PREFACE

In Surah Yusuf, Prophet Yusuf AS interpreted the king's dream of seven years of abundance followed by seven years of hardship. His counsel was clear: produce diligently during the years of plenty, consume with restraint and preserve the surplus in preparation for the difficult years ahead. Thereafter, by the grace of Allah SWT, relief would come.

The wisdom is enduring. Prosperity is not an invitation to excess. It is an opportunity to prepare.

This principle lies at the heart of responsible public finance management. Fiscal strength is not pursued merely to achieve a set of numerical targets. It ensures that, when adversity strikes, the Government retains the capacity to act, protect the rakyat and sustain the economy.

The experience of the 2020s demonstrates why this matters. The COVID-19 pandemic required extraordinary fiscal intervention, leaving the fiscal deficit at 6.4% of GDP in 2021. The years that followed brought little respite: a sharp rise in global interest rates, war in Ukraine, trade tensions, disruptions to food and energy markets, and renewed geopolitical conflicts in West Asia. Today, elevated energy prices and persistent supply-chain pressures are compounded by growing climate risks. For an open economy such as Malaysia, these shocks transmit rapidly into prices, subsidies, government revenue and public expenditure.



MINISTER OF FINANCE MALAYSIA

Against this backdrop, the MADANI Government has worked to rebuild Malaysia's fiscal resilience. The Public Finance and Fiscal Responsibility Act 2023 [Act 850] placed our commitment to responsible fiscal management on a stronger institutional foundation. Through gradual and measured consolidation, the fiscal deficit was reduced from 6.4% of GDP in 2021 to 3.7% in 2025.

Malaysia's USD1.5 billion global sukuk issuance in 2026, priced at the lowest-ever spread and oversubscribed 4.7 times by more than 100 international investors, reflected the confidence placed in the country's economic management and fiscal direction. Such confidence must continue to be earned through credible policies and disciplined execution.

Fiscal prudence, however, must not be confused with austerity. Reform does not mean withdrawing support when people need it most. By retargeting subsidies, reducing leakages and improving the management of public resources, the Government has been able to direct assistance more effectively while continuing to support economic growth.

Sumbangan Tunai Rahmah, Sumbangan Asas Rahmah and BUDI MADANI remain important pillars of support for households, particularly as global energy prices exert renewed pressure on the cost of living. Assistance has also continued for affected businesses, especially micro, small and medium enterprises.

At the same time, the Malaysian economy remained resilient, expanding by 5.7% in the first half of 2026 despite a more challenging external environment. This resilience gives us confidence, but it does not permit complacency.

The fiscal effects of recent geopolitical crises and higher global oil prices necessitated a revision of the 2026 deficit target to 3.6% of GDP. This does not represent a departure from fiscal consolidation. It demonstrates the value of having rebuilt the capacity to respond when circumstances demand it.

The Government must retain sufficient room to manage contingencies, sustain priority development and protect the rakyat. At the same time, we remain firmly committed to our medium-term fiscal objectives under Act 850. In 2027, the fiscal deficit is projected to decline further to 3.3% of GDP.

Achieving these objectives requires more than expenditure restraint. It requires better governance. Revenue administration and compliance must continue to improve. Subsidies must reach their intended recipients. Public-sector operations and procurement must become more efficient, while development expenditure must be directed towards programmes and projects that deliver the greatest public value.

Every ringgit collected carries a responsibility. Every ringgit spent must justify the trust placed in the Government.

Institutional reform is therefore central to our fiscal agenda. The Government Procurement Act 2026 [Act 882] establishes a stronger framework for integrity, efficiency and accountability in public procurement. The proposed legislation on goverment-owned entities seeks to strengthen the governance and performance of government entities. The transformation of the National Trust Fund into a full statutory body will reinforce its mandate, governance, funding arrangements and withdrawal rules. These reforms are not merely technical. They strengthen the institutions entrusted with safeguarding public resources.

Public finance carries an obligation not only to Malaysians today, but also to those who will inherit the consequences of the choices we make. We must be able to support the present generation through adversity without diminishing the opportunities of the next.

The lesson of Surah Yusuf is ultimately one of foresight, discipline and preparedness. We cannot assume that difficult years will always remain distant. Prudence is therefore not an end in itself. Its purpose is resilience: the capacity to withstand shocks, preserve stability and continue building for the future.

Insya-Allah, through sound governance, disciplined execution and responsible fiscal management, the MADANI Government will preserve Malaysia's capacity to act today while leaving the nation stronger for our children tomorrow.

I wish to record my sincere appreciation to all those who contributed, directly and indirectly, to the preparation of this Report.



ANWAR IBRAHIM
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