuan Federal Government	1,776	3,331	3,733	1,511	3,757
Lain-lain Others	9,131	7,983	7,333	6,234	6,127
Deposit bukan pemastautin Non-resident deposits	86,274	92,025	98,109	102,928	98,821
Lain-lain⁵ Others⁵	84,492	77,221	78,896	80,767	83,168
Jumlah Total	914,464	885,218	923,029	945,419	1,002,956

¹ Bersamaan dengan hutang luar negeri di bawah definisi terdahulu terutamanya merangkumi hutang mata wang asing diperoleh dan nota serta bon terbitan luar pesisir

² Hutang jangka sederhana dan panjang merujuk kepada hutang yang bertempoh matang melebihi satu tahun

³ Terdiri daripada hutang syarikat awam yang dijamin dan tidak dijamin

⁴ Hutang jangka pendek merupakan hutang yang bertempoh matang setahun atau kurang

⁵ Merangkumi kredit perdagangan, peruntukan SDR IMF dan lain-lain

⁶ Akhir Jun 2020

Nota: Angka tidak semestinya terjumlah disebabkan pembundaran
Sumber: Bank Negara Malaysia

¹ Equivalent to the external debt as previously defined, comprise mainly foreign currency loan raised, and bonds as well as notes issued offshore

² Medium- and long-term debt refers to debt with tenure of more than one year

³ Includes both guaranteed and non-guaranteed debt of public corporations

⁴ Short-term debt refers to debt with tenure of one year and below

⁵ Comprise trade credits, IMF allocation of SDRs and miscellaneous

⁶ End-June 2020

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

5.1. JAMINAN PINJAMAN¹

RM juta

5.1. LOAN GUARANTEES¹

RM million

	2015	2016	2017	2018	2019
1 Malaysia Development Berhad	5,000	5,000	5,000	5,000	5,000
Asset Global Network Sdn. Bhd.	1,012	658	556	455	354
Bank Pembangunan Malaysia Berhad	13,670	6,560	6,400	6,350	5,900
DanaInfra Nasional Berhad	17,600	29,700	42,180	52,740	63,820
GovCo Holdings Berhad	3,000	4,600	8,800	7,300	7,200
Jambatan Kedua Sdn. Bhd.	3,554	7,395	6,318	5,751	5,648
Johor Corporation	3,000	3,000	2,600	2,600	1,800
K.L. International Airport Berhad	2,560	339	181	94	-
Khazanah Nasional Berhad	20,000	18,000	17,000	15,000	12,500
Lembaga Kemajuan Tanah Persekutuan	4,859	4,150	4,100	4,000	3,900
Lembaga Pembiayaan Perumahan Sektor Awam	-	4,000	11,500	17,750	22,450
Malaysia Debt Ventures Berhad	1,300	1,200	900	930	1,200
Malaysia Rail Link Sdn. Bhd.	-	-	14,493	18,862	18,506
Malaysian Industrial Development Finance Berhad	12	5	-	-	-
MKD Kencana Sdn. Bhd.	-	-	1,000	3,500	3,500
Pelabuhan Tanjung Pelepas Sdn. Bhd.	2,053	1,925	1,840	1,995	1,910
Penerbangan Malaysia Berhad	4,386	661	530	469	388
Pengurusan Air SPV Berhad	10,650	12,710	13,110	13,310	12,210
Perbadanan Kemajuan Negeri Pahang	200	200	120	120	60
Perbadanan PR1MA Malaysia	-	-	3,718	5,000	5,000
Perbadanan Tabung Pendidikan Tinggi Nasional	35,200	40,350	40,200	37,700	37,300
Prasarana Malaysia Berhad	15,614	18,700	26,614	31,414	32,264
Projek Lebuhraya Usahasama Berhad	11,000	11,000	11,000	11,000	11,000
Sabah Electricity Sdn. Bhd.	13	8	2	-	-
Sarawak Hidro Sdn. Bhd.	5,995	1,000	1,000	1,000	1,000
Senai Airport Terminal Services Sdn. Bhd.	330	330	330	330	330
Sentuhan Budiman Sdn. Bhd.	400	650	800	800	800
Small Medium Enterprise Development Bank Malaysia Berhad	2,317	2,310	2,600	2,600	2,500
SRC International Sdn. Bhd.	4,000	4,000	3,900	3,600	3,485
Suria Strategic Energy Resources Sdn. Bhd.	-	-	2,940	7,925	6,708
Syarikat Perumahan Negara Berhad	-	-	-	530	530
Tenaga Nasional Berhad	2,380	2,866	2,555	2,547	2,434
TRX City Sdn. Bhd.	800	699	595	485	372
Turus Pesawat Sdn. Bhd.	5,310	5,310	5,310	5,310	5,310
Jumlah Total	176,215	187,324	238,191	266,468	275,379
% KDNK % of GDP	15.0	15.0	17.4	18.4	18.2

¹Jaminan yang diluluskan di bawah Akta Jaminan Pinjaman (Pertubuhan Perbadanan) 1965

Nota: Angka tidak semestinya terjumlah disebabkan pembundaran

¹Guarantees approved under the Loans Guarantee (Bodies Corporate) Act 1965

Note: Total may not add up due to rounding

6.1. KEWANGAN SEKTOR AWAM DISATUKAN
RM juta

6.1. CONSOLIDATED PUBLIC SECTOR FINANCE
RM million

	2017	2018	2019	2020 ²	2021 ³
Hasil Revenue	230,569	240,976	248,052	244,153	261,033
Perbelanjaan mengurus Operating expenditure	251,521	265,987	298,095	264,423	273,614
Baki semasa Current balance	-20,952	-25,011	-50,043	-20,270	-12,581
Baki semasa syarikat awam bukan kewangan Non-financial public corporations' current balance	103,342	128,174	127,548	85,279	86,033
Jumlah baki semasa sektor awam Total public sector current balance	82,390	103,163	77,505	65,009	73,452
Perbelanjaan pembangunan Development expenditure	131,759	144,494	132,434	131,897	154,189
Kerajaan am General government	49,179	63,672	57,089	56,857	75,015
Syarikat awam bukan kewangan Non-financial public corporations	82,580	80,822	75,345	75,130	79,174
Kumpulan Wang COVID-19¹ COVID-19 Fund¹				38,000	17,000
Baki keseluruhan Overall balance	-49,369	-41,331	-54,929	-104,978	-97,737
% KDNK % of GDP	-3.6	-2.9	-3.6	-7.3	-6.2

¹ Kumpulan wang amanah khusus di bawah Akta Langkah-Langkah Sementara bagi Pembiayaan Kerajaan (Penyakit Koronavirus 2019 (COVID-19)) 2020 untuk membiayai pakej rangsangan dan pelan pemulihan ekonomi

² Anggaran disemak

³ Anggaran belanjawan tidak termasuk langkah Belanjawan 2021

¹ A specific trust account established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Revised estimate

³ Budget estimate, excluding 2021 Budget measures

6.2. KEDUDUKAN KEWANGAN KERAJAAN NEGERI DISATUKAN RM juta

6.2. CONSOLIDATED STATE GOVERNMENTS FINANCIAL POSITION RM million

	2016	2017	2018	2019	2020 ⁴
Hasil¹					
Revenue¹	19,898	21,767	31,537	30,349	33,563
% perubahan					
% change	(-5.9)	(9.4)	(44.9)	(-3.8)	(10.6)
Janaan negeri <i>State-generated</i>	15,355	16,994	24,837	23,073	26,828
Pemberian Persekutuan <i>Federal grants</i>	4,507	4,724	6,649	7,228	6,694
Bayaran balik Persekutuan <i>Federal reimbursements</i>	36	49	51	48	41
Perbelanjaan mengurus²					
Operating expenditure²	10,273	12,300	11,870	11,895	14,278
% perubahan					
% change	(-5.1)	(19.7)	(-3.5)	(0.2)	(20.0)
Baki semasa					
Current balance	9,625	9,467	19,667	18,454	19,285
Perbelanjaan pembangunan					
Development expenditure	8,883	9,457	13,098	10,866	11,612
% perubahan					
% change	(4.7)	(6.5)	(38.5)	(-17.0)	(6.9)
Kumpulan Wang Pembangunan <i>Development Fund</i>	8,733	9,344	13,070	10,829	11,421
Kumpulan Wang Bekalan Air <i>Water Supply Fund</i>	150	113	28	37	191
Tolak: Terimaan balik pinjaman <i>Less: Loan recovery</i>	275	280	286	753	990
Perbelanjaan pembangunan bersih					
Net development expenditure	8,608	9,177	12,812	10,113	10,622
Baki keseluruhan					
Overall balance	1,017	290	6,855	8,341	8,663
Sumber pembiayaan					
Sources of financing					
Pinjaman bersih Persekutuan <i>Net Federal loans</i>	5,507	5,838	6,572	6,050	2,388
Perubahan aset ³ <i>Change in assets³</i>	-6,524	-6,128	-13,427	-14,391	-11,051

¹ Hasil meliputi pemberian pembangunan dan bayaran balik daripada Kerajaan Persekutuan yang sebelum ini diletakkan di bawah sumber pembiayaan, selaras dengan *System of National Accounts* (SNA) serta prinsip perangkaan kewangan awam

² Tidak termasuk caruman kepada Kumpulan Wang Pembangunan dan Kumpulan Wang Bekalan Air tetapi termasuk perbelanjaan berulang dalam Kumpulan Wang Bekalan Air

³ Positif menunjukkan penggunaan aset; negatif menunjukkan pertambahan aset

⁴ Anggaran

¹ Revenue includes development grants and reimbursements from the Federal Government, which was previously treated as a source of financing, consistent with the *System of National Accounts* (SNA) as well as conventions in public finance statistics

² Excludes contribution to Development Fund and Water Supply Fund but includes recurrent expenditure from Water Supply Fund

³ Positive indicates drawdown of assets; negative indicates accumulation of assets

⁴ Estimate

**6.3. KEDUDUKAN KEWANGAN
KERAJAAN TEMPATAN DISATUKAN**
RM juta

**6.3. CONSOLIDATED LOCAL GOVERNMENTS
FINANCIAL POSITION**
RM million

	2016	2017	2018	2019	2020 ²
Hasil Revenue	10,212	10,845	11,716	12,060	10,960
% perubahan % change	(-3.0)	(6.2)	(8.0)	(2.9)	(-9.1)
Janaan Kerajaan Tempatan <i>Local Government-generated</i>	9,070	9,802	10,537	10,732	10,060
Pemberian Persekutuan dan negeri <i>Federal and state grants</i>	1,142	1,043	1,179	1,328	900
Perbelanjaan mengurus Operating expenditure	7,872	7,989	8,513	9,894	9,110
% perubahan % change	(-1.1)	(1.5)	(6.6)	(16.2)	(-7.9)
Baki semasa Current balance	2,340	2,856	3,203	2,166	1,850
Perbelanjaan pembangunan bersih Net development expenditure	1,995	2,215	2,141	2,356	1,995
% perubahan % change	(7.8)	(11.0)	(-3.3)	(10.0)	(-15.3)
Baki keseluruhan Overall balance	345	641	1,062	-190	-145
Sumber pembiayaan Sources of financing					
Pinjaman bersih Persekutuan <i>Net Federal loans</i>	-7	-8	-2	-3	-1
Pinjaman bersih negeri <i>Net state loans</i>	72	60	4	-10	-10
Perubahan aset ¹ <i>Change in assets¹</i>	-410	-693	-1,064	203	156

¹ (+) menunjukkan penggunaan aset; (-) menunjukkan pertambahan aset

² Anggaran

¹ (+) indicates drawdown of assets; (-) indicates accumulation of assets

² Estimate

**6.4. KEDUDUKAN KEWANGAN
BADAN BERKANUN¹ DISATUKAN**
RM juta

**6.4. CONSOLIDATED STATUTORY BODIES¹
FINANCIAL POSITION**
RM million

	2016	2017	2018	2019	2020 ⁴
Hasil Revenue	42,033	47,660	46,989	48,534	46,361
% perubahan % change	(3.4)	(13.4)	(-1.4)	(3.3)	(-4.5)
Janaan badan berkanun <i>Statutory bodies-generated</i>	15,457	18,274	19,320	20,269	19,821
Pemberian Persekutuan dan negeri ² <i>Federal and state grants²</i>	26,576	29,386	27,669	28,265	26,540
Perbelanjaan mengurus Operating expenditure	34,603	37,727	37,094	35,389	37,233
% perubahan % change	(4.6)	(9.0)	(-1.7)	(-4.6)	(5.2)
Baki semasa Current balance	7,430	9,933	9,895	13,145	9,128
Perbelanjaan pembangunan Development expenditure	3,147	3,725	2,596	2,333	2,456
% perubahan % change	(-21.3)	(18.4)	(-30.3)	(-10.1)	(5.3)
Baki keseluruhan Overall balance	4,283	6,208	7,299	10,812	6,672
Sumber pembiayaan Sources of financing					
Pinjaman bersih dalam negeri <i>Net domestic borrowings</i>	9,516	8,976	8,376	7,790	5,834
Perubahan aset ³ <i>Change in assets³</i>	-13,799	-15,184	-15,675	-18,602	-12,506

¹ Badan berkanun merujuk kepada badan korporat yang ditubuhkan di bawah peruntukan undang-undang Persekutuan. Data meliputi 88 badan berkanun

² Merujuk kepada pemberian mengurus dan pembangunan

³ (+) menunjukkan penggunaan aset; (-) menunjukkan pertambahan aset

⁴ Anggaran

¹ Statutory bodies refer to any corporate body that is established under Federal law. The data covers 88 statutory bodies

² Refers to both operating and development grants

³ (+) indicates drawdown of assets; (-) indicates accumulation of assets

⁴ Estimate

**6.5. KEDUDUKAN KEWANGAN SYARIKAT AWAM
BUKAN KEWANGAN¹ DISATUKAN**
RM juta

**6.5. CONSOLIDATED NON-FINANCIAL PUBLIC
CORPORATIONS¹ FINANCIAL POSITION**
RM million

	2016	2017	2018	2019	2020 ²
Hasil <i>Revenue</i>	334,773	329,145	395,182	386,490	319,917
Perbelanjaan semasa <i>Current expenditure</i>	272,321	262,763	317,366	332,439	278,280
Baki semasa <i>Current balance</i>	62,452	66,382	77,816	54,051	41,637
Perbelanjaan modal <i>Capital expenditure</i>	92,278	82,580	80,822	75,345	75,130
Baki keseluruhan <i>Overall balance</i>	-29,826	-16,198	-3,006	-21,294	-33,493

¹ Mulai tahun 2017, merujuk kepada 28 syarikat awam bukan kewangan (SABK) utama meliputi Axiata Group Berhad, Bintulu Port Holdings Berhad, Boustead Holdings Berhad, Cement Industries (Sabah) Sdn. Bhd., Indah Water Konsortium Sdn. Bhd., IJN Holdings Sdn. Bhd., Keretapi Tanah Melayu Berhad, Kulim (Malaysia) Berhad, Malaysia Aviation Group Berhad, Malaysia Airport Holdings Berhad, Mass Rapid Transit Corporation Sdn. Bhd., MIMOS Berhad, Malaysia Digital Economy Corporation Sdn. Bhd., Penerbangan Malaysia Berhad, Petroliaam Nasional Berhad (PETRONAS), PPES Works (Sarawak) Sdn. Bhd., Prasarana Malaysia Berhad, Rakyat Berjaya Sdn. Bhd., Sabah Energy Corporation Sdn. Bhd., Sabah Ports Sdn. Bhd., Silterra Malaysia Sdn. Bhd., Syarikat Perumahan Negara Berhad, Syarikat SESCO Berhad, Telekom Malaysia Berhad, Tenaga Nasional Berhad, TH Plantation Berhad, UDA Holdings Berhad dan UEM Group Berhad

² Anggaran

Nota: SABK merupakan agensi sektor awam yang menjual barang dan perkhidmatan industri dan komersial. SABK termasuk syarikat yang dimiliki dan/atau dikuasai oleh Kerajaan. SABK utama merujuk kepada pemilikan melebihi 50% jumlah ekuiti, hasil jualan tahunan minimum RM100 juta dan/atau mempunyai impak yang besar kepada ekonomi

¹ From 2017, referring to 28 major non-financial public corporations (NFPCs) comprising Axiata Group Berhad, Bintulu Port Holdings Berhad, Boustead Holdings Berhad, Cement Industries (Sabah) Sdn. Bhd., Indah Water Konsortium Sdn. Bhd., IJN Holdings Sdn. Bhd., Keretapi Tanah Melayu Berhad, Kulim (Malaysia) Berhad, Malaysia Aviation Group Berhad, Malaysia Airport Holdings Berhad, Mass Rapid Transit Corporation Sdn. Bhd., MIMOS Berhad, Malaysia Digital Economy Corporation Sdn. Bhd., Penerbangan Malaysia Berhad, Petroliaam Nasional Berhad (PETRONAS), PPES Works (Sarawak) Sdn. Bhd., Prasarana Malaysia Berhad, Rakyat Berjaya Sdn. Bhd., Sabah Energy Corporation Sdn. Bhd., Sabah Ports Sdn. Bhd., Silterra Malaysia Sdn. Bhd., Syarikat Perumahan Negara Berhad, Syarikat SESCO Berhad, Telekom Malaysia Berhad, Tenaga Nasional Berhad, TH Plantation Berhad, UDA Holdings Berhad and UEM Group Berhad

² Estimate

Note: The NFPCs are public sector agencies undertaking the sale of industrial and commercial goods and services. They include Government-owned and/or Government-controlled companies. Major NFPCs refers to ownership more than 50% of total equity, minimum annual sales of at least RM100 million and/or of significant impact to the economy

Treasury Memorandum on the Federal Government Revenue Estimates For 2021

TREASURY MEMORANDUM ON THE FEDERAL GOVERNMENT REVENUE ESTIMATES FOR 2021

1. This Memorandum explains the revenue estimates of the Federal Government for 2021 and the revised estimates for 2020. The Memorandum is prepared in accordance with Article 99 of the Federal Constitution.
2. The Federal Government revenue for 2021 is estimated at RM236.9 billion. Detailed actual collection for 2019 as well as revised estimates for 2020 and revenue estimates for 2021 are in section Summary and Details of Federal Government Revenue Estimates.

Classification of Revenue

3. The Federal Government revenue is classified into four main categories, namely Tax Revenue, Non-Tax Revenue, Non-Revenue Receipts and Revenue from Federal Territories.
4. **Tax Revenue** is classified into Direct Tax Revenue and Indirect Tax Revenue. Direct Tax Revenue are as follows:
 - a. Income tax (individual¹, companies, petroleum, withholding, cooperative, and others); and
 - b. Other direct tax (stamp duty, real property gains tax (RPGT), Labuan business activity tax, and others).
5. **Indirect Tax** Revenue includes:
 - a. Export duty;
 - b. Import duty;
 - c. Excise duties;
 - d. Sales Tax and Service Tax (SST);
 - e. Tourism Tax; and
 - f. Others.
6. **Non-Tax Revenue** consists of:
 - a. licences and permits including all charges imposed on the granting of rights to individuals, corporations, businesses and other enterprises, among others are in the form of petroleum royalty and motor vehicle licences for purpose of control or regulation;
 - b. service fees which include receipts from services rendered by the Federal Government to the public;
 - c. proceeds from sales of goods including receipts from the sales of Government's physical assets such as land, building and office equipment as well as the sale of miscellaneous goods;

¹ Consists of salary and non-salary

- d. rentals including rentals on land, building, vehicle, machinery and miscellaneous equipment;
 - e. interest and return on investment which include proceed from divestment, dividends from shares, interest income and profit payment on financing granted by the Federal Government;
 - f. fines and penalties including out-of-court settlement fees and forfeitures;
 - g. contributions and compensations received locally and from abroad; and
 - h. oil and gas exploration income from Malaysia – Thailand Joint Authority (MTJA).
7. **Non-Revenue Receipts** include:
- a. refund of expenditures which include payments from previous years, refund of salaries arising from resignations, refund of training expenses, refund of trust funds and unclaimed monies; and
 - b. transfer of funds between ministries or departments for services rendered between government agencies and reimbursements of the government's contributions under the Employees Provident Fund scheme.
8. **Revenue from Federal Territories** consists of tax and non-tax revenue including receipts from licences and permits, land premiums and quit rent, sales of assets, rentals, service fees and entertainment duties.

Treasury
Ministry of Finance, Malaysia
6 November 2020

**Ringkasan Anggaran Hasil
Kerajaan Persekutuan**
*Summary of Federal
Government Revenue
Estimates*

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
60000	HASIL CUKAI TAX REVENUE	180,566,080,797	153,260,000,000	174,370,000,000
61000	Cukai Langsung Direct Tax	134,722,801,659	115,105,000,000	131,870,000,000
61100	Cukai Pendapatan <i>Income Tax</i>	126,506,759,085	106,914,029,000	123,103,000,000
61900	Cukai Langsung yang Lain <i>Other Direct Tax</i>	8,216,042,574	8,190,971,000	8,767,000,000
62000-64000	Jumlah Keseluruhan Cukai Tidak Langsung Overall Total Indirect Tax	45,843,279,138	38,155,000,000	42,500,000,000
62000	Cukai Tidak Langsung Indirect Tax	45,627,144,767	38,054,999,000	42,380,000,000
62100	Duti Eksport <i>Export Duty</i>	1,125,974,992	802,000,000	922,000,000
62200	Duti Import <i>Import Duty</i>	2,732,648,168	2,035,050,000	2,050,000,000
62300	Duti Eksais Terhadap Barangan Tempatan <i>Excise Duty on Local Goods</i>	5,130,903,240	3,900,000,000	4,200,000,000
62400	Cukai Jualan Tempatan <i>Sales Tax (Local)</i>	6,445,254,795	4,900,000,000	6,700,000,000
62500	Cukai Jualan Import <i>Sales Tax (Import)</i>	8,940,233,842	7,195,000,000	8,500,000,000
62600	Cukai Perkhidmatan <i>Service Tax</i>	12,283,191,822	12,438,000,000	12,700,000,000
62700	Levi <i>Levy</i>	168,833,351	328,000,000	424,000,000
62800	Duti Eksais Terhadap Barangan Import <i>Excise Duty on Imported Goods</i>	5,379,866,925	4,606,949,000	4,568,000,000

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
62900	Pelbagai Cukai Tidak Langsung <i>Miscellaneous Indirect Tax</i>	3,420,237,632	1,850,000,000	2,316,000,000
64000	Cukai Pelancongan <i>Tourism Tax</i>	216,134,371	100,001,000	120,000,000
70000	HASIL BUKAN CUKAI <i>NON-TAX REVENUE</i>	79,825,093,134	66,255,056,000	54,532,397,000
71000	Lesen, Bayaran Pendaftaran dan Permit <i>Licences, Registration Fees and Permits</i>	14,499,140,279	13,237,332,000	12,735,677,000
71100	Bayaran untuk Kenderaan <i>Fees for Vehicles</i>	3,784,848,459	3,747,009,000	3,975,824,000
71200	Bayaran untuk Radio, Televisyen dan Alat-Alat Elektrik <i>Fees for Radio, Television and Electric Equipments</i>	750	43,000	64,000
71300	Bayaran untuk Pendaftaran Individu <i>Individual Registration Fees</i>	3,917,125,553	3,483,835,000	3,568,460,000
71400	Bayaran untuk Berniaga <i>Fees for Business</i>	6,239,518,268	4,587,004,000	4,729,785,000
71500	Bayaran Penerbangan <i>Aviation Fees</i>	91,269	28,000	196,000
71900	Pelbagai Bayaran <i>Miscellaneous Payments</i>	557,555,983	1,419,413,000	461,348,000
72000	Bayaran Perkhidmatan <i>Service Fees</i>	1,648,081,196	1,371,481,000	1,618,346,000
72100	Bayaran Muktis <i>Professional Fees</i>	680,722,863	609,644,000	719,378,000
72200	Bayaran Pelajaran <i>Education Fees</i>	56,271,634	44,683,000	52,726,000
72300	Bayaran Iklan <i>Advertisement Fees</i>	31,561,774	13,649,000	16,107,000

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
72400	Bayaran Perkhidmatan <i>Service Fees</i>	879,644,675	703,505,000	830,135,000
73000	Perolehan daripada Jualan Barang <i>Proceeds from Sales of Goods</i>	83,016,850	89,786,000	101,827,000
73100	Jualan Barang-Barang Cetak <i>Sales of Printed Materials</i>	18,260,758	25,310,000	20,366,000
73200	Jualan Barang-Barang Stor <i>Sales of Store of Goods</i>	4,408,264	7,446,000	2,036,000
73300	Jualan Harta Benda Kecuali Yang Diperolehi dari Peruntukan Pembangunan (Termasuk Tanah, Bangunan, Kemudahan dan Alat Kelengkapan) <i>Sales of Property Other Than That Procured Under Development Allocation (Include Land, Building and Equipment)</i>	19,128,063	30,755,000	49,626,000
73900	Pelbagai Jualan <i>Miscellaneous Sales</i>	41,219,765	26,275,000	29,799,000
74000	Sewaan <i>Rental</i>	189,870,635	98,267,000	62,006,000
74100	Sewa Tanah <i>Land Rental</i>	35,831,241	28,370,000	17,902,000
74200	Sewa Bangunan <i>Building Rental</i>	140,739,606	64,700,000	40,825,000
74300	Sewa Kenderaan <i>Vehicle Rental</i>	1,880,978	1,061,000	668,000
74400	Sewa Jentera <i>Rental for Machinery</i>	7,858	6,000	4,000
74500	Sewa Alat Kelengkapan Pejabat, Perabot, dan Kelengkapan <i>Rental of Office Facilities and Furniture</i>	37,040	8,000	6,000

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
74600	Sewa Alat Kelengkapan Elektronik <i>Rental of Electronic Equipment</i>	222,490	1,000	1,000
74700	Sewa Alat Kelengkapan Elektrik <i>Rental of Electrical Equipment</i>	1,271	2,000	1,000
74800	Sewa Alat Kelengkapan Penyiaran dan Perhubungan <i>Rental Of Broadcasting and Telecommunication Equipment</i>	260,180	60,000	38,000
74900	Sewa Pelbagai <i>Miscellaneous Rental</i>	10,889,971	4,059,000	2,561,000
75000	Faedah dan Pulangan Pelaburan <i>Interest and Return on Investments</i>	60,057,797,554	48,666,295,000	36,775,520,000
75100	Pulangan dari Pelaburan dalam Perusahaan Kewangan <i>Return on Investment from Financial Institutions</i>	2,638,190,000	3,808,258,000	3,630,500,000
75200	Pulangan dari Pelaburan dalam Perusahaan Bukan Kewangan <i>Return on Investment from Non-Financial Institutions</i>	55,026,069,090	37,573,619,000	19,061,880,000
75300	Pulangan dari Pelaburan Luar Negeri <i>Return on Investment from Overseas</i>	14,572,046	12,804,000	36,776,000
75400	Pulangan dari Pelaburan-Pelaburan dalam Negeri yang Lain <i>Return from Other Internal Investments</i>	2,378,966,418	7,271,614,000	14,046,364,000
76000	Denda dan Penalti <i>Fines and Penalties</i>	1,650,539,751	1,010,023,000	1,369,951,000
77000	Sumbangan dan Bayaran Ganti daripada Luar Negeri dan Sumbangan Tempatan <i>Contributions and Compensation From Overseas and Local Contributions</i>	6,041,652	132,026,000	83,354,000
77100	Bayaran Ganti Bagi Perkhidmatan dari Luar Negeri <i>Compensation For Services from Overseas</i>	1,531	-	-

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN
SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL <i>(Revenue Code)</i>		PENDAPATAN 2019 <i>(2019 Revenue)</i>	ANGGARAN DISEMAK 2020 <i>(2020 Revised Estimate)</i>	ANGGARAN 2021 <i>(2021 Estimate)</i>
		RM	RM	RM
77200	Pampasan Dari Luar Negeri <i>Compensation From Overseas</i>	25,388	-	-
77400	Sumbangan Tempatan <i>Local Contributions</i>	6,014,733	132,026,000	83,354,000
78000	Pendapatan daripada Aktiviti Carigali Minyak dan Gas MTJA <i>Income from Exploration of Oil and Gas MTJA</i>	1,690,605,217	1,649,846,000	1,785,716,000
78100	Pendapatan daripada Operasi Petroleum Pihak Berkuasa Bersama Malaysia-Thailand (MTJA) <i>Income from Petroleum Operation Malaysia-Thailand Joint Authority (MTJA)</i>	1,690,605,217	1,649,846,000	1,785,716,000
80000	TERIMAAN BUKAN HASIL <i>NON-REVENUE RECEIPTS</i>	3,292,082,792	7,045,185,000	7,232,274,000
81000	Pulangan Balik Perbelanjaan <i>Refunds of Expenditure</i>	2,064,310,506	1,953,405,000	2,140,447,000
81100	Pulangan Balik Perbelanjaan Am <i>Refunds of General Expenditure</i>	1,684,743,195	1,517,366,000	1,692,826,000
81200	Dapatan Balik Wang Amanah <i>Trust Fund Refunded</i>	14,570,252	2,086,000	2,143,000
81300	Dapatan Balik Wang-wang Tak Dituntut <i>Unclaimed Monies Refunded</i>	364,997,059	433,953,000	445,478,000
82000	Terimaan daripada Agensi Kerajaan <i>Receipts from Government Agencies</i>	1,227,730,881	5,091,764,000	5,091,811,000
82100	Terimaan untuk Perkhidmatan <i>Receipts For Services</i>	4,784,806	1,442,000	1,442,000
82200	Bayaran Balik <i>Repayments</i>	1,148,568,090	2,837,000	2,839,000
82300	Pemberian Dari Kumpulan Wang Amanah Pencen (KWAP) <i>Contributions from Retirement Fund (Incorporated)</i>	216	5,000,000,000	5,000,000,000

RINGKASAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN SUMMARY OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
82400	Jualan Sales	71,982	33,000	33,000
82500	Pelbagai Terimaan Miscellaneous Receipts	74,305,787	87,452,000	87,497,000
86000	Terimaan Pelarasan Adjustment Proceeds	12,697	16,000	16,000
90000	HASIL DARIPADA WILAYAH PERSEKUTUAN REVENUE FROM FEDERAL TERRITORIES	731,499,154	709,774,000	765,329,000
91000	Hasil Cukai daripada Wilayah Persekutuan Tax Revenue from Federal Territories	666,606,365	662,692,000	714,663,000
91100	Cukai Langsung Direct Tax	625,099,859	629,450,000	678,814,000
91200	Cukai Tidak Langsung Indirect Tax	41,506,506	33,242,000	35,849,000
92000	Hasil Bukan Cukai daripada Wilayah Persekutuan Non-Tax Revenue from Federal Territories	64,892,789	47,082,000	50,666,000
92100	Lesen, Bayaran Pendaftaran dan Permit Licences, Registration Fees and Permits	5,608,650	4,156,000	4,374,000
92200	Perkhidmatan dan Bayaran Perkhidmatan Services and Services Fee	56,023,436	41,534,000	44,791,000
92400	Sewaan Rentals	48,655	45,000	48,000
92900	Pelbagai Hasil Bukan Cukai Miscellaneous Non-Tax Revenue	3,212,047	1,347,000	1,453,000
JUMLAH HASIL KERAJAAN PERSEKUTUAN TOTAL FEDERAL GOVERNMENT REVENUE		264,414,755,876	227,270,015,000	236,900,000,000

**Perincian Anggaran Hasil
Kerajaan Persekutuan**
*Details of Federal
Government Revenue
Estimates*

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
60000	HASIL CUKAI TAX REVENUE	180,566,080,797	153,260,000,000	174,370,000,000
61000	Cukai Langsung Direct Tax	134,722,801,659	115,105,000,000	131,870,000,000
61100	Cukai Pendapatan Income Tax	126,506,759,085	106,914,029,000	123,103,000,000
61101	Cukai Pendapatan Individu Individual Income Tax	38,680,221,213	35,906,000,000	42,439,000,000
61102	Cukai Pendapatan Syarikat Companies Income Tax	63,750,639,589	59,385,000,000	64,596,000,000
61103	Cukai Pendapatan Petroleum Petroleum Income Tax	20,782,891,145	8,551,000,000	13,000,000,000
61104	Cukai Pendapatan Koperasi Cooperatives Income Tax	189,037,013	65,000,000	65,000,000
61105	Cukai Pegangan Withholding Tax	3,060,903,725	2,977,000,000	2,963,000,000
	Lain-Lain Others	43,066,400	30,029,000	40,000,000
61900	Cukai Langsung yang Lain Other Direct Tax	8,216,042,574	8,190,971,000	8,767,000,000
61912	Duti Setem Stamp Duty	6,212,829,469	6,107,000,000	6,503,000,000
61913	Cukai Keuntungan Harta Tanah Real Property Gains Tax	1,799,806,027	1,613,000,000	1,881,000,000
	Lain-Lain Others	203,407,078	470,971,000	383,000,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL CUKAI -(Samb.) TAX REVENUE -(Cont.)				
62000- 64000	Jumlah Keseluruhan Cukai Tidak Langsung <i>Overall Total Indirect Tax</i>	45,843,279,138	38,155,000,000	42,500,000,000
62000	Cukai Tidak Langsung <i>Indirect Tax</i>	45,627,144,767	38,054,999,000	42,380,000,000
62100	Duti Eksport <i>Export Duty</i>	1,125,974,992	802,000,000	922,000,000
62111	Minyak Kelapa Sawit Mentah <i>Crude Palm Oil</i>	1,232,543	120,505,000	138,536,000
62114	Petroleum Mentah <i>Crude Petroleum</i>	1,091,368,503	650,125,000	747,401,000
	Lain-Lain <i>Others</i>	33,373,946	31,370,000	36,063,000
62200	Duti Import <i>Import Duty</i>	2,732,648,168	2,035,050,000	2,050,000,000
62209	Motokar - CBU <i>Vehicles - CBU</i>	391,157,632	318,824,000	321,166,000
62210	Motokar - CKD <i>Vehicles - CKD</i>	88,083,404	27,927,000	28,133,000
62212	Alat-alat Ganti Kenderaan Bermotor <i>Motor Spare Parts</i>	344,891,874	234,975,000	236,701,000
62213	Minuman Keras <i>Alcoholic Beverage</i>	99,386,306	52,997,000	53,386,000
62227	Mesin dan Alat-alat Ganti <i>Machines and Spare Parts</i>	329,836,255	214,391,000	215,966,000
62230	Besi Keluli dalam Bentuk Struktur <i>Structured Steel</i>	132,471,955	104,025,000	104,789,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL CUKAI -(Samb.)				
TAX REVENUE -(Cont.)				
Cukai Tidak Langsung -(Samb.)				
Indirect Tax -(Cont.)				
62236	Resin dan Bahan Plastik <i>Resins and Plastic Materials</i>	152,849,142	116,406,000	117,262,000
62250	Bahan Keluli Untuk Binaan <i>Steels for Construction</i>	59,549,175	37,234,000	37,508,000
62289	Barangan Buatan Logam <i>Metal Products</i>	105,639,807	79,142,000	79,723,000
	Lain-Lain <i>Others</i>	1,028,782,618	849,129,000	855,366,000
62300	Duti Eksais Terhadap Barangan Tempatan <i>Excise Duty on Local Goods</i>	5,130,903,240	3,900,000,000	4,200,000,000
62310	Bir daripada Malt <i>Beer from Malt</i>	1,861,293,374	1,478,065,000	1,591,762,000
62312	Rokok Buatan Tempatan <i>Locally Manufactured Cigarettes</i>	66,311,424	36,374,000	39,171,000
62318	Kenderaan Penumpang <i>Passenger Vehicles</i>	2,443,351,092	1,786,703,000	1,924,142,000
	Lain-Lain <i>Others</i>	759,947,350	598,858,000	644,925,000
62400	Cukai Jualan Tempatan <i>Sales Tax (Local)</i>	6,445,254,795	4,900,000,000	6,700,000,000
62408	Kenderaan Bermotor Penumpang <i>Passenger Motor Vehicle</i>	1,320,274,198	712,662,000	974,457,000
62411	Mesin dan Alat-alat Ganti <i>Machine and Spare Parts</i>	360,552,348	274,543,000	375,396,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL <i>(Revenue Code)</i>		PENDAPATAN 2019 <i>(2019 Revenue)</i>	ANGGARAN DISEMAK 2020 <i>(2020 Revised Estimate)</i>	ANGGARAN 2021 <i>(2021 Estimate)</i>
		RM	RM	RM
HASIL CUKAI -(Samb.)				
TAX REVENUE -(Cont.)				
Cukai Tidak Langsung -(Samb.)				
Indirect Tax -(Cont.)				
62415	Barang Buatan Plastik <i>Plastic Products</i>	535,520,243	480,191,000	656,589,000
62418	Barang-barang Elektrik <i>Electrical Goods</i>	573,423,693	398,011,000	544,219,000
62499	Barang-barang Perkilangan Dalam Negeri Yang Lain <i>Other Domestic Manufacturing Goods</i>	1,119,403,191	948,296,000	1,297,176,000
	Lain-lain <i>Others</i>	2,536,081,122	2,086,297,000	2,852,163,000
62500	Cukai Jualan Import <i>Sales Tax (Import)</i>	8,940,233,842	7,195,000,000	8,500,000,000
62508	Motokar CBU <i>CBU Motor Vehicles</i>	669,236,501	247,008,000	440,272,000
62514	Pakaian <i>Clothes</i>	527,676,682	299,555,000	453,887,000
62522	Makanan Dalam Tin dan Lain-Lain <i>Canned Food and Others</i>	371,921,616	337,587,000	448,818,000
62535	Mesin dan Alat-alat Ganti <i>Machine and Spare Parts</i>	1,475,431,644	1,020,381,000	1,355,453,000
62599	Cukai Jualan Import Yang Lain <i>Other Imported Sales Tax</i>	2,117,388,669	1,723,133,000	2,077,410,000
	Lain-lain <i>Others</i>	3,778,578,730	3,567,336,000	3,724,160,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL CUKAI -(Samb.) TAX REVENUE -(Cont.)				
Cukai Tidak Langsung -(Samb.) Indirect Tax -(Cont.)				
62600	Cukai Perkhidmatan Service Tax	12,283,191,822	12,438,000,000	12,700,000,000
62603	Bilik Menginap/ Tempat Tidur Accommodation	773,127,207	382,111,000	390,160,000
62610	Penyediaan Polisi Insurans Insurance Policy	1,380,655,128	1,408,389,000	1,438,056,000
62611	Perkhidmatan Telekomunikasi Telecommunication Service	1,470,882,475	1,495,966,000	1,527,477,000
62627	Perkhidmatan Pengurusan Management Services	1,122,175,348	1,317,065,000	1,324,808,000
62633	Makanan & Minuman Food & Drink	1,812,091,459	1,465,692,000	1,486,566,000
62639	Teknologi Maklumat Information Technology	731,097,819	896,193,000	915,072,000
	Lain-lain Others	4,993,162,386	5,472,584,000	5,617,861,000
62700	Levi Levy	168,833,351	328,000,000	424,000,000
62800	Duti Eksais Terhadap Barangan Import Excise Duty on Imported Goods	5,379,866,925	4,606,949,000	4,568,000,000
62802	Rokok Yang Diimport Imported Cigarettes	2,521,548,514	2,714,074,000	2,691,128,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL CUKAI -(Samb.)				
TAX REVENUE -(Cont.)				
Cukai Tidak Langsung -(Samb.)				
Indirect Tax -(Cont.)				
62803	Minuman Keras yang Diimport <i>Imported Alcoholic Beverage</i>	109,514,411	59,463,000	58,960,000
62806	Motokar Completely Built Up (CBU) <i>Completely Built Up (CBU) Motorcars</i>	2,466,355,770	1,596,567,000	1,583,069,000
	Lain-lain <i>Others</i>	282,448,230	236,845,000	234,843,000
62900	Pelbagai Cukai Tidak Langsung <i>Miscellaneous Indirect Tax</i>	3,420,237,632	1,850,000,000	2,316,000,000
64000	Cukai Pelancongan <i>Tourism Tax</i>	216,134,371	100,001,000	120,000,000
70000	HASIL BUKAN CUKAI <i>NON-TAX REVENUE</i>	79,825,093,134	66,255,056,000	54,532,397,000
71000	Lesen, Bayaran Pendaftaran dan Permit <i>Licences, Registration Fees and Permits</i>	14,499,140,279	13,237,332,000	12,735,677,000
71100	Bayaran untuk Kenderaan <i>Fees for Vehicles</i>	3,784,848,459	3,747,009,000	3,975,824,000
71105	Lesen Kenderaan Bermotor <i>Motor Vehicles Licences</i>	2,979,346,791	2,915,147,000	3,060,904,000
	Lain-lain <i>Others</i>	805,501,668	831,862,000	914,920,000
71200	Bayaran untuk Radio, Televisyen dan Alat-Alat Elektrik <i>Fees for Radio, Television and Electric Equipments</i>	750	43,000	64,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL BUKAN CUKAI -(Samb.)				
NON-TAX REVENUE -(Cont.)				
Lesen, Bayaran Pendaftaran dan Permit -(Samb.)				
<i>Licences, Registration Fees and Permits (Cont.)</i>				
71300	Bayaran untuk Pendaftaran Individu <i>Individual Registration Fees</i>	3,917,125,553	3,483,835,000	3,568,460,000
71309	Levi Pekerja Asing <i>Levy on Foreign Workers</i>	2,993,827,492	2,929,791,000	2,959,088,000
	Lain-lain <i>Others</i>	923,298,061	554,044,000	609,372,000
71400	Bayaran untuk Berniaga <i>Fees for Business</i>	6,239,518,268	4,587,004,000	4,729,785,000
71405	Royalti Petroleum <i>Petroleum Royalty</i>	5,787,593,234	4,201,967,000	4,306,250,000
	Lain-lain <i>Others</i>	451,925,034	385,037,000	423,535,000
71500	Bayaran Penerbangan <i>Aviation Fees</i>	91,269	28,000	196,000
71900	Pelbagai Bayaran <i>Miscellaneous Payments</i>	557,555,983	1,419,413,000	461,348,000
71916	Bayaran Jalur Spektrum <i>Spectrum Payment</i>	-	1,000,000,000	-
	Lain-lain <i>Others</i>	557,555,983	419,413,000	461,348,000
72000	Bayaran Perkhidmatan <i>Service Fees</i>	1,648,081,196	1,371,481,000	1,618,346,000
72100	Bayaran Ikhtisas <i>Professional Fees</i>	680,722,863	609,644,000	719,378,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL BUKAN CUKAI -(Samb.) NON-TAX REVENUE -(Cont.)				
Bayaran Perkhidmatan -(Samb.) Service Fees -(Cont.)				
72200	Bayaran Pelajaran Education Fees	56,297,992	44,683,000	52,726,000
72300	Bayaran Iklan Advertisement Fees	31,415,666	13,649,000	16,107,000
72400	Bayaran Perkhidmatan Service Fees	879,644,675	703,505,000	830,135,000
73000	Perolehan daripada Jualan Barang Proceeds from Sales of Goods	83,016,850	89,786,000	101,827,000
73100	Jualan Barang-Barang Cetak Sales of Printed Materials	18,260,758	25,310,000	20,366,000
73200	Jualan Barang-Barang Stor Sales of Store Goods	4,408,264	7,446,000	2,036,000
73300	Jualan Harta Benda Kecuali Yang Diperolehi dari Peruntukan Pembangunan (Termasuk Tanah, Bangunan, Kemudahan dan Alat Kelengkapan) Sales of Property Other Than That Procured Under Development Allocation (Include Land, Building and Equipment)	19,128,063	30,755,000	49,626,000
73900	Pelbagai Jualan Miscellaneous Sales	41,219,765	26,275,000	29,799,000
74000	Sewaan Rental	189,870,635	98,267,000	62,006,000
74100	Sewa Tanah Land Rental	35,831,241	28,370,000	17,902,000
74200	Sewa Bangunan Building Rental	140,739,606	64,700,000	40,825,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL BUKAN CUKAI -(Samb.) NON-TAX REVENUE -(Cont.)				
Sewaan -(Samb.) Rental -(Cont.)				
74300	Sewa Kenderaan <i>Vehicle Rental</i>	1,880,978	1,061,000	668,000
74400	Sewa Jentera <i>Rental for Machinery</i>	7,858	6,000	4,000
74500	Sewa Alat Kelengkapan Pejabat, Perabot, dan Kelengkapan <i>Rental of Office Facilities and Furniture</i>	37,040	8,000	6,000
74600	Sewa Alat Kelengkapan Elektronik <i>Rental of Electronic Equipment</i>	222,490	1,000	1,000
74700	Sewa Alat Kelengkapan Elektrik <i>Rental of Electrical Equipment</i>	1,271	2,000	1,000
74800	Sewa Alat Kelengkapan Penyiaran dan Perhubungan <i>Rental Of Broadcasting and Telecommunication Equipment</i>	260,180	60,000	38,000
74900	Sewa Pelbagai <i>Miscellaneous Rental</i>	10,889,971	4,059,000	2,561,000
75000	Faedah dan Pulangan Pelaburan <i>Interest and Return on Investments</i>	60,057,797,554	48,666,295,000	36,775,520,000
75100	Pulangan dari Pelaburan dalam Perusahaan Kewangan <i>Return on Investments from Financial Institutions</i>	2,638,190,000	3,808,258,000	3,630,500,000
75105	Hasil Dan Faedah Dari Pelaburan Dalam Bank Negara Malaysia <i>Interest and Return on Investment from Bank Negara Malaysia</i>	2,500,000,000	3,500,000,000	3,500,000,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL BUKAN CUKAI -(Samb.) NON-TAX REVENUE -(Cont.)				
Faedah dan Pulangan Pelaburan -(Samb.) Interest and Return on Investments -(Cont.)				
75200	Pulangan dari Pelaburan dalam Perusahaan Bukan Kewangan - Return on Investment from Non- Financial Institutions -	55,026,069,090	37,573,619,000	19,061,880,000
75213	Hasil Dan Faedah Dari Pelaburan Dalam Petroliam Nasional Berhad (PETRONAS) Interest and Return on Investment from Petroliam Nasional Berhad (PETRONAS)	54,000,000,000	34,000,000,000	18,000,000,000
75231	Hasil Dan Faedah Dari Pelaburan Dalam Khazanah Nasional Berhad Interest and Return on Investment from Khazanah Nasional Berhad	1,000,000,000	2,000,000,000	1,000,000,000
75300	Pulangan dari Pelaburan Luar Negeri Return on Investment from Overseas	14,572,046	12,804,000	36,776,000
75400	Pulangan dari Pelaburan-Pelaburan dalam Negeri yang Lain Return from Other Internal Investments	2,378,966,418	7,271,614,000	14,046,364,000
76000	Denda dan Penalti Fines and Penalties	1,650,539,751	1,010,023,000	1,369,951,000
77000	Sumbangan dan Bayaran Ganti daripada Luar Negeri dan Sumbangan Tempatan Contributions and Compensation From Overseas and Local Contributions	6,041,652	132,026,000	83,354,000
77100	Bayaran Ganti Bagi Perkhidmatan dari Luar Negeri Compensation For Services from Overseas	1,531	-	-

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL BUKAN CUKAI -(Samb.)				
NON-TAX REVENUE -(Cont.)				
Sumbangan dan Bayaran Ganti daripada Luar Negeri dan Sumbangan Tempatan -(Samb.)				
<i>Contributions and Compensation From Overseas and Local Contributions -(Cont.)</i>				
77200	Pampasan Dari Luar Negeri Compensation from Overseas	25,388	-	-
77400	Sumbangan Tempatan Local Contributions	6,014,733	132,026,000	83,354,000
78000	Pendapatan daripada Aktiviti Carigali Minyak dan Gas MTJA <i>Income from Exploration of Oil and Gas MTJA</i>	1,690,605,217	1,649,846,000	1,785,716,000
78100	Pendapatan daripada Operasi Petroleum Pihak Berkuasa Bersama Malaysia-Thailand (MTJA) <i>Income from Petroleum Operation Malaysia-Thailand Joint Authority (MTJA)</i>	1,690,605,217	1,649,846,000	1,785,716,000
80000	TERIMAAN BUKAN HASIL NON-REVENUE RECEIPTS	3,292,082,792	7,045,185,000	7,232,274,000
81000	Pulangan Balik Perbelanjaan <i>Refunds of Expenditure</i>	2,064,310,506	1,953,405,000	2,140,447,000
81100	Pulangan Balik Perbelanjaan Am <i>Refunds of General Expenditure</i>	1,684,743,195	1,517,366,000	1,692,826,000
81200	Dapatan Balik Wang Amanah <i>Trust Fund Refunded</i>	14,570,252	2,086,000	2,143,000
81300	Dapatan Balik Wang-wang Tak Dituntut <i>Unclaimed Monies Refunded</i>	364,997,059	433,953,000	445,478,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
TERIMAAN BUKAN HASIL -(Samb.) NON-REVENUE RECEIPTS -(Cont.)				
82000	Terimaan daripada Agensi Kerajaan <i>Receipts from Government Agencies</i>	1,227,730,881	5,091,764,000	5,091,811,000
82100	Terimaan untuk Perkhidmatan <i>Receipts For Services</i>	4,784,806	1,442,000	1,442,000
82200	Bayaran Balik <i>Repayments</i>	1,148,568,090	2,837,000	2,839,000
82300	Pemberian Dari Kumpulan Wang Amanah Pencen (KWAP) <i>Contributions from Retirement Fund (Incorporated)</i>	216	5,000,000,000	5,000,000,000
82400	Jualan <i>Sales</i>	71,982	33,000	33,000
82500	Pelbagai Terimaan <i>Miscellaneous Receipts</i>	74,305,787	87,452,000	87,497,000
86000	Terimaan Pelarasan <i>Adjustment Proceeds</i>	12,697	16,000	16,000
90000	HASIL DARIPADA WILAYAH PERSEKUTUAN <i>REVENUE FROM FEDERAL TERRITORIES</i>	731,499,154	709,774,000	765,329,000
91000	Hasil Cukai daripada Wilayah Persekutuan <i>Tax Revenue from Federal Territories</i>	666,606,365	662,692,000	714,663,000
91100	Cukai Langsung <i>Direct Tax</i>	625,099,859	629,450,000	678,814,000
91200	Cukai Tidak Langsung <i>Indirect Tax</i>	41,506,506	33,242,000	35,849,000

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES				
KOD HASIL (Revenue Code)		PENDAPATAN 2019 (2019 Revenue)	ANGGARAN DISEMAK 2020 (2020 Revised Estimate)	ANGGARAN 2021 (2021 Estimate)
		RM	RM	RM
HASIL DARIPADA WILAYAH PERSEKUTUAN -(Samb.) REVENUE FROM FEDERAL TERRITORIES -(Cont.)				
92000	Hasil Bukan Cukai daripada Wilayah Persekutuan <i>Non-Tax Revenue from Federal Territories</i>	64,892,789	47,082,000	50,666,000
92100	Lesen, Bayaran Pendaftaran dan Permit <i>Licences, Registration Fees and Permits</i>	5,608,650	4,156,000	4,374,000
92200	Perkhidmatan dan Bayaran Perkhidmatan <i>Services and Services Fee</i>	56,023,436	41,534,000	44,791,000
92400	Sewaan <i>Rentals</i>	48,655	45,000	48,000
92900	Pelbagai Hasil Bukan Cukai <i>Miscellaneous Non-Tax Revenue</i>	3,212,047	1,347,000	1,453,000
JUMLAH HASIL KERAJAAN PERSEKUTUAN TOTAL FEDERAL GOVERNMENT REVENUE		264,414,755,876	227,270,015,000	236,900,000,000

Hasil Kerajaan Persekutuan

(Selepas Mengambil Kira Langkah
Belanjawan Yang Dicapangkan Dalam
Belanjawan 2021)

Federal Government Revenue

*(After Taking Into Account Budget
Measures Proposed In 2021 Budget)*

JUMLAH HASIL SELEPAS LANGKAH BELANJAWAN TAHUN 2021
2021 TOTAL REVENUE AFTER BUDGET MEASURES

RM

JUMLAH HASIL KERAJAAN PERSEKUTUAN **236,900,000,000**

Sebelum mengambil kira langkah belanjawan yang dicadangkan dalam Belanjawan 2021

TOTAL FEDERAL GOVERNMENT REVENUE

Before taking into account budget measures proposed in the 2021 Budget

LANGKAH PERCUKAIAN:

TAX MEASURES:

60000	HASIL CUKAI TAX REVENUE	
61000	CUKAI LANGSUNG DIRECT TAX	(1,398,000,000)
61100	Cukai Pendapatan Income Tax	(940,800,000)
61900	Cukai Langsung yang lain Other Direct Tax	(457,200,000)
62000	CUKAI TIDAK LANGSUNG INDIRECT TAX	1,390,000,000
62100	Duti Eksais Excise Duties	1,030,000,000
62200	Duti Import Import Duty	200,000,000
62400- 62500	Cukai Jualan Sales Tax	100,000,000
64000	CUKAI PELANCONGAN TOURISM TAX	60,000,000
	Pengurangan Hasil Bersih Net Revenue Loss	(8,000,000)

JUMLAH HASIL KERAJAAN PERSEKUTUAN **236,892,000,000**

Selepas mengambil kira langkah belanjawan yang dicadangkan dalam Belanjawan 2021

TOTAL FEDERAL GOVERNMENT REVENUE

After taking into account budget measures proposed in the 2021 Budget

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