



MEDIA RELEASE MINISTER OF FINANCE MALAYSIA YB TUAN LIM GUAN ENG

DEBT MANAGEMENT COMMITTEE (DMC) MEETING STATEMENT

On 2 December 2019, the Debt Management Committee (DMC) convened and discussed action plans to manage the Government's debt and liabilities. In particular, the Committee highlighted the importance of containing government guarantees (GG) and public-private partnership (PPP) obligations in order to avoid unnecessary intergenerational transfers of debt burden, where our children will be paying our debts.

The DMC endorsed the Federal Government's 2020 Borrowing Programme, which include the option of issuing another tranche of the Samurai bond. Furthermore, the Committee evaluated existing and additional GG facilities, and new best practices in assessing and monitoring contingent liabilities using the latest fintech.

The Government is committed to consolidate its overall debt and liabilities. In the medium-term, the Government targets to lower its debt and liabilities to 65% of GDP by end-2025, from 77.1% as of end-June 2019. The debt and liabilities comprised the Government's direct debt, committed government guarantees, 1MDB debt and other liabilities, namely Public-Private Partnership (PPP), Pembinaan BLT Sdn Bhd (PBLT) and private finance initiative (PFI).

As presented in the 2020 Fiscal Outlook and Federal Government Revenue Estimates report, the Government's debt and liabilities decreased from 79.3% of GDP in 2017 to 77.1% of GDP by end-June 2019 (**Table 1**).

Table 1: The Government's debt and liabilities relative to the GDP

Componet	End-2017	End-June 2019
Direct debt	50.1%	52.6%
Committed government guarantees	7.4%	10.4%
1MDB	2.8%	2.1%
Other liabilities (PPP, PBLT, PFI)	19.0%	12.0%
Total	79.3%	77.1%

External debt versus direct debt

I would like to take this opportunity to correct public misconception about external debt. External debt is different from the Government's direct debt. Unlike direct debt issued directly by the Government, external debt comprises individual, corporate and government debt held by foreigners, as well as offshore borrowings and non-resident deposits.

As published by Bank Negara Malaysia, Malaysia's total external debt stood at RM931.1 billion as of end-June 2019. However, only RM190.0 billion of the external debt belonged to the Government through its direct debt.

Furthermore, the direct debt at most had increased RM94.1 billion since the Pakatan Harapan took over the Government until end-June 2019 (**Table 2**). The RM94.1 billion increase in direct debt financed the development expenditure, fiscal deficit and debt repayments (including 1MDB).

Table 2: Change in direct debt from Q1 2018 to Q2 2019

Period	Value of direct debt
First quarter 2018	RM705.0 billion
Second quarter 2019	RM799.1 billion
Difference	RM94.1 billion

The RM94.1 billion direct debt increase is in stark contrast to the oft-repeated mistaken claim that direct debt had increased by RM245 billion, as made by irresponsible parties.

Finally, total 1MDB debt including its interest is RM50.5 billion, which will only be fully paid off by 2039. The Government will have paid RM13.9 billion to finance debt and interest relating to 1MDB and SRC International Sdn Bhd (SRC) from 2017 until 2020. The RM13.9 billion payments for 1MDB and SRC by the Government is a direct loss to the people that could have been used for the country's welfare instead.

Sayangi Malaysiaku!

Lim Guan Eng

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