MINISTRY OF FINANCE

FISCAL UPDATES

FISCAL UPDATES 2025

Highlights

- Resilient growth amid global economic challenges
- Bold and targeted reform initiatives reinforced ongoing fiscal consolidation efforts
- Enhanced fiscal discipline resulted in slower debt growth
- Financial guarantees remain prudently below the statutory limit

Overview

Advancing reforms and strengthening fiscal resilience

1. **Malaysia's economic performance in 2025 remained resilient supported by steady domestic demand and sustained investment despite continued uncertainties surrounding global trade policies and geopolitical developments.** GDP expanded by 5.2%, surpassing the earlier projected growth of 4.0% to 4.8%, recording stronger-than-expected market performance. Domestic demand grew by 6.3%, underpinned by increased tourism activity and higher consumption during year-end festivities. Private consumption remained healthy, registering a growth of 5.2%, on the back of sustained household spending. This favourable environment enabled the Government to continue on a gradual fiscal consolidation path while maintaining support for growth momentum.

2. **The Government remains committed to the planned fiscal trajectory, supported by phased revenue enhancing measures, expenditure optimisation as well as the ongoing transition towards targeted subsidy mechanisms.** Fiscal policy in 2025 continued to be guided by the Public Finance and Fiscal Responsibility Act 2023 [Act 850], which provides a clear institutional anchor for medium-term fiscal consolidation. Revenue measures during the year include the expansion of Sales Tax and Service Tax (SST) scope and the phased implementation of the e-Invoice initiative. Major expenditure reforms carried out during the year was the introduction of the BUDI95 subsidy programme as well as tabling of the Government Procurement Bill 2025.

Table 1: Federal Government Financial Position 2024 – 2025

	RM million		Share of GDP (%)	
	2024	2025[1]	2024	2025[1]
Revenue	324,618	336,069	*16.8*	*16.6*
Operating expenditure	321,509	330,776	*16.6*	*16.3*
Current balance	**3,109**	**5,293**	***0.2***	***0.3***
Gross development expenditure	84,012	81,921	*4.4*	*4.1*
Less: Loan recovery	1,737	1,339	*0.1*	*0.1*
Net development expenditure	82,275	80,582	*4.3*	*4.0*
Overall balance	**-79,166**	**-75,289**	***-4.1***	***-3.7***
Primary balance	**-28,685**	**-21,578**	***-1.5***	***-1.1***

[1] Preliminary

Source: Ministry of Finance, Malaysia

3. **Fiscal reform measures have contributed to a lower deficit of 3.7% of GDP, against the Budget target of 3.8% of GDP, driven by higher revenue collection and optimised spending.** The Federal Government revenue increased by 3.5% to RM336.1 billion attributed to higher tax revenue at RM259.8 billion, in tandem with the implementation of e-Invoice and expansion scope of SST. Total expenditure registered RM412.7 billion, with operating expenditure (OE) rising 2.9% to RM330.8 billion, mainly due to higher outlays for emoluments and debt service charges (DSC), meanwhile development expenditure (DE) declined to RM81.9 billion. The primary deficit further improved to 1.1% of GDP in 2025 from 1.5% in 2024. As at end-December 2025, the Federal Government debt stood at RM1,320.8 billion or 65.3% of GDP, with domestic debt comprising 98.4% of the total debt.

4. **Effective September 2025, the Government has rolled-out the BUDI95 subsidy programme as part of the broader subsidy rationalisation agenda.** The programme adopts a targeted, quota-based approach whereby eligible recipients are allocated up to 300 litres of subsidised RON95 fuel per month to all Malaysians with a valid driving license. Fuel consumption within the allocated quota remains subsidised at RM1.99 per litre, while usage beyond the quota is priced at market rate. This approach helps optimise resources by curbing overconsumption and reducing subsidy leakages to non-eligible groups. This mechanism safeguard the well-being of the rakyat by ensuring continued access to affordable fuel for essential needs, while supporting a gradual transition towards a more efficient and sustainable subsidy framework.

5. **The Federal Government's borrowing reduced by 8% to RM181.7 billion, fully sourced from ringgit instruments.** Preferences continue to shift towards long-term securities, making up 59.7% of issuances, while demand remained strong, especially for

Shariah-compliant papers. The weighted average cost of borrowing for the year dropped to 3.752%, reflecting favourable market conditions. Federal Government debt stood at RM1,320.8 billion (65.3% of GDP), with 98.4% in ringgit-denominated instruments, while the balance was in foreign currencies. The Government remains focused on balancing fiscal reforms, economic growth and high-impact projects, while ensuring sustainable borrowing, prudent funding cost and continued investor confidence.

6. **Malaysia's sovereign credit ratings continue to be reaffirmed by the international credit rating agencies (CRAs), namely Moody's Ratings, S&P Global Ratings and Fitch Ratings, at A3, A- and BBB+, respectively.** This reaffirmation recognises Malaysia's proactive and strategic shift in macroeconomic management as defined in the medium-term economic plan, underpinned by credible fiscal reform, diversified and resilient economy, political stability, sustained investments and institutional strength. The 'Stable' outlook by these CRAs anchors growing investor confidence, translating into strong growth prospects for the nation.

Revenue

Expansion of SST and enhanced compliance resulted in higher tax collection

7. **In 2025, Federal Government revenue grew by 3.5% to RM336.1 billion compared to RM324.6 billion recorded in 2024.** Growth was primarily driven by better tax revenue collections, amounting to RM259.8 billion in 2025 (2024: RM240.2 billion) from both direct and indirect taxes. However, non-tax revenue declined to RM76.3 billion (2024: RM84.4 billion) due to lower non-revenue receipts.

8. **Direct tax collection increased by 5.2% to RM180.6 billion (2024: 0.2%; RM 171.7 billion) attributed to higher collection from income taxes.** Individual income tax improved by 10.9% to RM45.6 billion (2024: 8.8%; RM41.1 billion) on account of higher tax instalment in line with higher registration of individual tax payers which increased by 13% (2024: 15.1%) and the implementation of the Public Service Remuneration System (SSPA) beginning January 2025. Similarly, companies income tax (CITA) expanded by 5.4% to RM97.8 billion (2024: 1.1%; RM92.8 billion) and remained as the largest contributor for direct tax revenue. The better performance was bolstered by higher collection from the service sector coupled with payments arising from court settlements and improved compliance resulting from the implementation of e-Invoice. In addition, stamp duty and real property gains tax increased by 12.7% and 16.1% to RM11.2 billion and RM2.4 billion, respectively (2024: 3.9%; RM10 billion; 140.6% RM2.1 billion). In contrast, petroleum income tax (PITA) declined by 12% to RM18.1 billion in 2025 (2024: -21.3%; RM20.5 billion), in tandem with lower global crude oil prices averaging at USD68 per barrel (2024: USD80 per barrel).

9. Indirect tax surged by 15.7% to RM79.3 billion (2024: 18.4%, RM68.5 billion) largely contributed by higher collection from Sales Tax and Service Tax (SST). Sales tax grew 18.9% to RM25.6 billion (2024: 17.1%; RM21.5 billion), driven by higher collection from imported machinery and spare parts, low-value goods and complete build-up (CBU) vehicles. Likewise, service tax increased significantly by 30.3% to RM30.3 billion (2024: 36%; RM23.2 billion) attributed to the full year impact of the higher service tax rate at 8% as well as the scope expansion in five additional taxable services beginning July 2025 namely leasing and rental, construction, financial services, private healthcare and education.

10. Non-tax revenue decreased by 9.7% to RM76.2 billion in 2025 due to lower proceeds of non-revenue receipts. Proceeds from licenses and permits declined by 8.9% to RM15.5 billion (2024: 1.8%, RM17 billion) mainly due to lower receipts from petroleum royalty at RM5.5 billion (2024: RM6.7 billion) in consonance with lower average crude oil price. Similarly, proceeds from motor vehicle licenses and levy on foreign workers were slightly lower at RM3.3 billion and RM3.6 billion, respectively (2024: RM3.4 billion; RM3.8 billion). Meanwhile, investment income amounting to RM44 billion, remained as the largest contributor, mainly from PETRONAS dividend at RM32 billion, Bank Negara Malaysia at RM5.25 billion (2024: RM2.85 billion) and Khazanah Nasional Berhad at RM2 billion (2024: RM1 billion). In addition, the Government also received higher contributions from the Retirement Fund (Incorporated) amounting RM4 billion (2024: RM3 billion).

11. In line with the lower global crude oil prices, the share of petroleum-related revenue to total revenue decreased further to 17.5% (2024: 19.3%) at RM58.7 billion (2024: -17.4%; RM62.7 billion). Consequently, contribution from non-petroleum revenue increased by 5.9% to RM277.4 billion (2024: 9.6%; RM261.9 billion), reflecting the Government's continuous efforts to reduce reliance on petroleum-related revenue. The Government adopts the Medium-Term Revenue Strategy, an important tool to broaden the tax base, minimise leakages and improve compliance through digitalisation, as well as enhance tax policy and administration.

Table 2: Federal Government Revenue 2024 – 2025

	RM million		Share (%)	
	2024	2025[1]	2024	2025[1]
Tax revenue	**240,192**	**259,826**	***74.0***	***77.3***
Direct tax	171,693	180,559	*52.9*	*53.7*
Indirect tax	68,499	79,268	*21.1*	*23.6*
Non-tax revenue	**84,426**	**76,243**	***26.0***	***22.7***
Total revenue	**324,618**	**336,069**	***100.0***	***100.0***
Share of GDP (%)	***16.8***	***16.6***		

[1] Preliminary

Source: Ministry of Finance, Malaysia

Expenditure

Optimising expenditure to ensure spending efficiency

12. **The Government continues to prioritise high-impact expenditure to support growth and social development.** Total Federal Government expenditure edged slightly by 1.8% to RM412.7 billion, or 20.4% of GDP (2024: RM405.5 billion; 21% of GDP). OE, which accounted for 80.1% of the total, rose by 2.9% to RM330.8 billion, while DE, accounting for 19.9% of total expenditure, decreased by 2.5% to RM81.9 billion. The social sector accounted for the highest outlays, comprising 35.6% of total expenditure, followed by the economic (14.5%), security (10%) and general administration (6.5%) sectors. The remaining 33.4% was allocated to charged expenditures and transfer payments, including debt service charges, retirement charges and constitutional transfers to state governments.

Operating Expenditure

13. **OE increased by 2.9% to RM330.8 billion, with 75.3% allocated to emoluments, debt service charges, retirement charges, as well as subsidies and social assistance.** Emoluments and retirement charges rose by 5.7% and 7.4% to RM101.5 billion and RM38.6 billion, respectively. This was largely attributed to the implementation of the SSPA Phase 1 which had increased the civil servant's wage by 8% for grade 15 and below, benefitting 1.4 million civil servants and also pensioners, which approximately approaches one million recipients.

14. **Outlays for subsidies and social assistance programmes decreased by 18% to RM55.3 billion, mainly due to the full year implementation of the retargeting of diesel subsidy and the roll-out of BUDI95 on 27 September 2025.** Furthermore, lower global crude oil prices have further reduced the spending for fuel subsidies. With savings generated from the retargeting of fuel subsidies, the Government rechannelled the savings to increase the spending for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) from RM9.3 billion in 2024 to RM15.2 billion, including RM2 billion allocated to the one-off SARA, benefitting 21 million recipients. In addition, social assistance for the elderly, persons with disabilities and children under the Department of Social Welfare (JKM) has also increased from RM1.6 billion in 2024 to RM2 billion in 2025.

15. **Debt service charges (DSC), comprising 16.2% of OE, increased by 6.4% to RM53.7 billion.** DSC's growth moderated compared with previous years, mainly due to a lower interest rate environment and the appreciation of the ringgit against major currencies such as USD and yen. In addition, the fiscal consolidation plan to reduce the fiscal deficit, which led to lower borrowing, further helped to contain DSC growth.

Of the total DSC, RM53.1 billion, or 98.9%, was allocated for domestic debt primarily Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) while the remainder was for offshore borrowings.

16. **Supplies and services accounting for 12.8% of OE, increased by 12% to RM42.2 billion,** mainly due to higher agency fees paid to the Inland Revenue Board, hosting of ASEAN Chairmanship, repair and maintenance expenses as well as spending on medical supplies for public hospitals. Meanwhile, spending on asset acquisition totaled RM1.3 billion, primarily due to the procurement of non-capitalised assets and official vehicles for the ASEAN Chairmanship.

17. **Grants to statutory bodies increased by 8% to RM15.1 billion** with public institutions of higher learning, including teaching hospitals, continuing to be the largest recipients, securing 68.4% of the allocation. **Meanwhile, grants and transfers to state governments increased by 9.6% to RM9.8 billion,** with RM7.7 billion allocated for constitutional transfers, including special grants to Sabah and Sarawak as well as road maintenance.

Table 3: Federal Government Operating Expenditure by Component 2024 – 2025

Component	RM million		Share (%)	
	2024	2025[1]	2024	2025[1]
Emoluments	95,936	101,451	*29.8*	*30.7*
Retirement charges	35,901	38,559	*11.2*	*11.7*
Debt service charges	50,481	53,711	*15.7*	*16.2*
Grants and transfers to state governments	8,949	9,808	*2.8*	*3.0*
Supplies and services	37,668	42,174	*11.7*	*12.8*
Subsidies and social assistance	67,360	55,268	*21.0*	*16.7*
Asset acquisition	1,189	1,281	*0.4*	*0.4*
Refunds and write-offs	499	435	*0.2*	*0.1*
Grants to statutory bodies	13,997	15,120	*4.4*	*4.6*
Others	9,529	12,969	*2.8*	*3.9*
Total	**321,509**	**330,776**	***100.0***	***100.0***
% of GDP	***16.6***	***16.3***		

[1] Preliminary

Source: Ministry of Finance, Malaysia

Development Expenditure

18. Disbursement for DE declined by 2.5% to RM81.9 billion (2024: -12.6%; RM84 billion), primarily due to lower spending in the transportation subsectors. Of the total DE, RM80.6 billion was disbursed through direct allocation, while RM1.3 billion was disbursed through loans.

19. The economic sector remained the largest recipient at RM38.8 billion accounting for 47.3% of total allocations (2024: 51.7%; RM43.4 billion). The energy and public utilities as well as environment subsector increased by 17.8% and 7.6%, respectively, driven by higher disbursements for construction of Machang Water Treatment Plant, Kelantan and Kuantan River Integrated Basin Development, Pahang. In contrast, outlays for the transportation subsector tapered down by 13.5% due to the completion of key projects.

20. The social sector was the second largest recipient, at RM27.6 billion accounting for 33.7% of total allocations, which grew by 7.8% (2024: 30.5%; 5.6%; RM25.6 billion). This increase was driven by higher spending in the education and training, health as well as housing subsectors. Disbursements were mainly for education assistance and scholarships, construction of Kapar Hospital, Selangor and Petra Jaya Hospital, Sarawak as well as refurbishment of healthcare facilities.

21. The security and general administration sectors accounted for 14.5% and 4.5% of total DE, respectively. Outlays for the security sector increased by 3% to RM11.9 billion (2024: 1.7%; RM11.6 billion) primarily for the procurement and maintenance of military and security assets. Meanwhile, spending on the general administration sector grew by 6.4% to RM3.7 billion (2024: 6.5%; RM3.4 billion), largely allocated for digitalisation of public service, including Neo MyGovNet and refurbishment of government buildings.

Table 4: Federal Government Development Expenditure by Sector 2024 – 2025

Sector	RM million		Share (%)	
	2024	2025[1]	2024	2025[1]
Economic	**43,401**	**38,758**	***51.7***	***47.3***
of which:				
Transport	20,466	17,706	*24.4*	*21.6*
Trade and industry	2,985	3,020	*3.6*	*3.7*
Energy and public utilities	2,185	2,574	*2.6*	*3.1*
Agriculture	2,810	2,804	*3.3*	*3.4*
Environment	2,625	2,825	*3.1*	*3.4*
Social	**25,602**	**27,592**	***30.5***	***33.7***
of which:				
Education and training	12,590	14,115	*15.0*	*17.2*
Health	5,867	6,068	*7.0*	*7.4*
Housing	1,603	1,836	*1.9*	*2.2*
Security	**11,576**	**11,918**	***13.8***	***14.5***
General administration	**3,433**	**3,652**	***4.0***	***4.5***
Total	**84,012**	**81,921**	***100.0***	***100.0***
% of GDP	***4.4***	***4.1***		

[1] Preliminary

Source: Ministry of Finance, Malaysia

Financing

Resilient borrowing, reducing cost

22. The Federal Government's borrowing continues to decline in accordance to fiscal consolidation, with the entire financing needs were sourced exclusively through ringgit-denominated instruments. Total gross borrowings[1] reduced further by 8% to RM181.7 billion (2024: -12.9%; RM197.5 billion). Of this amount, RM106.1 billion (58.4%) of the gross proceeds was for principal repayments, while the balance was for deficit financing. The principal repayments comprised of matured MGS amounting to RM46.5 billion; MGII, RM37 billion; Malaysian Treasury Bills (MTB), RM4.8 billion; Malaysian Islamic Treasury Bills (MITB), RM13.2 billion; as well as repayment of offshore instruments amounting to RM4.6 billion including the maturity of USD1 billion global sukuk and scheduled repayment of project loans.

23. A deep and liquid domestic market remains the bedrock of the Government's financing strategy, facilitating fund mobilisation and cash flow management. In 2025, total issuances of MGS and MGII amounted to RM82.5 billion and RM86 billion respectively. Additionally, treasury bills amounting to RM13.2 billion (MTB: RM4.4 billion, MITB: RM8.8 billion) were issued to meet cash flow needs, representing a significant reduction of more than 50% compared to 2024.

[1] In 2025, total gross borrowings of RM182 billion were successfully placed, alongside principal redemptions of RM106.6 billion. These amounts represent the total raised and redeemed during the year, taking into account the discount value for Treasury Bills.

24. To mitigate refinancing risk, the Government's issuances continued to prioritise longer-tenured instruments. The proportion of long-term securities with tenures of 10 years and above increased from 51.7% in 2024 to 59.7% in 2025. This strategic shift to scale back short-term securities, increase issuance of medium- and long-term instruments, were facilitated by a narrowing pricing spread across maturities attributed to lower interest rate environment. This approach aligns with the Government's debt management strategy, aiming to balance financing costs while developing a well-distributed maturity profile.

25. Meanwhile, the investors' appetite for Government instruments remains healthy despite heightened global market volatility. The annual average bid-to-cover (BTC) ratio improved to 2.551 times (2024: 2.359 times). Demand was particularly strong for MGII, which recorded a BTC ratio of 2.802 times, surpassing MGS at 2.280 times. The oversubscription of MGII issuances reflects a continuous positive and strong reception for Shariah-compliant securities, supported by a conducive Islamic finance ecosystem.

Table 5: Federal Government Financing 2024 – 2025

	RM million	
	2024	**2025[2]**
Gross borrowings	197,470	181,704
Domestic	**197,470**	**181,704**
MGS	87,500	82,500
MGII	87,500	86,000
Treasury bills	22,470	13,204
Offshore	**-**	**-**
Market loans	-	-
Project loans	-	-
Repayments	**120,624**	**106,144**
Domestic	120,397	101,510
Offshore	227	4,634
Net borrowings	**76,846**	**75,560**
Domestic	77,073	80,194
Offshore	-227	-4,634
Change in assets[1]	**2,320**	**-271**
Total deficit financing	**79,166**	**75,289**

[1] (+) indicates a drawdown of assets; (-) indicates accumulation of assets
[2] Preliminary.

26. MGS and MGII average yields generally decreased in 2025, driven by investors' market preferences and sentiment toward global policy uncertainties. Over the year, MGS benchmark yields across the 3- to 30-year tenors softened significantly by between 20 and 48 bps. Concurrently, MGII benchmark yields for the 3- to 20-year tenors declined by between 22 and 37 bps. Consequently, the weighted average cost of borrowing for issuances in 2025 was reduced to 3.752% (2024: 3.874%), due to the Government's strategy of issuing new and reopening papers with lower coupon rates complemented by a stable domestic interest rate.

Federal Government Debt

Debt growth trending downward in line with fiscal consolidation

27. Global sovereign debt remains a critical economic challenge, with elevated public debt levels across multiple economies. The ongoing fiscal pressures are driven by continued government spending, infrastructure needs and economic recovery efforts. In contrast, Malaysia experiences improved fiscal management through fiscal consolidation efforts which substantially reduces the debt growth over the years. The Federal Government debt has increased by 5.9% to RM1,320.8 billion or 65.3% of GDP (2024: 6.4%; RM1,247.6 billion; 64.6%) attributed to funding for the programmes and projects under the final year of the Twelfth Plan. The outstanding debt stood within its statutory limits as stipulated under respective debt-related legislations as follows:

Table 6: Federal Government Debt Legislative Limit

ACT	STATUTORY LIMIT	END-2025
Loan (Local) Act 1959 [Act 637][1] Government Funding Act 1983 [Act 275][2]	Outstanding MGS, MGII and MITB not exceeding 65% of GDP	64.0% of GDP
External Loans Act 1963 [Act 403]	Offshore borrowings not exceeding RM35 billion	RM21.1 billion
Treasury Bills (Local) Act 1946 [Act 188]	MTB not exceeding RM10 billion	RM4.5 billion

[1] MGS MGS is issued under Act 637
[2] MGII and MITB are issued under Act 275

Source: Ministry of Finance, Malaysia

28. Given the availability of deep and ample liquidity in the domestic market, the Federal Government debt was primarily ringgit-denominated, totaling RM1,299.7 billion or 98.4% of the total. Offshore borrowings accounted for only RM21.1 billion (1.6%), denominated mainly in US dollars (63.5%), yen (36.4%) and other currencies (0.1%). The reduction in offshore borrowings was driven by the redemption of USD1 billion global sukuk in April 2025 and the appreciation of the ringgit against major currencies.

29. The Government's exposure to rollover risk remains well-contained, supported by a deliberate shift toward longer-dated maturities. As at end-2025, the share of outstanding debt with maturities exceeding five years rose to 61% (2024: 60.7%), while those with remaining maturities of five years or less declined to 39% (2024: 39.3%). As a result, the weighted average time to maturity of outstanding debt securities has lengthen to 9.6 years by end-2025 (2024: 9.3 years), demonstrating a strategic commitment to balancing the cost of borrowing and smoothing the maturity profile. From a cost-efficiency perspective, the weighted average cost of borrowing for outstanding domestic debt decreased to 4.09% as at end-2025 (2024: 4.12%). This downward trend reflects the effective debt strategy to minimise borrowing costs and manage the fiscal commitment in the long term.

Table 7: Federal Government Debt by Instrument
2024 – 2025

Component	RM million		Share (%)		Share of GDP (%)	
	2024	2025	2024	2025	2024	2025
Domestic debt	**1,219,638**	**1,299,661**	***97.8***	***98.4***	***63.1***	***64.2***
MGS	633,838	669,861	*50.8*	*50.7*	*32.8*	*33.1*
MGII	570,800	619,800	*45.8*	*46.9*	*29.5*	*30.6*
Treasury bills	15,000	10,000	*1.2*	*0.8*	*0.8*	*0.5*
Offshore borrowings	**27,976**	**21,116**	***2.2***	***1.6***	***1.5***	***1.1***
Market loans	24,977	18,588	*2.0*	*1.4*	*1.3*	*0.9*
Project loans	2,999	2,528	*0.2*	*0.2*	*0.2*	*0.2*
Total	**1,247,614**	**1,320,777**	***100.0***	***100.0***	***64.6***	***65.3***

Source: Ministry of Finance, Malaysia

30. In terms of debt holdings as at end-2025, resident investors have increased by 6.2% to RM1,023.5 billion or 77.5% of total Federal Government debt (2024: 8.3%; RM964.0 billion; 77.3%). The largest holders were the Employees Provident Fund (29.3%), followed by the banking institutions (28.8%), insurance companies (5.5%) and Bank Negara Malaysia (3.3%). Other holders included the Retirement Fund (Incorporated) (2.3%), development financial institutions (2.1%) and others (6%). Meanwhile, non-resident holdings totalled RM297.3 billion equivalent to 22.5% of the total Federal Government debt, comprising asset management (7.0%), central bank/government (7.3%), banks (4.0%), pension funds (3.4%), insurance companies (0.5%) and others (0.3%).

31. The debt service charges-to-revenue ratio increased slightly to 16% (2024: 15.6%). The Government remains committed to meeting its debt obligations while strengthening revenue sustainability to support development and operating expenditure needs. The fiscal reform initiatives have resulted in better fiscal management with annual borrowings continuing to be lower for three consecutive years. These efforts demonstrate active debt management strategies to narrowing the fiscal deficit and lowering future debt-service obligations. Furthermore, consistent and transparent engagement with the investors in various fora will foster investor confidence, reduce uncertainty and ensure competitive borrowing costs.

Debt and Liabilities Exposure

Debt and guarantees managed within statutory discipline

32. The Government continues to adopt a prudent approach to liabilities management while balancing development needs with fiscal discipline. This approach is consistent with the principles of responsible fiscal management under Act 850 and supports the maintenance of sustainable debt levels over the long term. As at end-2025, total Federal Government debt and liabilities stood at RM1,710.3 billion (84.5% of GDP), due to increase in the Federal Government debt to finance the fiscal deficit. Nonetheless, committed guarantees recorded a slight increase, attributed to financing requirements for transportation-related projects.

Table 8: Federal Government Debt and Liabilities Exposure 2024 - 2025

	RM billion		Share of GDP (%)	
	2024	**2025[1]**	**2024**	**2025[1]**
Federal Government debt	1,247.6	1,320.8	*64.6*	*65.3*
Committed guarantees	236.2	245.8	*12.2*	*12.1*
Other liabilities (PPP and PFI)[1]	148.6	143.7	*7.7*	*7.1*
Total	**1,632.4**	**1,710.3**	***84.5***	***84.5***

[1] Preliminary

Source: Ministry of Finance, Malaysia

Financial Guarantee

33. The Government's financial guarantee profile remains manageable, with exposures primarily directed toward long-term strategic development and essential institutional support. As of end-2025, total financial guarantees increase marginally to RM446.27 billion (22% of GDP), remaining well within the statutory limit of 25% of GDP stipulated under the First Schedule of the Public Finance and Fiscal Responsibility Act 2023 (Act 850). This growth is largely driven by the higher utilisation of guarantee schemes under Syarikat Jaminan Pembiayaan Perniagaan (SJPP) and Syarikat Jaminan Kredit Perumahan Berhad (SJKP), which facilitate access to financing for SMEs and enhance homeownership affordability. Moving forward, the Government will continue to strengthen oversight and risk management to ensure contingent liability exposures remain prudent, sustainable and aligned with medium-term fiscal objectives.

Table 9: Financial Guarantees 2024 – 2025

	RM billion		Share of GDP (%)	
	2024	**2025[1]**	**2024**	**2025[1]**
Guarantees under Act 96	332.82	352.86	*17.2*	*17.4*
Guarantees under Act 61	83.99	93.41	4.4	4.6
Undertakings and Supports	30.67	31.64	*1.6*	*1.5*
Guarantee Scheme	53.32	61.77	2.8	3.1
Total	**416.81**	**446.27**	***21.6***	***22.0***

[1] Preliminary

Source: Ministry of Finance, Malaysia

External Debt

34. Malaysia's external debt increased by 3.3% to RM1,394.8 billion or 68.9% of GDP (end-2024: 6.8%; RM1,350.2 billion; 69.9%), mainly attributed to non-resident holdings of Government securities, reflecting the investors confidence as macroeconomic resilience. Offshore borrowings, the largest component, increased slightly by 1.2% to RM726.7 billion, primarily due to higher intercompany loans as well as the issuance of bonds and notes by the public and private sector to fund investment activities. Non-resident holdings of ringgit-denominated debt securities and deposits also increased to RM451 billion, while other external debt rose to RM217.2 billion due to higher trade credits.

35. Overall, the country's external debt remains manageable given its favourable maturity and currency profiles. About one-third of external debt is denominated in ringgit, with the remaining is in foreign currencies, broadly consistent with trends over the past five years. Refinancing risk is contained, as 57.3% of external debt matures over the medium and long term.

Table 10: External Debt
2024 – 2025

Component	RM million		Share (%)		Share of GDP (%)	
	2024	2025	2024	2025	2024	2025
Offshore borrowings	**717,991**	**726,652**	***53.2***	***52.1***	***37.2***	***35.9***
Medium- and long-term debt	461,967	467,316	*34.2*	*33.5*	*23.9*	*23.1*
Public sector	148,098	146,814	*11.0*	*10.5*	*7.7*	*7.3*
Federal Government	23,388	18,090	*1.7*	*1.3*	*1.2*	*0.9*
Public corporations	124,710	128,724	*9.3*	*9.2*	*6.5*	*6.4*
Private sector	313,869	320,502	*23.2*	*23.0*	*16.2*	*15.8*
Short-term debt	256,024	259,336	*19.0*	*18.6*	*13.3*	*12.8*
Non-resident holdings of ringgit-denominated debt securities	**273,957**	**299,448**	***20.3***	***21.4***	***14.2***	***14.8***
Medium- and long-term debt	266,731	289,037	*19.8*	*20.7*	*13.8*	*14.3*
Federal Government	254,073	276,909	*18.8*	*19.8*	*13.1*	*13.7*
Others[1]	12,658	12,128	*1.0*	*0.9*	*0.7*	*0.6*
Short-term debt	7,226	10,412	*0.5*	*0.7*	*0.4*	*0.5*
Non-resident deposits	**149,958**	**151,539**	***11.1***	***10.9***	***7.7***	***7.5***
Others[2]	**208,295**	**217,170**	***15.4***	***15.6***	***10.8***	***10.7***
Total	**1,350,201**	**1,394,809**	***100.0***	***100.0***	***69.9***	***68.9***

[1] Include private sector and public corporations
[2] Comprise trade credits, IMF allocation of Special Drawing Rights and miscellaneous
Note: Total may not add up due to rounding
Source: Bank Negara Malaysia

Public Sector Debt

36. **As at end-2025, public sector debt increased by 5.9% to RM1,758 billion or 86.9% of GDP (2024: 5.2%; RM1,660.5 billion; 85.9%), mainly due to higher Federal Government debt, which accounted for 75.1% of total public sector debt.** Guaranteed debt of statutory bodies reached RM110.9 billion, reflecting fundings for public sector housing loans, affordable housing as well as strategic share acquisitions. Non-financial public corporations (NFPCs) debt increased to RM326.3 billion, largely due to financing activities for public transport and utilities sectors. This increase was partially offset by redemption for public infrastructure projects and water assets.

Table 11: Public Sector Debt
2024 – 2025

COMPONENT	RM million		Share (%)		Share of GDP (%)	
	2024	2025	2024	2025	2024	2025
Federal Government	**1,247,614**	**1,320,777**	***75.1***	***75.1***	***64.6***	***65.3***
Domestic	1,219,638	1,299,661	*73.4*	*73.9*	*63.1*	*64.2*
Offshore	27,976	21,116	*1.7*	*1.2*	*1.5*	*1.1*
Statutory Bodies	**101,878**	**110,912**	***6.1***	***6.3***	***5.3***	***5.5***
Domestic	101,878	110,912	*6.1*	*6.3*	*5.3*	*5.5*
of which: Guaranteed	101,878	110,912	*6.1*	*6.3*	*5.3*	*5.5*
Offshore	-	-	-	-	-	-
Non-financial public corporations	**311,025**	**326,272**	***18.8***	***18.6***	***16.0***	***16.1***
Domestic	188,551	199,510	*11.4*	*11.4*	*9.7*	*9.9*
of which: Guaranteed	188,551	199,510	*11.4*	*11.4*	*9.7*	*9.9*
Offshore	122,474	126,762	*7.4*	*7.2*	*6.3*	*6.2*
of which: Guaranteed	38,940	39,285	*2.4*	*2.2*	*2.0*	*1.9*
Total	**1,660,517**	**1,757,961**	***100.0***	***100.0***	***85.9***	***86.9***

Source: Ministry of Finance, Malaysia

FIGURE 1. SELECTED FISCAL STATISTICS

CHART 1.1. *Federal Government Overall and Primary Balance (% of GDP)*

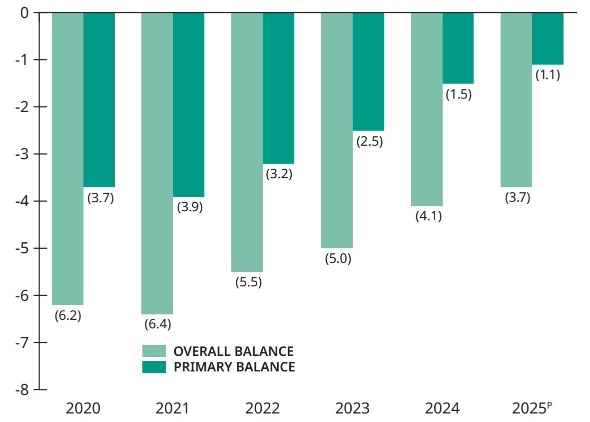


CHART 1.2. *Revenue (% of GDP)*

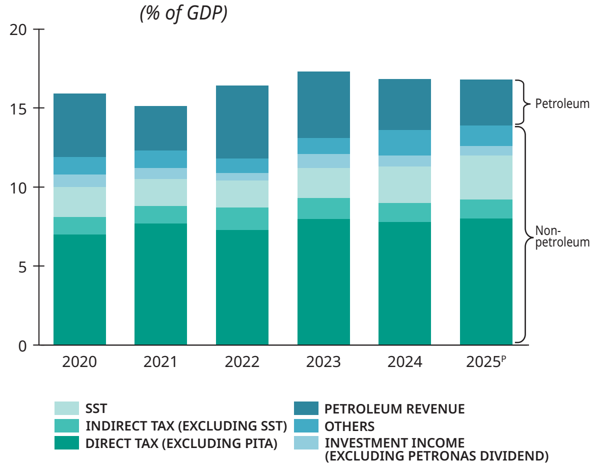


CHART 1.3. *Petroleum-Related and Non-Petroleum Revenue (% of total revenue)*

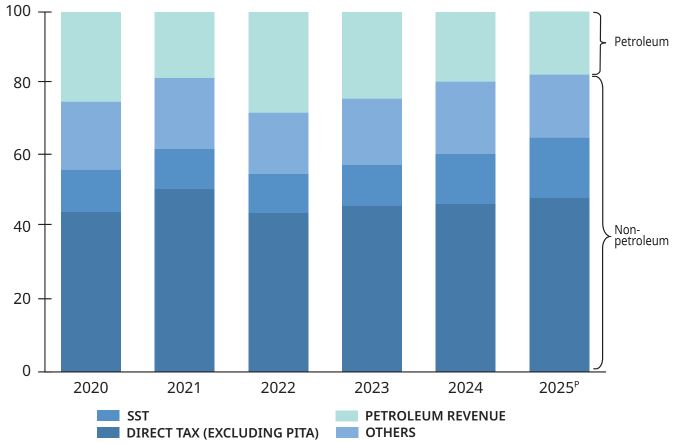


CHART 1.4. *Federal Government Spending by Sector 2025P*

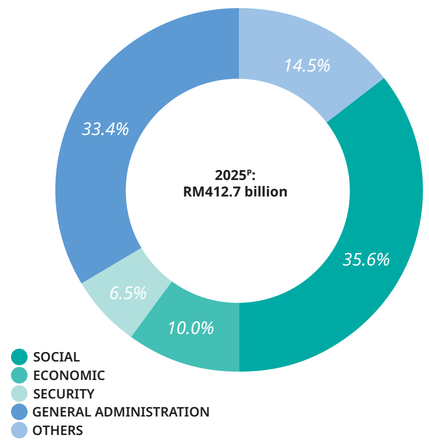


CHART 1.5. *Operating Expenditure by Component (% of OE)*

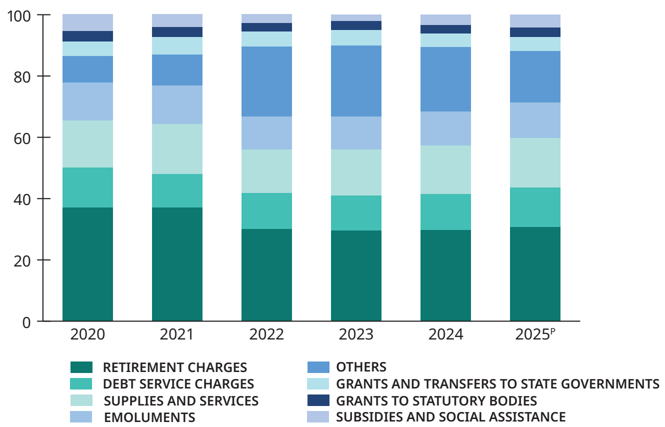
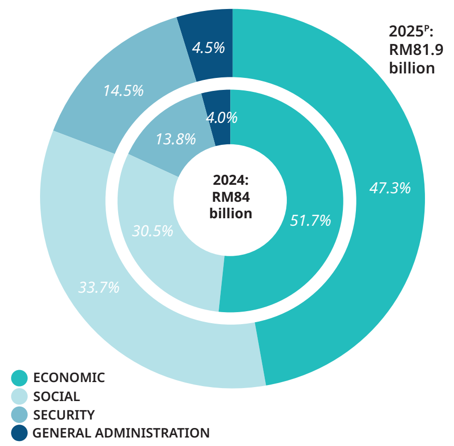


CHART 1.6. *Development Expenditure by Sector*



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Source: Ministry of Finance, Malaysia

FIGURE 2. SELECTED DEBT STATISTICS

CHART 2.1. *Federal Government Debt Composition*

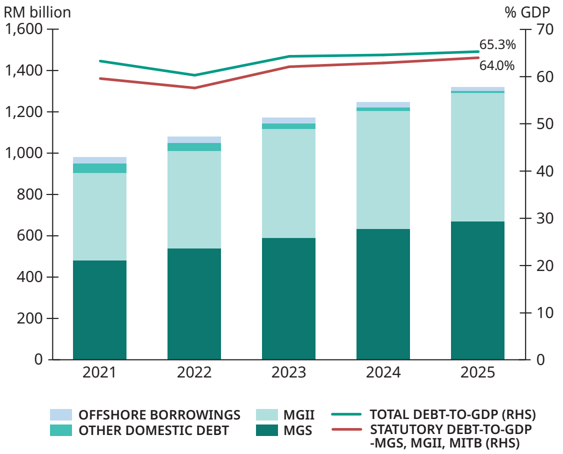


CHART 2.2. *Federal Government Debt by Holder*

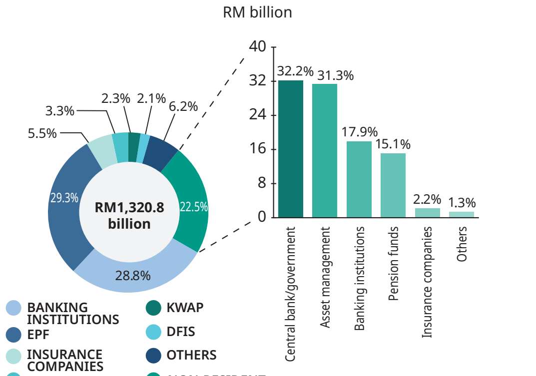


CHART 2.3. *Non-Resident Holdings of Ringgit-Denominated Debt Securities*

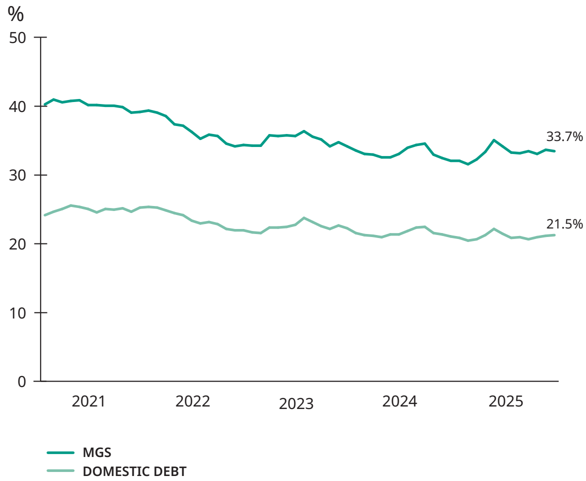


CHART 2.4. *Issuance by Maturity*

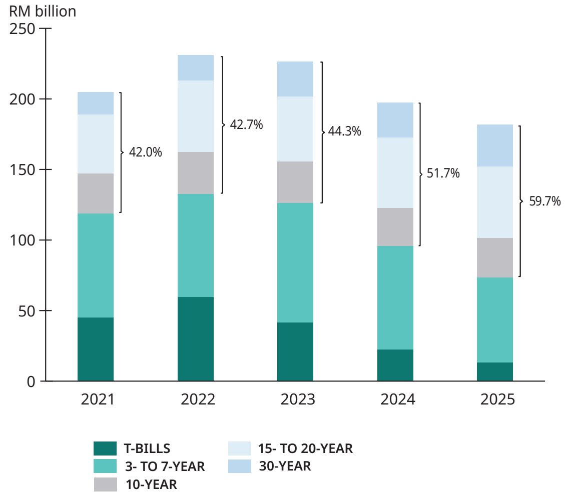


CHART 2.5. *MGS Indicative Yields*

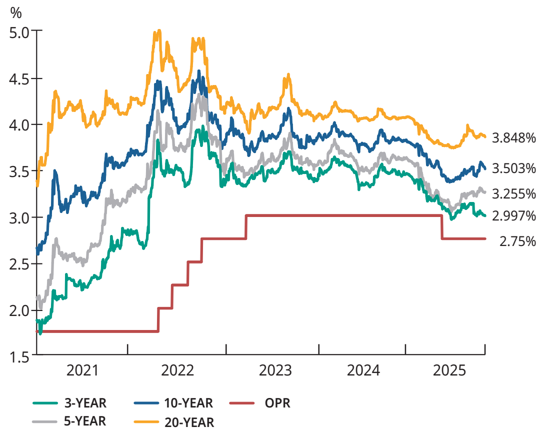
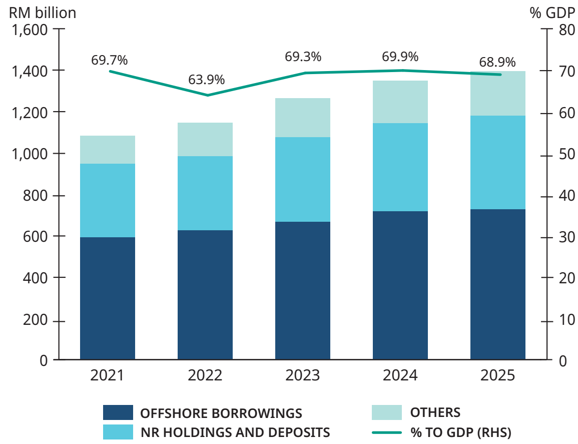


CHART 2.6. *External Debt*



Source: Ministry of Finance, Malaysia