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Government consistent in explaining statutory debt – MoF

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KUALA LUMPUR, March 22 – The government has always been consistent in explaining the statutory debt, whether in Parliament or to the media, and the statutory debt is always referred to as comprising Malaysian Government Securities (MGS), Malaysian Government Investment Issues (MGII) and Malaysian Islamic Treasury Bills (MITB), Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz said.

He said such transparency is also reflected in the annual Fiscal Outlook report.

“There have been many questions on Malaysia’s government debt lately, including how it is defined, how it has increased and whether the current statutory debt limit should be revised given the various stimulus packages launched in the past one year.

“The Federal Government debt consists of all types of debt, both domestic and external,” he said in a statement today, stressing that the government continues to adhere to the limits of each type of debt under its respective governing stature to ensure the country’s fiscal discipline.

In addition, Tengku Zafrul said that all these have been clarified with, and accepted by international ratings agencies and analysts.

Outside of these Acts, domestic debt also includes Sukuk Perumahan Kerajaan, which are pre-2016 public housing loans, forming only around three per cent of the total Government debt.

Since 2016, the Public Sector Home Financing Board (LPPSA) has been responsible for financing all housing loans by civil servants.

Meanwhile, the external debts or offshore borrowings are those meant for projects such as Japan International Cooperation Agency or Islamic Development Bank loans and market loans (such as global sukuk or Samurai bonds).

The External Loans Act 1963 has also imposed a limit on these at RM35 billion, which is strictly adhered to.

Tengku Zafrul said when the Ministry of Finance (MoF) reported that as of end-2020, the statutory debt was RM820.7 billion or 58.0 per cent of Gross Domestic Product (GDP), and was projected to reach 58.5 per cent in 2021, the Government was referring to the legal definition which includes MGS, MGII and MITB (as defined and provided for in the COVID-19 Act).

Should the offshore and other borrowings were included, the Federal Government debt would then total to RM879.6 billion or 62.2 per cent of GDP.

“Prior to COVID-19, the 55 per cent of GDP cap was a government self-imposed limit applied to both domestic and external debts. However, when COVID-19 struck, the country needed more fiscal flexibility to save lives and livelihoods.

“As such, the Parliament approved the Temporary Measures for Government Financing [Coronavirus Disease 2019 (COVID-19)] Act 2020 (COVID-19 Act) to increase the limit to 60 per cent of GDP for MGS, MGII and MITB,” he said.

Tengku Zafrul stressed that this Act was passed with the support of almost all Members of Parliament then, which has enabled the government to disburse more direct aid to the B40 and micro SMEs, saving jobs through wage subsidies and supporting businesses.

At the same time, the higher debt ceiling also allows the Government some buffer, particularly in directing additional aid to the people who are worst affected.

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