SECTION 6

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The consolidated public sector (CPS) position encompasses the combined fiscal activities of the Federal Government, state governments, Federal Statutory Bodies and non-financial public corporations (NFPCs). This comprehensive analysis enables a full-spectrum view of public sector financial position. Presenting the CPS as a single entity or unit allows greater alignment of fiscal policy, thereby facilitating policymakers and stakeholders to gauge the aggregate impact of public sector activities on economic and development objectives. The adoption of the principles and methodologies outlined under the Government Finance Statistics Manual (GFSM) 2014 will enhance fiscal reporting as guided by international standards.

Despite anticipated higher revenue in 2025, the CPS is estimated to record a lower current surplus of RM29.1 billion due to a narrower surplus reported by the NFPCs. The consolidated development expenditure (DE) is expected to decline by 2.7% to RM180.2 billion, reflecting lower capital expenditure in tandem with the final year of the Twelfth Malaysia Plan, 2021 – 2025 (Twelfth Plan). The CPS is expected to record a larger overall deficit of RM151.1 billion in 2025 or 7.5% of GDP, after netting off intra-transactions between public sector units.

General Government

General government comprises the Federal Government, state governments, local governments and Federal Statutory Bodies. In essence, the general government measures the overall economic functions of various government levels as a single entity in delivering public goods and services as well as redistributing income and wealth. The consolidated general government revenue is estimated to increase to RM402.5 billion in 2025, attributed to improved tax collection by the Federal Government, particularly due to the revision of sales tax and service tax.

TABLE 6.1. *Consolidated Public Sector Financial Position, 2024 – 2026*

	RM MILLION			CHANGE (%)		
	2024	2025[1]	2026[2]	2024	2025[1]	2026[2]
Revenue	336,020	347,846	365,537	*3.6*	*3.5*	*5.1*
Operating expenditure	372,257	384,736	390,329	*4.5*	*3.4*	*1.5*
Current balance	-36,237	-36,890	-24,792	*13.4*	*1.8*	*-32.8*
NFPCs current balance	97,569	65,952	81,699	*-9.1*	*-32.4*	*23.9*
Public sector current balance	**61,332**	**29,062**	**56,907**			
Development expenditure	185,109	180,175	188,385	*5.3*	*-2.7*	*4.6*
General government	89,037	85,454	88,495	*-7.8*	*-4.0*	*3.6*
NFPCs	96,072	94,721	99,890	*21.1*	*-1.4*	*5.5*
Overall balance	**-123,777**	**-151,113**	**-131,478**			
% of GDP	***-6.4***	***-7.5***	***-6.2***			

[1] Revised estimate
[2] Budget estimate, excluding Budget 2026 measures

Source: Ministry of Finance, Malaysia

The consolidated operating expenditure (OE) is projected to rise by 3.4% to RM385.2 billion, owing to higher allocation for emoluments. Hence, the general government current surplus is estimated to narrow to RM17.2 billion. However, the consolidated DE is forecast to decline by 4% to RM85.5 billion, mainly attributable to near completion of key programmes and projects under the Twelfth Plan. The consolidated general government overall deficit is expected to reach RM68.2 billion or 3.4% of GDP in 2025, after netting off intra-transfers and net lending.

The primary source of financing for the general government deficit is borrowings from the Federal Government. Articles 111 and 112 of the Federal Constitution stipulate that state governments may borrow from or with the approval of the Federal Government. Meanwhile, Sabah and Sarawak are allowed to borrow under the states' law with the approval from Bank Negara Malaysia. Nevertheless, local governments are allowed to borrow, subject to the approval by the respective state governments. Federal Statutory Bodies are also eligible to secure financing with the approval from the Federal Government[1]. This centralised control ensures that the general government's credit risk exposure is primarily contained and managed at the Federal Government level.

State Governments

The consolidated financial position of state governments is projected to remain resilient in 2025, albeit with a lower total revenue estimated at RM38.4 billion. This decline is mainly attributed to a moderation of 7.1% in state-generated revenue, which is expected to register RM29.5 billion in 2025. Sarawak, Sabah, Selangor, Johor and Perak collectively account for 84% of the consolidated state-generated revenue. Nevertheless, contribution from Federal Government transfers and grants remain sizeable at about 23% of total consolidated revenue.

Total tax collection is anticipated to remain stable at RM13.1 billion or 34.2% of consolidated revenue. Indirect tax is estimated to register RM8.7 billion or 66.1% of tax revenue, mainly from sales taxes collected in Sabah and Sarawak. Meanwhile, direct tax, largely represented by land-based taxes, is anticipated to increase to RM4.4 billion as compared to RM4 billion in 2024. Non-tax revenue, primarily from royalties, investment incomes and land premiums, is expected to record RM14.8 billion or 38.5% of total consolidated revenue. The remaining consist of non-revenue receipts, including transfers from the Federal Government.

TABLE 6.2. *Consolidated General Government Financial Position, 2024 – 2026*

	RM MILLION			CHANGE (%)		
	2024	**2025[1]**	**2026[2]**	**2024**	**2025[1]**	**2026[2]**
Revenue	397,562	402,453	410,855	*4.4*	*1.2*	*2.1*
Operating expenditure	372,698	385,222	390,841	*4.5*	*3.4*	*1.5*
Current balance	**24,864**	**17,231**	**20,014**			
Development expenditure	89,037	85,454	88,495	*-7.8*	*-4.0*	*3.6*
Overall balance	**-64,173**	**-68,223**	**-68,481**			
% of GDP	***-3.3***	***-3.4***	***-3.2***			

[1] Revised estimate
[2] Budget estimate, excluding Budget 2026 measures

Source: Ministry of Finance, Malaysia

[1] Section 5 of the Statutory Bodies (Power To Borrow) Act 1999.

TABLE 6.3. *Consolidated State Governments Financial Position, 2024 – 2025*

	RM MILLION		CHANGE (%)	
	2024	2025[1]	2024	2025[1]
Revenue	41,252	38,382	*6.7*	*-7.0*
Operating expenditure	18,500	19,617	*10.9*	*6.0*
Current balance	**22,752**	**18,765**		
Gross development expenditure	14,048	16,929	*18.3*	*20.5*
Development Fund	13,801	16,591	*17.7*	*20.2*
Water Supply Fund	247	338	*65.8*	*36.8*
Less: Loan recovery	320	268	*-20.2*	*-16.3*
Net development expenditure	13,728	16,661	*19.6*	*21.4*
Overall balance	**9,024**	**2,104**		
% of GDP	***0.5***	***0.1***		

[1] Estimate

Source: State governments and Ministry of Finance, Malaysia

On the expenditure side, consolidated states' OE is forecast to increase by 6%, reaching RM19.6 billion in 2025. The increase reflects higher allocation for supplies and services as well as emoluments in line with states' commitment to improve administrative efficiency and essential service delivery. The states' current surplus is expected to moderate to RM18.8 billion in 2025 due to the combined effects of lower revenue and increased OE. Meanwhile, consolidated net DE is projected at RM16.7 billion, prioritised for the construction and maintenance of roads, water supply infrastructure upgrades, flood mitigation projects as well as refurbishment and repair works. Overall, the state governments are anticipated to sustain a surplus fiscal position, with an overall balance of RM2.1 billion in 2025 or 0.1% of GDP.

Non-Financial Public Corporations

The consolidated financial position of NFPCs is anticipated to moderate further in 2025, reflecting a more subdued operating environment due to prevailing uncertainties, with aggregate revenue decreasing to RM446.5 billion or 22.2% of GDP. The reduction in revenue has outpaced the decline in expenditure and is expected to result in a lower current surplus of approximately RM14.6 billion. This narrowing surplus is attributed to broader external developments, particularly influenced by movements in global energy prices.

The projected decline in the overall revenue of NFPCs is mainly stemming from pressures in the O&G sector, weighed down by lower global crude oil and liquefied natural gas (LNG) prices. In addition, revenues will also be impacted by ongoing rationalisation of operations in selected segments and regions in response to evolving commercial and policy considerations. In contrast, energy-related industries are envisaged to remain resilient, underpinned by rising electricity demand from high-growth segments, such as data centres and improvement to the cost adjustment mechanism. The sector's performance will also be supported by recent reforms to the tariff structure. Meanwhile, the telecommunications sector registered modest gains, supported by steady demand for broadband and digital services. Overall, the sectoral trends reflect the uneven impact of global and domestic economic challenges, for both commodity-linked and service-based sectors.

Total expenditure by the NFPCs in 2025 is projected at RM526.7 billion, accounting for 26.1% of GDP. Of this, OE is expected to decline to RM432 billion, reflecting ongoing efforts to enhance operational efficiency and spending reprioritisation in response to changing cost structures and current macroeconomic conditions. However, capital expenditure is estimated to remain robust at RM94.7 billion, underscoring continued commitment to investments in strategic segments such as energy, infrastructure and public utilities. As a result, the overall deficit of NFPCs is expected to widen from RM57.8 billion in 2024 to RM80.2 billion in 2025, as the decline in revenue outweigh the moderation in expenditure.

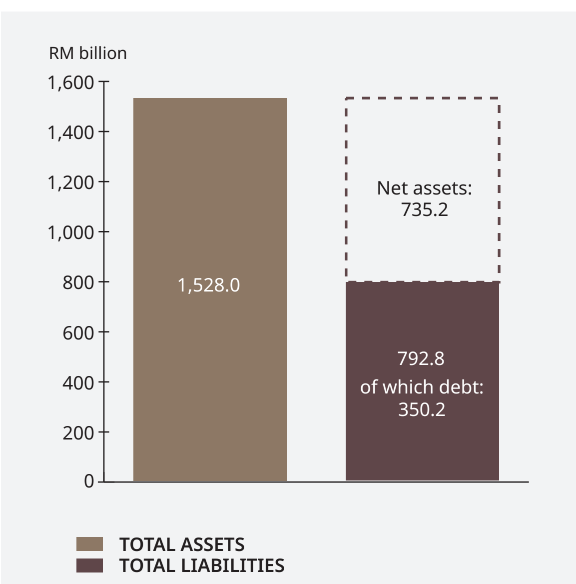
TABLE 6.4. *Consolidated Non-Financial Public Corporations[1] Financial Position, 2024 – 2025*

	RM MILLION		CHANGE (%)	
	2024	2025[2]	2024	2025[2]
Revenue	497,866	446,543	*-4.0*	*-10.3*
Current expenditure	459,598	431,981	*-1.3*	*-6.0*
Current balance	**38,268**	**14,562**		
Capital expenditure	96,072	94,721	*21.1*	*-1.4*
Overall balance	**-57,804**	**-80,159**		
% of GDP	***-3.0***	***-4.0***		

[1] Refers to 31 major NFPCs
[2] Estimate

Source: Non-financial public corporations and Ministry of Finance, Malaysia

FIGURE 6.1. *Non-Financial Public Corporations Assets and Liabilities[1]*



[1]End 2024
Source: Non-financial public corporations and Ministry of Finance, Malaysia

As at end-2024, NFPCs balance sheets remained well-capitalised, with total assets amounting to RM1,528 billion, compared to liabilities of RM792.8 billion. This resulted in net assets of RM735.2 billion, equivalent to almost half of the total asset base. The healthy financial position demonstrates the capacity of NFPCs to support ongoing investment programmes while safeguarding long-term sustainability.

The NFPCs continue to drive national development, with major capital expenditure allocations channelled towards energy transition projects, as well as digital and transportation infrastructure upgrades. These investments reflect commitment to support long-term economic growth and sustainability agenda, amid a more cautious global landscape. In addition, evolving domestic policies and regulatory frameworks continue to influence corporate strategies and operational agility.

Conclusion

Public sector entities will remain as a catalyst for sustained and inclusive economic growth, anchored by the Thirteenth Malaysia Plan, 2026 – 2030. The NFPCs, in particular, serve as key enablers in creating employment opportunities, driving strategic priorities and crowding-in private investment by leveraging public resources to unlock new opportunities and stimulate wider private sector involvement. At the same time, the successful presence abroad reaffirms the role of Malaysia's public-owned entities on the global stage.

As a whole, public sector entities will propel national development through close public-private sector collaboration in advancing strategic sectors, particularly digital economy, green growth and high-value industries. This is underpinned by substantial and continuous public investment in development projects, coupled with ongoing reforms, aimed at strengthening efficiency and transparency. These underscore the pivotal role of public sector entities in safeguarding fiscal sustainability, while realising Malaysia's national development aspirations.