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Finance Minister Lim Guan Eng says the PH government has achieved about RM805 million in savings through the renegotiation of several infrastructure projects.- NSTP/LUQMAN HAKIM ZUBIR

KUALA LUMPUR: Malaysia's fiscal position is strengthening and the economy will regain its lustre by 2021, leading to the return of the country's status as an 'Asian Tiger', said Finance Minister Lim Guan Eng.

He said the government has been endeavouring to reduce its current debt and liabilities of RM1.087 trillion – or 80.3 per cent of Malaysia's gross domestic product (GDP) – to 65 per cent of GDP by 2021 through various initiatives. These include the renegotiation of mega projects like the mass rapid transit (MRT) development in the capital city.

Debt reduced by 5.5 per cent

After being appointed as Finance Minister following Pakatan Harapan's (PH) victory in the 14th general election last year, Lim announced that government debt and liabilities exceeded RM1 trillion – a figure which fuelled market anxiety and raised the prospect of a credit-rating downgrade. The figure included federal government debt of RM686.8 billion and guarantees of RM199.1 billion.

"After a six to seven-month effort by the government, the debts and liabilities were reduced to RM1.07 trillion – a reduction of RM17 billion.

"From the aspect of percentage of GDP, it was (a) 5.5 per cent (reduction)," he said during a special interview with Bernama ahead of the first year anniversary of PH's administration of the federal government.

RM805 million in savings

Lim said that the PH government has achieved about RM805 million in savings through the renegotiation of several infrastructure projects; and a projected RM4 billion has been raised through the Sales and Services Tax (SST).

“Seen from the point of view of performance, although we faced much pressure from the aspect of finance, Malaysia (was not bankrupted) when the Goods and Services Tax (GST) was abolished,’ he added.

The savings were used to bail out Tabung Haji and Felda, which needed financial injections of RM17.8 billion and RM6.23 billion, respectively, following corruption scandals involving the previous administration.

“We initially thought we could use the savings to pay off 1Malaysia Development Berhad’s (1MDB) debts – (but we could not),” he said.

In other developments, Lim said the government has begun the process of repaying tax refund arrears of RM37 billion left by the previous government. He said the process started in January this year and will be completed by October.

FDIs rise by 48 per cent

Malaysia’s foreign direct investments (FDIs) across all sectors stood at RM80.5 billion in 2018 – constituting an increase of 48 per cent; while exports and the current account have remained in positive territory.

Lim pointed out that international rating agencies have maintained their A3 ratings for Malaysia; and that inflation is being well managed at 0.4 per cent as of February this year.

“Although we faced financial problems following the 1MDB scandal, the confidence of foreign investors remains strong – and they also maintained the level of Malaysia’s credit rating.

“So, this is a test that Malaysia passed in terms of managing the economy and the fiscal position,” Lim added.