

BMI: M'sia's fiscal deficit to narrow to 4.3pct in 2024

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Bernama

BMI, a Fitch Solutions company, has maintained its forecast that Malaysia's fiscal deficit will narrow to 4.3 percent of gross domestic product (GDP) this year from five percent in 2023.

The research firm said the country's public finances are expected to remain on a path of consolidation over the coming quarters, driven by a continued broadening of the tax base while the government continues to rein in spending.

"The budget, which was passed in the Dewan Rakyat in November 2023, marks a positive step towards Malaysia's medium-term goal of narrowing its budget deficit to 3.5 percent of GDP by 2025," it said in a statement today.

BMI noted that the government anticipated a modest 1.5 percent increase in revenue to RM307.6 billion for 2024.

"We forecast revenue as a share of GDP to fall to 15.2 percent in 2024, down from 15.9 percent in 2023," it said.

On non-tax revenue, the government has forecast a 13.8 percent year-on-year decrease to RM63.98 billion this year.

BMI said this was due to lower dividend receipts from Petronas and Bank Negara Malaysia, as well as lower proceeds from licences and permits.

“But we view this as a positive development that falls under the government’s broader plans to widen its tax revenue base while reducing its reliance on petroleum-related revenue,” it added.

In terms of expenditure, the government has allocated RM393.8 billion for Budget 2024, down from the government’s actual expenditure of RM397.1 billion last year.

BMI said it expects policymakers to stick closely to the planned expenditure and attain the goals outlined in the Fiscal Responsibility Act, which the Dewan Rakyat passed on Oct 11, 2023.

It said that apart from the medium-term fiscal framework 2024-2026, which targets an average deficit of 3.5 percent of GDP during this time, the Fiscal Responsibility Act further mandates the government deficit to fall below three percent of GDP in the next three to five years.

“If so, we expect more substantial measures to be implemented to achieve these medium-term targets,” the firm said.

It also forecast that total government debt as a share of GDP to dip from 62 percent in 2023 to 61.2 percent this year.

BMI said while Malaysia’s public debt levels are relatively high compared to other emerging markets in Asia, it thinks fiscal risks remain limited.

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