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# Najib: Federal debt at 53.2% means moderately indebted

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*Development expenditure met by the loans is productive expenditure that can buttress economic growth, says Najib*

by P PREM KUMAR

THE federal government's debt remains healthy and manageable, said Prime Minister Datuk Seri Mohd Najib Razak.

The debt amounted to RM655.7 billion or 53.2% of the country's gross domestic product (GDP) as at end-June 2016, which categorises Malaysia as a moderately indebted country, Najib said in Dewan Rakyat yesterday.

Up to 95.9% or RM628.8 billion of that sum was domestic debt, while 4.1% or RM26.9 billion was offshore borrowings, he said during the Special Ministers' Question Time, in response to a query from Kota Tinggi MP Datuk Noor

Ehsanuddin Mohd Harun Narrashid.

Noor Ehsanuddin asked about the federal government's latest debt position and government guarantees, based on the recently tabled Budget 2017.

Najib said the borrowings of the federal government were aimed at meeting deficits that arose as a result of lack of revenue to finance government development expenditure.

"This development expenditure met by the loans is productive expenditure that can buttress economic growth and bring benefits to the people, through construction of schools, hospitals, roads and dams," he said.

Najib, who is also finance minister, said the development expenditure also indirectly has benefitted the private sector to implement various programmes and economic activities.

The government has a self-imposed debt ceiling of 55% of GDP, above which is regarded as unhealthy position.

In the meantime, he said the

amount of guarantees provided by the government up to June 2016 stood at RM180.9 billion or 14.7% of the GDP.

"The guarantees are given to public entities that implement infrastructure projects such as Prasarana and PTPTN (National Higher Education Fund Corp), which are involved in infrastructure construction such as light rail transit, mass rapid transit and the provision of student loans for higher education," he added.

He reiterated the government's commitment to ensure the debt level did not exceed 55% of the GDP.

Replying to a supplementary question on government measures to avoid debt from continuing to rise in the future, Najib said the government would ensure the expenditure does not exceed revenue, with surplus in terms of government current account.

"We must ensure the loans are used to develop the economy and enhance national economic activities. We also

give priority to domestic borrowings, and with such measures, including prudent, efficient and effective spending that focusses on its outcome, God willing, we can manage the national debt to be under control," he said.

Replying to Kepong MP Dr Tan Seng Giaw, who wanted to know where the offshore loans were conducted, Najib said a large portion was from bonds issued by the government and subscribed by the international community.

"We do this because, to some extent, it signals that they have confidence in the management of the national economy of Malaysia or vice versa," he added.

In March, Najib had said the federal government guaranteed loans worth RM177.7 billion or 15.4% of the GDP, for national infrastructure projects.

The federal government's sovereign debt level stood at RM630.5 billion as of end of 2015, or 54.5% of the country's GDP.