



Main	Ministry's Profile ▾	Client's Charter	Contact Us ▾	
------	----------------------	------------------	--------------	--

Home Archives 2017 News

The Star - RAM Cautious Over Rising Govt Contingent Liabilities

The Star - RAM Cautious Over Rising Govt Contingent Liabilities

🕒 Tuesday, Dec 05 2017



RAM cautious over rising govt contingent liabilities

PETALING JAYA: RAM Ratings is cautious about the government's contingent liabilities, which are estimated to rise to 18.3% of gross domestic product (GDP) by 2023 due to more infrastructure projects.

It said the 16.9% level in the first half of 2017 was imposing a continuous risk on its fiscal position.

"This ratio is estimated to rise to 18.4% by 2023, premised on our expectations of existing and upcoming infrastructure projects, as well as the government's routine commitments to housing and higher-education loan agencies," it said in a report yesterday.

However, it said stricter oversight over the issuers of these debts was likely following the setting up of the Fiscal Risk and Contingent Liability Technical Committee, and a possible introduction of a limit on guaranteed debt in the future.

The ratings agency also said the projected narrowing of Malaysia's fiscal deficit target to 2.8% of GDP under Budget 2018 from an estimated 3.0% in 2017 "is achievable and underscores the government's commitment to long-term fiscal consolidation".

It also pointed out the adjustment to the government's medium-term fiscal framework targeted fiscal deficit to an average 2.4% of GDP throughout 2018-2020 - from a near-balance target by 2020 - as realistic and indicated a more gradual pace of fiscal consolidation.

RAM Ratings noted that fiscal revenue is expected to increase 6.5% to RM260bil in 2018 (2010-2015 average: +6.7%) as negative pressures ease.

This will be largely driven by resilient economic growth (which should support the goods and services tax collections) and a gradual recovery in global commodity prices (which will be positive for the government's oil and gas (O&G)-related revenue).

Esther Lai, RAM Ratings' head of sovereign ratings, said O&G revenue is projected to exceed the government's budgeted amount, given its conservative assumed oil price of US\$52 per barrel.

"These factors are, however, balanced by tax rate reductions for three brackets of personal income taxes - which are estimated to have a fiscal impact of RM1.6bil (0.1% of GDP) - and tax relief measures for companies.

"Next year, operating expenditure (opex) is budgeted at RM235.7bil (+7.2%), mostly due to higher amounts of social transfers in the lead-up to the 14th general election (GE)," she said.

Lai pointed out that while the growth of enrolment spending is likely to exceed the government's projected 0.4% for 2018 arising from larger cash disbursements, the excess spending in this regard had been budgeted for in other line items.

Additionally, the rating agency expects the continued rollout of big infrastructure projects to elevate opex over the medium term, given such projects' maintenance and debt service charges.

While there is a higher likelihood of fiscal slippage leading up to the 14th GE, there is evidence that the government's budgetary discipline has improved, she added.

"Notably, fiscal slippage for enrolment expenditure has been gradually declining since 2012 while spending on supplies and services was kept at 2.4% of GDP in 2016 and 2017 (2010-2015 average: 3.2%)," she said.

Development expenditure is expected to remain flat at RM46bil (3.2% of GDP) next year. This is lower than the RM52bil average allocation implied under the 11th Malaysia Plan and also the average of 4.6% for 2010-2015.

The slower rise of development expenditure underlines the government's fiscal restraint, given its intention of containing its high debt levels and increasing use of off-balance-sheet sources of financing for large development projects.

Correspondingly, federal government debt remains elevated despite the anticipated decline to 50.9% of GDP by end-2018 (2017 estimate: 51.2%).

The government's hefty debt burden translates into a relatively high debt service-to-revenue ratio of 12.6% in 2018, which is higher than those of Malaysia's regional peers (Thailand: 4.7%; Indonesia 11.7%).

This is exacerbated by higher bond yields following the adjustment of the Foreign Exchange Administration rules in November 2016.

Pekeliling Perbendaharaan

- BUSINESS
- AGENCY
- STAFF

MOF Services

- Online Services <
- Mobile Application
- Microsite <
- e-Participation & Feedback <
- Statistics & Performance <
- Links <
- Agency <

Contact Us

Ministry of Finance Malaysia
No. 5 Persiaran Perdana Presint 2,
Federal Government Administrative Centre,
62592 WP PUTRAJAYA

☎ 03-8000 8000

📅 03-88823893 / 03-88823894

✉ [pro\[at\]treasury\[dot\]gov\[dot\]my](mailto:pro[at]treasury[dot]gov[dot]my)



[Privacy Policy](#) | [Security Policy](#) | [Disclaimer](#) | [Site Map](#) | [Help](#) | [Archives](#) | [Poll](#)

© **Copyright Ministry of Finance Malaysia.**

Best display using internet browsers Safari , Chrome or Firefox of the latest.

Last Updated: **18 February 2020** | Total Visitor: **27637216**

[Search - K2](#)

[Search - Categories](#)

[Search - Contacts](#)

[Search - Content](#)

[Search - News Feeds](#)

[Search - Web Links](#)

[Search - Advanced](#)