

## SECTION 3

# Debt and Fiscal Risk Management

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## SECTION 3

# Debt and Fiscal Risk Management

## Overview

In 2022, the global economy experienced higher inflation and interest rate as well as continued supply disruption. Consequently, the tightening of monetary policies by central banks has led to the increase in borrowing cost. From the domestic perspective, the Federal Government borrowings remained high to maintain fiscal support and accelerate post-pandemic economic recovery, thus impeding the commitment to consolidate debt to return to pre-crisis level. The exposure from government guarantees (GG) was sustained at a modest level due to pragmatic policy interventions by the Government to overcome the impact of the pandemic on well-being and livelihood of the rakyat. Nevertheless, the Government continues to monitor risks and liabilities exposure as part of efforts to improve risk management towards enhancing fiscal capacity.

## Financing

The Federal Government gross borrowings for 2022 recorded RM230.9 billion or 12.9% of GDP (2021: RM210.1 billion; 13.6%). More than half of the gross proceeds amounting to RM131.5 billion (57%) was utilised for principal repayments, while the balance for deficit financing which included spending for COVID-19 assistance packages. The principal repayments were for maturing Malaysian Government Securities (MGS) of RM29 billion, Malaysian Government Investment Issues (MGII) (RM37 billion), treasury bills (RM56.2 billion), Sukuk Perumahan Kerajaan (SPK) (RM9 billion) and offshore borrowings (RM0.3 billion).

**TABLE 3.1. Federal Government Financing 2021 – 2022**

	RM MILLION		SHARE (%)	
	2021	2022	2021	2022
<b>Gross borrowings</b>	<b>210,140</b>	<b>230,949</b>	<b>100.0</b>	<b>100.0</b>
<b>Domestic</b>	<b>204,863</b>	<b>230,949</b>	<b>97.5</b>	<b>100.0</b>
MGS	83,000	86,500	39.5	37.5
MGII	77,000	85,000	36.6	36.8
Treasury bills	44,863	59,449	21.4	25.7
<b>Offshore</b>	<b>5,277</b>	<b>-</b>	<b>2.5</b>	<b>0.0</b>
Market loans	5,277 <sup>2</sup>	-	2.5	0.0
Project loans	-	-	0.0	0.0
<b>Repayments</b>	<b>109,822</b>	<b>131,528</b>	<b>100.0</b>	<b>100.0</b>
Domestic	106,279	131,262	96.8	99.8
Offshore	3,543	266	3.2	0.2
<b>Net borrowings</b>	<b>100,318</b>	<b>99,421</b>	<b>-</b>	<b>-</b>
Domestic	98,584	99,687	-	-
Offshore	1,734	-266	-	-
<b>Change in assets<sup>1</sup></b>	<b>-1,578</b>	<b>61</b>	<b>-</b>	<b>-</b>
<b>Total deficit financing</b>	<b>98,740</b>	<b>99,482</b>	<b>-</b>	<b>-</b>

<sup>1</sup> (+) indicates a drawdown of assets; (-) indicates accumulation of assets

<sup>2</sup> Amount includes Sustainability Sukuk of USD800 million or RM3,247 million

Source: Ministry of Finance, Malaysia

Domestic borrowings remained as the primary source of funding given the sufficient liquidity in the market. The issuance of MGS registered RM86.5 billion or 37.5% of total gross borrowings, while MGII amounted to RM85 billion or 36.8%. In addition, treasury bills amounting to RM59.4 billion were raised for the Government's cash and liquidity management.

Upon the successful issuance of 2021 global sukuk, the Government continued to further strengthen Malaysia's commitment towards the 2030 Agenda for Sustainable Development. On 30 September 2022, the Government issued an inaugural 15-year Sustainability MGII amounting to RM4.5 billion at a profit rate of 4.662% to enhance Government participation into ESG financing. The issuance received strong demand from investors and was oversubscribed by 2.38 times, reflecting investors' confidence in Malaysia's economic resilience. The primary subscriber for the issuance was local financial institutions (50.3%) followed by institutional investors (38.4%), insurance companies (7.2%) and foreign investors (4.1%). As the Government's first domestic ESG-themed issuance, Sustainability MGII serves as a new benchmark and showcases Malaysia's global leadership in Islamic finance, reinforcing its position as the world's largest sukuk market.

The Federal Government's issuance profile was adjusted to meet various types of investors' needs and enable the Government to raise its borrowings across different tenures. The composition remained tilted towards short- and medium-term instruments (less than 10 years) at 57.3% of total gross borrowings, while long-term instruments (10 years and above) at 42.7%. Overall, the Government weighted average time to maturity for 2022 issuances remained at favourable level of 9.3 years. This is in line with the Government's debt management objectives to reduce rollover risks and ensure a well-spread maturity profile.

The Government received a total bid of RM312.3 billion for MGS and MGII market issuances, registering a bid-to-cover (BTC) ratio of 2.24 times (2021: 2.07 times) of which newly issued papers recorded a slightly higher BTC spread of 3 basis points (bps). In addition, the demand for MGII was significantly higher at 2.43 times compared to MGS at 2.04 times.

The demand for medium-term papers also registered 2.20 times while long-term papers recorded 2.28 times. The stable BTC ratios signalled a strong demand for government securities amid global and domestic economic uncertainties.

The US Federal Reserve (Fed) raised the federal funds rate by 425 bps during 2022 in an ongoing effort to achieve the targeted inflation rate of 2%. The spillover effects from the Fed rate hikes have impacted the performance of foreign flow and MGS yield. BNM has implemented several measures to ensure the domestic financial market remains resilient, among others by increasing the OPR by 100 bps from 1.75% to 2.75%. As at end-2022, the yields for MGS 3-, 5-, 7- and 10-year tenure have widened by an average of 57 bps to 3.645%, 3.843%, 4.040% and 4.370%, respectively. Overall, the Government's weighted average cost of borrowing registered 3.765% in 2022 (2021: 3.299%), primarily due to tightening of monetary policy.

## Federal Government Debt

During the pandemic period, the Government has increased the statutory debt limit from 55% to 65% of GDP through the enactment of the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 [Act 830]<sup>1</sup> to provide fiscal headroom to fund stimulus and economic recovery packages in mitigating the impact of the COVID-19 crisis. Considering the debt-scarring effect from the COVID-19 crisis, as well as continued requirement post-pandemic recovery programmes and projects, the Federal Government has maintained the 65% of GDP statutory limit by gazetting Loan (Local) (Statutory Ceiling for Borrowing) and Government Funding (Statutory Ceiling of Moneys Received) Order 2022 [P.U. (A) 399/2022] which came into operation on 1 January 2023. As at end-2022, the Federal Government

<sup>1</sup> The statutory debt limit under Act 830 has been revised from 60% to 65% of GDP through Act A1635.

**Table 3.2. Debt Legislative**

ACT	STATUTORY LIMIT	END-2022
<b>Loan (Local) Act 1959 [Act 637]<sup>1</sup></b> <b>Government Funding Act 1983 [Act 275]<sup>2</sup></b> <b>Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) (Amendment) Act 2021 [Act A1635]<sup>3</sup></b>	Outstanding MGS, MGII and MITB not exceeding 65% of GDP	<b>57.7% of GDP (RM1,032 billion)</b>
<b>External Loans Act 1963 [Act 403]</b>	Offshore borrowings not exceeding RM35 billion	<b>RM29.5 billion</b>
<b>Treasury Bills (Local) Act 1946 [Act 188]</b>	MTB not exceeding RM10 billion	<b>RM9 billion</b>

<sup>1</sup> Instrument issued under Act 637 is MGS

<sup>2</sup> Instruments issued under Act 275 are MGII and MITB

<sup>3</sup> The statutory debt limit of 55% of GDP under the Act 637 and Act 275 has been temporarily suspended while the Act A1635 remains in force  
Source: Ministry of Finance, Malaysia

debt stood at RM1,079.6 billion or 60.4% of GDP of which the outstanding debt for each instrument remained within the statutory limit specified under the respective Acts.

The Federal Government debt comprises 97.3% of ringgit-denominated securities, while the balance of 2.7% is in foreign currencies which minimises the exposure of foreign exchange risks. Domestic debt recorded RM1,050.1 billion primarily consisted of medium- and long-term securities namely MGS and MGII with a share of 51.2% and 44.9% of the total domestic debt, respectively, as well as SPK amounted RM9.1 billion or 0.9%. Meanwhile, short-dated

instruments namely Malaysian Treasury Bills (MTB) and Malaysian Islamic Treasury Bills (MITB) accounted for RM31.5 billion or 3% of total domestic debt.

Offshore borrowings which consist of market and project loans registered RM29.5 billion of which 64% are denominated in US dollars, 35.7% in yen and 0.3% in other currencies. Market loans comprising global sukuk and Samurai bond stood at RM25.5 billion, while project loans from existing bilateral and multilateral agreements recorded RM4 billion. The DSC for 2022 stood at RM41.3 billion or

**TABLE 3.3. Federal Government Debt by Instrument**  
2021 – 2022

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2021	2022	2021	2022	2021	2022
<b>Domestic debt</b>	<b>950,084</b>	<b>1,050,078</b>	<b>97.0</b>	<b>97.3</b>	<b>61.5</b>	<b>58.7</b>
MGS	480,718	538,178	49.1	49.9	31.1	30.1
MGII	423,266 <sup>1</sup>	471,300	43.2	43.7	27.4	26.3
SPK	18,100	9,100	1.8	0.8	1.2	0.5
Treasury bills	28,000	31,500	2.9	2.9	1.8	1.8
<b>Offshore borrowing</b>	<b>29,730</b>	<b>29,513</b>	<b>3.0</b>	<b>2.7</b>	<b>1.9</b>	<b>1.7</b>
Market loans	25,147	25,543	2.5	2.3	1.6	1.5
Project loans	4,583	3,970	0.5	0.4	0.3	0.2
<b>Total</b>	<b>979,814</b>	<b>1,079,591</b>	<b>100.0</b>	<b>100.0</b>	<b>63.4</b>	<b>60.4</b>
<i>Memorandum item:</i> Non-resident holdings of ringgit-denominated debt securities	241,846	233,208	25.5	22.2	15.6	13.0

<sup>1</sup> Including Sukuk Prihatin  
Source: Ministry of Finance, Malaysia

2.3% of GDP (2021: RM38.1 billion; 2.5%). In terms of DSC-to-revenue, the ratio improved to 14% (2021: 16.3%) as growth in revenue is higher than the DSC. The financing cost for domestic issuances is RM40.6 billion and RM0.7 billion is for offshore borrowings. Given the low proportion of foreign currency debt, the impact of the exchange rate volatility to the cost of external financing is manageable. Despite the increasing global interest rate environment, the weighted average yield for outstanding domestic debt as at end-2022 remained stable at 4.031% (2021: 3.960%).

As at end-September 2022, the composition of resident and non-resident holdings in the Federal Government debt were 75.2% and 24.8%, respectively. Resident investors increased their holdings to RM807.8 billion

(2021: RM712.5 billion), primarily from banking institutions at 31.7% as well as large and long-term institutions at 31.6% such as Employees Provident Fund (24.2%), insurance companies (4.6%) and Retirement Fund (Incorporated) (2.8%). Meanwhile, BNM, development financial institutions and others held 4.1%, 2.1% and 5.7%, respectively.

Non-resident holdings stabled around RM267 billion (2021: RM267.3 billion). A sizable portion of the non-resident investors was collectively held by long-term institutions namely central banks and sovereigns, pension funds and insurance companies at 12%. In addition, fund managers, banking institutions and other non-residents held 7.9%, 4.5% and 0.5%, respectively.

**TABLE 3.4. Federal Government Debt by Holder  
2021 – 2022**

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2021	2022 <sup>3</sup>	2021	2022 <sup>3</sup>	2021	2022 <sup>3</sup>
<b>Resident</b>	<b>712,506</b>	<b>807,794</b>	<b>72.7</b>	<b>75.2</b>	<b>46.1</b>	<b>45.2</b>
Employees Provident Fund	235,712	259,820	24.1	24.2	15.3	14.5
Retirement Fund (Incorporated)	29,436	30,372	3.0	2.8	1.9	1.7
Insurance companies	46,020	49,281	4.7	4.6	3.0	2.8
Bank Negara Malaysia	25,094	44,175	2.6	4.1	1.6	2.5
Banking institutions	303,363	341,209	30.9	31.7	19.6	19.1
Development financial institutions	18,235	22,157	1.9	2.1	1.2	1.2
Others <sup>1</sup>	54,646	60,780	5.5	5.7	3.5	3.4
<b>Non-resident</b>	<b>267,308</b>	<b>266,985</b>	<b>27.3</b>	<b>24.8</b>	<b>17.3</b>	<b>14.9</b>
Fund manager	94,972	85,136	9.7	7.9	6.1	4.8
Central bank and sovereigns	78,880	73,971	8.0	6.9	5.1	4.1
Banking institutions	33,376	47,462	3.4	4.4	2.2	2.7
Pension funds	44,657	46,963	4.6	4.4	2.9	2.6
Insurance companies	7,957	7,943	0.8	0.7	0.5	0.4
Others <sup>2</sup>	7,466	5,510	0.8	0.5	0.5	0.3
<b>Total</b>	<b>979,814</b>	<b>1,074,779</b>	<b>100.0</b>	<b>100.0</b>	<b>63.4</b>	<b>60.1</b>

<sup>1</sup> Include statutory bodies, nominees and trustee companies, co-operatives, securities placed by institutional investors at the central bank and unclassified items

<sup>2</sup> Include individuals, non-financial corporations, multilateral and bilateral institutions as well as unidentified sectors

<sup>3</sup> End-September 2022

Source: Bank Negara Malaysia and Ministry of Finance, Malaysia

## Malaysia's External Debt

As at end-September 2022, external debt<sup>2</sup> grew by 8.1% to RM1,169.4 billion or 65.4% of GDP mainly due to higher offshore borrowings and non-resident deposits as well as foreign currency exchange rate valuation effects following the appreciation of US dollar. Offshore borrowings have increased to RM646.7 billion or 55.3% of the total, largely attributed to the higher interbank borrowings and net foreign currency-denominated loans by the private sector.

Non-resident holdings of ringgit-denominated debt securities and deposits increased to RM365.7 billion contributed by higher deposits of RM111.4 billion. Likewise, other external debt increased to RM157 billion following higher trade credits. Overall, the country's external debt remained manageable given its favourable maturity profile, with medium- and long-term debt constituting a higher share at 58.5% compared to short-term debt at 41.5%. Sufficient balance of international reserves mitigates the refinancing risk of the short-term external liabilities.

<sup>2</sup> The nation's external debt constitutes the public and private sector offshore borrowings, non-resident holdings of ringgit-denominated debt securities, non-resident deposits as well as other external debt.

**TABLE 3.5. External Debt**  
2021 – 2022

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2021	2022 <sup>3</sup>	2021	2022 <sup>3</sup>	2021	2022 <sup>3</sup>
<b>Offshore borrowings</b>	<b>591,958</b>	<b>646,702</b>	<b>54.7</b>	<b>55.3</b>	<b>38.3</b>	<b>36.2</b>
Medium- and long-term debt	391,393	403,545	36.2	34.5	25.3	22.6
Public sector	162,829	160,759	15.1	13.7	10.5	9.0
Federal Government	25,461	25,447	2.4	2.2	1.6	1.4
Public corporations	137,368	135,312	12.7	11.6	8.9	7.6
Private sector	228,563	242,785	21.1	20.8	14.8	13.6
Short-term debt	200,565	243,157	18.5	20.8	13.0	13.6
<b>Non-resident holdings of ringgit-denominated debt securities</b>	<b>255,056</b>	<b>254,327</b>	<b>23.6</b>	<b>21.7</b>	<b>16.5</b>	<b>14.2</b>
Medium- and long-term debt	246,098	238,109	22.7	20.4	15.9	13.3
Federal Government	232,510	225,713	21.5	19.3	15.0	12.6
Others <sup>1</sup>	13,588	12,396	1.3	1.1	0.9	0.7
Short-term debt	8,958	16,218	0.8	1.4	0.6	0.9
<b>Non-resident deposits</b>	<b>99,902</b>	<b>111,401</b>	<b>9.2</b>	<b>9.5</b>	<b>6.5</b>	<b>6.2</b>
<b>Others<sup>2</sup></b>	<b>135,146</b>	<b>157,003</b>	<b>12.5</b>	<b>13.4</b>	<b>8.7</b>	<b>8.8</b>
<b>Total</b>	<b>1,082,061</b>	<b>1,169,433</b>	<b>100.0</b>	<b>100.0</b>	<b>70.0</b>	<b>65.4</b>

<sup>1</sup> Include private sector and public corporations

<sup>2</sup> Comprise trade credits, IMF allocation of Special Drawing Rights and miscellaneous

<sup>3</sup> End-September 2022

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

## Public Sector Debt

As at end-September 2022, the public sector debt which comprises outstanding debt obligations of the Federal Government, state governments, statutory bodies and non-financial public corporations (NFPCs) increased by 7% to RM1,484.8 billion or 83% of GDP, mainly contributed by the Federal Government debt with its share increasing from 70.6% to 72.4% of the total. Statutory bodies guaranteed debt

increased to RM95.2 billion contributed by the net issuance by Public Sector Home Financing Board (LPPSA), Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) and Federal Land Development Authority (FELDA). Meanwhile, the NFPCs debt slightly decreased to RM314.9 billion, mainly attributed to the principal repayments of maturing offshore debts. Public sector debt remains manageable as the debt is significantly denominated in ringgit.



**TABLE 3.6. Public Sector Debt**  
2021 – 2022

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2021	2022 <sup>1</sup>	2021	2022 <sup>1</sup>	2021	2022 <sup>1</sup>
<b>Federal Government</b>	<b>979,814</b>	<b>1,074,779</b>	<b>70.6</b>	<b>72.4</b>	<b>63.4</b>	<b>60.1</b>
Domestic	950,084	1,044,578	68.5	70.4	61.5	58.4
Offshore	29,730	30,201	2.1	2.0	1.9	1.7
<b>Statutory Bodies</b>	<b>91,300</b>	<b>95,168</b>	<b>6.6</b>	<b>6.4</b>	<b>5.9</b>	<b>5.3</b>
Domestic	91,300	95,168	6.6	6.4	5.9	5.3
of which: Guaranteed	91,300	95,168	6.6	6.4	5.9	5.3
Offshore	-	-	-	-	-	-
<b>Non-financial public corporations</b>	<b>316,752</b>	<b>314,856</b>	<b>22.8</b>	<b>21.2</b>	<b>20.5</b>	<b>17.6</b>
Domestic	185,309	185,241	13.3	12.5	12.0	10.4
of which: Guaranteed	185,309	185,241	13.3	12.5	12.0	10.4
Offshore	131,443	129,615	9.5	8.7	8.5	7.2
of which: Guaranteed	27,778	29,268	2.0	2.0	1.8	1.6
<b>Total</b>	<b>1,387,866</b>	<b>1,484,803</b>	<b>100.0</b>	<b>100.0</b>	<b>89.8</b>	<b>83.0</b>

<sup>1</sup> End-September 2022

Source: Bank Negara Malaysia and Ministry of Finance, Malaysia

## Debt and Liabilities Exposure

Debt and liabilities exposure comprise of Federal Government debt, as well as other financial obligations consisting of committed guarantees, 1MDB's debt and other liabilities namely commitments of projects under public-private partnership (PPP) and private financing initiatives (PFI). As at end-2022, total debt and liabilities exposure was estimated at RM1,445.9 billion or 80.9% of GDP.

**TABLE 3.7. Federal Government Debt and Liabilities Exposure**  
2021 – 2022

COMPONENT	RM BILLION		SHARE OF GDP (%)	
	2021	2022 <sup>1</sup>	2021	2022 <sup>1</sup>
Federal Government debt	979.8	1,079.6	63.4	60.4
Committed guarantees	197.3	205.9	12.8	11.5
1Malaysia Development Berhad	32.1	18.2	2.1	1.0
Other liabilities	151.1	142.2	9.8	8.0
<b>Total</b>	<b>1,360.3</b>	<b>1,445.9</b>	<b>88.1</b>	<b>80.9</b>

<sup>1</sup> Preliminary

Source: Ministry of Finance, Malaysia

## Government Guarantees

Total outstanding GGs as at end-2022 was estimated at RM317.6 billion or 17.8% of GDP (2021: RM310.4 billion; 20.1%). There were new issuances by DanaInfra Nasional Berhad (DanaInfra), Prasarana Malaysia Berhad (Prasarana) and Malaysia Rail Link Sdn. Bhd. (MRL) to finance ongoing public transport infrastructure projects, LPPSA to finance housing loan facility for civil servants, PTPTN to fund education loans as well as FELDA for restructuring and rehabilitation exercise. However, the completion of financing term for several GG recipients such as Perbadanan Kemajuan Negeri Pahang and Johor Corporation as well as early debt repayments made by Senai Airport Terminal Services Sdn. Bhd. and Penerbangan Malaysia Berhad has resulted in a moderate growth of GGs at 2.3%.

Loan guarantees which require financial assistance in various forms including provisional allocation for projects during construction or initial stage of operation, working capital assistance and interest repayment are classified as committed guarantees. These projects are mostly high-impact public-centric projects involving provision of infrastructure and transportation, among others. Currently, committed guarantees also include any guarantee provided under Section 14 of the Financial Procedure Act 1957. As at end-2022, committed guarantees was estimated at RM205.9 billion (2021: RM197.3 billion) due to new financing obtained by existing entities such as MRL, DanaInfra and Prasarana for ongoing projects.

Meanwhile, 1MDB total outstanding debt reduced to RM18.2 billion as at end-2022 (2021: RM32.1 billion) following the debt

**TABLE 3.8.** Major Recipients of Loan Guarantees 2021 – 2022

ENTITY	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2021	2022 <sup>2</sup>	2021	2022 <sup>2</sup>	2021	2022 <sup>2</sup>
DanaInfra Nasional Berhad	78,765	82,680	25.4	26.0	5.1	4.6
Prasarana Malaysia Berhad	40,164	42,369	12.9	13.3	2.6	2.4
Public Sector Home Financing Board	38,550	42,250	12.4	13.3	2.5	2.4
Perbadanan Tabung Pendidikan Tinggi Nasional	40,000	41,500	12.9	13.1	2.6	2.3
Malaysia Rail Link Sdn. Bhd. <sup>1</sup>	25,726	30,851	8.3	9.7	1.7	1.7
Projek Lebuhraya Usahasama Berhad	11,000	11,000	3.5	3.5	0.7	0.6
Federal Land Development Authority	6,420	7,918	2.1	2.5	0.4	0.4
Pengurusan Air SPV Berhad	8,025	6,775	2.6	2.1	0.5	0.4
Khazanah Nasional Berhad	9,000	6,500	2.9	2.1	0.6	0.4
Suria Strategic Energy Resources Sdn. Bhd. <sup>1</sup>	7,179	6,485	2.3	2.0	0.4	0.4
<b>Total of major recipients</b>	<b>264,829</b>	<b>278,328</b>	<b>85.3</b>	<b>87.6</b>	<b>17.1</b>	<b>15.6</b>
Other recipients	45,558	39,289	14.7	12.4	3.0	2.2
<b>Total loan guarantees</b>	<b>310,387</b>	<b>317,617</b>	<b>100.0</b>	<b>100.0</b>	<b>20.1</b>	<b>17.8</b>

<sup>1</sup> Subject to currency exchange rate valuation

<sup>2</sup> Preliminary

Source: Ministry of Finance, Malaysia

**TABLE 3.9. Committed Guarantees  
2021 – 2022**

ENTITY	RM MILLION		SHARE (%)	
	2021	2022 <sup>2</sup>	2021	2022 <sup>2</sup>
DanaInfra Nasional Berhad	78,765	82,680	39.9	40.1
Prasarana Malaysia Berhad	40,164	42,369	20.3	20.6
Malaysia Rail Link Sdn. Bhd. <sup>1</sup>	25,726	30,851	13.0	15.0
Urusharta Jamaah Sdn. Bhd.	21,526	22,403	10.9	10.9
Suria Strategic Energy Resources Sdn. Bhd. <sup>1</sup>	7,179	6,485	3.6	3.1
Jambatan Kedua Sdn. Bhd. <sup>1</sup>	5,470	5,421	2.8	2.6
Turus Pesawat Sdn. Bhd.	5,310	4,810	2.7	2.3
GovCo Holdings Berhad	5,700	4,625	2.9	2.3
MKD Kencana Sdn. Bhd.	4,500	4,500	2.3	2.2
TRX City Sdn. Bhd.	1,141	1,150	0.6	0.6
Sentuhan Budiman Sdn. Bhd.	700	600	0.4	0.3
Assets Global Network Sdn. Bhd.	152	51	0.1	0.0
SRC International Sdn. Bhd.	985	-	0.5	-
<b>Total</b>	<b>197,318</b>	<b>205,945</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Subject to currency exchange rate valuation<sup>2</sup> Preliminary

Source: Ministry of Finance, Malaysia

redemption for both 1MDB Energy Ltd in May 2022 and 1MDB Energy (Langat) Ltd in October 2022 utilising funds from the Assets Recovery Trust Account. As such, the Trust Account balance as at end-2022 is estimated at RM1.9 billion which will be utilised to

cover projected interests for remaining debt principals. The redemption of 1MDB Global Investment Limited bond in March 2023 amounting to USD3 billion is allocated in the 2023 Budget. The redemption of 1MDB's final debt principal of RM5 billion will be due in May 2039.

**Table 3.10. 1MDB's Debt  
2022**

COMPONENT	RATE (%)	MATURITY PERIOD	PRINCIPAL (RM BILLION)
<b>Letter of Support</b> Global Investment Limited bond (USD3 billion)	4.44	March 2023	13.2 <sup>1</sup>
<b>Government Guarantee</b> Sukuk	5.75	May 2039	5.0
<b>Total</b>			<b>18.2</b>

<sup>1</sup> Subject to currency exchange rate valuation

Source: Ministry of Finance, Malaysia

## Other Liabilities

As at end-2022, the cash commitments for PPP projects and financial obligations of PFI projects amounted to RM142.2 billion (2021: RM151.1 billion). There are 105 ongoing PPP projects with an estimated cash commitment of RM92.1 billion (2021: RM97.8 billion), whereas outstanding PFI liabilities were estimated at RM50.1 billion (2021: RM53.3 billion). PFI projects include refurbishment of schools, universities, training centres as well as repair and maintenance of Federal Government buildings.

## Updates 2023

The Government will continue its counter-cyclical fiscal policy to build a sustainable and prosperous Malaysia where inclusiveness and equality are embraced by the whole nation in ensuring the well-being of the rakyat. The borrowings for 2023 is expected to reach 12.2% of GDP which include financing for development programmes and projects in the Third Rolling Plan under the 12MP as well as the redemption of 1MDB's bond maturing in March 2023. In addition, the Sustainability MGII will be reopened in the first quarter of the year signifying the Government's commitment to support the sustainable, inclusive and resilient agenda. Borrowings will be primarily sourced from the domestic market given the sufficient liquidity. Consequently, the Federal Government debt is estimated to reach around 62% of GDP by end-2023. The Government is consistently committed to manage indebtedness level in the medium-term while ensuring sustainable growth.

In addition, the implementation of PPP projects will be enhanced through the PPP 3.0 model

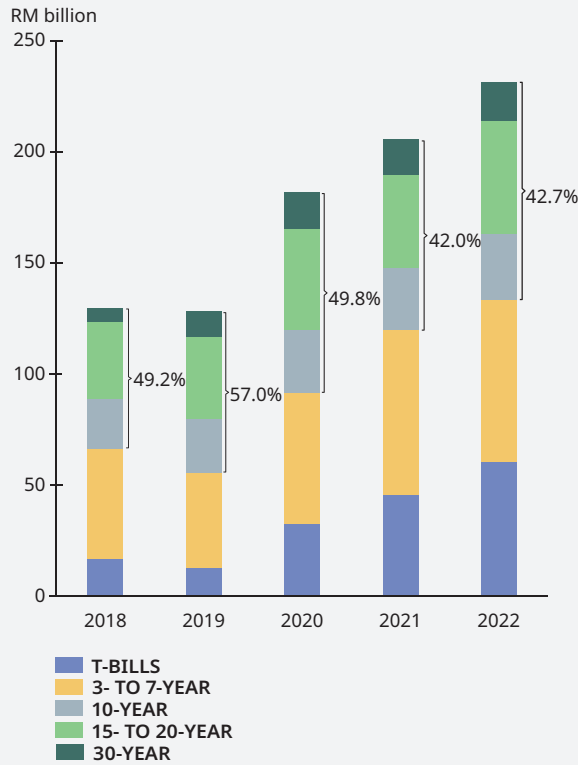
which will provide a strategic framework in terms of governance, service delivery, financing and approach for projects to achieve better outcomes and value for money. Meanwhile, the Government has reiterated emphasis on enhancing governance, plugging leakages and implementing public finance best practices in mitigating further exposure of contingent liabilities.

## Conclusion

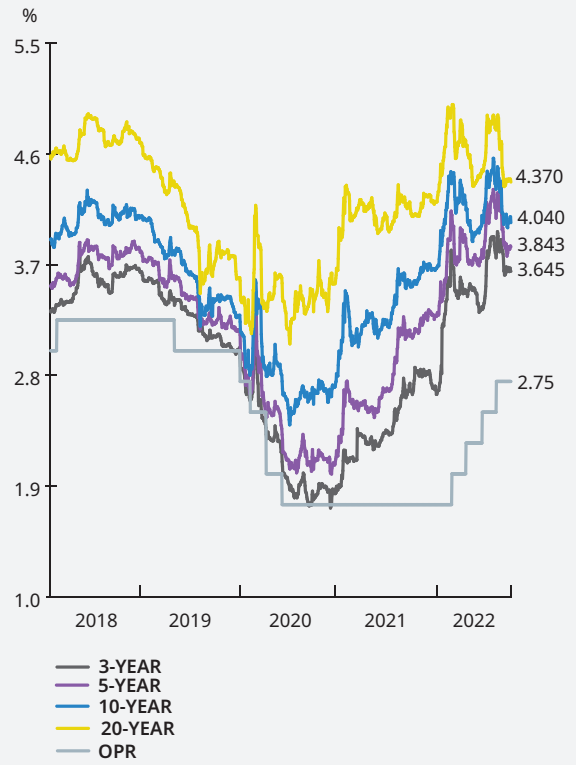
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The Government aims to improve debt affordability and sustainability in the medium- and long-term, in line with the fiscal consolidation trajectory supported by fiscal reform initiatives. Continuous monitoring of the Federal Government debt and liabilities exposure will ensure that the Government is able to appropriately manage and improve the level of indebtedness, mitigate risks as well as enhance efforts towards sound public finances. The Government is committed to gradually reduce Federal Government debt to pre-crisis level and rebuild fiscal space to encounter future uncertainties.

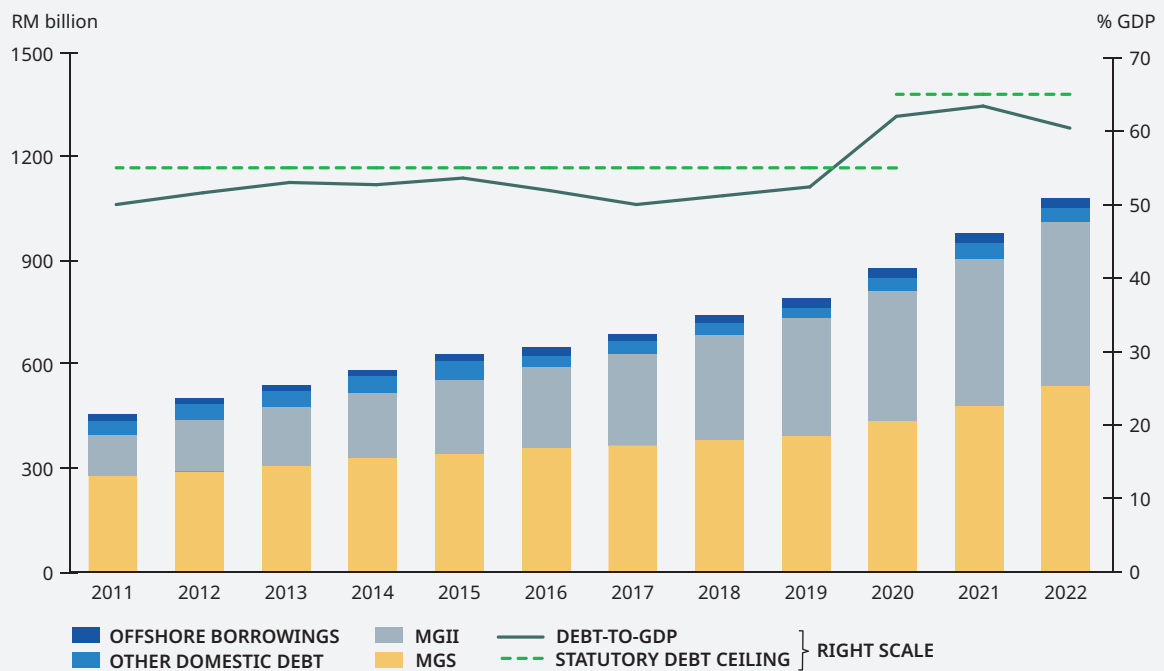
**FIGURE 3.1. Issuance by Maturity**



**FIGURE 3.2. MGS Indicative Yields**

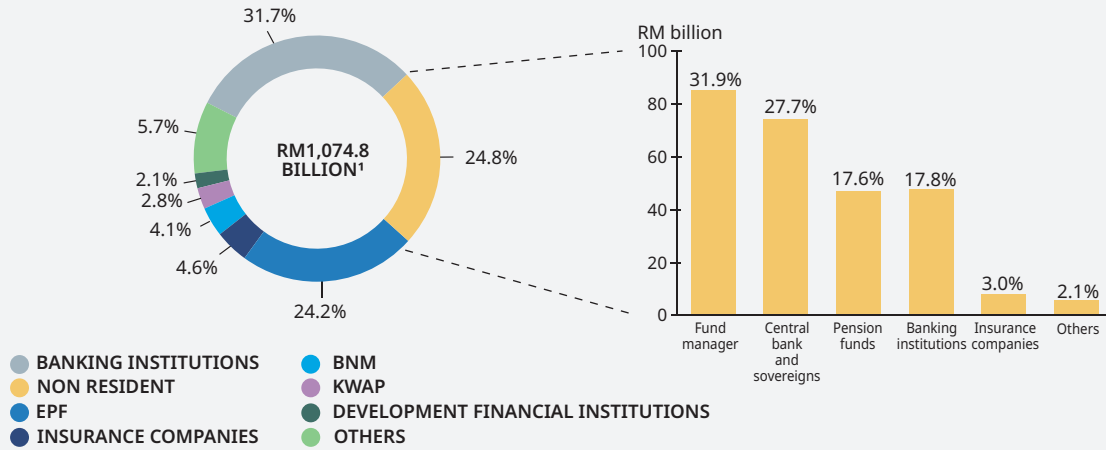


**FIGURE 3.3. Federal Government Debt Composition**

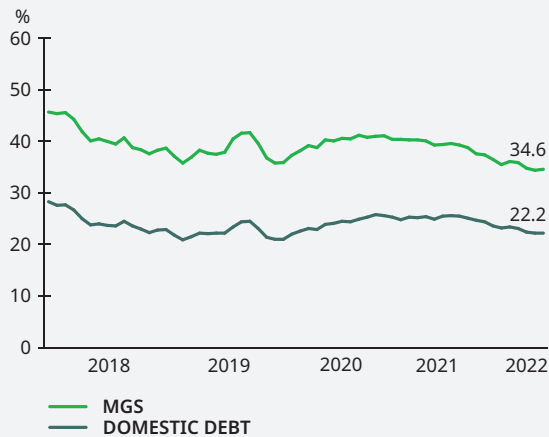


Source: Ministry of Finance, Malaysia, Bank Negara Malaysia and Bloomberg

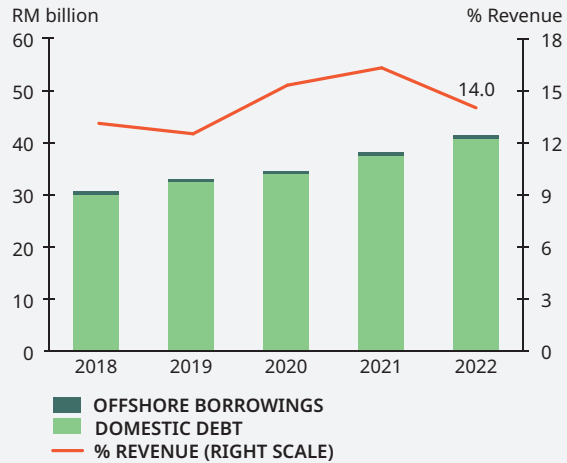
**FIGURE 3.4. Federal Government Debt by Holder**



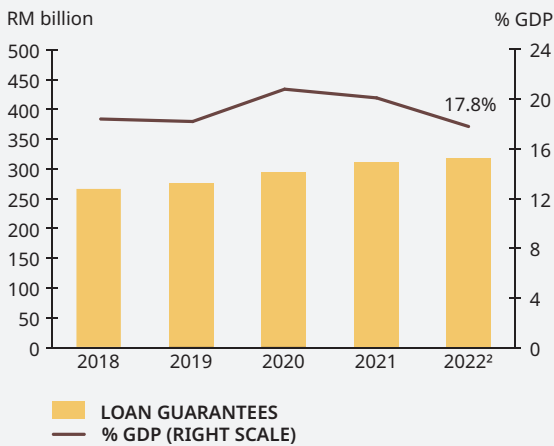
**FIGURE 3.5. Non-Resident Holdings of Ringgit-Denominated Debt Securities**



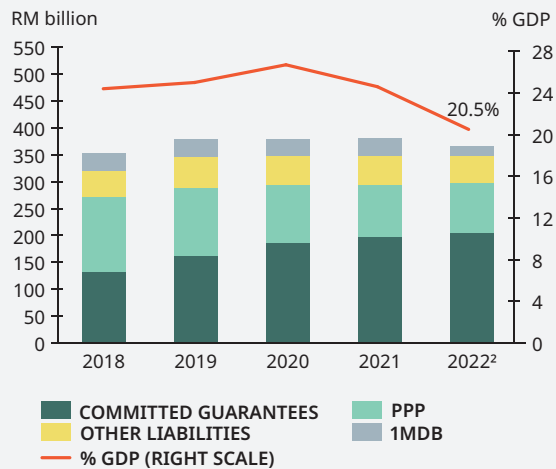
**FIGURE 3.6. Debt Service Charges**



**FIGURE 3.7. Outstanding Loan Guarantees**



**FIGURE 3.8. Federal Government Liabilities Exposure**



<sup>1</sup>End-September 2022

<sup>2</sup>Preliminary

Source: Ministry of Finance, Malaysia