Debt to be 53% of GDP this year

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THE federal government's debt level is expected to decline to around 53% of gross domestic product (GDP) this year, the Finance Ministry said.

According to the ministry, the projection is based on the ongoing fiscal consolidation and transfer of part of the debt related to the housing loan scheme for civil servants to the Public Sector Housing Financing Agency.

The government's deficit is also expected to decline to 3.1% of GDP in 2016 from 3.2% last year.

"Until the end of 2015, the federal government's debt, which includes domestic debt as well as offshore loans, was recorded at RM630.5 billion or 54.5% of GDP," Treasury Secretary General Tan Sri Dr Mohd Irwan Serigar Abdullah said in a statement.

Pic by Hafzi Mohamed

According to Mohd Irwan, until the end of 2015, the federal govt's debt was recorded at 54.5% of GDP

Of the amount, 97% is domestic debt while the balance is payable offshore and exposure to foreign currency exchange risk is low.

The statement is issued in response to a report by *Nikkei Asian Review* in relation to the national debt recently.

The ministry has described the report, which quoted UK-based Oxford Economics, as baseless.

Nikkei Asian Review in its report on Monday quoted the Oxford Economics' report, which stated that Malaysia is at risk of a credit-rating downgrade, weighed down by debts at a state fund.

According to Oxford Economics, a downgrade could trigger a sell-off in the country's equity and bond market, and add pressure on the ringgit.

The report further said that Malaysian public debt swelled to 54.5% of its GDP in 2015, up from 40% in 2008 and near a state-imposed ceiling of 55%.

The rate is reportedly the highest since 1992, and far above Indonesia's 29% and Thailand's 31%.

The Finance Ministry nonetheless said it will also ensure that the financing needs and debt servicing obligations are undertaken at minimal cost.

Apart from reducing the deficit level gradually, the ministry reiterated that fiscal consolidation will also bring the debt level down.

"The government will continue with fiscal consolidation to achieve a balanced budget by 2020," the ministry said.

Fitch Ratings and S&P Global Ratings currently rate Malaysia as A- while Moody's Investor Services gave an A3. — *by AZREEN HANI*