Friday, Sep 27 2019

MEDIA RELEASE
MINISTER OF FINANCE MALAYSIA

THE FEDERAL GOVERNMENT IS ON TRACK TO MEET ITS DEFICIT TARGET OF 3.4% OF 2019 GDP, AND WILL RAISE RM52 BILLION WORTH OF NET DIRECT DEBT FOR DEVELOPMENT EXPENDITURE PURPOSES THIS YEAR

The Federal Government is on track to meet its deficit target of 3.4% of 2019 GDP,and will raise RM52 billion worth of net direct debt for development expenditure purposes this year.

The RM52 billion worth of net direct debt for this fiscal year was planned in the 2019 Budget tabled last year. The planned RM52 billion fiscal deficit will translate into 3.4% of 2019 GDP. The Government is on track to meet the 3.4% target, which is lower than the 3.7% of GDP fiscal deficit or RM53 billion recorded in 2018. The funds raised are entirely allocated for the purposes of development expenditure such as roads and infrastructure for the public.

Allegations that the net direct debt raised to date, or RM58 billion as 26 September 2019, has already exceeded the budgeted RM52 billion for the full year are baseless and false. This is because the RM58 billion figure fails to take into consideration twokey factors

First and most importantly, the government issues and redeems its debt and securities regularly each year based on its yearly debt issuance and redemption schedule. For the whole year, the Government plans to raise RM135.7 billion worth of gross direct debt while redeeming RM83.3 billion in return. Specifically, RM38.8 billion has been redeemed in the January-August 2019 period and another RM44.5 billion will be redeemed in the September-December 2019 period.

Hence, looking merely at the current net direct debt figure without taking into consideration the planned redemption of debt and securities for the remainder of the year would give a grossly inaccurate picture of the country’s debt levels. It deliberately distorts the picture by looking at the monthly picture instead of the entire year, as the annual budget is done on a yearly and not monthly basis.

Table 1 below shows the planned issuance and redemption of direct debt by the Government which clearly indicates net direct debt will increase RM52.4 billion only, as budgeted and approved by the Parliament in December 2018.

Table 1: The Government’s issuance and redemption schedule for its securities.

Period	Gross issuance	Redemption	Net issuance
Jan-Aug	RM102.2 billion	RM38.8 billion	RM63.4 billion
Sep-Dec	RM33.5 billion	RM44.5 billion	(RM11.0 billion)
Total in 2019	RM135.7 billion	RM83.3 billion	RM52.4 billion

*Note: As of 26 September 2019, net issuance for the year was RM58 billion based on Bank Negara Malaysia's Bond Info Hub database.

Secondly, issuance and redemption of debt necessarily fluctuates throughout the year in order to regularise the cashflow of the Government. The issuance of debt will always be proportionally higher in the first half of the year because the revenue collection for the Government is always lower in the same period. Correspondingly, the redemption of debt will always be higher in the second half of the year because the Government will collect higher revenues during this period.

Table 2 demonstrates the upward trend of government revenue from quarter to quarter in 2017 and in 2018.

Table 2: Quarterly government revenue in 2017 and 2018

Quarter	Year 2017 (RM billion)	Year 2018 (RM billion)
First	46.6	54.3
Second	50.7	52.5
Third	58.7	58.9
Fourth	64.6	67.2

In short, net direct debt figures should be analysed from the yearly perspective, not monthly, accounting for the full-year issuance and redemption plan. Any attempts to jump to conclusions based on mid-year or incomplete data are clearly intended to mislead and does not reflect the true financial position of the Government. This has been the customary financial practice for the Government even in the past, and those claiming otherwise despite being part of the previous government is being dishonest.

Bear in mind that revenue collected will be also be used to pay off our existing debt and liabilities, such as 1MDB debt. The Pakatan Harapan government is committed towards fiscal consolidation to reign in the excessive debts chalked up by the previous regime. The Government is on track towards meeting its goals and targets set for 2019.

Sayangi Malaysiaku!

Lim Guan Eng

Minister of Finance
Ministry of Finance Malaysia
Putrajaya
26 September 2019