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GOVT PLANS TO RAISE LIMIT TO 65PC

Move will provide fiscal wiggle rooms to rejuvenate the economy, say analysts

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THE government plans to raise the country's statutory debt ceiling to 65 per cent of gross domestic product (GDP) from 60 per cent currently.

Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz said yesterday the government would seek the cabinet's approval next week to increase the limit before tabling it in the Parliament.

Raising the debt limit would win the government some fiscal wiggle rooms to rejuvenate the economy amid the considerable challenges posed by Covid-19 pandemic, said analysts.

"At the moment, we are still

below our 60 per cent statutory debt limit at 58 per cent. However, given the commitment of the government to support the people and businesses, our debt-to-GDP ratio will likely go above 60 per cent by year end," said Tengku Zafrul yesterday.

"But even if we do breach it, it will be marginal."

Tengku Zafrul said the government was unlikely to increase borrowings in foreign currency but might opt to raise money by tapping the local ringgit market.

"To a certain extent, we have a limited fiscal space but that has not stopped us from continuing to expand our fiscal policy to support our economy.

"Our fiscal deficit has also gone up and is likely to reach between 6.5 and 7.0 per cent of GDP this year."



Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz says Malaysia's fiscal deficit is likely to reach between 6.5 and 7.0 per cent of gross domestic product this year. PIC BY AZUDDIN SAAD

Tengku Zafrul said the country's fiscal deficit could narrow to 3.0 to 4.0 per cent within four years.

"We should continue with our fiscal consolidation exercise and re-embrace fiscal discipline."

Tengku Zafrul said about 97 per cent of the government's total borrowings were denominated in ringgit.

"We have ample liquidity in the market. We expect to fund more stimulus packages moving forward."

"We expect the economy to recover next year but we will have

to continue to provide support."

Tengku Zafrul said there would be changes to various policies once the adult population in Malaysia had reached 100 per cent vaccination rate.

"This will be discussed again at the next National Security Council meeting.

"The Finance Ministry will be working together with the Health Ministry and other agencies to present to the NSC what it means when the pandemic becomes endemic."

Tengku Zafrul said all economic sectors should be able to re-

sume operations under the new normal guided by a revised set of standard operating procedures.

Meanwhile, he said the government had no overseas debt sale plan and would not re-introduce the Goods and Services Tax (GST) for now.

He said this was because now was not the right time to implement consumption-based tax nor to introduce a new tax as it might affect the economic recovery.

"The government will announce the 2022 Budget on Oct 29 and it will focus on reviving economic growth," he added.