

**Najib Sees Malaysia Escaping Fitch Rating Cut**  
**Bernama**  
**14 Oct, 2013**

KUALA LUMPUR, Oct 14 (Bernama) -- Prime Minister Datuk Seri Najib Tun Razak said he believes that Malaysia can avoid a cut to its credit rating while the government will try its "level best" to prevent a breach of its self-imposed sovereign debt ceiling.

"We will manage it. We're very closely monitoring how we manage our macro position as well as our fiscal and debt to make sure that we will not be downgraded," Najib said in an interview with Bloomberg at his Putrajaya office last Friday.

According to Bloomberg, Najib raised subsidised fuel prices for the first time since 2010 and said he'd delay some public projects after Fitch Ratings cut Malaysia's credit outlook to negative in July, citing rising debt levels and a lack of budgetary reform.

The country, which has a long-term foreign currency-denominated rating of 'A-' at Fitch, has run annual budget deficits every year starting in 1998, it said.

At 53.3 per cent, Malaysia's debt-to-gross domestic product ratio is the highest among 12 emerging Asian markets after Sri Lanka, according to data compiled by Bloomberg.

Moody's Investors Service said last month the budget gap may exceed Najib's target of four per cent of gross domestic product (GDP) this year and warned fiscal targets will become "increasingly out of reach" unless further measures are taken.

Moody's rates Malaysia government bonds 'A3' with a stable outlook.

"The government will further cut state subsidies, broaden its tax base and manage spending 'prudently'," said Najib, who is also Finance Minister, without elaborating.

The Cabinet will meet before the 2014 budget is released Oct 25 to decide if there's enough public support to introduce a goods and services tax (GST), he said.

#### TAXING CHALLENGE

"We are quite positive on Malaysia. They are on a fiscal consolidation path and they will boost the revenue base if the government can push through the GST in the coming budget.

"A sub-three per cent fiscal deficit could happen in 2016, if not in 2015 as per the official aim," said Enrico Tanuwidjaja, a Singapore-based economist at Nomura Holdings Inc.

The ringgit has fallen 3.9 per cent this year, the fifth worst performer among 11 most traded Asian currencies tracked by Bloomberg.

The currency could gain over time if the nation's fundamentals remain strong, said Bank Negara Governor Tan Sri Dr Zeti Akhtar Aziz in an Oct 12 interview with Bloomberg News in Washington.

"We believe that, over the medium term, yes, it should reflect underlying fundamentals, and if the underlying fundamentals remain strong, then over time it should be an appreciating trend," said Zeti, predicting stronger economic growth in 2014.

The government earlier planned to introduce a four per cent GST by 2011.

It hasn't said what the rate may be if it now goes ahead.

#### LEVEL BEST

"We are one of the very, very few countries in the world which doesn't have a GST.

"But there are challenges. Anything to do with any new form of tax, like consumption tax in Japan, carbon tax in Australia, these are big issues that cannot be easily decided," said Najib, who was returned to power in a general election in May.

The government will "try our level best" not to go beyond its debt ceiling of 55 per cent of GDP, said Najib, a UK-educated industrial economics graduate.

If Malaysia can achieve five to six per cent GDP growth "we should be able to manage the debt ceiling," he said.

"The weakening external global economy is of concern to us," he said.

South-East Asia's third-largest economy withstood faltering overseas demand in the past year as Najib gave handouts to voters and boosted investment ahead of the May vote.

The GDP expanded more than four per cent in each of the 15 quarters through June 2013.

#### STATE GUARANTEES

"This year we should be able to get somewhere between four and five per cent growth.

"I think probably slightly beyond 4.5 per cent. That's the best estimate that we have currently, the Prime Minister said.

With state guarantees added to public debt the government's credit exposure was 70.2 per cent of GDP as of the end of the second quarter, up from 66.6 per cent a year earlier, Bank of America Corp said in a report on Sept 17.

"It's not so much the level of debt, it's the ability to pay.

"Fortunately, most of our debts are long-term debts and are domestic debts, so we think we will be able to manage them," said Najib.

1Malaysia Development Bhd, a sovereign wealth fund better known as 1MDB, has accumulated total bonds and outstanding loans of about RM30 billion (US\$9.4 billion) since it was formed four years ago, according to data compiled by Bloomberg.

The Kuala Lumpur-based fund has acquired RM12 billion of energy assets in the last two years.

It is also building a new financial district in the capital called Tun Razak Exchange, named after Najib's late father, Malaysia's second prime minister.

"It has borrowings, but its total assets exceed its borrowings.

"We've got a few projects and programmes in mind that will really strengthen 1MDB," Najib said of 1MDB.

The fund is talking to potential US investors about venturing into solar energy, said the Prime Minister, who is chairman of the fund's advisory board.

1MDB came under scrutiny in Parliament in July after hiring Goldman Sachs Inc to help manage US\$6.5 billion of bond sales to fund expansion.

The US bank made about US\$500 million in commissions and trading gains, said Bloomberg, citing a person familiar with the matter, on May 9.

"If you talk in terms of international scale of fees, I think that's within a margin.

"Goldman Sachs has got certain ability and name in the market and they are able to deliver what's been required. In terms of that relationship, 1MDB is quite happy with what Goldman Sachs has done," said Najib.

-- BERNAMA

Copyright © 2013 BERNAMA

Source: <http://www.bernama.com/bernama/v7/newsindex.php?id=985613>