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PETALING JAYA: The administration of Datuk Seri Anwar Ibrahim has opted against a sharper cut in the fiscal deficit that could constrain economic support amid global uncertainties, says Treasury secretary-general Tan Sri Johan Mahmood Merican.

Johan said some may question why debt levels could not be brought down faster, but a sharper reduction in the fiscal deficit would mean less fiscal support for economic activity.

Given the current global uncertainties, he said the government is of the view that it is important not to drastically reduce the deficit and to maintain an expansionary fiscal policy, which was why it had drawn up an expansionary budget of RM460bil.

"Admittedly, debt is still at an elevated level, but we have seen that with this gradual reduction in deficit, we are able to gradually bring down the debt ratios from 65.2% last year to 64% by the end of this year and 63% next year.

"It is always a balancing act," he said during his opening address at the post-Budget 2027 debate hosted by the Malaysian Economic Association yesterday.

Johan said while the Budget is an expansionary one, the government is still keeping within the responsible limits of the fiscal deficit.

"This year, we are projecting a fiscal deficit of 3.6% of gross domestic product (GDP).

"This is a slight slippage from our original target of 3.5%, but it is still a reduction as we are committed to reducing fiscal

deficit to 3.3% of GDP next year in order for us to be on the right trajectory to achieve the 3% commitment that we have made," he said.

On measures to strengthen internal controls and improve the management of government spending, Johan said the government had introduced several reforms over the past three years to enhance oversight, transparency and value for money.

He noted that over the past three years, Putrajaya has introduced a number of improvements, including expanding the auditor-general's powers to scrutinise any agency or entity that uses public funds.

"The Government Procurement Act 2026 will come into full force next year to strengthen transparency and ensure value for money in procurement.

"Under the Act, details of approved government contracts will be made public, allowing stakeholders to assess whether they offer fair value.

"In addition, the government is proposing amendments to laws governing government entities to strengthen governance, particularly in procurement and investment.

"This includes exploring ways for government entities to collaborate with private companies to deliver better value for money, such as providing electricity in remote areas and improving internet access," Johan said.

To this end, Johan said the government is in talks with Tenaga Nasional Bhd and the Energy Commission (EC) on measures it can take to subsidise households' electricity next year, as fuel costs are expected to remain elevated.

This comes as the higher monthly household consumption threshold for the subsidised rate is set to expire at the end of this

year. The level of subsidised electricity for households has been increased to 800 kilowatt-hours (kWh) a month from 600kWh until Dec 31.

"In the meantime, the government is also relooking together with TNB and the EC at what is the way forward.

"That decision has not been firmed up in terms of what would be the parameters for next year," he said.

On the minimum wage increase to RM2,000 effective June 2027, Johan said larger companies are given time to review their overall wage structures ahead of the implementation to avoid wage compression; where employers merely raise the pay of the lowest-paid workers while leaving other salary levels unchanged.

"The main issue facing Malaysian households is the cost of living.

"Although inflation is under control, one of the factors contributing to the pressure is that incomes are not rising in line with the increase in living costs.

"Raising the minimum wage is one way to address this issue.

"While it will not solve the problem on its own, it remains an important measure," he said.

Johan noted the RM2,000 minimum wage has been agreed upon by the National Wages Consultative Council, which includes representatives of both workers and employers.

"At the Cabinet level, consideration has been given to allowing micro, small and medium enterprises (MSMEs) a longer period to implement it.

"We will start with the larger companies first because we understand that MSMEs are also affected by the conflict in West Asia and may need more time to adjust their business models," he said.