Friday, Sep 27 2019

Lim said this means that the government will be raising a nett direct debt of RM52 billion as planned in the Budget tabled last year. — Picture by Firdaus Latif

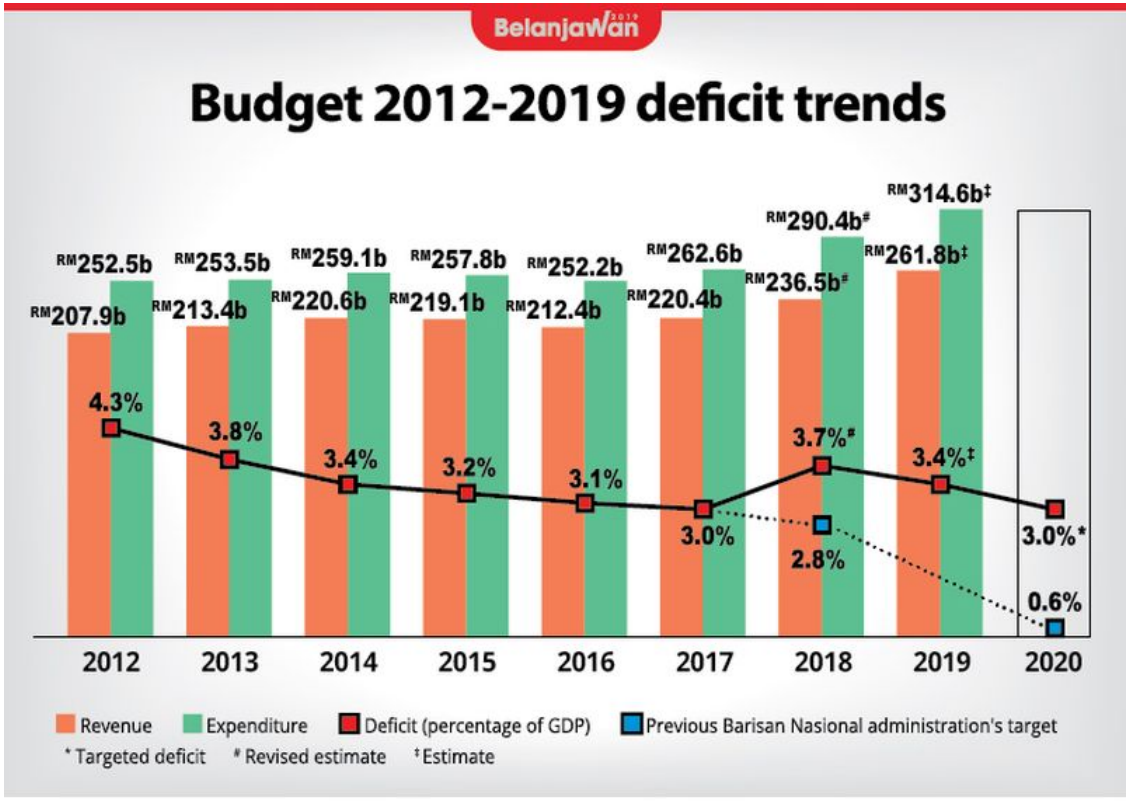
KUALA LUMPUR, 26 SEPT -The federal government will be able to meet its target and achieve a 3.4 per cent fiscal deficit-to-Gross Domestic Product (GDP) ratio for 2019, the Ministry of Finance said today.

Its minister Lim Guan Eng said this means that the government will be raising a nett direct debt of RM52 billion, which is to be allocated specifically for development expenditure purposes for the year, as planned in the Budget tabled last year.

"The government is on track to meet the 3.4 per cent target, which is lower than the 3.7 per cent of GDP fiscal deficit or RM53 billion recorded in 2018.

"The funds raised are entirely allocated for the purposes of development expenditure such as roads and infrastructure for the public," he said in a statement.

Last year, Pakatan Harapan revised its deficit-to-GDP ratio from 2.8 per cent to 3.7 per cent after taking over Putrajaya, and also abandoned the previous federal government's target of a balanced budget by 2020.



Note:
- BN's budget deficit target for 2020 was revised to 0.6% from the initial 0%; Pakatan Harapan has revised it to 3.0%.
- The total expenditure figures are based on the operating expenditure and gross development expenditure.

Sources: Treasury's Economic Report, Treasury's Fiscal Outlook, Budget speeches

Graphics: malaymail

Lim also rubbished allegations that the government had raised RM58 billion of nett direct debt as of September 26 and therefore has exceeded the planned threshold.

He said such a claim does not take into account two keys factors, first of which is how debts are issued and redeemed by the government in yearly and not monthly redemption schedules.

This comes as Putrajaya aims to raise its gross direct debt to RM135.7 billion while redeeming RM83.3 billion — RM38.8 billion redeemed between January and August, and the remaining RM44.5 billion between September and December. Secondly, Lim explained that yearly fluctuation of debt issuance and redemption should also be taken into account, as this is practiced to regularise Putrajaya's cashflow.

He said debt issuance will seem comparatively larger during the first half of the year, since government's revenue collections will only rise during the second half of the year.

"In short, nett direct debt figures should be analysed from the yearly perspective, not monthly, accounting for the full-year issuance and redemption plan. "Any attempts to jump to conclusions based on mid-year or incomplete data are clearly intended to mislead and does not reflect the true financial position of the government," he added.

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