



# Fixed Income: MGS+GII issuance expectations for 2026

13 October 2025

## Fiscal responsibility pursuit lays out constructive bond market outlook while space for guaranteed debt remains ample.

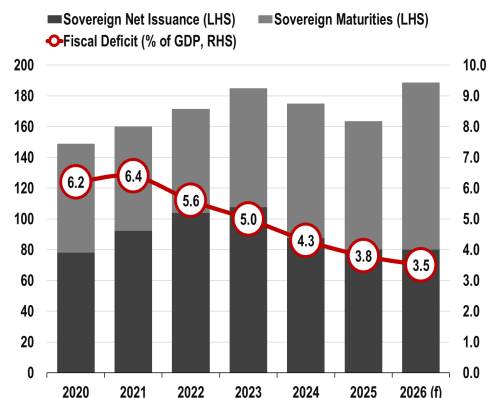
There is expected larger gross MGS+GII issuances amount in FY2026 versus FY2025 even as the fiscal deficit target as a percentage of GDP is reduced to 3.5% of GDP in fiscal year 2026 (FY2026) (FY2025: 3.8%). However, we are not concerned with the larger primary MGS+GII size in the coming year, as the expected rise in gross issuance will be due to refinancing of a large amount of maturing MGS and GII in the coming year. In sum, we foresee FY2026 gross MGS+GII offerings at a larger MYR185.0 billion (FY2025: MYR165.0 billion) but relatively smaller net MGS+GII offerings at MYR75.0 billion (FY2025: MYR75.0-80.0 billion).

As we expect MGS and GII net supply to rise by MYR75 billion in 2026, which, by our calculation, should raise the outstanding MGS and GII towards MYR1.36 trillion by end-2026 (est. MYR1.28 trillion end-2025). Our calculations suggest outstanding MGS+GII could reach 64.0% of GDP end-2026 (63.2% of GDP end-2025). We bring this up because at 64.0% of GDP by end-2026 compared with the year before, in our opinion, the government is showing it remains steadfast in pursuing fiscal constraint in terms of borrowings, commiserating with the debt and financing target levels as per the Fiscal Responsibility Act (FRA) 2023.

In ringgit terms, the debt service charge (DSC) is estimated to have increased to MYR54.3 billion or amounting to 16.3% of government revenue in FY2025 (FY2024: MYR50.5 billion or 15.6% of revenue). Nevertheless, there was a slower rise in DSC of 7.6% in FY2025 from +9.0% in FY2024, coming alongside slowing fiscal deficits to GDP in recent years.

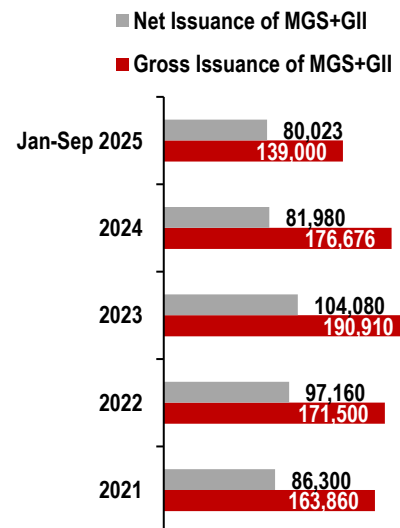
Government guarantees, at 21.1% of GDP, remains below the 25% of GDP threshold for Financial Guarantees as per the FRA 2023 limits, allowing the government ample room to fund development expenditure (devex) during the 13MP period via GGs (and rated bonds as well, which does not require explicit government guarantees).

## MGS/GII Issuance, Maturities & Fiscal Deficits (MYR billion) (2020-2026f)



Sources: MOF, BNM, AmBank Economics

## Gross and Net Issuance of MGS+GII 2021 to Jan-Sep 2025 (MYR million)



Sources: BPAM, DOSM

## Fiscal responsibility pursuit lays out a constructive bond market outlook.

There is expected larger gross MGS+GII issuances amount in FY2026 versus FY2025 even as the fiscal deficit target as a percentage of GDP is reduced. However, we are not concerned with the larger primary MGS+GII size in the coming year, as the expected rise in gross issuance will mainly be due to refinancing of maturing MGS and GII during the coming year. In sum, we foresee FY2026 gross MGS+GII offerings at a larger **MYR185.0 billion** (FY2025: MYR165.0 billion) but relatively smaller net MGS+GII offerings at **MYR75.0 billion** (FY2025: MYR75.0-80.0 billion). Hence, looking at our forecasts for the incoming supply of MGS and GII, we believe that the fiscal year 2026 will remain constructive regarding demand vs. supply dynamics for the MGS and GII market. Any upside to the anticipated net or gross issuance for 2026 could materialise via unexpected rises in expenditure costs. These may include a spike in global crude oil prices, raising the subsidy bill.

There's expected modest change in **net** MGS+GII offerings total size. As per the Budget document 'Fiscal Outlook and Federal Government Revenue Estimates 2026,' the target of circa MYR74.6 billion fiscal deficit for 2026 requires financing primarily via the issuance of onshore borrowings — more specifically, via MGS and GIIs. Hence, we forecast the net issuance of MGS and GII to be **MYR75.0 billion** for the fiscal year 2026. Target fiscal financing for FY2025 was comparable at **MYR76.7 billion**.

We forecast **gross** issuance of MGS and GII at **MYR185.0 billion** as we add on the 2026 deficit financing with refinancing of maturing MGS and GII in 2026 of MYR108.7 billion (comprising MYR53.7 billion in MGS and MYR55.0 billion in GIIs). In FY2025, the target gross offerings we estimate will come up to MYR165.0 billion, to round up net issuance of about MYR80.0 billion and refinancing of MYR83.5 billion MGS+GII maturities. However, the government's Budget document estimates gross MGS+GII issuances in 2025 will come up to a higher MYR170.5 billion.

**In pursuit of fiscal responsibility.** As we expect MGS and GII net supply to rise by MYR75 billion in 2026, which, by our calculation, should raise the outstanding MGS and GII towards MYR1.36 trillion by end-2026 (est. MYR1.28 trillion end-2025). Our calculations then suggest that outstanding MGS+GII could reach 64.0% of GDP end-2026 (63.2% of GDP end-2025). We bring this up because at 64.0% of GDP by end-2026 compared with the year before, in our opinion, the government is showing it remains steadfast in pursuing fiscal constraint in terms of borrowings, commiserating with the debt and financing target levels as per the Fiscal Responsibility Act (FRA) 2023. The latest Budget documents state that overall government debt (debt securities and loans) had totalled 64.7% of GDP or MYR1.30 trillion as of June 2025 (2024: 64.6% of GDP or MYR1.25 trillion) And as per the FRA, the debt ceiling target is 60% of GDP (target date of FRA supposedly between 2026 and 2029).

**A controlled increase in debt service charges but some concern remains.** In ringgit terms, the debt service charge (DSC) is estimated to have increased to MYR54.3 billion or amounting to 16.3% of government revenue in FY2025 (FY2024: MYR50.5 billion or 15.6% of revenue). Nevertheless, there was a slower rise in DSC of 7.6% in FY2025 from +9.0% in FY2024, coming alongside slowing fiscal deficits to GDP in recent years. Nevertheless, we are still relatively concerned over the DCS, as debt service vs revenue is a common ratio looked at by international rating agencies, with levels at 15% or below considered to be the limit for A3/A- country rating (the level that Malaysia is rated by Moody's and S&P).

Exhibit 1: Federal government finance  
(2025-2026)

	2025		2026	
	MYR billion	% of GDP	MYR billion	% of GDP
Revenue	334.1	16.6	343.1	16.1
Operating Expenditure	332.2	16.5	338.3	15.9
Current Balance	1.97	0.1	4.9	0.2
Gross Development Expenditure	80.0	4.0	81.0	3.8
Minus: Loan repayment	1.3	0.1	1.5	0.1
Net Dev Exp	78.7	3.9	79.5	3.7
<b>Overall Balance</b>	<b>(76.7)</b>	<b>(3.8)</b>	<b>(74.6)</b>	<b>(3.5)</b>
<b>Primer Balance</b>	<b>(22.4)</b>	<b>(1.1)</b>	<b>(16.3)</b>	<b>(0.8)</b>

Sources: MOF, AmBank Economics

Exhibit 2: Federal government financing  
(2024-2025e)

	MYR billion		Share (%)	
	2024	2025	2024	2025
Gross Borrowings	197.5	184.0	100.0	100.0
Domestic	197.5	184.0	100.0	100.0
MGS	87.5	82.5	44.3	44.9
GII	87.5	88.0	44.3	47.8
MTB	4.8	4.5	2.5	2.4
MITB	17.6	9.0	8.9	4.9
Offshore	0	0	0	0
Market Loans	0	0	0	0
Project Loans	0	0	0	0
Repayments	120.6	106.8	100.0	100.0
Domestic	120.4	102.0	99.8	95.5
Offshore	0.2	4.8	0.2	4.5
Net borrowings	76.8	77.2	0	0
Domestic	77.1	82.0	0	0
Offshore	(0.2)	(4.8)	0	0
Change in assets	2.3	(0.5)	0	0
Total deficit financing	79.2	76.7	0	0

Note (e) estimate

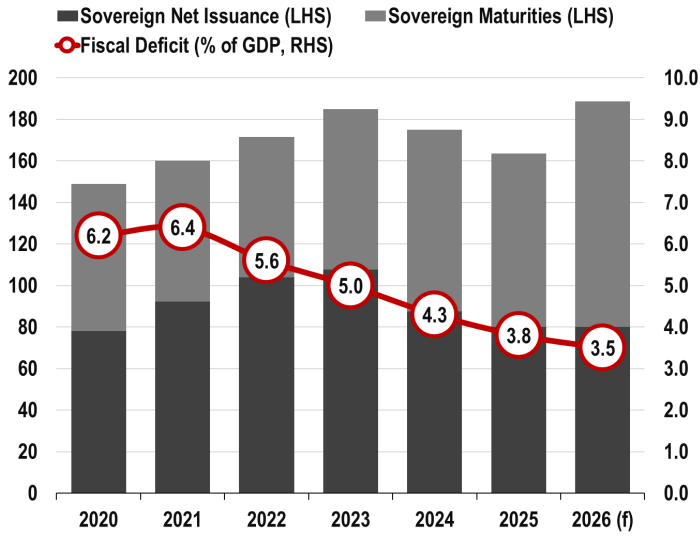
Sources: MOF, AmBank Economics

Exhibit 3: Federal government debt  
by instrument (2024 vs. Jun 2025)

	MYR billion		Share of GDP (%)	
	2024	2025	2024	2025
Domestic debt	1,209.6	1,281.4	63.1	63.6
MGS	633.8	659.1	32.8	32.7
GII	571.8	614.8	29.5	30.5
MTB	5.0	2.0	0.3	0.1
MITB	10.0	5.5	0.5	0.3
Offshore borrowings	28.0	22.8	1.4	1.1
Market loans	25.0	19.8	1.2	1.0
Project loans	3.0	3.0	0.2	0.1
Total	1,247.6	1,304.2	64.6	64.7
Nor-resident holdings of MYR-denominated debt securities	260.2	278.4	13.5	13.8

Sources: MOF, AmBank Economics

Exhibit 4: MGS/GII Issuance, Maturities & Fiscal Deficits (MYR billion) (2020-2026f)



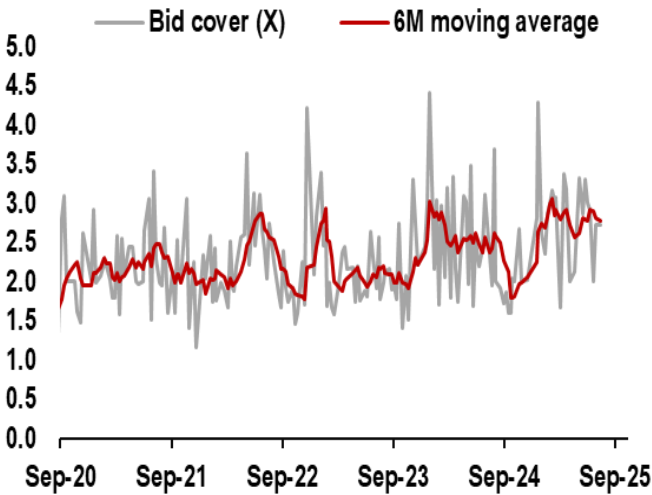
Sources: MOF, BNM, AmBank Economics

Exhibit 5: MGS+MGII Maturities in FY2026

Security	Amount (MYR billion)
MGS 04/2026	8.43
MGS 07/2026	20.02
MGS 09/2026	2.30
MGS 11/2026	22.98
<b>Total MGS maturities in FY2026</b>	<b>53.74</b>
GII 03/2026	25.50
GII 09/2026	29.50
<b>Total GII maturities in FY2026</b>	<b>55.00</b>
<b>Total MGS+GII maturing in FY2026</b>	<b>108.74</b>
vs. FY2025 maturities	83.50

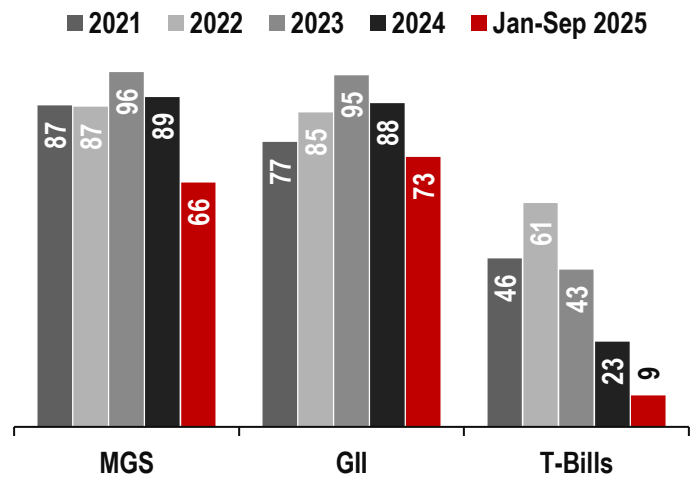
Sources: BNM, Bloomberg, AmBank Economics

Exhibit 6: Average BTC at MGS+GII auctions (4Q2020-3Q2025)



Sources: BNM, AmBank Economics

Exhibit 7: Gross government securities issued (MYR billion)



Sources: BPAM, AmBank Economics

**Development financing to rely increasingly on GGs (and rated issuances by government-related entities).** We note the government has allocated net development expenditure (devex) of MYR79.5 billion in FY2026, which is comparable with FY2025's of MYR78.7 billion. In effect the government is signalling spending on development to remain active in FY2026 with plans for allocation for transport infrastructure including connections between Malaysia and Indonesia and an air traffic control centre in Sabah. A lower fiscal deficit but maintaining devex levels suggests a growing economy supporting a rise in government revenues, as well as supplanted by plans for rise in efficiencies in revenue collection. Meanwhile, operating expenditure (opex) is controlled (with Malaysia embarking on the subsidy rationalisation of RON95). We recall the 13<sup>th</sup> Malaysia Plan (13MP) which embodies development allocation plans of MYR430 billion for the period 2026-2030. This averages out to MYR86.0 billion per year, which is higher than the FY2026 MYR79.5 billion budget for devex. Meanwhile, if the bulk of the 13MP development spending is brought forward to earlier years of the plan period, then it suggests there will be a brought forward need of large financing requirements as well. This brings us to our view that the government ought to increasingly resort to issuances of government-guaranteed (GG) bonds (and also bonds/sukuk issuances by AAA rated GLCs responsible for infrastructure spending such as Tenaga, Air Selangor, Danainfra, etc) in the coming medium-term period starting in FY2026, as this step relieves pressure off the government's balance sheet. We particularly expect funding for rail/transit transport (MRT3/ECRL), power plants (part of NETR and especially to stir more investments in renewable energy), and various other social-related projects/initiatives where past examples include financing for LPPSA (public housing), Felda (agriculture sector), and roadworks/highways (Jambatan Kedua).

**Updates on government guarantees.** The latest Budget document updates the status of GG bonds outstanding, where we found *public sector debt* by components suggests guaranteed debt of MYR332.9 billion as at June 2025 (2024: MYR329.5 billion) or by our calculation is 16.5% of GDP in 2025, coming down from 2024 (2024: 17.1%). However, the data suggests these comprise mainly GG debt issued under Act 96<sup>1</sup>, whereas if we add debt issued under Act 61<sup>2</sup>, the level rises to 21.1% of GDP. Nevertheless, the levels of both categories of guarantees, at 21.1%, remains below the 25% of GDP threshold for Financial Guarantees as per the FRA 2023 limits, allowing the government ample room to fund devex during the 13MP period via GGs (and rated bonds as well, which does not require explicit government guarantees). For an increase of another 4 percentage points towards the 25% limit from the current level, that should amount to at least MYR85 billion more issuances of GG bonds — if issued in 2026. If issuances are done beyond 2026, then we figure the amount of possible new GG issuances rises to at least MYR100 billion. Adding to that are maturities of MYR15.6 billion quasi-government bonds in FY2026 (Exhibit 11), including MYR3.1 billion GG Danainfra securities and MYR1.5 billion GG Prasarana papers maturing in the coming year. This includes MYR2.4 billion maturing Malaysia Rail Link tranches maturing in 2026 as well.

**Exhibit 8: Public sector debt  
(2024 vs. Jun 2025)**

	MYR billion		Share of GDP (%)	
	2024	2025	2024	2025
Federal Gov	1,247.6	1,304.2	64.6	64.7
Domestic	1,219.6	1,281.4	63.1	63.6
Offshore	28.0	22.8	1.4	1.1
Statutory Bodies	101.9	105.0	5.3	5.2
Domestic	101.9	105.0	5.3	5.2
Of which guaranteed	101.9	105.0	5.3	5.2
Offshore	0	0	0	0
Non-financial public corporations	311.0	321.4	16.1	15.9
Domestic	188.6	189.1	9.8	9.4
Of which guaranteed	188.6	189.1	9.8	9.4
Offshore	122.5	132.3	6.3	6.5
Of which guaranteed	39.0	38.8	2.0	1.9
<b>Total</b>	<b>1,660.5</b>	<b>1,730.8</b>	<b>85.9</b>	<b>85.8</b>

Sources: MOF, AmBank Economics

**Exhibit 9: Financial guarantees  
(2024 vs. Jun 2025)**

	MYR billion		Share of GDP (%)	
	2024	2025	2024	2025
Guarantees under Act 96	332.8	336.1	17.2	16.7
Guarantees Under Act 61	84.0	88.6	4.4	4.4
Undertakings and Supports	30.7	31.2	1.6	1.5
Guaranteed Schemes	53.3	57.5	2.8	2.9
<b>Total</b>	<b>416.8</b>	<b>424.7</b>	<b>21.6</b>	<b>21.1</b>

Sources: MOF, AmBank Economics

<sup>1</sup> Act 96 is the main 'guarantee' conduit of the government (issued to GLCs and statutory bodies), and this was used to finance projects related to public transportation and strategic investments as well as for education and civil servants' housing loans (in other words, guarantees mainly related to the construction sector). Under this is where you can find GG bonds issued by construction-related names such as Danainfra Nasional and Malaysia Rail Link (see Exhibit 10 for list of major GG bonds under Act 96).

<sup>2</sup> Act 61 guarantees are for specific purposes of corporate restructuring, temporary financial assistance, and also strategic investments. These include guarantees for business loans under Syarikat Jaminan Pinjaman Perniagaan Berhad (SJPP), scheme for house buyers under Syarikat Jaminan Kredit Perumahan Berhad (SJKP), and scheme for promoting green financing through Green Technology Financing Scheme (GTFS).

## Exhibit 10 Major Recipients of Guarantees under Act 96 (2024 vs. 2025)

Entity	MYR billion		Share (%)		Share of GDP (%)	
	2024	2025	2024	2025	2024	2025
DanaInfra Nasional Berhad	85.1	87.0	25.6	25.9	4.4	4.3
Lembaga Pembiayaan Perumahan Sektor Awam	48.6	53.7	14.6	16.0	2.5	2.7
Malaysia Rail Link Sdn. Bhd	50.3	52.4	15.1	15.6	2.6	2.6
Prasarana Malaysia Berhad	42.0	42.2	12.6	12.5	2.2	2.1
Perbadanan Tabung Pendidikan Tinggi Nasional	41.5	40.0	12.5	11.9	2.1	2.0
Projek Lebuhraya Usahasama Berhad	11.0	11.0	3.3	3.3	0.6	0.6
Federal Land Development Authority (FELDA)	6.9	6.5	2.1	1.9	0.4	0.3
Pengurusan Air SPV Berhad	6.5	6.1	1.9	1.8	0.3	0.3
Suria Strategic Energy Resources Sdn. Bhd.	5.4	5.0	1.6	1.5	0.3	0.2
1Malaysia Development Berhad	5.0	5.0	1.5	1.5	0.3	0.2
<b>Total of top 10 recipients</b>	<b>302.2</b>	<b>308.7</b>	<b>90.8</b>	<b>91.9</b>	<b>15.7</b>	<b>15.3</b>
Other Recipients	30.6	27.4	9.2	8.1	1.5	1.4
<b>Total guarantees</b>	<b>332.9</b>	<b>336.1</b>	<b>100.0</b>	<b>100.0</b>	<b>17.2</b>	<b>16.7</b>

Sources: MOF, AmBank Economics

## Exhibit 11: Quasi-government bonds maturing in FY2026

Tranches	Maturity Date	Outstanding amount (MYR million)
DANAINFRA IMTN 3.340% 25.09.2026 - Tranche 11	25/09/2026	250
DANAINFRA IMTN 3.530% 27.11.2026 - Tranche No 91	27/11/2026	705
DANAINFRA IMTN 4.030% 01.04.2026 - Tranche No 85	01/04/2026	700
DANAINFRA IMTN 4.090% 20.10.2026 - Tranche No 50	20/10/2026	600
DANAINFRA IMTN 4.150% 12.02.2026 - TRANCHE 5	12/02/2026	300
DANAINFRA IMTN 4.290% 30.04.2026 - Tranche No 44	30/04/2026	500
FELDA IMTN 3.040% 24.03.2026	24/03/2026	655
FELDA IMTN 3.400% 18.11.2026	18/11/2026	350
GOVCO IMTN 4.400% 05.06.2026	05/06/2026	400
JAMBATAN.KEDUA IMTN 4.200% 28.07.2026	28/07/2026	1,000
LPPSA IMTN 3.070% 25.03.2026 - Tranche No 46	25/03/2026	275
LPPSA IMTN 3.900% 25.08.2026 - Tranche No 63	25/08/2026	675
LPPSA IMTN 4.000% 10.04.2026 - Tranche No 28	10/04/2026	500
LPPSA IMTN 4.050% 21.09.2026 - Tranche No 4	21/09/2026	700
MRL IMTN 16.07.2026 - SERIES 20	16/07/2026	2,000
MRL IMTN 2.880% 23.07.2026	23/07/2026	400
PASB IMTN (GG) 4.150% 6.2.2026 - Issue No. 36	06/02/2026	400
PASB IMTN (GG) 4.40% 17.06.2026 - Issue No. 26	17/06/2026	250
PASB IMTN (GG) 4.63% 05.02.2026 - Issue No. 23	05/02/2026	750
PR1MA IMTN 3.050% 30.09.2026	30/09/2026	500
PRASARANA IMTN 0% 04.08.2026 - MTN 4	04/08/2026	1,200
PRASARANA IMTN 2.980% 27.08.2026 (Series 1)	27/08/2026	500
PRASARANA IMTN 4.47% 26.02.2026 - Series 8	26/02/2026	500
PTPTN IMTN 27.07.2026	27/07/2026	1,000
PTPTN IMTN 4.530% 27.08.2026	27/08/2026	500
<b>TOTAL</b>		<b>15,610</b>

Sources: BPAM, AmBank Economics

AmBank Economics	
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