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Fiscal deficit to reach 6.0pct of GDP this year -- Tengku Zafrul

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PUTRAJAYA, March 18 -- Malaysia's fiscal deficit is expected to rise to 6.0 per cent from an earlier estimate of 5.4 per cent this year following the implementation of the PEMERKASA stimulus package announced by Prime Minister Tan Sri Muhyiddin Yassin yesterday.

However, Finance Minister Tengku Datuk Seri Utama Zafrul Aziz emphasised that the country has the ability to reduce its fiscal deficit, adding that the ministry would continue to focus on its fiscal consolidation agenda.

He noted that the country recorded a fiscal deficit of 6.2 per cent of the gross domestic product (GDP) in 2020.

"For now, I believe it is important to ensure that our economy continues to function during this health crisis," he told a media briefing here today.

Tengku Zafrul said the RM11 billion allocated for the PEMERKASA initiative will be funded by domestic borrowings.

"We are also planning to issue a green sustainable sukuk to refinance our US dollar bond which is expiring in July. It is time to roll. Instead of refinancing in ringgit, this time we're refinancing in US dollar," he said, adding that the country's total foreign debt is currently at less than 3.0 per cent.

He also refuted allegations by former premier Datuk Seri Najib Tun Razak that the government had violated the law by raising the self-imposed statutory debt limit and making wrong fiscal projections.

The finance minister said the country's statutory direct debt limit is expected to be at 58.5 per cent of gross domestic product (GDP), which is still below the statutory direct debt limit of 60 per cent.

As at end-February 2021, the direct debt-to-GDP ratio is at 54 per cent while total debt is at 57 per cent.

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