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MEDIA RELEASE

MINISTRY OF FINANCE MALAYSIA

EXPLAINING TH E FACTS BEHIND MALAYSIA'S RM1 TRILLION OF LIABILITIES

The former Prime Minister, Dato' Seri Najib Razak has issued a statement criticizing the present Government's announcement that our debt is now RM1 trillion. He said it "will just unsettle the financial markets, alarm the credit rating agencies and investors confidence in our institutions such as our Bank Negara Malaysia".

We would like the explain that the new Government will carry out our administration based on the principles of competency, accountability and transparency (CAT). We want to establish the true baseline on the state of financial affairs, diagnose the problems and then prescribe all necessary remedies.

Let me take this opportunity to explain the RM1 trillion worth liabilities as at 31 December 2017 as previously announced.

1. The official Federal Government Debt is **RM686.8 billion (50.8% of GDP)**.
2. In addition, the Government is already committed to pay for Government Guarantees for various entities who are unable to service their debts. This amounts to **RM199.1 billion (14.6% of GDP)**.

The committed government guarantees would include entities such Danainfra Nasional Bhd (RM42.2 billion), Govco Holdings Bhd (RM8.8 billion), Prasarana Malaysia Bhd (RM26.6 billion), Malaysia Rail-link Sdn Bhd (RM14.5 billion) as well as an estimated RM38 billion for 1MDB.1

Based on the two items above, the Federal Government debt would amount to RM885.9 billion. This represents the 65.4% of the GDP as highlighted by the Prime Minister, Tun Dr Mahathir Mohamad yesterday.However, in addition to the above, the Federal Government has also been committed and obligated to make lease payments (including rental, maintenance and other charges), for a whole list of "Public Private Partnership" (PPP) projects such as the construction of schools, hostels, roads, police stations, hospitals etc. The lease commitments which were designed specifically to circumvent the Federal Government guarantee and debt limits, amounts to **RM201.4 billion (14.9% of GDP)**.

Hence, the Federal Government debt and liabilities amount to a total of **RM1,087.3 billion or 80.3% of the GDP** as at 31 December 2017.

Malaysians are rightly concerned with our debt situation, as we did when we were in the Opposition.

3. However, let me emphasize that the obligations and financial commitments of the Federal Government are unchanged before 9 May and after elections today. The only change is that the new Federal Government has decided to call a spade a spade. This new Government puts the interest of the people first, and hence it is necessary to bite the bullet now, work hard to solve our problems, rather than let it explode in our faces at a later date. In the short term, this decision to tell the truth may unnerve Dato' Seri Najib Razak. However, we firmly believe that in the medium term, by recognizing our true debt situation today, it will enable the Federal Government to take concrete actions to regularize and strengthen our financial state.

I would like to thank and credit the professionalism of the Treasury officials led by Deputy Secretary-General, Datuk Siti Zauyah Mohd Desa in preparing and presenting all the relevant information without fear or favour. This was done without any interference from politicians attempting to manipulate the figures and hide our real debt and obligations.

Having engaged intensively with the Treasury team over the past few days, including listening to various constructive proposals and suggestions to resolve these difficult challenges, I am confident that we can overcome them.

Let me emphasize that the fundamentals of the economy remains strong. The financial sector is stable, the banking sector is well-capitalised and there is sufficient liquidity in the market.

We believe that with the new administration focused on CAT, investor confidence will only be strengthened over time. Together with the commitment of the new Government as well as the support of Malaysians all over the country, we will definitely succeed in saving our country.

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Finance Minister
Putrajaya
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