

REALISING THE MADANI ECONOMY VISION

THE clarity of economic policies and early reforms put in place through the Madani Economy framework have contributed to Malaysia's current momentum of economic growth, which recorded an encouraging 4.2 per cent in the first quarter of 2024 and surpassed that of regional countries like South Korea, Singapore and Thailand.

This was driven by the recovery in exports, robust tourism activities and sustained domestic demand despite challenging external conditions.

The 2025 Budget aims to build on these positive developments and drive the implementation of reforms towards realising the goals of the Madani Economy.

In the first quarter of 2024, total trade grew 6.8 per cent to RM690.5 billion compared to RM646.8 billion in the first quarter of 2023.

Exports of goods and services in the first quarter of 2024 grew 5.2 per cent compared to a contraction of 8.1 per cent last year.

Private investments recorded a buoyant growth of 9.2 per cent in the first quarter of 2024, compared to the 4.6 per cent rise last year. This was underpinned by capital spending related to infrastructure, machinery and



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equipment, and other assets.

Meanwhile, the total approved investments came to RM83.7 billion, with foreign investments contributing RM47 billion or 56 per cent, while domestic investments made up the remaining RM36.7 billion or 44 per cent.

For the labour market, the number of employed persons increased 2.1 per cent to 16.4 million, contributing to a low unemployment rate of 3.3 per cent.

The government is confident that Malaysia will achieve the targeted annual growth rate of between 4.0 per cent and 5.0 per cent this year.

During the 2024 Budget, the government announced several revenue measures and expenditure optimisation efforts, including key reforms to transition from blanket to targeted subsi-

dies.

Accordingly, the government aims to further taper its fiscal deficit to 4.3 per cent of gross domestic product (GDP) this year, from 5.0 per cent last year.

The government remains committed to achieving at least a 3.0 per cent deficit in the medium term, while ensuring fiscal policy remains supportive of economic growth.

The 2025 Budget aims to focus on three important thrusts of the Madani Economy framework:

Raise the Ceiling

This thrust aims to restructure the economy and boost national competitiveness, catapulting Malaysia into an economic leader in the Asian region.

Raise the Floor

This thrust aims to improve the quality of life for all Malaysians to ensure equality of opportunities, a decent standard of living and social protection for all.

Good Governance and Public Sector Reform

This thrust aims to enhance transparency, efficiency and accountability in the government.

Through the 2025 Budget, the government will prioritise mea-

sures that will contribute towards enhancing Malaysia's global competitiveness, particularly improvements in ensuring "ease of doing business" to encourage set-up of new businesses and expansion of existing investments.

It is imperative that issues related to bureaucratic red tape and inefficiencies be addressed in order to place Malaysia as a leading investment destination in the region.

The 2025 Budget will catalyse areas of emphasis for the New Industrial Master Plan 2030, especially on industrial investment, skilled labour and technology adoption related to high-growth high-value investments.

The 2025 Budget also plans to build on early efforts to develop the economy's next growth engines, for instance, in the areas of carbon capture, utilisation, and storage (CCUS), green industrial parks and higher-value semiconductor manufacturing.

To accelerate Malaysia's transition towards a greener economy, the National Energy Transition Roadmap outlined several key priorities.

The government acknowledges the importance of CCUS as a new source for economic growth and in achieving the goal of net-zero greenhouse gas emissions by

2050.

Malaysia's diverse tapestry of cultures and unique natural endowments have made it a desirable tourist destination.

Therefore, the 2025 Budget will outline measures to elevate our country's unique offerings, coupled with better connectivity, to increase the spillover effect from tourism activities that will benefit local communities in preparation for Visit Malaysia 2026.

The 2025 Budget will support greater facilitation of tourist arrivals, increased flight connectivity and improvements in tourism products.

Malaysia's tax revenue, at 12.6 per cent of GDP last year, ranks among the lowest in Asean.

In view of this, the 2025 Budget will require measures to broaden the tax base, continuously ensure a progressive tax system, reduce tax leakages and enhance tax compliance.

Notwithstanding the prevailing challenges on the internal and external fronts, the government is optimistic that the budget will take Malaysia one step closer to realising the vision of the Madani Economy.

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