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Bernama - Government Plans To Raise Statutory Debt Limit To 60
Percent Of GDP

☐ Thursday, Aug 06 2020☐ ☐


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Ministry of
Finance Malaysia
No. 5 Persiaran
Perdana Presint 2,

KUALA LUMPUR, 6 August -- The Finance Ministry is seeking to raise the country's statutory debt limit to 60 per cent of the Gross Domestic Product (GDP) from 55 per cent at present.

Finance Minister Tengku Datuk Seri Zafrul Aziz said the ministry today tabled for first reading the Temporary Measures For Government Financing (Coronavirus Disease 2019) Bill 2020 which aimed at revising the self-imposed debt ceiling, among others.

"The higher debt amount is to finance the deficit, taking also into consideration the implementation of the economic stimulus and recovery packages through direct fiscal injection," he said in the winding-up debate for his ministry on the royal address at the Dewan Rakyat today.

Tengku Zafrul said the accumulated debt-to-GDP ratio, which was set at 55 per cent, included Malaysian Government Securities (MGS), Malaysian Government Investment Issue (MGII) and Malaysian Islamic Treasury Bills.

The government would focus on preserving fiscal discipline, as it was committed to reducing the fiscal deficit level to below four per cent in the medium term, he said.

The minister said the fiscal deficit was expected to rise to 5.8-6.0 per cent of GDP this year due to the COVID-19 crisis and fiscal injection for the economic stimulus packages which were fully funded through domestic borrowings.

However, he noted that this would still be lower than the 6.7 per cent deficit recorded during the 2009 Global Financial Crisis.

The country's financial ecosystem was highly resilient, Tengku Zafrul said, noting that its banking institutions had capital buffers of RM121 billion now -- three times larger than during the 2009 crisis.

On the government's financial situation, he said it remained solid thanks to the government's debt management capability.

"Until now, the government has never failed to refinance and repay its debts. At this time, the government has two fiscal discipline management methods, namely discipline through legislation and through self-discipline," he said in reply to a question from Datuk Seri Tajuddin Abdul Rahman (BN-Pasir Salak).

Meanwhile, to a question posed by Tony Pua (PH-Damansara), Tengku Zafrul said the country's direct debt stood at about RM854 billion while liabilities amounted to RM1.2 trillion.

"This does not mean our country will go bankrupt as bankruptcy may be determined based on the government's ability to settle debts within the prescribed period," he said.

-- BERNAMA

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