

**MINISTRY OF FINANCE
MALAYSIA**



FISCAL UPDATES 2017

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Highlights

- Fiscal policy continues to support growth
- Commitment towards fiscal consolidation
- Debt as a percentage of GDP on a downward trajectory

Overview

Continuous lower deficit

1. Taking the cue from the New Economic Model which was launched in 2010, the Government of Malaysia embarked on the Fiscal Transformation Programme (FTP). The main objective of the FTP is to strengthen government's financial position while remaining supportive of economic growth. Three major thrusts of the FTP are revenue enhancement, expenditure optimisation initiatives and strengthening economic growth. Various public finance reform initiatives were undertaken to strengthen further the Government's fiscal position. Among major initiatives was the subsidy rationalisation programme involving a shift from a bulk subsidy to a targeted subsidy on fuel, flour, sugar and cooking oil and the implementation of Goods and Services Tax (GST).

2. The conduct of fiscal policy of the Federal Government in 2017 continued to be centred on ensuring sound public finance while supporting policies for sustainable and balanced economic growth. In 2017, Malaysia's economy recorded a 5.9% growth rate, exceeding the initial estimates of 5.2% to 5.7%. The growth was driven mainly by robust domestic demand and favourable external sector amid continued fiscal consolidation. In this context, Government final consumption and public investment remained supportive of domestic demand, which recorded a positive growth of 5.4% and 0.1%, respectively (2016: 0.9%; -0.5%).

3. The sterling economic performance has enabled the Government to continue its commitment towards fiscal consolidation. The Government has successfully reduced its fiscal deficit for the 7th consecutive year from 6.7% in 2009 to 3.1% in 2016 amid uncertainties in global economic environment and significantly lower global crude oil price. Moving forward, the prudent fiscal policy coupled with strong economic fundamentals will provide a solid foundation in achieving a near-balanced budget in 2020.

**Table 1. Federal Government Financial Position
2016-2018**

	RM million			Share of GDP (%)		
	2016	2017 ¹	2018 ²	2016	2017 ¹	2018 ²
Revenue	212,421	220,406	239,860	17.3	16.3	16.6
Operating expenditure	210,173	217,695	234,250	17.1	16.1	16.2
Current balance	2,248	2,711	5,610	0.2	0.2	0.4
Gross development expenditure	41,995	44,884	46,000	3.4	3.3	3.2
Less: Loan recovery	1,346	1,852	600	0.1	0.1	0.0
Net development expenditure	40,649	43,032	45,400	3.3	3.2	3.2
Overall balance	-38,401	-40,321	-39,790	-3.1	-3.0	-2.8

¹ Preliminary.

² Budget estimate, excluding 2018 Budget measures.

4. The Federal Government fiscal consolidation continued in 2017, albeit at a slower pace. The fiscal deficit reduced further to 3% of GDP, meeting the budget target. The primary balance which excludes debt service charges consolidated to record a lower deficit of 0.9%. This indicates that the spending on programmes and projects in the fiscal year was contained in line with expenditure optimisation measures. Revenue increased 3.8% to RM220.4 billion driven by higher tax revenue collection, while total expenditure increased 4.1% to RM262.6 billion.

5. As at end 2017, the Federal Government debt as a percentage of GDP has further improved to 50.8% compared with 52.7% in 2016. In line with fiscal consolidation commitment, the net borrowing requirement is expected to be lower, thus reducing the debt-to-GDP ratio in the coming years.

6. Malaysia continues to receive positive assessment from international institutions. In the recent Article IV assessment, the International

Fitch	Standard & Poor's	Moody's
A- (Stable)	A- (Stable)	A3 (Stable)

Monetary Fund (IMF) has commended Malaysia for the resilient economic performance and concurred with the gradual pace of the fiscal consolidation, which will help build fiscal space in the future. In addition, the three major global rating agencies, namely Fitch, Standard & Poor's and Moody's have reaffirmed Malaysia's long-term foreign currency sovereign ratings at A-/A3 with a stable outlook. The ratings were classified as upper-medium grade which indicates good creditworthiness, following the strength of the economy. The rating agencies also expressed their confidence with the Government's plan to continue the fiscal consolidation initiatives and highlighted the need to reduce debt ratios, which was relatively above its peers.

Revenue

Revenue rebounded with less dependency on oil-related sources

7. Tax revenue was the major contributor to the increase in the Federal Government revenue. In 2017, total revenue receipts amounted to RM220.4 billion, increasing 3.8% compared with RM212.4 billion collected in 2016, mainly contributed by higher tax revenue of RM177.7 billion (2016: RM169.3 billion). GST collection registered RM44.3 billion (2016: RM41.2 billion), an increase of 7.5% in line with nominal private consumption growth of 10.9%. The main sectors that contributed to higher GST collection are wholesale and retail trade; repair of motor vehicles and motorcycles; construction and manufacturing. Petroleum Income Tax (PITA) which constituted 5.3% of total revenue, rebounded 39.6% to RM11.8 billion (2016: -27.1%; RM8.4 billion) in tandem with higher annual average crude oil price in 2017 of USD54.40 per barrel.

Table 2. Federal Government Revenue 2016-2018

	RM million			Share (%)		
	2016	2017 ¹	2018 ²	2016	2017 ¹	2018 ²
Tax revenue	169,343	177,658	191,569	79.7	80.6	79.9
Direct tax	109,608	116,024	127,713	51.6	52.6	53.3
Indirect tax	59,735	61,634	63,856	28.1	28.0	26.6
Non-tax revenue	43,078	42,748	48,291	20.3	19.4	20.1
Total revenue	212,421	220,406	239,860	100.0	100.0	100.0
Share of GDP (%)	17.3	16.3	16.6			

¹ Preliminary.

² Budget estimate, excluding 2018 Budget measures.

8. Company and individual income tax as well as real property gain tax (RPGT) recorded positive growths. The company income tax turned around 1.3% to RM64.5 billion (2016: -0.1%; RM63.6 billion) in line with higher GDP growth in 2017 and ongoing revenue enhancement measures primarily the Collection Intelligence Arrangement (CIA). Individual income tax increased 5% to RM28.9 billion (2016: 4.7%; RM27.6 billion) underpinned by stable employment and wage growth. Meanwhile, RPGT rebounded 13.7% to RM1.7 billion (2016: -13.7%; RM1.5 billion) following an increase in disposal of real property, particularly by companies.

9. Slower sales of motor vehicles and tax exemption on energy efficient vehicle (EEV) weakened motor vehicles duties collection. Excise duties and import duty decreased 13.6% and 4.2% (2016: -1.6% and 6.4%) to RM10.1 billion and RM2.8 billion, respectively (2016: RM11.7 billion and RM2.9 billion) in line with the decline in motor vehicles production and registration (2017: 499,639 units and 576,635 units; 2016: 545,253 units and 580,124 units).

10. Non-tax revenue collection recorded a slight decrease despite a turnaround in licences, registration fees and permits as well as interests and return on investment. Non-tax revenue decreased marginally by 0.8% to RM42.7 billion (2016: -19.7%; RM43.1 billion). Revenue from licences, registration fees and permits rebounded 3.8% to RM12.8 billion (2016: -1.9%; RM12.3 billion) attributed to higher petroleum royalty receipts of RM4.4 billion (2016: RM3.7 billion) in tandem with higher crude oil price. Similarly, interests and return on investment turned around 1% to RM21.6 billion (2016: -34.8%; RM21.4 billion) primarily contributed by divestment of Sarawak Hidro Sdn. Bhd. and higher dividend payments from Khazanah Nasional Berhad, while PETRONAS dividend remained at RM16 billion. However, receipts from Malaysia-Thailand Joint Development Area decreased due to lower oil and gas production.

11. The Federal Government has widened its revenue base, thus reducing its dependency on petroleum-related revenue. This is evidenced by the reduction in the share of petroleum-related revenue to total revenue from 41.3% in 2009 to 15.7% in 2017. As a percentage of GDP, the ratio has significantly declined to 2.6% from the peak of 9.2% in 2009. Petroleum-related revenue accounted for RM34.6 billion, an increase of 11.8% (2016: RM31 billion; -34.4%) in consonance with higher world average crude oil price. Meanwhile, non-petroleum related revenue rose 2.4% to RM185.8 billion (2016: 5.6% RM181.4 billion) supported by higher GDP growth, a well-diversified economic structure and better tax compliance among taxpayers. As a share to GDP, non-petroleum related revenue improved from 13.1% in 2009 to 13.7% in 2017. With the efforts to further enhance revenue collection such as the implementation of GST as well as better tax administration and auditing, total revenue over GDP will improve further over time, thus cushioning the lower ratio in petroleum-related revenue.

Expenditure

Towards a more efficient and prudent spending

12. Lower spending as a percentage over GDP reflects the Government's adherence to fiscal discipline. In 2017, total expenditure registered RM262.6 billion, exceeding marginally by 0.7% from the original budget or an increase of 4.1% from 2016. The growth rate was lower than the annual average of 11.7% recorded during the 2000 – 2009 period. This indicates that the Government has managed to contain the expenditure growth in line with prudent fiscal management and countercyclical stance. Similarly, total expenditure as a share of GDP continued to decrease from 20.5% in 2016 to 19.4%, below the annual average of 25% during the Ninth Malaysia Plan (2006 – 2010) and Tenth Malaysia Plan (2011 – 2015).

13. The social sector remained the largest beneficiary of Government spending despite the implementation of expenditure optimisation measures. Spending for the social sector recorded RM99.8 billion or 38% of total expenditure in 2017. The amount was mainly channelled for education and health programmes, which accounted for 86.2% of total social sector spending. In this regard, the Ministry of Education and Ministry of Health spent RM44.9 billion and RM25.2 billion in 2017, respectively. Outlays for the economic sector stood at RM41.1 billion (15.6%), followed by security (11.9%) and general administration sectors (5.7%). The balance was spent on other payments which include debt service charges, retirement charges, fuel subsidies and transfers to state governments.

14. Efficient government spending was also reflected by a decline in the share of operating expenditures (OE) to GDP. Total OE of the Federal Government which includes mainly outlays for emoluments, supplies and services, debt service charges, retirement charges, subsidies and social assistance, and grants and transfers, amounted to RM217.7 billion or 82.9% of total expenditure. OE as a percentage of GDP trended downward since 2012 in line with subsidy rationalisation measures and reduction in non-critical spending. OE continued to decline to 16.1% in 2017 (2016: 17.1%), attributed to emoluments, grants to state governments and statutory bodies, and subsidies and social assistance.

Table 3. Federal Government Operating Expenditure by Object 2016-2018

	RM million			Share (%)		
	2016	2017 ¹	2018 ²	2016	2017 ¹	2018 ²
Emoluments	73,108	77,036	79,149	34.8	35.4	33.8
Retirement charges	21,029	22,800	24,550	10.0	10.5	10.5
Debt service charges	26,480	27,863	30,882	12.6	12.8	13.2
Grants and transfers to state governments	6,942	7,109	8,023	3.3	3.3	3.4
Supplies and services	30,070	34,738	33,621	14.3	16.0	14.4
Subsidies and social assistance	24,690	22,354	26,544	11.7	10.3	11.3
Asset acquisition	676	516	577	0.3	0.2	0.2
Refunds and write-offs	799	973	888	0.4	0.4	0.4
Grants to statutory bodies	14,813	14,044	13,099	7.0	6.5	5.6
Others	11,566	10,262	16,917	5.6	4.6	7.2
Total	210,173	217,695	234,250	100	100	100
Share of GDP (%)	17.1	16.1	16.2			

¹ Preliminary.

² Budget estimate, excluding 2018 Budget measures.

15. Growth in emoluments was contained in line with expenditure optimisation measures by maintaining the size of civil service at 1.6 million. In 2017, emoluments grew 5.4% compared with an annual average of 8% for the period of 2012 – 2016. The increase was due to two salary increments, implementation of minimum wages and

improvement to selected service schemes for support staffs. Emoluments remained the largest component of OE, representing 35.4% of operating expenses.

16. Expenditure on supplies and services represented the second largest component of OE at 16%, or 2.6% of GDP (2016: 14.3%; 2.4%). The expenditure grew 15.5% mainly due to maintenance expenses of Government buildings and infrastructures such as schools, hospitals, roads, bridges and public amenities, and contractual service charges.

17. Debt service charges (DSC) remained below the administrative fiscal rules of 15% of OE. DSC, which amounted to 12.8% of OE, is constitutionally required to be met before all other discretionary expenditures. As a percentage of GDP, DSC remained stable within the range of 2% and 2.2% in the past five years.

18. Spending on subsidies and social assistance continued to decline in tandem with subsidies rationalisation programme. For the year, subsidies and social assistance decreased to RM22.4 billion or 1.7% of GDP (2016: RM24.7 billion; 2%), mainly due to the rationalisation of cooking oil subsidies and implementation of a weekly-managed float system for fuel prices, a shift from the monthly basis.

19. The Government is committed to rationalising grants in particular to entities with high accumulated reserves. Grants to the statutory bodies were primarily to meet emoluments as well as supplies and services requirements. Grants to statutory bodies decreased 5.2% to RM14 billion with the public institutions of higher learning remaining the largest recipients of the grant disbursement. In terms of GDP, grants to statutory bodies stood at 1%, a reduction of 0.7 percentage points compared with 2009.

20. Development expenditure (DE) continued to support inclusive growth with concentration on high multiplier projects. DE registered an increase of 6.9% to RM44.9 billion as compared with RM42 billion in 2016, accounting for 3.3% of GDP in 2017 (2016: 3.4%). Spending in all sectors increased except for the economic sector. For the year, 53.9% of total DE was channelled to the economic sector, followed by social (27.7%), security (11.9%) and general administration sectors (6.5%).

21. Development spending focused on social infrastructure projects without disregarding the economic sector. Outlays for the economic and social sectors increased 3% mainly attributed to transport, and education and training subsectors. Expenses in the transport

Table 4. Federal Government Development Expenditure by Sector 2016-2018

	RM million			Share (%)		
	2016	2017 ¹	2018 ²	2016	2017 ¹	2018 ²
Economic	25,113	24,186	26,342	59.8	53.9	57.3
of which:						
Transport	7,827	10,429	10,479	18.6	23.2	22.8
Trade and Industry	4,841	3,800	4,149	11.5	8.5	9.0
Energy and public utilities	2,927	2,475	2,746	7.0	5.5	6.0
Agriculture and rural development	2,902	2,219	2,523	6.9	4.9	5.5
Environment	2,346	2,061	2,013	5.6	4.6	4.4
Social	10,429	12,425	11,720	24.8	27.7	25.5
of which:						
Education and training	3,727	6,306	5,256	8.9	14.0	11.4
Housing	2,238	785	1,167	5.3	1.7	2.5
Health	1,495	1,470	1,910	3.6	3.3	4.2
Security	4,832	5,334	5,214	11.5	11.9	11.3
General administration	1,621	2,939	2,724	3.9	6.5	5.9
Total	41,995	44,884	46,000			
Share of GDP (%)	3.4	3.3	3.2			

¹ Preliminary.

² Budget estimate, excluding 2018 tax measures.

subsector increased 33.2% to RM10.4 billion (2016: 16.9%; RM7.8 billion) driven mainly by construction and upgrading of roads and railways. The education and training subsector grew 69.2% to RM6.3 billion in 2017 (2016: -21.7%; RM3.7 billion) primarily for building and upgrading of polytechnics and vocational colleges, universities, training institutions and schools. Meanwhile, expenditure for the *trade and industry, energy and public utilities, and agriculture and rural development* subsectors amounted to RM3.8 billion, RM2.5 billion and RM2.2 billion, respectively. In addition, spending in the *communications* subsector recorded RM126 million supported by expansion of suburban broadband, upgrading radar weather system and telecommunication infrastructure projects.

22. Continuous support for enhancement of security infrastructure and technologies.

Expenditure for the **security sector** increased 10.4% to RM5.3 billion (2016: 1.7%; RM4.8 billion), for defence and internal security. The expenditure in this sector includes enhancing the capability of armed forces and police, strengthening border security, upgrading military equipment, communication tools and information technology system, as well as the building of offices and quarters.

23. Higher spending for the general administration sector was concentrated on enhancing access to information and communications technology (ICT). The *general administration sector* recorded an increase of 81.4% to RM2.9 billion (2016: 3.4%; RM1.6 billion) primarily for ICT projects, construction and upgrading of Government buildings and facilities such as court complexes, and supplying equipment for offices.

24. Public sector continued to complement the private sector activity in generating economic growth. In current value, public consumption which mainly represents the general government¹ expenditure on goods and services, grew 6.3% (2016: 1.7%), particularly emoluments, supplies and services. Meanwhile, public investment increased 1.8% (2016: 1.4%) largely supported by Federal Government DE and capital spending of non-financial public corporations (NFPCs) primarily in oil and gas, energy, and transportation sectors. In terms of share to GDP, public consumption contributed 12.2%, while public investment 7.9% (2016: 12.6%; 8.6%), indicating a continuous role by the private sector in driving the economy.

Federal Government Debt

Debt below threshold level

25. Federal Government debt as a percentage of GDP reduced further with domestic debt remaining as the main source of financing at RM665.6 billion or 96.9% of total debt. The largest component of domestic debt was Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII), accounting for 92.1% of

¹ General government consists of the Federal Government, state governments, local authorities and statutory bodies.

total debt. Offshore borrowings were mainly from global sukuk issuances as well as concessional loans from multilateral and bilateral institutions, amounting to RM21.2 billion or 3.1% of the total. As at end-2017, the Federal Government debt stood at RM686.8 billion or 50.8% of GDP, remained below the self-imposed threshold level of 55% of GDP.

Table 5. Federal Government Debt by Instrument 2016-2017

	RM million		Share of GDP (%)	
	2016	2017	2016	2017
Domestic debt	624,822	665,572	50.8	49.2
Treasury bills	4,500	4,500	0.4	0.3
MGS	357,422	364,672	29.0	27.0
MGII	234,500	268,000	19.1	19.8
Government Housing Sukuk	28,400	28,400	2.3	2.1
Offshore borrowing	23,653	21,265	1.9	1.6
Market loans	17,211	15,580	1.4	1.2
Project loans	6,442	5,685	0.5	0.4
Total	648,475	686,837	52.7	50.8

26. The Federal Government debt papers were primarily held by institutional and long-term investors, fund managers and the banking sector. Local investors remained as major holders of Government securities at RM484 billion or 70.5% of total debt. The holders consist of strong and long-term investment institutions such as Employees Provident Fund (28.5%), banking institutions and Bank Negara Malaysia (26.4%), insurance companies (4.5%), Retirement Fund (Incorporated) (3.3%), development financial institutions (2.9%), non-bank financial institutions (0.1%) and others (4.7%). The balance of RM202.8 billion or 29.5% was held by non-residents (NR) such as fund managers (11.9%), central bank, supranational and governments (8.9%), pension funds (4.5%), banking institutions (2%), insurance companies (0.8%), bilateral and multilateral institutions and others (1.4%).

27. Foreign investors remained confident in the Government ringgit-denominated capital market. The NR holdings dipped from 31.8% in November 2016 to 24.4% in March 2017 following the presidential election and expectation of an interest rate hike in the US. However, as at end-December 2017, foreign holdings of Government ringgit bond picked up to RM186.3 billion or equivalent to 28% of total outstanding ringgit denominated papers. With a deep and liquid domestic capital market, local players who are mostly robust institutional investors, cushioned the withdrawal from foreign investors and normalised the yield curve at end-2017.

28. Consistent with prudent debt management policy, the Government remains committed to contain the total Federal Government debt within the limit of 55% of GDP while ensuring debt consolidation in the long-

Act	Type of debt	Statutory debt limit	End-2017
Loan (Local) Act 1959 (Amendment) 2005 and Government Funding Act 1983	MGS, MGII and MITB	55% of GDP	46.9% of GDP
External Loans Act 1963	Federal Government foreign borrowing	RM35 billion	RM21.2 billion
Treasury Bills (Local) Act 1946	MTB	RM10 billion	RM3.0 billion

run. The statutory debt limit of 55% of GDP under the Loan (Local) Act 1959 [Act 637] and Government Funding Act 1983 [Act 275] is confined only to the outstanding of MGS, MGII and Malaysian Islamic Treasury Bills (MITB) instruments. As at end-2017, the outstanding amount of these instruments was significantly lower at 46.9% of GDP, leaving ample fiscal space for the Government to implement countercyclical measures in the times of need. Under the External Loans Act 1963 [Act 403], offshore borrowing remained stable at RM21.2 billion, lower than the statutory limit of RM35 billion.

Meanwhile, Malaysian Treasury Bills (MTB) stood at RM3 billion, below the RM10 billion threshold stipulated under the Treasury Bills (Local) Act 1946 [Act 188].

Borrowing Programme 2017

Financing from domestic sources

29. Gross borrowing remained at a manageable level of 8.4% to GDP, well below the threshold of 15% set by the IMF for emerging countries. During the fiscal year 2017, the gross borrowing was RM114 billion, of which RM40.3 billion was utilised to finance budget deficit, while RM73.6 billion for the redemption of matured papers.

30. The borrowing programme was carried out via domestic market, with both MGS and MGII issuances raising RM60.4 billion and RM53.5 billion, respectively. Issuances were skewed towards a longer maturity profile with 38.1% of total issuances were papers of 10-year and above tenure with the aim to have a well-distributed maturity profile and ensure a controlled exposure towards market and liquidity risks. This was much more improved compared with only 13.8% of the same tenure issued in 2015. As a result, the average time to maturity has also increased from 6.2 years in 2015 to 7.2 years in 2017. There was no new external market borrowing during the year while project loans drawdown amounted to RM63 million.

Table 6. Federal Government Financing 2016-2017

	RM million	
	2016	2017
Gross borrowing	91,982	113,979
Domestic	86,000	113,916
MGS	43,500	60,416
MGII	42,500	53,500
Offshore	5,982	63
Market loans	5,837	-
Project loans	145	63
Repayment	53,289	73,571
Domestic	48,141	73,166
Offshore	5,148	405
Net borrowing	38,693	40,408
Domestic	37,859	40,750
Offshore	834	-342
Change in assets ¹	-292	-87
Total deficit financing	38,401	40,321

¹ (+) indicates a drawdown of assets; (-) indicates accumulation of assets.

31. The domestic capital market continued to promote Government debt securities in primary and secondary markets. Accordingly, the bond and sukuk auctions of MGS and MGII were well-covered and competitively-bid, providing an efficient platform for the Government to raise funds. The average bid-to-cover ratio for MGS stood at 2.1 times while MGII at 2.2 times in 2017.

32. In addition to the objective of achieving a stable and low-cost funding, the debt management also serve to maintain a well-functioning securities market. This has benefitted a wide array of domestic investors and broader capital market participations. In the first half of 2017, the yields of MGS, the benchmark paper for Malaysia's capital market, picked up to an average of 3.882%, 4.059% and 4.258% for 5-, 7- and 10-year papers. Nevertheless, the rates tightened in the second half to 3.501%, 3.879%, and 3.946% for the same tenure.

33. Debt service charges amounted to RM27.9 billion attributed to lower actual average coupon rate for both MGS and MGII. In terms of debt affordability, debt service charges stood at 12.6% of revenue, relatively on high interest payment from accumulated borrowings made from previous countercyclical measures as well as lower actual revenue collection compared with revised estimates. As the allocation for debt service charges is a mandated item, thus, coupon payments are made timely and according to schedules.

External debt

34. Malaysia's external debt² was lower at RM883.4 billion or 65.3% of GDP (2016: 74.5%). External debt remained manageable, given its currency and maturity profiles as well as the availability of large external assets. More than one-third of total external debt was denominated in ringgit (34.3%), mainly in terms of NR holdings of domestic debt securities and ringgit deposits in domestic banking institutions.

Table 7. External Debt
2016-2017

	RM million		Share (%)		Share of GDP (%)	
	2016	2017	2016	2017	2016	2017
Offshore borrowing	531,326	507,019	58.0	57.4	43.2	37.5
Medium and long-term debt	323,424	297,096	35.3	33.6	26.3	22.0
Public sector	133,962	119,846	14.6	13.6	10.9	8.9
Federal Government	21,087	16,567	2.3	1.9	1.7	1.2
Public corporations	112,875	103,279	12.3	11.7	9.2	7.7
Private sector	189,462	177,250	20.7	20.0	15.4	13.1
Short-term debt	207,902	209,923	22.7	23.8	16.9	15.5
Non-resident holdings of ringgit denominated debt securities	214,203	207,389	23.4	23.5	17.4	15.3
Medium and long-term debt	203,296	196,075	22.2	22.2	16.5	14.5
Federal Government	189,988	182,855	20.7	20.7	15.4	13.5
Others ¹	13,308	13,220	1.5	1.5	1.1	1.0
Short-term debt	10,907	11,314	1.2	1.3	0.9	0.8
Non-resident deposits	86,184	91,093	9.4	10.3	7.0	6.7
Others ²	84,405	77,867	9.2	8.8	6.9	5.8
Total	916,118	883,368	100	100	74.5	65.3

¹ Include private sector and public corporations.

² Comprise trade credits, IMF allocation of Special Drawing Rights and miscellaneous.

Conclusion

35. The Government's financial position strengthened further with a lower deficit at 3% of GDP in 2017. The Government remains committed towards fiscal consolidation through revenue enhancement and spending optimisation. The initiative will be carried out without affecting the quality of public service delivery and economic growth with inclusivity.

² Comprising of both public and private sector debt which includes offshore borrowing; NR holdings of ringgit-denominated debt securities; NR deposits; as well as other external debt which include trade credits, IMF allocation of Special Drawing Rights (SDR) and miscellaneous such as insurance claims yet to be disbursed and interest payable.

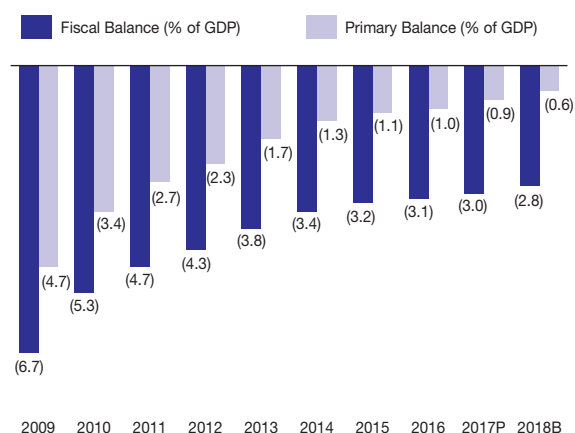
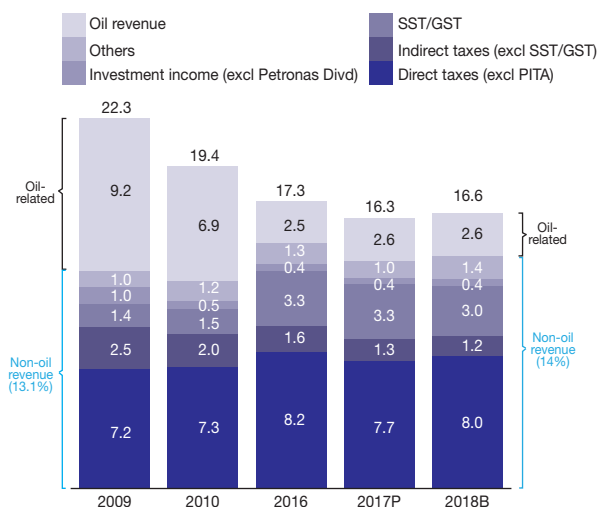
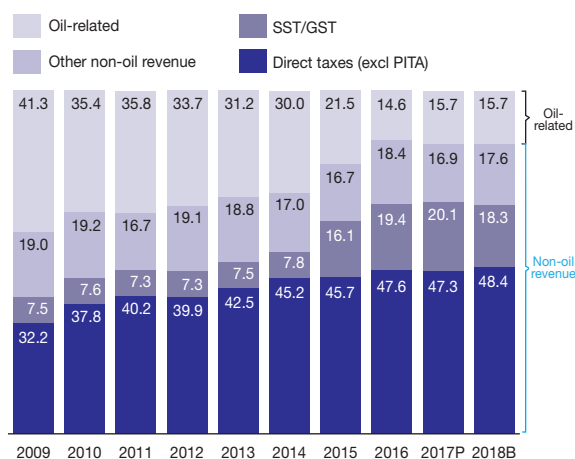
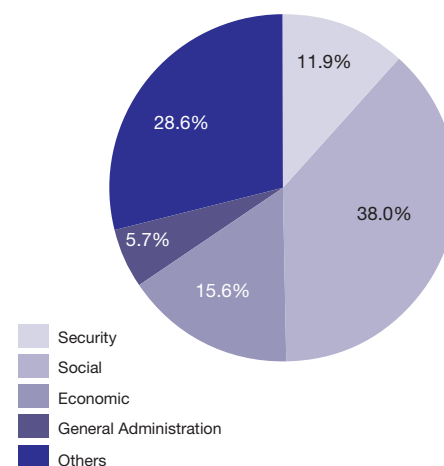
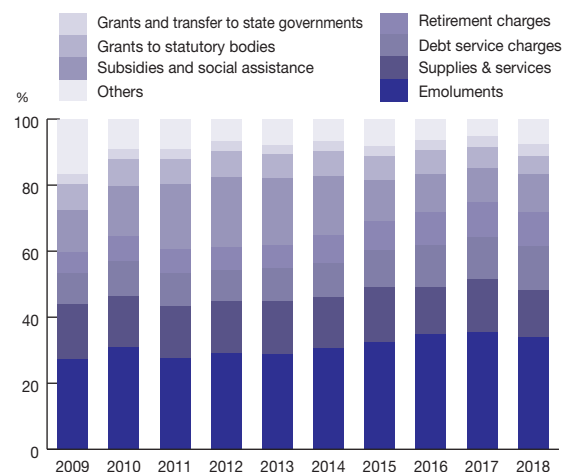
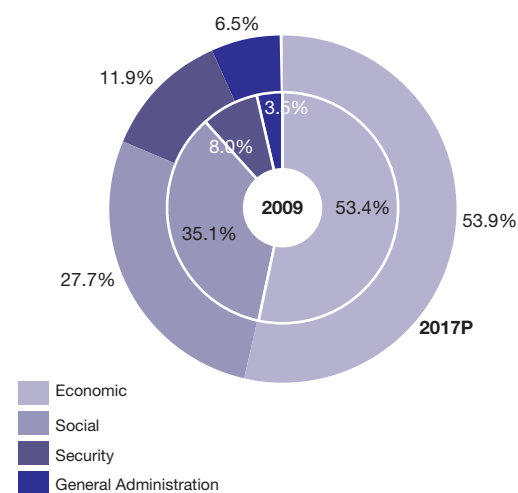
FIGURE 1: FEDERAL GOVERNMENT FISCAL POSITION**Chart 1: Federal Government Fiscal And Primary Balance****Chart 2: Revenue As Percentage To GDP****Chart 3: Oil vs Non-Oil Revenue (% of total revenue)****Chart 4: Federal Government Expenditure by Sector 2017****Chart 5: Operating Expenditure by Object (% of total operating expenditure)****Chart 6: Development Expenditure by Sector 2009 vs 2017**

FIGURE 2: FEDERAL GOVERNMENT DEBT

Chart 7: Federal Government Debt Composition

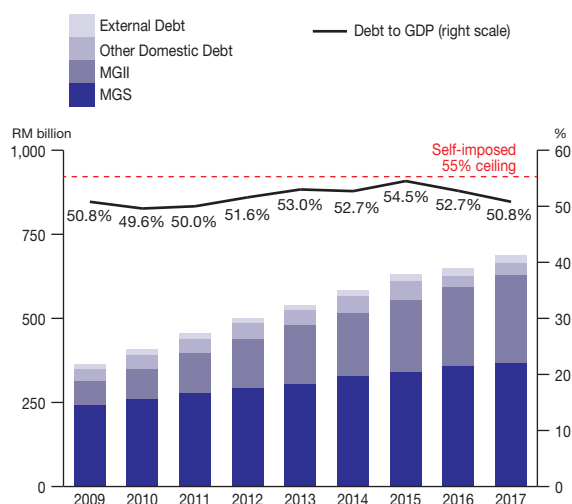


Chart 8: Federal Government Debt By Holder

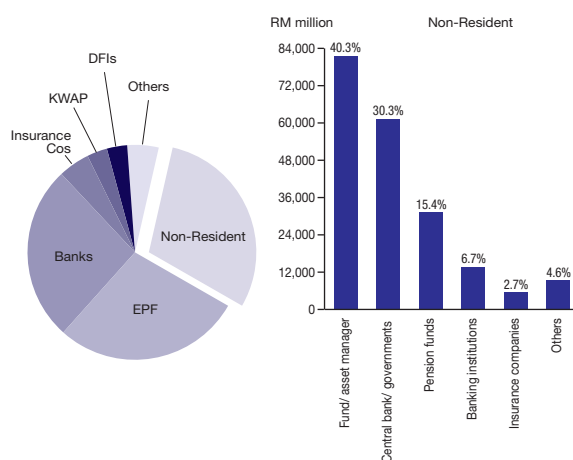


Chart 9: Non-Resident Holding in MGS and MGII

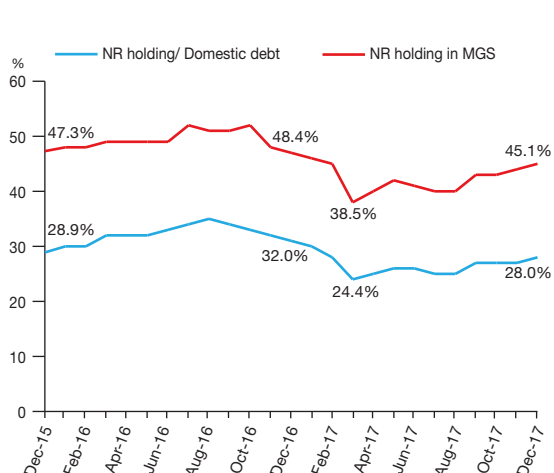


Chart 10: Issuance by Maturity

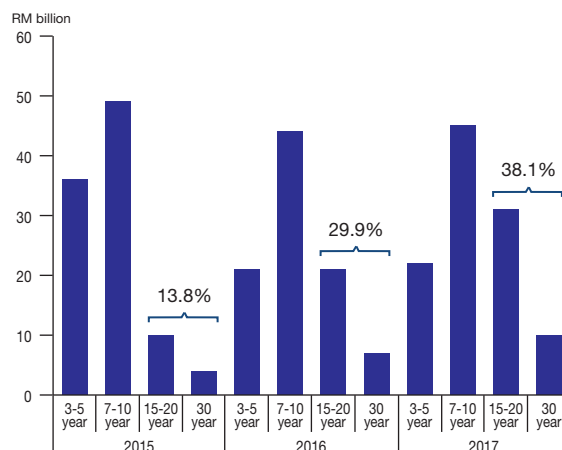


Chart 11: Malaysian Government Securities (MGS) Yield

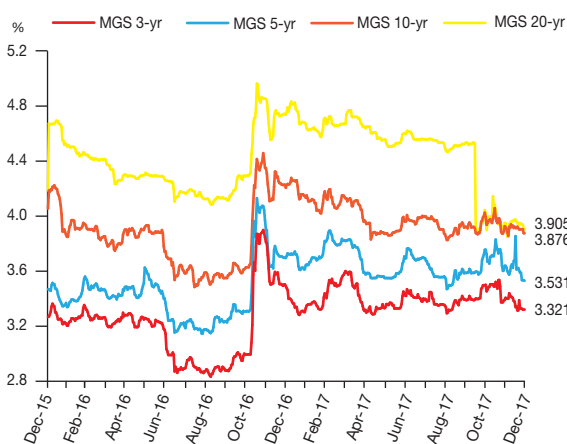


Chart 12: External Debt

