

MEDIA RELEASE

Budget 2027: Reaching for Progress; Rooted in the *Rakyat's* Wellbeing

Budget 2027 comes at a time when Malaysia is navigating a more unsettled external environment, with geopolitical tensions, higher energy prices and disruptions to global supply chains putting pressure on households, businesses and public finances. These pressures highlight the need for Malaysia to strengthen its capacity to absorb external shocks while continuing to support the wellbeing of the *rakyat*. For 2027, the total budget allocation amounted to RM 461.8 billion, comprising RM376.8 billion for operating expenditure and RM85.0 billion for development expenditure. Federal revenue is projected at RM 380.8 billion, compared with RM363.6 billion in the 2026, while the fiscal deficit is targeted at 3.3% of GDP, compared with 3.6% in 2026, in line with the Public Finance and Fiscal Responsibility Act target. These figures provide context for the Government's capacity to meet immediate public needs while sustaining essential services and longer-term development. As the fifth MADANI Budget and the second under the Thirteenth Malaysia Plan, Budget 2027 comes at an important juncture in balancing these immediate pressures with the need to build a more resilient and productive economy.

Protecting households is at the root of dignified living

Providing robust support for Malaysian households continues to be at the centre of Budget 2027 amidst a challenging and dynamic global environment. To ease cost-of-living pressures, the STR-SARA allocation increases to RM16 billion from RM15 billion, while two RM100 SARA MADANI payments will benefit up to 13 million Malaysians aged 18 and above, including the M40. Raising the minimum wage from RM1,700 to RM2,000 reflects the commitment to providing better wages for the *Rakyat*. It signals valuing local talents, empowering grassroots families to withstand modern cost-of-living pressures, and ensuring economic progress remains firmly anchored in social justice.

We welcome the Government's efforts in strengthening the care economy as Malaysia prepares for an aged society. The proposed Senior Citizens Bill, the reduction in service tax on elderly care services from 8% to 6% from 1 January 2027, and the full tax exemption for care fees of up to RM96,000 a year are important steps towards strengthening protection for older persons and easing the cost of care. In addition, more than RM40 million has been allocated to build capacity for care economy, while two integrated care centres in Penang and Sarawak will support training, research and elderly care provision.

In addition, the Government's efforts in ensuring better provision of essential services are encouraging. The increase in the Ministry of Health's allocation to RM47.7 billion, alongside almost RM1.3 billion to upgrade 682 dilapidated schools, particularly in Sabah and Sarawak, reflects the importance of maintaining and improving access to healthcare and education. We also welcome the Government's initiatives to improve and strengthen the provision of childcare services as important steps towards easing caregiving responsibilities and strengthening support for families caring for both children and older persons.

Building a more resilient future is key to eradicating economic anxiety

Malaysia has demonstrated resilience in the face of external shocks, with the economy expected to grow between 4.8%-5.3% in 2026. However, the energy crisis has highlighted the constraints facing public finances, with the fuel subsidy projected to reach around RM40 billion this year. As Malaysia continues its fiscal consolidation journey, continued efforts to strengthen the country's fiscal position will be key to preserving the capacity of government to respond to future shocks. This is particularly important as fiscal space determines the government's ability to sustain essential services when households and businesses are confronted by sudden disruptions. At the same time, strengthening energy and food security through new and increased investments in domestic energy infrastructure as well as continued support for agrifood smallholders through input subsidies, financial incentives and grants can reduce Malaysia's exposure to external disruptions and support greater stability in the domestic economy.

Strengthen capabilities for a vibrant economy

Budget 2027 strengthens Malaysia's industrial ecosystem and counterbalances dependence on trade-exposed FDI by deploying government and GLIC direct funding, expanded guarantees, and targeted tax reliefs to upgrade domestic semiconductor and manufacturing firms. Malaysia does not lack talent, but rather it needs stronger structural mechanisms to ensure that our talent is fully recognised and valued. The consistent focus on elevating our human capital through Bakat MADANI to create more quality jobs further support the labour market for younger workers are commendable. Furthermore, it is essential to empower the micro, small and medium enterprises (MSMEs) through RM200 mil Geran Sejahtera MADANI, spurring economic advancement specifically for 40k women as they are the drivers of domestic economy. Initiatives in providing better access to financing, digitalisation, innovation and market expansion to penetrate the global value chain and markets via the RM6.6. bil micro-financing schemes through Amanah Ikhtiar Malaysia (AIM), Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) and Bank Simpanan Nasional (BSN) should also be aggressively championed.

Conclusion: Preparation and confidence are key to soaring high

We celebrate and commend the Government's persistent initiatives in elevating the wellbeing of the Rakyat nationwide and maintaining a strong and competitive economy while keeping track with its fiscal consolidation agenda. It is imperative that strong headline growth and investments translate into better wages for workers, greater productivity and benefit the household's well-being.

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For media inquiries, please contact:

Syafa Mustaffa

Senior Manager,

Strategic Communications Khazanah Research Institute (KRI)

03-2705 6109

enquiries@krinstitute.org

ABOUT KHAZANAH RESEARCH INSTITUTE (KRI)

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