



MINISTER OF FINANCE MALAYSIA

PREFACE

The global economic and financial environment is being confronted with new challenges and uncertainties. We are seeing volatility in the global financial markets as well as persistently high fuel, food and commodity prices. These factors have had an adverse impact on inflationary pressures as well as global economic growth.

Notwithstanding these global phenomena, the Malaysian economy has sustained its strong growth momentum. In the first half of this year, the economy expanded 6.7%. The underlying strength of our economy is the strong domestic demand, which has become a key driver of growth. At the same time, the significant transformation of the Malaysian economy has led to more diversified sources of growth. The services sector has become an increasingly important catalyst of growth, while the performance of the agriculture sector is being supported by the current high prices of commodities.

A more diversified and balanced economy has contributed towards greater economic flexibility and resilience to withstand volatilities in the external environment. Against this background, the Malaysian economy is expected to register Gross Domestic Product (GDP) growth of 5.7% in 2008. Going forward, we are confident this momentum will continue into 2009, with a GDP growth rate of 5.4%.

The Government will continue to undertake steps to further enhance the nation's economic resilience as well as cushion the *rakyat*, especially those in the low income and vulnerable groups, from the adverse impact of rising prices. However, there is so much that the Government alone can do. Malaysians from all walks of life must collectively play their part to ensure that the nation continues to grow and prosper.

This calls for more concerted efforts by the private and public sectors to be prepared and to actively manage the risk of moderation in global growth, especially in the event that a more pronounced slowdown occurs in the major developed economies. Our efforts must continually focus on increasing efficiency and productivity, enhancing human capital as well as reducing costs so as to remain competitive.

In the course of our economic history, the nation has gone through several difficult periods, which we have managed to overcome successfully, as shown by our track record. Each time, our prudent and practical policy responses, the resilience of our economy, coupled with the resourcefulness and determination of the *rakyat* to face such challenges have enabled the economy to emerge even stronger. Thus, the Government is confident that Malaysia will continue to have the resilience, adaptability and ability to overcome the vagaries of change and the many challenges facing us. Let us together realise the National Mission and endeavour to build a better tomorrow.

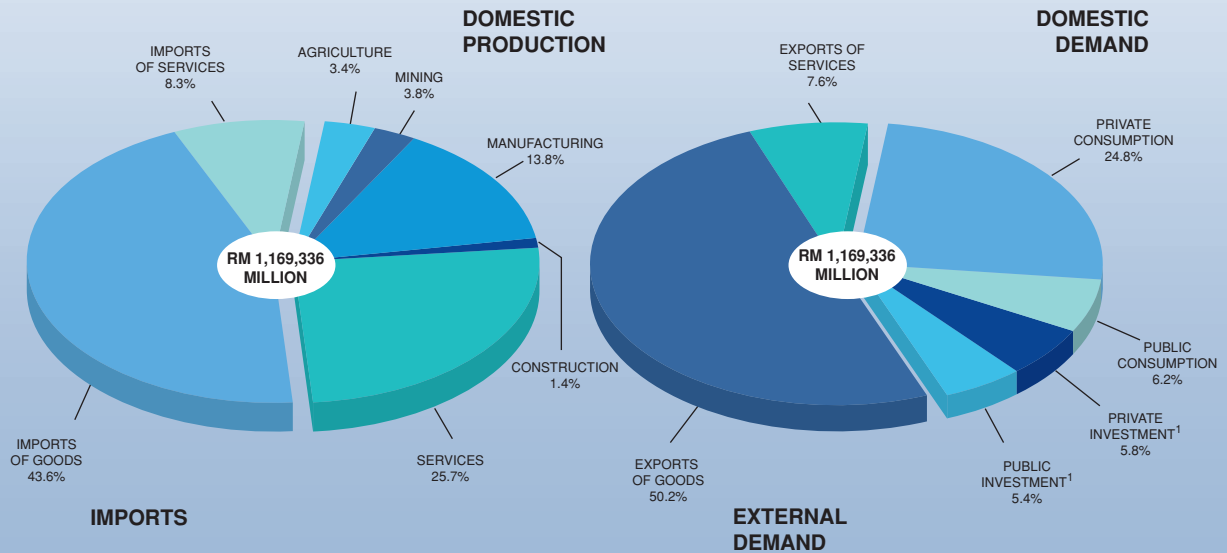


Dato' Seri Abdullah bin Haji Ahmad Badawi
Minister of Finance

Putrajaya
29 August 2008

THE ECONOMY 2009

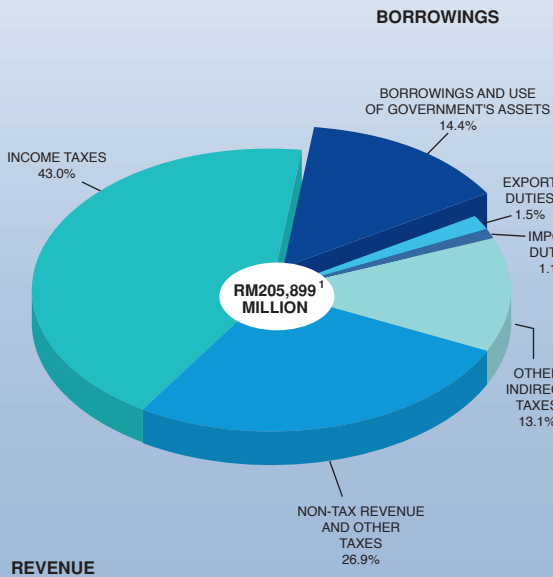
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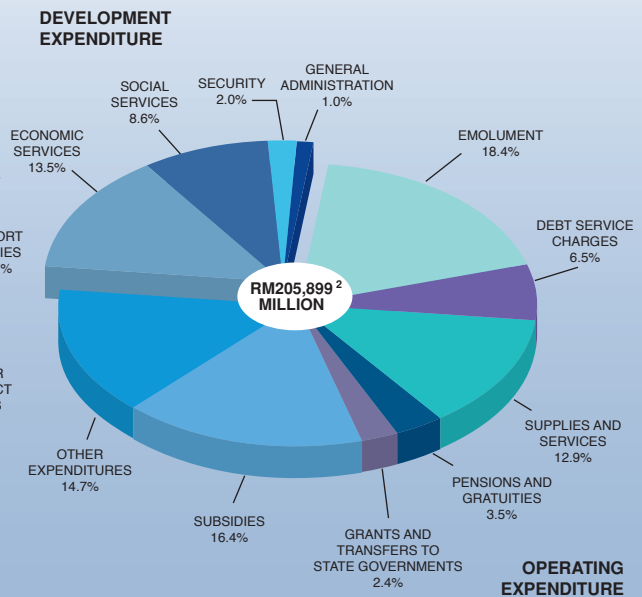
¹ Including change in stocks.

THE FEDERAL GOVERNMENT BUDGET 2009

WHERE IT COMES FROM



WHERE IT GOES



¹ Includes revenue, borrowings and use of Government's assets.

² Excludes contingency reserves.