Federal govt debt to go up by RM22.1bil, but manageable

THE federal government's outstanding debt is expected to increase by RM22.1bil to RM167.8bil due to the foreign currency exchange loss and possible debts incurred by public agencies and private entities as well as borrowings for the Treasury Housing Loan Fund.

However, the burden is anticipated to be manageable because of the low debt service charges, which is 14.6% of the overall operating expenditure.

The government will also continue to provide for its financial needs mainly from domestic sources with 59.5% of the federal government's estimated RM30.2bil gross borrowing coming from here.

Net domestic borrowing which is expected to account for RM6.08bil is expected to be derived from the issuance of Malaysian Government Securities (MGS), provident, pension and insurance funds.

Net external borrowing has also shot up and is at RM9.7bil, making up 38.3% of the 2002 financing needs.

This increase is the impact of loans taken to pay for the restructuring of Malaysia Airlines System (MAS) as well as the establishment of the Venture Capital Fund for ICT development.

The net domestic and external borrowings are expected to increase the federal government's debt by 15.2% to RM167.8bil or 41.1% of the overall gross domestic product (GDP) with the external debt anticipated to increase by 54.5% as opposed to the 7.3% growth in domestic debt.

Net repayment of Non-Financial Public Enterprises (NFPEs) and private sector debt has helped contain the increase in national debt despite the escalation of the federal government's external debt.

The nation's external debt service ratio, which is calculated against the country's exports, is expected to remain low at 5.8% and the ratio of external debt to the GDP is anticipated to be a manageable 51.7%; both of which classify Malaysia as a medium-indebted country.