SECTION 4

Debt Management

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Overview

The global sovereign debt level gradually reduced to 93.2% of the world's GDP in 2023 after peaking at almost 100% in 2020. Nevertheless, most countries faced challenges to consolidate the debt given its prolonged scarring effects post-pandemic. The IMF estimates the global debt ratio will remain elevated in the medium term, assuming the current sovereign policies stay broadly unchanged, coupled with anticipated moderate economic growth and slower policy rate cuts. This will in turn increase the sovereign debt vulnerability, thereby necessitating policy makers to be vigilant on the geopolitical environment and global financial conditions.

On the domestic front, the significant debt-dependent fiscal support implemented during the pandemic had to be phased out gradually to ensure fiscal sustainability, without compromising economic growth. Furthermore, there is an immediate need to rebuild fiscal buffers while providing adequate resources for the nation to remain competitive and relevant in the global economic landscape as well as safeguarding the well-being of the rakyat. These efforts are anchored by the Ekonomi MADANI framework, which provides clarity and certainty in charting the path of the nation's economic trajectory. In this regard, the Government has to navigate these challenges carefully in order to balance between fiscal responsibility with macroeconomic stability while ensuring intergenerational equity.

In addressing these challenges, fiscal policy remains supportive of economic growth while pursuing gradual fiscal consolidation to reduce the debt burden to less than 60% of GDP in the medium term, as stipulated in the Public Finance and Fiscal Responsibility Act 2023 [Act 850]. Act 850 mandates the Government to formulate effective debt policies in a responsible and prudent manner to ensure debt affordability and sustainability. In this regard, the Fiscal Risk, Debt and Liability Committee (JRFL) was established in March 2024 through the provision under the Act to assess the fiscal risk, debt and other liabilities exposure to Government.

Better fiscal management has led to renewed investor interest, contributing to improved market sentiment, as reflected in the recent performance of the ringgit and equity market. This has resulted in stable market yields and facilitated the Government to fulfil the debt management objective in meeting its financing needs at the lowest possible cost with a reasonable degree of risk. Borrowing strategies will continue to prioritise domestic issuances to minimise foreign exchange risk, and higher issuances of long-tenure securities to mitigate refinancing risk. Additionally, the Government will continue to promote transparency in order to demonstrate credibility and anchor investor confidence, while adhering to established debt rules.

Financing

The Federal Government's borrowing programme plays a key role in supporting fiscal policy, primarily in funding deficits and refinancing maturing debts. In 2024, the total gross borrowings are estimated to reduce to RM206 billion or 10.6% of GDP (2023: RM226.6 billion; 12.4%), sourced entirely from the domestic market, with RM84.3 billion allocated for deficit financing while RM121.3 billion for principal repayments. Principal repayments are for maturing Malaysian Government Securities (MGS) amounting to RM43.5 billion, Malaysian Government Investment Issues (MGII) at RM44 billion, Treasury Bills at RM28 billion, Government Housing Sukuk (SPK) at RM5.5 billion and offshore borrowings at RM0.3 billion.

Malaysia's deep and liquid domestic market enables the Government to raise its entire borrowings and manage the cashflow requirements through ringgit-denominated issuances. Total MGS and MGII issuances are projected at RM90.5 billion and RM92.5 billion or 43.9% and 44.9% of total annual gross borrowings, respectively. Meanwhile, the issuances of Treasury Bills are expected to decrease by nearly half compared to 2023, at RM23 billion or 11.2% of total gross borrowings.

As at end-August 2024, RM148 billion or 71.2% of total gross borrowings was raised through a combination of 26 MGS and MGII issuances amounting to RM129 billion, and 12 issuances of Treasury Bills totalling RM19 billion. The proceeds were utilised for principal repayments amounting to RM82.1 billion, while the remaining RM65.9 billion for deficit financing and partial funding of upcoming redemptions.

TABLE 4.1. *Federal Government Financing, 2023 – 2024*

	RM MILLION		SHARE (%)	
	2023	**2024[2]**	**2023**	**2024[2]**
Gross borrowings	**226,595**	**206,000**	***100.0***	***100.0***
Domestic	**226,595**	**206,000**	***100.0***	***100.0***
MGS	90,000	90,500	*39.7*	*43.9*
MGII	95,000	92,500	*41.9*	*44.9*
Treasury Bills	41,595	23,000	*18.4*	*11.2*
Offshore	**-**	**-**	**-**	**-**
Market loans	-	-	-	-
Project loans	-	-	-	-
Repayments	**134,037**	**121,320**	***100.0***	***100.0***
Domestic	133,789	121,020	*99.8*	*99.8*
Offshore	248	300	*0.2*	*0.2*
Net borrowings	**92,558**	**84,680**	**-**	**-**
Domestic	92,806	84,980	-	-
Offshore	-248	-300	-	-
Change in assets[1]	**-1,166**	**-384**	**-**	**-**
Total deficit financing	**91,392**	**84,296**	**-**	**-**

[1] (+) indicates drawdown of assets; (-) indicates accumulation of assets
[2] Estimate
Source: Ministry of Finance, Malaysia

Borrowing operations are conducted through the Fully Automated System for Issuing/ Tendering (FAST)[1]. For the whole year, 85.4% of the borrowings is expected to be raised via public auctions given the adequate capacity of domestic market, while the balance through private placements, mainly comprising longer-term issuances. In addition, the Government executed switch auctions, as part of an active debt management strategy to further smoothen the maturity profile. Meanwhile, 33 out of 37 medium- and long-tenured issuances are expected to be reopened through 14 existing stock codes, in line with the strategy to consolidate outstanding papers and enhance liquidity of benchmark issuances.

[1] An online platform to facilitate primary issuance of all debt and money market instruments administered by Bank Negara Malaysia (BNM).

In mitigating the refinancing risk, the issuance of short-term papers (less than one year) is expected to be reduced from 18.4% in 2023 to 11.2% of total gross borrowings in 2024. Meanwhile, the composition of medium- (3- to 7-year) and long-term (10-year and above) instruments is estimated to increase, accounting for 37.9% and 50.9%, respectively (2023: 37.3%; 44.3%), particularly due to narrowing pricing spread across maturities. Consequently, the weighted average time to maturity for issuances in 2024 is projected at 11.4 years (2023: 10.3 years), in line with debt management strategies to balance the cost of financing and develop a well-spread maturity profile.

Global financial conditions have generally improved since 2023 reflecting a reduction in risk premiums, although interest rates remain high, according to the World Bank. During the first eight months of 2024, the US Federal Reserve (Fed) has maintained the Federal Funds Rate (FFR) at a two-decade high, ranging between 5.25% and 5.50% to curb rising inflation. Given market expectations of rate cuts towards the end of 2024, it has further influenced the downward trajectory of local bond yields as foreign investors adjust their market preferences and portfolios. Thus, non-resident investment in Federal Government instruments for the first eight months recorded a net inflow of RM16.3 billion, reflecting positive investor sentiment and economic outlook. The momentum is expected to continue as the Fed has reduced the FFR by 50 basis points (bps) to between 4.75% and 5.00% in September 2024.

The Monetary Policy Committee held the Overnight Policy Rate (OPR) at 3.00% since the last increase in May 2023, consistent with domestic inflation assessment and growth prospects. During the first eight months of 2024, the MGS benchmark yields for 3- to 7-year maturities have declined within the range of 1 to 14 bps, while the 10-year yield increased by 2 bps. Similarly, the benchmark yields for MGII with 3- to 7-year maturities declined within the range of 7 to 17 bps, while the 10-year yield edged up by 1 basis point. Hence, the Government's weighted average cost of borrowing for the first eight months decreased to 3.896% from 4.047% during the corresponding period in 2023, supported by a low-interest rate environment and a narrowing spread across maturities, reflecting a relatively flat yield curve.

From January to August 2024, the Government received a total bid of RM269.6 billion for medium- and long-term issuances of RM107 billion via public auctions. The bids attracted a favourable average bid-to-cover (BTC) ratio of 2.52 times (2023: 2.16 times), driven by a strong demand from investors in a liquid domestic market. Notably, the BTC ratio for long-term issuances was higher at 2.62 times compared to 2.42 times for medium-term papers. Overall, the strong demand was supported by the presence of large institutional investors as well as sustained inflows from external investors.

Malaysia remains at the forefront of Islamic financial market development, commanding 33.2% of the total global sukuk outstanding as of July 2024. The Government continues to be actively supporting the issuance of Shariah-compliant instruments, underscoring Malaysia's commitment to the development of Islamic finance. In this respect, the domestic Shariah-compliant issuances in 2024 are estimated to reach 53.6% of total gross borrowings. Moreover, the strong demand for MGII saw a significantly higher BTC ratio at 2.93 times compared to 2.14 times for MGS.

The higher bidding ratio signifies a favourable acceptance for Shariah-compliant papers supported by a conducive Islamic finance ecosystem. Meanwhile, MGII's inclusion in global indices, namely the Bloomberg Global Aggregate Index, J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) and Markit iBoxx Asian Local Bond Index (ALBI), has enhanced visibility and facilitated tracking of MGII issuances among a more diverse group of investors.

Federal Government Debt

The Federal Government continues its commitment towards achieving prudent debt level, in line with the fiscal objectives under Act 850. The Act which came into effect on 1 January 2024 stipulates that the overall debt-to-GDP ratio, which comprises domestic and offshore loans, shall be reduced to less than 60% in the medium term. In addition, the enactment of Act 850 does not supersede or nullify other existing debt-related legislations. Concurrently, the statutory debt limits based on instruments under the Loan (Local) Act 1959 [Act 637], Government Funding Act 1983 [Act 275], Treasury Bills (Local) Act 1946 [Act 188] and External Loans Act 1963 [Act 403] remain in effect.

As at end-June 2024, the overall Federal Government debt recorded RM1,227.5 billion or 63.1% of GDP. The outstanding debt for each type of instrument stood within its statutory limits as stipulated under respective debt-related legislations. The outstanding MGS, MGII and Malaysian Islamic Treasury Bills (MITB), amounted to 61.2% of GDP, below the 65% statutory limit. The Malaysian Treasury Bills (MTB) and offshore borrowings also remained within the limits of RM10 billion and RM35 billion, which stood at RM6 billion and RM29.3 billion, respectively.

The Federal Government debt was primarily denominated in ringgit, accounting for 97.6% of the total debt, with the remaining 2.4% in foreign currencies. The less reliance on foreign-denominated debt issuances has minimised the Government's exposure to

TABLE 4.2. *Debt Legislation*

ACT	STATUTORY LIMIT	END-JUNE 2024
Loan (Local) Act 1959 [Act 637][1] **Government Funding Act 1983 [Act 275][2]**	Total MGS, MGII and MITB not exceeding 65% of GDP	**61.2% of GDP**
External Loans Act 1963 [Act 403]	Offshore borrowings not exceeding RM35 billion	**RM29.3 billion**
Treasury Bills (Local) Act 1946 [Act 188]	MTB not exceeding RM10 billion	**RM6 billion**
Public Finance and Fiscal Responsibility Act 2023 [Act 850]	Overall debt should not exceed 60% of GDP in the medium term[3]	**63.1% of GDP**

[1] MGS is issued under Act 637
[2] MGII and MITB are issued under Act 275
[3] Medium term refers to a period of between three to five years from the enforcement date of Act 850
Source: Ministry of Finance, Malaysia

TABLE 4.3. *Federal Government Debt by Instrument, 2023 – 2024*

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2023	2024[1]	2023	2024[1]	2023	2024[1]
Domestic debt	**1,142,658**	**1,198,158**	***97.5***	***97.6***	***62.7***	***61.6***
MGS	589,858	613,358	*50.3*	*50.0*	*32.4*	*31.5*
MGII	527,300	564,300	*45.0*	*46.0*	*28.9*	*29.0*
SPK	5,500	-	*0.5*	-	*0.3*	-
Treasury Bills	20,000	20,500	*1.7*	*1.6*	*1.1*	*1.1*
Offshore borrowings	**29,851**	**29,330**	***2.5***	***2.4***	***1.6***	***1.5***
Market loans	26,224	26,157	*2.2*	*2.1*	*1.4*	*1.3*
Project loans	3,627	3,173	*0.3*	*0.3*	*0.2*	*0.2*
Total	**1,172,509**	**1,227,488**	***100.0***	***100.0***	***64.3***	***63.1***
Memorandum item: Non-resident holdings of ringgit-denominated debt securities	257,389	258,371	*22.5*	*21.6*	*14.1*	*13.3*

[1] End-June 2024
Source: Ministry of Finance, Malaysia

foreign exchange risk. The composition of Shariah-compliant instruments, consisting of MITB, MGII and global sukuk remained at 48.8% of the total debt or RM599.1 billion (end-2023: 48.4%; RM567 billion). Of this, 96.6% or RM578.8 billion (end-2023: 96.5%; RM547.3 billion) was derived from MITB and MGII while the balance was from global sukuk denominated in US dollar valued at RM20.3 billion. The continuous issuance of these Shariah-compliant instruments has reaffirmed Malaysia's position as the global leader in Islamic finance.

The total outstanding debt is diversified across various maturities and types of instruments. Treasury Bills which are short-term in nature, with maturities of 3-, 6-, 9- and 12-month amounted to RM20.5 billion, while MGS and MGII which are medium- and long-term instruments ranging from 3- to 30-year, stood at RM613.4 billion and RM564.3 billion, respectively. Meanwhile, offshore borrowings registered RM29.3 billion, comprising market loans of RM26.1 billion and project loans of RM3.2 billion with the maturities of 10- to 30-year. Market loans include global sukuk and Samurai bond, whereas project loans are secured through bilateral and multilateral agreements. Of the total offshore borrowings, 69.2% was denominated in US dollar, followed by yen (30.6%) and other currencies (0.2%).

The Federal Government debt holders comprise resident and non-resident investors. As at end-June 2024, resident holdings recorded RM944.6 billion, which accounted for 77% of the total debt. Banking institutions held the largest composition with a 29.5% share, followed by the Employees Provident Fund (26.4%) and Bank Negara Malaysia (BNM) (5.2%). Furthermore, insurance companies held 5.2%, followed by the Retirement Fund (Incorporated) (2.8%), development financial institutions (2.3%) and others (5.6%). The higher holdings by long-term institutional investors aligned with the increase in the medium- and long-term issuances. This reflects the Government's debt strategy in managing the maturity profile effectively.

TABLE 4.4. *Federal Government Debt by Holder, 2023 – 2024*

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2023	2024[3]	2023	2024[3]	2023	2024[3]
Resident	**889,974**	**944,625**	***75.9***	***77.0***	***48.8***	***48.6***
Employees Provident Fund	312,780	324,418	*26.7*	*26.4*	*17.1*	*16.7*
Retirement Fund (Incorporated)	33,890	33,881	*2.9*	*2.8*	*1.9*	*1.7*
Insurance companies	59,714	64,012	*5.1*	*5.2*	*3.3*	*3.3*
Bank Negara Malaysia	54,511	64,048	*4.6*	*5.2*	*3.0*	*3.3*
Banking institutions	359,445	361,008	*30.6*	*29.5*	*19.7*	*18.5*
Development financial institutions	10,126	28,667	*0.9*	*2.3*	*0.5*	*1.5*
Others[1]	59,508	68,591	*5.1*	*5.6*	*3.3*	*3.6*
Non-resident	**282,535**	**282,863**	***24.1***	***23.0***	***15.5***	***14.5***
Asset management	94,757	91,569	*8.1*	*7.4*	*5.2*	*4.7*
Central bank/government	70,730	74,417	*6.0*	*6.1*	*3.9*	*3.8*
Banking institutions	55,271	56,569	*4.7*	*4.6*	*3.0*	*2.9*
Pension funds	47,317	47,080	*4.1*	*3.8*	*2.6*	*2.4*
Insurance companies	8,536	8,493	*0.7*	*0.7*	*0.5*	*0.5*
Others[2]	5,924	4,735	*0.5*	*0.4*	*0.3*	*0.2*
Total	**1,172,509**	**1,227,488**	***100.0***	***100.0***	***64.3***	***63.1***

[1] Include non-bank financial institutions, statutory bodies, nominees and trustee companies, co-operatives, securities placed by institutional investors at the central bank and unclassified items
[2] Include individuals, non-financial corporations, multilateral and bilateral institutions as well as unidentified sectors
[3] End-June 2024
Source: Ministry of Finance, Malaysia and Bank Negara Malaysia

Amid moderation of global policy rates, non-resident holdings of Federal Government debt were generally stable at RM282.9 billion or 23% of the total debt, of which ringgit-denominated securities stood at RM258.4 billion. Asset management companies continued to be the largest non-resident holders with a 7.4% share, followed by central bank/government (6.1%) as well as banking institutions (4.6%). Long-term institutional investors, namely pension funds and insurance companies held 3.8% and 0.7% of the total, respectively.

The Federal Government's debt service charges (DSC) in 2024 is estimated at RM50.8 billion or 15.8% of revenue (2023: RM46.3 billion; 14.7%). The higher DSC allocation is due to continuous budget deficit, albeit at a declining trend. The DSC is primarily allocated for interest and profit payments of domestic instruments estimated at RM50 billion, while the remaining RM0.8 billion is for offshore borrowings. The weighted average cost of borrowing for outstanding domestic debt as of end-June 2024 stood at 4.119% (end-2023: 4.124%). Furthermore, the fixed-rate coupon feature of Government debt securities mitigates exposure to the interest rate volatility for the remaining maturity period.

The borrowing strategy, among others, aims at managing refinancing risk effectively by maintaining a well-spread maturity profile. As at end-June 2024, the composition of outstanding debt with remaining maturities of more than five years increased to 61.7% (end-2023: 58.3%). Accordingly, the proportion

TABLE 4.5. *External Debt, 2023 – 2024*

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2023	2024[3]	2023	2024[3]	2023	2024[3]
Offshore borrowings	**666,531**	**711,925**	***53.6***	***53.6***	***36.6***	***36.6***
Medium- and long-term debt	412,798	450,747	*33.2*	*33.9*	*22.7*	*23.2*
Public sector	145,962	150,180	*11.7*	*11.3*	*8.0*	*7.8*
Federal Government	25,147	24,492	*2.0*	*1.8*	*1.4*	*1.3*
Public corporations	120,815	125,688	*9.7*	*9.5*	*6.6*	*6.5*
Private sector	266,836	300,567	*21.5*	*22.6*	*14.7*	*15.4*
Short-term debt	253,733	261,178	*20.4*	*19.7*	*13.9*	*13.4*
Non-resident holdings of ringgit-denominated debt securities	**269,500**	**269,659**	***21.7***	***20.3***	***14.8***	***13.8***
Medium- and long-term debt	264,687	267,016	*21.3*	*20.1*	*14.5*	*13.7*
Federal Government	252,550	254,523	*20.3*	*19.2*	*13.8*	*13.1*
Others[1]	12,137	12,493	*1.0*	*0.9*	*0.7*	*0.6*
Short-term debt	4,813	2,644	*0.4*	*0.2*	*0.3*	*0.1*
Non-resident deposits	**137,505**	**146,294**	***11.1***	***11.0***	***7.5***	***7.5***
Others[2]	**169,019**	**200,317**	***13.6***	***15.1***	***9.3***	***10.3***
Total	**1,242,555**	**1,328,196**	***100.0***	***100.0***	***68.2***	***68.2***

[1] Include private sector and public corporations
[2] Comprise trade credits, IMF allocation of Special Drawing Rights and miscellaneous
[3] End-June 2024
Note: Total may not add up due to rounding
Source: Bank Negara Malaysia

of securities with remaining maturities of five years and below reduced to 38.3% (end-2023: 41.7%). Consequently, the weighted average time to maturity for outstanding debt securities is estimated to extend to 9.3 years by end of 2024 (2023: 9 years).

Malaysia's External Debt

Malaysia's external debt[2] increased by 6.9% to RM1,328.2 billion or 68.2% of GDP as at end-June 2024 (end-2023: 8.5%; RM1,242.6 billion; 68.2%), mainly attributed to higher corporate offshore borrowings and non-resident deposits. Offshore borrowings, the largest component of external debt, increased to RM711.9 billion, primarily for liquidity and balance sheet management. Meanwhile, non-resident holdings of ringgit-denominated debt securities increased slightly to RM269.7 billion. Similarly, other external debt rose to RM200.3 billion as a result of larger trade credits, mostly for import purposes. Overall, the country's external debt remains manageable given its favourable maturity and currency profiles, as well as the prudential requirements imposed by BNM. The refinancing risk is well-managed, as 57.5% of total debt matures over the medium and long term. In terms of currency composition, about a third of the debt was denominated in ringgit, while the balance was in foreign currency.

[2] 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.

Public Sector Debt

As at end-June 2024, the public sector debt increased by 3.8% to RM1,638.1 billion or 84.2% of GDP (end-2023: 6.6%; RM1,577.7 billion; 86.5%) on account of higher Federal Government debt, which constituted 74.9% of the total debt. Meanwhile, guaranteed debt of statutory bodies increased to RM102.5 billion, following the issuances by the Public Sector Home Financing Board and the National Higher Education Fund Corporation for disbursement of housing and education loans, respectively. Furthermore, net debt of non-financial public corporations (NFPCs) increased slightly to RM308.1 billion, particularly due to financing activities by Malaysia Rail Link Sdn Bhd. However, this increment is partially offset by principal repayments of NFPCs' maturing debt, including Khazanah Nasional Berhad and Tenaga Nasional Berhad. Overall, public sector debt has minimal exposure to foreign exchange risk, with 90.7% of the debt denominated in ringgit.

Outlook for 2025

Malaysia's robust financing and debt management strategy have mitigated potential risks, enabling continued investment in national development, despite the challenging global environment. Currently, the initiatives and strategies executed have yielded results in the declining trend of new borrowings and debt growth, and will be enhanced further under the guidance of JRFL. Meanwhile, the Federal Government's gross borrowings is expected to consolidate further post-pandemic, reducing from 13.6% of GDP in 2021 to around 10% in 2025. The Government financing strategy will prioritise sourcing from the domestic market, leveraging the liquidity in the debt capital market to minimise exposure to foreign exchange risk. However, offshore borrowing needs will be assessed based on several consideration, including the global financial market conditions and the exploration of innovative sukuk structures.

TABLE 4.6. *Public Sector Debt, 2023 – 2024*

COMPONENT	RM MILLION		SHARE (%)		SHARE OF GDP (%)	
	2023	2024[1]	2023	2024[1]	2023	2024[1]
Federal Government	**1,172,509**	**1,227,488**	***74.3***	***74.9***	***64.3***	***63.1***
Domestic	1,142,658	1,198,158	*72.4*	*73.1*	*62.7*	*61.6*
Offshore	29,851	29,330	*1.9*	*1.8*	*1.6*	*1.5*
Statutory bodies	**99,058**	**102,528**	***6.3***	***6.3***	***5.4***	***5.3***
Domestic	99,058	102,528	*6.3*	*6.3*	*5.4*	*5.3*
of which: Guaranteed	99,058	102,528	*6.3*	*6.3*	*5.4*	*5.3*
Offshore	-	-	-	-	-	-
Non-financial public corporations	**306,133**	**308,106**	***19.4***	***18.8***	***16.8***	***15.8***
Domestic	188,926	184,944	*12.0*	*11.3*	*10.4*	*9.5*
of which: Guaranteed	188,926	184,944	*12.0*	*11.3*	*10.4*	*9.5*
Offshore	117,207	123,162	*7.4*	*7.5*	*6.4*	*6.3*
of which: Guaranteed	35,630	39,323	*2.3*	*2.4*	*2.0*	*2.0*
Total	**1,577,700**	**1,638,122**	***100.0***	***100.0***	***86.5***	***84.2***

[1] End-June 2024
Source: Ministry of Finance, Malaysia

The Federal Government debt growth continues to demonstrate a downward trend, reducing from 8.6% in 2023 to approximately 7.5% in 2024 and to around 6% in 2025. Meanwhile, the debt-to-GDP ratio is projected to remain around 64% by the end of 2024 and 2025. Moving forward, the focus should be on enhancing private sector investments, which aim at boosting economic capacity and productivity, thus accelerating the nation's growth. At the same time, the Government's commitments in prioritising fiscal reforms through sustainable revenue generation and expenditure optimisation will enable the achievement of a prudent debt level as stipulated under Act 850.

Conclusion

As Malaysia progresses towards achieving its national development agenda and safeguarding the well-being of the rakyat, it is imperative to ensure a sound and sustainable fiscal policy. The enhancement of fiscal governance, particularly through the establishment of a medium-term debt target under Act 850, necessitates the strengthening of fiscal discipline and acceleration of reform initiatives. Notably, effective debt management and borrowing strategies have been put in place to ensure the Government's ability to fulfil its financing requirements while mitigating debt-related risks. To date, the Government has been able to raise its financing with lower overall cost of funds, while lengthening the maturity profile. The demand for Government papers remain strong amid changes in borrowing strategy, signifying smooth market operations and clear communication to market players. Overall, the Government will continue to enhance its debt management and benchmark with global best practices, towards attaining debt sustainability in the medium and long term.

FIGURE 4.1. *Issuance by Maturity*

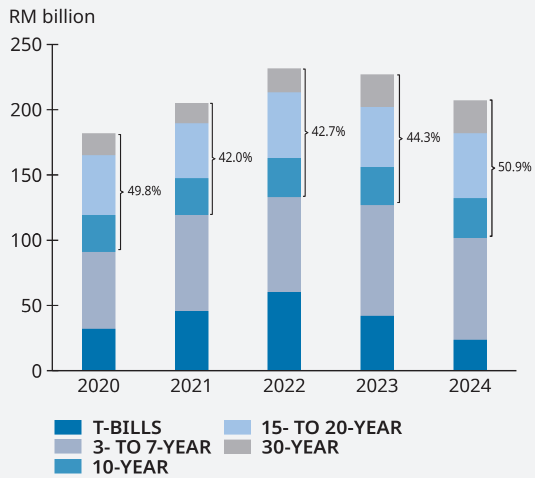


FIGURE 4.2. *BTC Ratios of MGS and MGII Issuances*

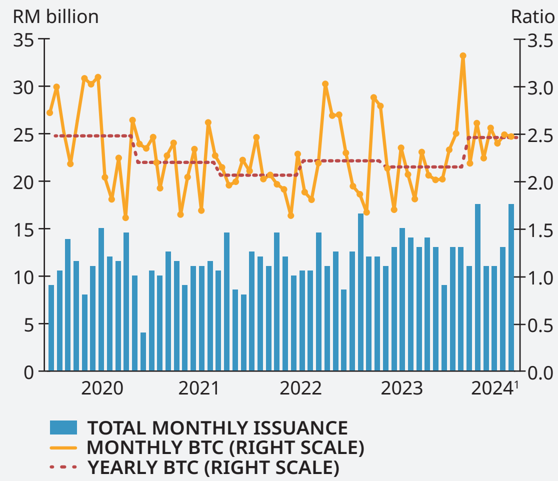


FIGURE 4.3. *MGS Benchmark Yield Curve*

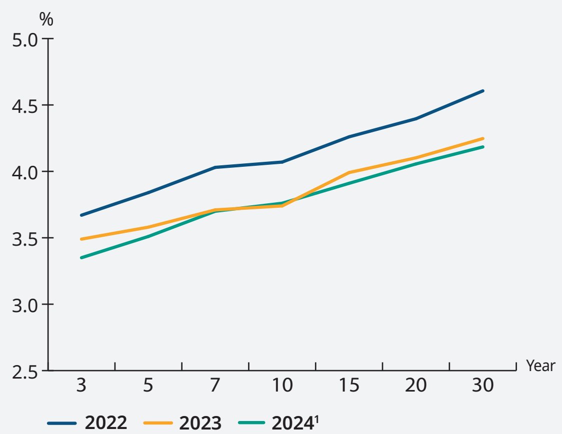
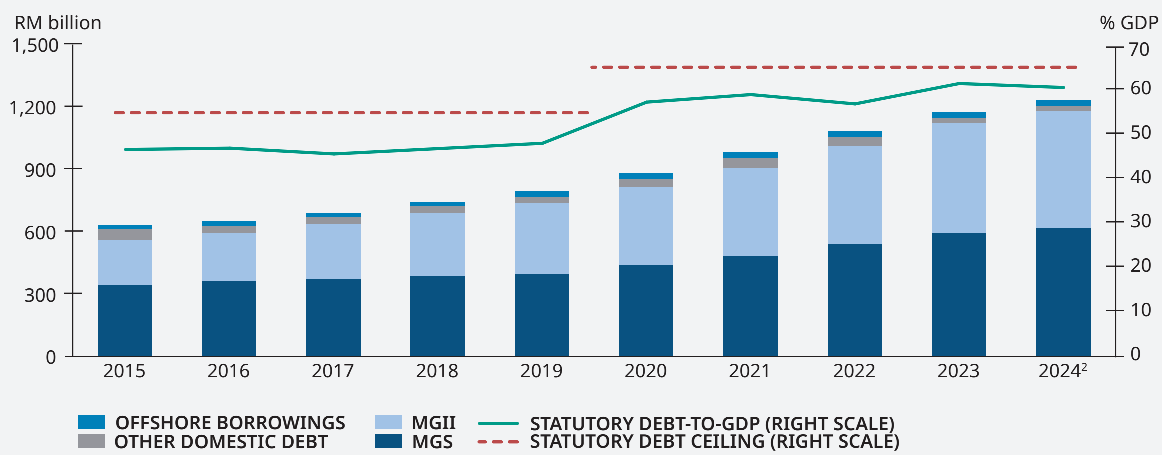


FIGURE 4.4. *MGS Indicative Yields*

FIGURE 4.5. *Federal Government Debt Composition*



[1] End-August 2024
[2] End-June 2024
Source: Ministry of Finance, Malaysia, Bank Negara Malaysia and Bloomberg

FIGURE 4.6. *Federal Government Debt by Holder*

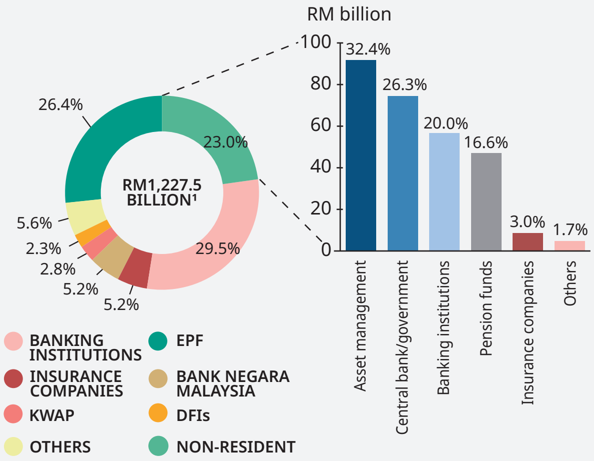


FIGURE 4.7. *Non-Resident Holdings of Ringgit-Denominated Debt Securities*

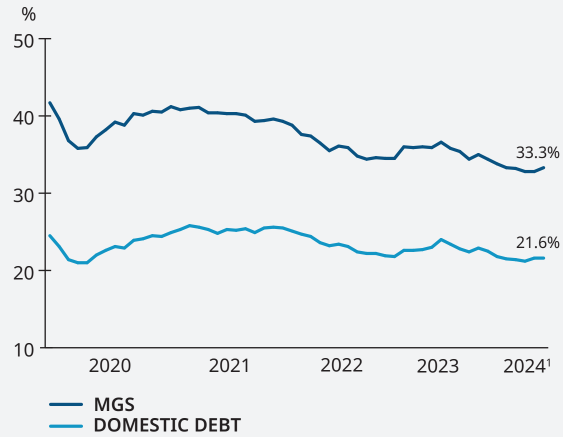


FIGURE 4.8. *Federal Government Debt by Remaining Maturity*

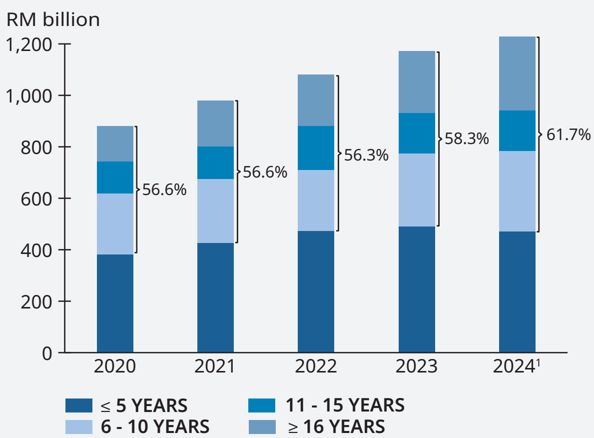


FIGURE 4.9. *Debt Service Charges*

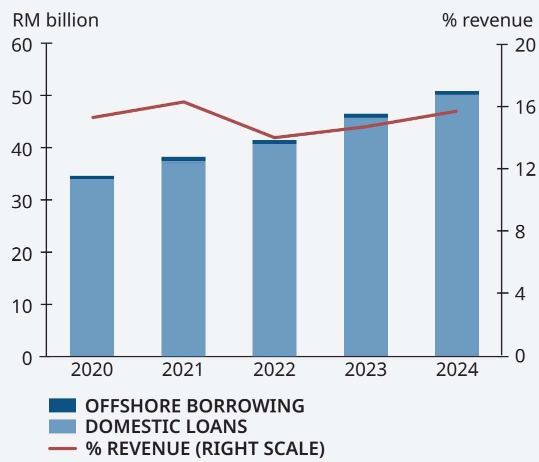
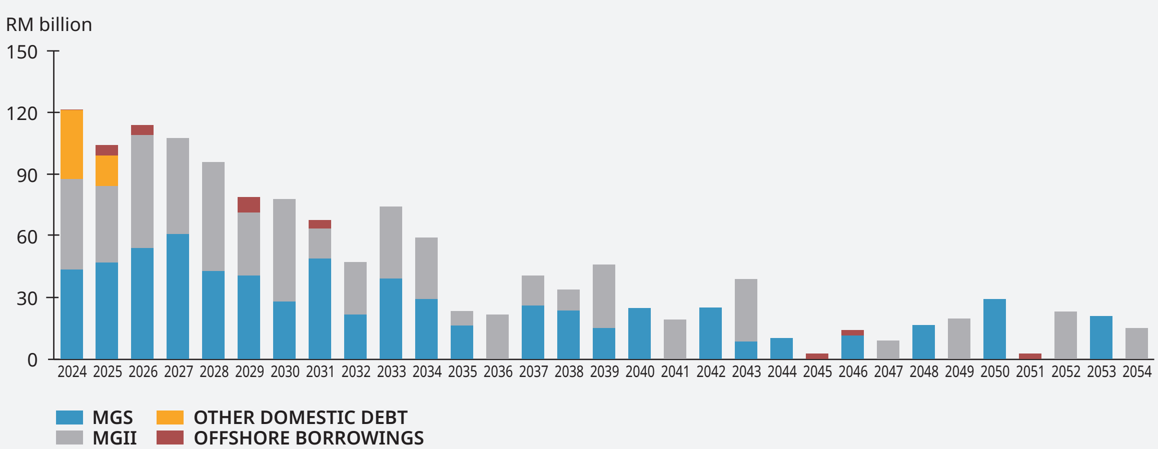


FIGURE 4.10. *Debt Maturity Profile*



[1] End-June 2024
Source: Ministry of Finance, Malaysia and Bank Negara Malaysia