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Weaker ringgit has little impact on govt debt payment, says Mustapa



KUALA LUMPUR: The weaker ringgit has little impact on the government's debt payment as its direct debt is largely denominated in ringgit, with less than 5% in the US dollar, said economic affairs minister Mustapa Mohamed.

He said much of the government's debt, particularly treasury bills and government securities, is in ringgit, so the impact is minimal.

"Perhaps some private institutions have external debts, but in Bank Negara Malaysia's (BNM) view, the liquidity of local banks is healthy and the international reserves amount to about US\$106 billion which can cover the short-term external debt," he said during the Dewan Rakyat's question-and-answer session today.

He was replying to Dr Mahathir Mohamad (Pejuang-Langkawi) who wanted to know the declining ringgit's impact on Budget 2023, especially related to the government's payment in US dollars, and whether the situation would lead to a larger deficit.

Mustapa said the fluctuations in the ringgit's value were normal and it had not performed as badly as some other currencies following the US Federal Reserve's monetary policy tightening, which included a 75-basis point hike in interest rates recently.

He also said the government was concerned about safeguarding the welfare of the people. Among the previous and current efforts were subsidies, aid and incentives amounting to about RM80 billion.

"This includes the provision of fuel and energy subsidies on petrol, namely RON95, diesel and liquefied petroleum gas (LPG).

"RON95's retail price in Malaysia at RM2.05 per litre is among the lowest in the world, lower than in Qatar (RM2.70 per litre), Saudi Arabia (RM2.80 per litre) and Indonesia (RM4.70 per litre)," he said.

Mustapa also said RM5.9 billion in cash aid had also been channelled to 8.7 million Bantuan Keluarga Malaysia (BKM) recipients as of September.

"Without the government subsidies, the statistics department has estimated that the country's inflation rate would have been much higher in August at 10.6% compared with 4.7% previously," he said.

He said the government's policies and initiatives had succeeded in reviving the economy and easing the people's burden although the economy was facing various domestic and global challenges.

He noted that economists, including those from international organisations, had predicted a lower global economic growth in 2023, and Malaysia, as a small and open economy, was not spared the fallout from these challenges.

"Measures to handle these challenges will be detailed in Budget 2023," he said.