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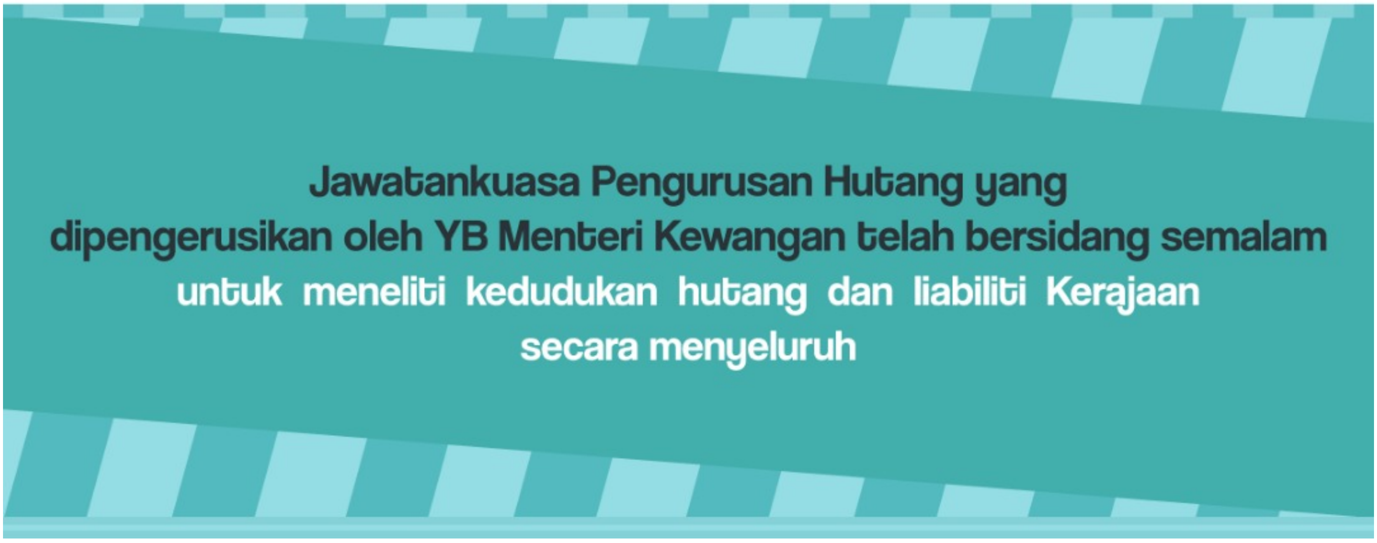
MEDIA RELEASE
MINISTRY OF FINANCE MALAYSIA

DEBT MANAGEMENT COMMITTEE MEETING STATEMENT

KEMENTERIAN KEWANGAN MALAYSIA



The Debt Management Committee (DMC) chaired by the Minister of Finance convened yesterday and discussed the Government's overall debt and liabilities comprehensively, taking into account the Government's cash obligations and long-term commitments. The Committee was established following approval from the Prime Minister and its membership comprises:

1. Chief Secretary to the Government, Datuk Seri Dr Ismail Bin Hj Bakar;
2. Treasury Secretary-General, Datuk Ahmad Badri Bin Mohd Zahir;
3. Secretary-General to the Ministry of Economic Affairs, Dato' Saiful Anuar Bin Lebai Hussen;
4. Bank Negara Malaysia (BNM) Governor, Datuk Nor Shamsiah Mohd Yunus;
5. Securities Commission Malaysia (SC) Executive Chairman, Datuk Syed Zaid Albar;
6. Permodalan Nasional Berhad (PNB) Group Chairman, Tan Sri Dr Zeti Akhtar Aziz;
7. Accountant-General of Malaysia, Datuk Saat Bin Esa;
8. PricewaterhouseCoopers (PwC) Malaysia Executive Chairman, Datuk Mohammad Faiz Azmi
9. Economic Advisor to the Prime Minister of Malaysia, Dr Muhammad Abdul Khalid

As of end-2018, the total debt and liabilities of the Government stood at RM1.1 trillion, or approximately 75.4% of the GDP. This was partly due to a RM54.2 billion rise in direct government debt to RM741.0 billion from RM686.8 billion in the previous year. The rise in debt was used to finance the fiscal deficit, especially for expenditure arising from PPP lease commitments and off-budget spending that were previously not transparently included in the budget.

Total committed government guarantees that are paid by the Government, to finance ongoing public transport projects like ECRL, MRT and LRT, also rose. The increase in committed government guarantees was not caused by any new infrastructure projects but instead, was due to the need to finance existing ones. In other words, the rise in liabilities is to fund projects that were approved under the previous administration.

The Government is committed towards fiscal consolidation, as well as the consolidation of its debt and liabilities. The Committee will identify measures to reduce the level as well as improve the management of government debt and liabilities. These measures will include evaluation of high-cost projects and identification of government-guaranteed debt to be restructured. This measure is needed because the debt service charge for various financial obligations is preventing the Government from funding other more productive programmes and projects.

At the moment, the issuance cost of some government-guaranteed debt are similar to those issued by domestic corporate entities with AAA credit rating. However, the issuance cost of any debt backed by government guarantee should be approximately equivalent to government papers like the Malaysian Government Securities (MGS). As of 31 May 2019, the coupon rate for 10-year MGS stood at 3.78% p.a. which was among the lowest rates enjoyed by the Government in recent history.

Additionally, the Committee will review all acts, procedures and legal requirements relating to issuance of direct government debt, government guarantees and other government commitments.

The Government will proceed with its fiscal consolidation in order to ensure there is sufficient fiscal space to address future crisis, without adversely affecting the performance of the domestic financial market, while supporting economic growth. The Government is confident that these measures will help to maintain our sovereign credit ratings at A3 and A-.

Ministry of Finance Malaysia
Putrajaya
1 June 2019