

NFC external debt, which accounted for a quarter of total NFC debt and GDP, respectively grew at a slower pace of 2.9% in the first half of the year (2018: 7.5%) primarily driven by intercompany loans taken by multinational corporations in the services and O&G-related sectors. Risks from NFC external debt remained largely contained, given

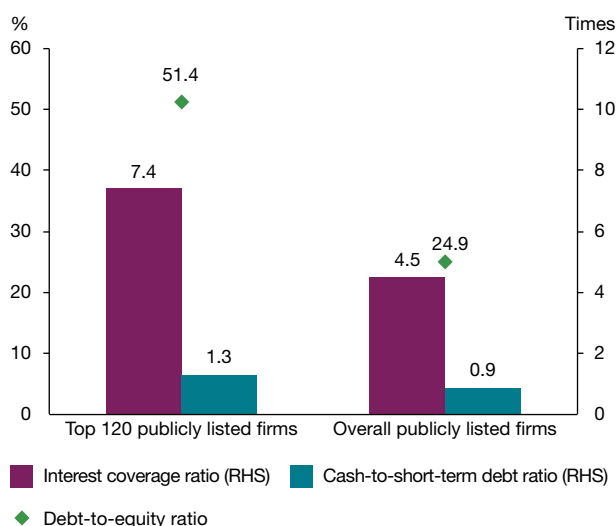
that three-quarters of external borrowings are of medium- to longer-term tenures and largely hedged against currency exposures. In addition, about half of the exposures are in the form of intercompany loans which are typically accorded flexible or concessionary terms, and trade credit facilities which are backed by export receivables, further mitigating repayment and rollover risks.

Expansion of Financial Performance Data Coverage of NFCs

The Bank's coverage of the financial performance of NFCs has been expanded in this update to include all listed firms on Bursa Malaysia (Bursa). Previously, the coverage only encompassed the top 120 companies (excluding financial institutions) which accounted for about 85% of Bursa's market capitalisation. The inclusion of smaller firms in the dataset has resulted in a lower aggregate debt-servicing capacity of businesses as these smaller firms typically have lower earnings, although they are also less leveraged. The aggregate liquidity position of businesses (as measured by the median cash-to-short-term debt ratio, CASTD) was also lower under the expanded dataset, reflecting the higher dependency of smaller firms on shorter-term financing (Chart 11). The median CASTD of firms under the expanded dataset has however remained in line with its five-year average.

Chart 11: Business Sector – Comparison of Leverage, Debt-Servicing Capacity and Liquidity Indicators with Expanded Dataset

Larger publicly listed firms typically have relatively higher leverage but stronger debt-servicing capacity and liquidity positions



Note: Prudent thresholds for ICR and CASTD are two times and one time, respectively

Source: S&P Capital IQ and Bank Negara Malaysia estimates