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Malaysia: Recent Economic Developments

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MALAYSIA

Recent Economic Developments

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Malaysia: Basic Data, 1995-98

Nominal GDP (1998):	US\$73,348 million
Population (1998):	22.2 million
GDP per capita:	US\$3,300
Quota:	SDR 1,487 million

	1995	1996	1997	Prel. 1998
Real sector (percent change)				
Real GDP growth	9.4	8.6	7.7	-6.7
Real domestic demand	13.5	5.3	7.2	-25.5
CPI inflation (period average)	3.4	3.5	2.7	5.3
Saving and investment (percent of GDP)				
Gross domestic investment	43.5	41.6	42.5	25.8
Private, including stocks	30.9	30.2	30.9	14.5
Public	12.6	11.4	11.6	11.4
Gross national saving	33.6	36.7	37.3	38.8
Private	18.6	20.8	19.1	23.6
Public	15.0	15.9	18.3	15.2
Fiscal sector (percent of GDP) 1/				
Federal government overall balance	1.3	1.1	2.6	-1.5
Revenue	23.4	23.7	24.0	20.4
Expenditure and net lending	22.1	22.6	21.4	21.9
Federal government primary balance	4.3	3.8	4.9	1.0
Consolidated public sector overall balance	3.7	4.8	3.5	-1.1
Public sector debt 2/	52.1	45.8	50.2	54.6
Monetary sector (annual percent change)				
M3 growth	18.2	23.7	20.2	-1.6
Domestic credit growth	27.7	27.4	24.1	-2.3
Balance of payments (US\$ billion)				
Trade balance	0.0	4.0	4.0	17.7
Exports, f.o.b.	71.7	76.8	77.7	71.9
Imports, f.o.b.	71.6	72.7	73.7	54.2
Services account balance	-7.7	-7.7	-7.7	-6.0
Current account balance	-8.7	-4.9	-5.0	9.2
(Percent of GDP)	-10.0	-4.9	-5.1	12.9
Capital account balance	7.0	7.4	1.2	-4.7
Medium- and long-term	6.6	5.4	6.8	3.6
Net foreign direct investment	3.3	3.5	3.9	2.2
Short-term	1.0	4.1	-4.0	-5.5
Portfolio capital 3/	-0.7	-2.1	-1.6	-2.8
Overall balance	-1.8	2.5	-3.9	4.5
International trade (annual percent change)				
Export value	26.7	7.1	1.2	-7.5
Import value	30.5	1.5	1.3	-26.4
Gross official reserves (US\$ billion)				
(Months of imports) 4/	3.2	3.4	2.6	4.3
Total external debt (US\$ billion)				
(Percent of GDP)	38.3	39.0	46.6	59.2
Short-term external debt (percent of total)				
Debt-service ratio (percent) 5/	7.3	8.5	6.5	6.6

Sources: Information provided by the Malaysian authorities; and Fund staff estimates.

1/ Figures are presented in the IMF format.

2/ Figures are staff estimates. They exclude domestic debt of the NFPEs.

3/ Including errors and omissions.

4/ Imports of goods and services.

5/ Percent of exports of goods and services. Includes prepayment and refinancing.

I. ECONOMIC ACTIVITY AND PRICES

A. National Accounts

1. **Following several years of sustained growth exceeding 7 percent, real GDP contracted sharply by 6.7 percent in 1998**, weighed down by a large fall in private domestic demand as a result of a sharp decline in investment and, to a lesser extent, consumption (Appendix Tables 1 and 2 and Chart 1). Factors contributing to the fall in private domestic demand included the adverse wealth effect generated by the collapse in asset prices as well as the effect on consumer and business spending of uncertainty over the direction of the economy. In particular, the fall in private investment demand was very severe (58 percent), as the rapidly deteriorating business environment forced companies to strengthen their cash-flow position. The fall in private domestic demand was partially offset by improving net external demand, reflecting largely a sharp compression of imports. Despite stepped-up government spending, mainly in infrastructure projects following the fiscal stimulus packages introduced in March and July 1998 (Section II below), the public sector made a negative contribution to the growth of aggregate demand in 1998.

B. Sectoral Developments

2. **Most major sectors recorded lower output in 1998, with the manufacturing and construction sectors among the hardest hit.** Manufacturing output contracted by 10.2 percent in 1998, following strong, robust growth averaging 13.5 percent in 1994–97 (Appendix Table 3). Falling domestic demand and, to a lesser extent, weaker overseas orders—especially from the countries in the region—were the major factors behind the decline. The decline, which gathered momentum over the course of the year, was broad based across industries, and was more pronounced in industries producing construction-related materials and transport equipment (Appendix Table 4).

3. **Value-added in the construction sector declined by 24.5 percent in 1998**, compared with growth of 9.5 percent in 1997, owing mainly to a sharp drop in construction starts of commercial buildings and upscale residential units. The decline was partly offset by robust demand for medium- and low-cost residential units. The civil engineering subsector, in particular, contracted severely, owing mainly to the deferment of new projects.

4. **Production in the agriculture, forestry, and fishery sectors declined by 4 percent in 1998**, following a modest rise of 1.3 percent in the previous year, affected mainly by adverse weather conditions, lower yields, and labor shortages stemming from the departure of migrant workers. All major commodities registered lower output in 1998. Output of crude palm oil declined by 8.3 percent and rubber production by 8.8 percent; saw log production fell by 27.2 percent, reflecting weaker demand from countries in the region as well as the slump in the domestic construction sector.

5. **Mining output rose slightly by 0.8 percent in 1998**, compared with a 1 percent gain in 1997. The performance of the sector reflected primarily higher crude oil and gas

production, notwithstanding a sharp contraction (24.5 percent) in the quarrying subsector in response to the decline in construction activity.

6. **The services sector grew at a slower—albeit positive—rate in 1998**, affected by the decline in overall economic activity. Value-added in the services sector grew by 1.5 percent in 1998, compared with 8 percent in 1997. Growth was stronger in the intermediate services subsector (mainly finance, insurance, real estate, and business services), while the final services subsector (mainly wholesale and retail trade, hotels and restaurants, and government services) expanded at a much slower pace. In particular, growth in government services moderated to 2.4 percent in 1998 from 6.1 percent in the previous year, reflecting the freeze in filling nonessential vacant posts and the reduction in allowances for civil servants.

C. Saving and Investment

7. **The excess of saving over investment turned positive in 1998**, mirroring a modest rise in gross national saving and the sharp contraction in investment demand. Gross national saving rose by 1.5 percentage points to 38.8 percent of GDP in 1998, as rising private saving offset a marked decline in public saving (Appendix Table 5). Mounting uncertainty over the direction of the economy as well as the negative wealth effect from the sharp fall in asset prices contributed to a decline in consumption and a rise in the saving rate of households. Public saving fell markedly, largely reflecting the automatic impact of the economic cycle on the budget. Gross domestic investment fell sharply from 42.5 percent of GDP in 1997 to 25.8 percent of GDP in 1998, capturing a fall in private investment to less than half the level (as a share of GDP) of the previous year. Contributing factors included the completion of large infrastructure projects and the slowdown in implementation of existing projects (Appendix Tables 6 and 7). The latter factor reflected a reluctance to embark on investment spending amidst mounting uncertainty as well as the need to improve cash-flow positions.

D. The Labor Market

8. **Labor market conditions deteriorated in 1998** (Appendix Tables 8–10). The unemployment rate rose to 3.9 percent in 1998 from 2.6 percent in the previous year (Chart 2). Two main factors accounted for the relatively small rise in the unemployment rate in view of the severity of the output contraction: substantial labor hoarding by firms, and a large decline in the number of foreign workers, who absorbed the brunt of the adjustment in the labor market. Most firms preferred to institute pay cuts rather than shed labor (so as to avoid the costs associated with firing and hiring), in the belief that the contraction would not last long. At the same time, most job cuts affected migrant workers, who represented a high proportion of agricultural workers. Government policy on foreign labor (as stated in the mid-term review of the Seventh Malaysia Plan, 1996–2000) became more restrictive in 1998 by giving increased emphasis on measures to reduce reliance on foreign workers.

9. **Total employment declined by 3 percent in 1998**, with retrenchment totaling 83,900 workers during the year. Retrenchment trends gradually eased over the course of the

year. Many firms relied on temporary layoffs and voluntary retrenchment to reduce the size of their workforce, including by offering attractive voluntary separation packages.

10. **The authorities implemented a number of measures to increase flexibility in the labor market** and mitigate the impact of the crisis on the unemployed. The Employment Act of 1955 was amended in August 1998 to promote more flexible work practices and encourage employers to provide incentives for productivity. The amended Act provided for a link between duration of employment and compensation for those retrenched. Other measures included efforts to coordinate the job-matching process, job mobility programs to encourage mobility of labor between sectors, and retraining schemes for retrenched workers (targeting mainly the manufacturing sector).

11. **Salary increases moderated in 1998.** Average salary increases in the private sector slowed to 6.2 percent in 1998, compared to 8.9 percent in 1997. Among the reasons for the relatively high increase—in view of the economic crisis—was the staggered effect of union contract negotiations. In the unionized sections of the labor market, contracts cover wage increases over three years, with the result that only the contracts that came up for negotiation in 1998 reflected the prevailing labor market conditions. Several employers agreed with their workforce to implement pay cuts (labor laws mandate that pay cuts be made in consultation with workers). Pay cuts ranged from 3 percent to as high as 15 percent for those at the upper end of the pay scales.

E. The Property Market

12. **Conditions in the property market deteriorated sharply in 1998.** The total number of properties transacted fell 32.3 percent to a seven-year low, compared with a modest rise of 1.6 percent in 1997 (see Chart 2). The industrial, development, and commercial sectors were the worst hit. In the residential sector, the decline in transactions was more pronounced in the high-end segment of the market, especially condominiums, which faced particularly acute excess supply conditions.

13. **Housing prices faced a downward adjustment in 1998,** as falling demand and oversupply conditions forced the first decline in housing prices since 1988. Nonetheless, the residential sector was the least affected by the crisis, with average prices in 1998 lower than in 1997 but still higher than in 1995. The apparent resilience of property prices in the residential sector reflected to a certain extent the impact of measures taken by the authorities during the year to support the sector. Measures included easing the lending norms for the construction or purchase of low- and medium-cost housing, abolishing the margin limit of loan financing for the purchase of nonowner occupied properties, the removal of the levy on foreign purchases of high-end properties, and a reduction in the property gains tax.

F. Prices

14. **Inflationary pressures remained relatively subdued in 1998** (Appendix Tables 11–13). Consumer price inflation rose to 5.3 percent in December 1999 (12-month rate) from

2.7 percent in the previous year. Contributing factors included rising food prices and the pass-through effect of the depreciation of the ringgit since the beginning of the crisis. Against the background of weak domestic demand, the full impact of the depreciation of the ringgit was not passed through to consumers, as firms felt compelled to absorb part of the rising costs stemming from higher import prices. Excluding the volatile food component, consumer price inflation was more benign in 1998 (at 3.1 percent).

15. **Producer prices rose faster than consumer prices in 1998.** The producer price index (PPI), which has a higher import component, rose fast during the first half of 1998 but subsequently moderated in response to the slump in demand as well as a decline in prices of mineral fuels, lubricants, and related materials. For 1998 as a whole, the PPI rose by 10.7 percent, compared with a rise of only 2.7 percent in 1997.

II. FISCAL SECTOR

A. Overview

16. **Following a succession of surpluses for the most part of the 1990s, the consolidated public sector registered a deficit in 1998 (Chart 3).**¹ The outturn mirrored mainly a turnaround in the fiscal position of the federal government from a sizable surplus to a modest deficit, reflecting the cyclical impact of the recent crisis on budget revenue as well as policy measures designed to deal with the crisis (Appendix Tables 14–24). Since March 1998, the Malaysian authorities have sought to stem the decline in output by aiming for expansionary fiscal policies. To this end, a number of measures were taken over the course of 1998 aiming to achieve the first federal government deficit since 1991. In the event, the resulting deficit reflected mainly a cyclical reduction in the tax-to-GDP ratio and, to a lesser extent, a modest pickup in development spending (Chart 4).

B. Fiscal Performance in 1998

17. **The federal government budget for 1998 (announced in October 1997) aimed at a moderate increase of the fiscal surplus to 3 percent of GDP from an anticipated surplus of about 2 percent of GDP in 1997.**² Part of the envisaged increase in the surplus was to be accomplished through cuts in operating expenditures (amounting to 0.5 percent of GDP). The budget aimed to restrain domestic demand—to safeguard Malaysia's external position in the wake of overheating concerns—and strengthen the banking system amidst the developing financial crisis in the region. In December 1997, when it became clear to the authorities that output growth was going to be lower than earlier forecast, the projected 1998

¹The consolidated public sector comprises the operations of the federal government, state and local governments, statutory bodies, and nonfinancial public enterprises (NFPEs).

²Figures are in the IMF format.

budget surplus was revised downward to about 1.5 percent of GDP. The revision reflected a substantial downward adjustment of revenue projections, offset by additional cuts in operating as well as development expenditures amounting to 2.5 percent of GDP.³ In addition, several large off-budget infrastructure projects were indefinitely postponed.

18. Against the backdrop of a rapidly deteriorating external environment and the realization that the output effects of the financial crisis were going to be severe, the government gradually shifted to expansionary fiscal policies during 1998. The government announced in March and in July 1998 two policy packages designed to revive economic activity through spending on development projects.⁴ Including the implications of the spending packages for the federal government, the revised federal government budget for 1998 aimed for a fiscal deficit of 2.6 percent of GDP, compared with an actual surplus of 2.6 percent of GDP in the previous year. In addition to the expenditure measures taken during the year, a large part of the envisaged widening of the deficit was to come through a decline in tax revenues, reflecting the cyclical losses from a weak economy.

19. Despite stepped up development expenditures during 1998, the deficit of the federal government was smaller than planned. The federal government budget recorded a deficit of 1.5 percent of GDP, reflecting higher-than-expected tax revenues and delays in project implementation. Tax revenues exceeded the revised budget target by 0.6 percent of GDP as gains from buoyant direct taxes more than offset a small shortfall in indirect taxes. In particular, direct tax revenues rose by about 5 percent over the previous year and exceeded the revised budget target by over 8 percent in 1998, as the impact of the crisis on individuals' and corporations' ability to pay taxes was much less severe than what the authorities had projected.⁵ Collections of taxes on goods and services were largely on target, but import duties fell short of the budget target, reflecting a marked fall of imports during the year. Despite lower-than-budgeted dividend payments by Petronas (a major NFPE), strong rent and interest receipts helped contain the shortfall in nontax revenues to 0.1 percent of GDP.

³The expenditure cuts reflected the authorities' efforts to avoid a deficit in the operating budget. The principles guiding the formulation and implementation of fiscal policy as well as other issues in fiscal policy are discussed in Chapter V of the accompanying Selected Issues paper.

⁴The two fiscal policy packages included additional in- and off-budget spending amounting to about RM 3 billion (1 percent of GDP) and RM 7 billion (2.5 percent of GDP), respectively.

⁵Income tax due (both corporate and personal) is based on income received during the preceding year. With strong growth in 1997, direct tax collections in 1998 were also strong. In fact, the authorities did not underestimate direct tax obligations in 1998 but rather they underestimated the ability to pay the assessed tax.

20. **Federal government expenditures were 0.5 percent of GDP less than the revised target.** The expenditure shortfall reflected primarily savings of 0.5 percent of GDP in **current expenditures**, mainly related to efforts to contain nonessential and unproductive spending to make room for additional spending in priority areas. Reflecting these efforts, **development expenditures** exceeded the budget target by 0.3 percent of GDP.⁶ The federal government overfinanced its fiscal deficit in 1998, thus accumulating about RM 8 billion (2.9 percent of GDP) in deposits with the banking system. The excess **financing** of the deficit reflected efforts to mobilize funding for projects included in the National Economic Recovery Plan covering 1998–2000. Against this background, total **federal government debt** rose from about 33 percent of GDP in 1997 to 37 percent of GDP in 1998 (Appendix Table 25).

21. **The overall financial position of the NFPEs reverted to a deficit of 0.5 percent of GDP in 1998, after recording a small surplus in 1997** (see Appendix Table 23). The **operating surplus** in 1998 was slightly lower than anticipated, primarily owing to an increase in operating expenditures—including higher debt servicing stemming from the weaker ringgit—of major NFPEs. **Revenues** of NFPEs performed well in 1998, despite the severity of the crisis. The large NFPEs (such as Petronas) benefited from operations overseas that translated to higher gains in ringgit terms, as they were largely shielded from rising costs stemming from the depreciation of the ringgit. Sharp increases in palm oil prices also contributed to the increase in revenues. **Development expenditures** rose by over 16 percent in 1998, reflecting, among other factors, increased capital spending (in ringgit terms) overseas as well as increased domestic spending on infrastructure and utility projects.

22. **Following five consecutive years of surpluses, the fiscal position of the state governments moved to a deficit in 1998** (see Appendix Table 20). State government **revenues** fell short of budget targets by 0.3 percent of GDP, reflecting the contraction in economic activity and depressed prices of selected commodities (such as saw logs and petroleum products) on which a range of state taxes are based. A tight control over **operating expenditures** accommodated a small increase in **development spending**. In the event, state governments recorded a deficit of 0.1 percent of GDP in 1998, compared with a surplus of 0.2 percent in 1997. Against the background of a small deficit (0.1 percent of GDP) in the operations of **local governments**, and a surplus of 0.5 percent of GDP in the operations of the **statutory bodies**, the **consolidated public sector** recorded a deficit of 1.1 percent of GDP, compared with a surplus of 3.5 percent of GDP in 1997.

C. 1999 Federal Government Budget

23. **The 1999 federal government budget aims to revive economic activity by providing a fiscal stimulus.** The budget provides for a widening of the federal government deficit

⁶Net lending operations and adjustment for accounts payable contributed to a 0.3 percent of GDP shortfall compared to budget targets.

Box 1. Malaysia: Highlights of the 1999 Federal Government Budget

New tax measures

- Import and excise duties were increased on **cigarettes, tobacco products, and alcohol**.
- The **gaming tax and pool-betting duty** were increased.
- A windfall profit levy was imposed on **crude palm oil and crude palm kernel oil** when their price exceeds RM 2,000 a ton.

Tax exemptions

- The **stamp duty and real property gains tax** were waived on mergers among financial institutions concluded between October 24, 1998 and June 30, 1999.
- Fifty percent of the amount in **interest-in-suspense accounts** is not considered as income for purposes of income tax; however, it will be taxed once it is realized.
- Seventy percent of income from increased **export sales** is exempt from tax.
- Locally manufactured **refrigerators, television sets, and air conditioners** are exempt from excise duty.
- Interest income from investment in **unit trust funds** is exempt from income tax.
- **Loan refinancing instruments** are exempt from stamp duty.
- Losses incurred by companies involved in the **production of select food products** are allowed to be adjusted against profits of other companies within the same company group.
- Income on rent, time charter, and voyage charter from **Malaysian ships** is exempt from income tax.
- Companies organizing **domestic tour packages** are exempt from income tax on tours with more than 1,200 local tourists a year.

Tax administration

- The **tax assessment year** will be changed from the preceding year to the current year beginning in 2000. Malaysian companies will be allowed to carry forward losses incurred in 1999.
- The system of official tax assessment will be gradually shifted to a system of **self-assessment** beginning in 2001 for companies, and in 2004 for individuals.

from 1.5 percent of GDP in 1998 to 5.5 percent of GDP in 1999. The widening of the federal government deficit primarily reflects the operation of automatic stabilizers on the revenue side. Most of the policy initiatives in the budget were on the revenue side (Box 1).⁷ The main expenditure measures in the budget included increased allocations for infrastructure spending (both off and in the budget) and spending in the social sectors designed to strengthen the social safety net.⁸ Moreover, the budget included measures dealing with the restructuring of the banking sector.⁹ Total expenditures are expected to be about 8.5 percent higher than in 1998 in nominal terms. In addition, the fiscal stimulus was designed to be supplemented by significant increases in off-budget spending in 1999.¹⁰ Consistent with the widening deficit for the federal government deficit, the consolidated public sector deficit is expected to rise to 4.4 percent of GDP in 1999 from a deficit of 1.1 percent of GDP in 1998.

III. MONEY, CREDIT, AND FINANCIAL DEVELOPMENTS¹¹

A. Overview

24. **Between 1997 and 1999, monetary policy has swung from being contractionary to being expansionary, as policy priorities have switched from resisting inflationary pressures and supporting the exchange rate to countering a severe economic recession and relieving stress in the financial and corporate sectors.**

⁷The new tax measures included in the budget were expected to mobilize RM 0.5 billion (0.2 percent of GDP) in additional net revenue.

⁸Faced with the growing social consequences of the crisis, the government increased allocations to targeted assistance programs in mid-1998, supported by the World Bank's Economic Recovery and Social Sector Loan.

⁹With the exception of a quasi-fiscal cost of RM 3 billion related to the provision of seed capital by Bank Negara Malaysia to Danamodal, the budget did not include any budget allocations to deal with the costs of bank restructuring. Section III below provides details on bank restructuring.

¹⁰The total amount of off-budget spending in 1998–2000 is RM 17,800 million. In 1998, RM 991 million was spent, against a budget allocation of RM 3,000 million. In 1999, RM 5,151 million is planned to be spent. The remainder will be spent in 2000, with some of the planned spending likely spilling over to 2001.

¹¹The Selected Issues paper includes three chapters focusing on financial and corporate sector restructuring, as well as potential frameworks for monetary policy formulation: Chapter III, "Financial Sector Issues;" Chapter IV, "Issues in Corporate Sector Restructuring;" and Chapter VI, "Monetary and Exchange Rate Policy Options."

- In order to achieve its policy objectives, **Bank Negara Malaysia (BNM) has actively employed a variety of instruments**, including interest rate and reserve ratio changes, lending directives or guidelines, capital controls, and prudential measures.
- **Monetary and credit growth contracted sharply in 1998**, as did private sector funding through capital markets.
- Since the imposition of capital controls and the pegging of the ringgit, and the move toward expansionary monetary policy, **the stock market has recovered part of the ground lost earlier, but credit growth and capital market borrowing by the private sector remains weak.**
- In order to deal with the severe financial difficulties that have resulted from, and contributed to, the severity of the economic contraction, in 1998 **the government established an asset management corporation—Danaharta—and a special purpose vehicle—Danamodal—to carry out financial sector restructuring, and a Corporate Debt Restructuring Committee (CDRC) to assist with resolution of financial distress in the corporate sector.**

B. Monetary Policy Formulation and Implementation

25. **Over the course of 1997–99, the conduct of monetary policy in Malaysia has been severely challenged by the spillover of the regional financial crisis into a sharp decline in the external value of the ringgit, a severe contraction of economic activity, and an associated deterioration in the health of the financial system.** The nature of the crisis has generated or accentuated conflicts among key policy objectives including, notably, promoting economic growth, maintaining low inflation, providing a supportive exchange rate environment for the export sector, and preserving the health of the financial system. Policy responses to the crisis have involved a wide array of measures including the introduction of additional policy instruments in order to be able to achieve different objectives simultaneously or, at least, minimize conflicts between them.

26. **Through the first half of 1997, monetary policy was primarily oriented toward restraining domestic inflationary pressures, particularly evident in property and equity markets.** Double digit rises in share market and property prices in 1996 both reflected the strength of demand in the Malaysian economy and also threatened to boost spending further through their impact on household wealth perceptions and the cost of capital to firms.¹² BNM, however, was concerned that interest rate increases to restrain inflation pressures might impinge primarily on “productive investment.” It sought, therefore, to contain pressures more directly in the most affected markets by introducing measures in April 1997

¹²House prices rose 12.9 percent in 1996, while the Kuala Lumpur Stock Exchange composite index rose 24.4 percent.

to limit lending for property and share purchases (Box 2). Whether such measures would have been adequate to the task, however, was quickly rendered moot by the spread of the regional financial crisis to the Malaysian economy in July.¹³

27. In July, interest rates were raised to support the exchange rate as the regional financial crisis spread to Malaysia. The spread of the regional crisis to Malaysia was reflected in an acceleration of capital outflows, a sharp fall in share prices, and downward pressure on the external value of the ringgit. In response to these pressures, BNM intervened heavily in the exchange market (reserves fell \$4.7 billion in the month). As liquidity was withdrawn from the market, and exchange rate uncertainty soared, short-term interest rates rose sharply, with the overnight rate briefly rising to as much as 40 percent. Despite these measures, by early August, the ringgit had fallen by over 5 percent from the level in early July.

28. From early August, monetary policy actions were geared toward restoring domestic financial market stability. In the BNM's judgment, the pressures on the currency were unlikely to dissipate rapidly, so that a prolonged defense of the currency through high interest rates was likely to be unsuccessful and do considerable damage to economic performance. The negative outlook for the ringgit in currency markets, however, worked in the direction of holding Malaysian interest rates well above comparable U.S. interest rates, and thus were in conflict with the BNM's desire to bring domestic interest rates back toward pre-crisis levels. As domestic interest rates were lowered, therefore, a differential emerged between on-shore and off-shore ringgit interest rates, creating incentives for continued capital outflows and downward pressure on the ringgit. In response, BNM introduced limits on banking system ringgit offer-side swap transactions with foreign customers. Despite this measure and continued intervention in support of the ringgit (reserves fell \$3.9 billion in the August–September period), however, the ringgit continued to weaken. By end-September, the ringgit had fallen to 22 percent below the level at the beginning of July.

29. In the period from late September 1997 through early February 1998, the stance of monetary policy firmed gradually as BNM sought to counter the inflationary consequences of the depreciation of the ringgit, and to discourage capital outflows that continued to put downward pressure on the currency. In the September–November period, BNM endorsed a modest firming of the 3-month interbank rate by around 100 basis points. This was complemented, in October, by the establishment of publicly announced targets for reductions in overall credit growth through the end of 1998. In December, BNM also introduced tough restrictions on lending for property development and for car purchases. Continuing pressures on the currency, reflected in the interest differential between on-shore

¹³In mid-May, the ringgit had also come under pressure, but a brief rise in short-term interest rates (the overnight interbank rate rose to over 18 percent on a few days) was sufficient to counter these pressures, and the ringgit remained little changed.

Box 2. Malaysia: Monetary Policy Measures, 1997–99

January–June 1997

- *Restrictions on lending for property share purchases* (April). Loans to the property sector (excluding dwellings under RM 150,000, as well as infrastructure and industrial projects) were not to exceed 20 percent of banking institutions' total loans. In addition, not more than 15 percent of banks' lending (and not more than 30 percent in the case of merchant banks) was to be available for share purchases.

July–December 1997

- *Limits on ringgit swap transactions* (August). Banks were required to limit outstanding noncommerce-related offer-side swap transactions with each foreign customer to \$2 million.
- *General and specific credit growth restraints* (October–December). These included: (a) establishment of guidelines aimed at reducing annual credit growth to 25 percent by end-1997; to 20 percent by end-March 1998; and to 15 percent by end-1998, with priority for continued lending to be given to the export and manufacturing sectors, SMEs, and medium- and low-cost housing; (b) finance companies were restricted to financing no more than 70 percent of purchases of private cars, and repayment periods limited to five years; (c) banking institutions were prohibited from new lending to property projects not under way and required to reassess projects already under way. Industrial property construction was exempted.

January–June 1998

- *Lending restrictions eased* (January 26) for construction of residential properties under RM 150,000.
- *BNM intervention rate raised* in three steps from 8.7 percent at end-1997 to 11 percent (February 6).
- *SRR reduced* (February 16) from 13.5 percent to 10 percent.
- *BNM daily reports on money market operations* (May 1). Information includes BNM forecasts of financial system cash flow, BNM liquidity operations, and money market tender results.

July–December 1998

- *BNM intervention rate reduced* in six steps from 11 percent at end-July to 7 percent (November 9).
- *Exchange controls introduced* (September 1).
- *Exchange rate fixed* (September 2) at RM 3.8 per U.S. dollar.
- *SRR reduced* in three steps from 10 percent at end-June to 4 percent (September 16).
- *Bank Lending Rate (BLR) formula modified* (September 1) to link BLR to the BNM intervention rate directly, and the maximum lending rate spread over BLR was reduced from 4 percent to 2.5 percent.
- *Lending restrictions eased* (July–November). These included: (a) lending for residential property purchases below RM 250,000 was exempted from the restrictions introduced in April 1997; (b) the (September 1997) ceiling on bank lending for share purchases was raised from 15 percent to 20 percent of outstanding loans; (c) elimination of the (April 1997) restrictions on financing of car purchases.

January–June 1999

- *BNM intervention rate reduced* in two steps from 7 percent at end-December to 6 percent (May).
- *Lending restricted* (January 5) for new residential developments above RM 250,000.

and off-shore ringgit interest rates, also contributed to the firming of domestic interest rates through early 1998, with the 3-month interbank rate rising a further 250 basis points to 11 percent in early February. The pass-through of higher interbank rates to retail lending rates was partially offset by a reduction in the Statutory Reserve Requirement (SRR) in mid-February. Although BNM acted to neutralize the overall effect of the SRR change on system

liquidity, the reduction in SRR nonetheless lowered the cost of funds to financial institutions and thus limited the rise in lending rates.

30. **From February through July 1998, monetary policy remained firm, but did not tighten further.** Upward pressure on interest rates was relieved by weakening domestic activity and a sharp fall in lending for property development and share purchases, as well as by the weakening of the U.S. dollar against regional currencies.

31. **Subsequently, monetary policy began to ease in response to increasing signs of a sharp contraction of economic activity and the consequent prospect of declining inflation, as well as in response to some easing of exchange market pressures on the ringgit.** In July, BNM reduced the SRR further to facilitate a reduction in retail lending rates. The shift toward policy easing was briefly interrupted by the Russian financial crisis in July. As exchange market pressures dissipated, the easing of monetary policy accelerated in August with three cuts in the BNM intervention rate. By the end of August, the 3-month interbank rate had been reduced 150 basis points from the level at the beginning of July.

32. **In September, monetary policy was eased sharply following the introduction of exchange controls and the pegging of the exchange rate.** Despite the adjustment in the stance of monetary policy over the previous month, the scope for easing had been substantially constrained by concerns for the potential exchange rate consequences. The imposition of exchange controls and the pegging of the ringgit immediately lifted this constraint, permitting a rapid adjustment in the stance of policy. Measures taken included further cuts in SRR, reductions in the BNM intervention rate, and modification of the Base Lending Rate (BLR) formula to make it more responsive to changes in the intervention rate. As a consequence, the 3-month interbank rate and average lending rates of banks fell by about 250 basis points between August and October. In addition, BNM introduced administrative measures to encourage a resumption of lending, including loosening of restrictions on lending for property, car and share purchases, and setting of an 8 percent loan growth for banking institutions on a bank-by-bank basis.¹⁴

33. **Since late 1998, monetary policy has eased further, but more gradually.** The pace of easing has reflected a number of considerations:

- A substantial easing has already occurred, and BNM has been wary of the dangers of easing too far, particularly as a recovery of activity appears already to be under way in response to past monetary easing, improved external demand, and fiscal stimulus measures.

¹⁴In addition, measures affecting prudential regulations were introduced. See Chapter IV of the Selected Issues paper.

- BNM has also been aware that lowering interest rates too far would tend to create incentives for disintermediation and renewed capital outflows despite the existence of controls.
- A BNM view that, at this stage, the scope for stimulating credit expansion is less limited by the level of interest rates than by a very cautious approach to lending on the part of financial institutions, reflecting both their own impaired financial health and uncertainties regarding the financial health of potential borrowers.
- A long-standing BNM policy of keeping retail deposit interest rates positive in real terms. Malaysia's traditionally high saving rate has been regarded as one of the key strengths of the economy and, consequently, BNM has been reluctant to take measures which would discourage saving.
- BNM's desire to tailor the speed of adjustment of retail lending rates to changes in banks' average costs of funds. Because bank lending mostly occurs at floating rates while a significant proportion of funding is from term deposits at fixed rates, rapid reductions in lending rates tend to squeeze banking system cash-flow positions until fixed rate deposits are rolled over at new, lower rates.

34. **Taking these considerations into account, BNM has absorbed large amounts of liquidity from the interbank market in order to resist downward pressure on the 3-month rate.** As a result, the 3-month interbank rate remained around 6.5 percent from mid-November through mid-March 1999. Subsequently, as inflation prospects were revised downward, BNM permitted a decline in the 3-month rate to the 3 percent to 3.5 percent range by early May 1999, where the rate has remained.

35. **Adjustments in the BNM intervention rate, which essentially determines financial institutions' lending rates, have significantly lagged the decline in interbank rates.** This has reflected BNM's concern to keep reductions in retail lending rates closely linked to reductions in banks' average funding costs and has led to a pronounced widening of the spread between the BLR and the 3-month interbank rate, especially in the last few months.¹⁵

36. **The 8 percent loan growth target set for banking institutions in 1998 has been renewed for 1999.** In 1998 the target was implemented flexibly, making exceptions for banking institutions facing financial distress or where increased lending would have

¹⁵In September 1998, the average spread of BLR over the 3-month interbank rate was 1.1 percentage points. In March 1999, the spread had widened to 1.9 percentage points, as the 3-month interbank rate fell more rapidly than the BNM intervention rate. In April–May, the differential widened to 3.7 percentage points as the 3-month interbank rate fell in response to the decline in the annual inflation rate, while the BNM intervention rate and BLR were reduced much more gradually.

compromised prudent behavior. As a result, the bank lending target was substantially undershot: total loans (including nonperforming loans (NPLs) sold to Danaharta) increased only 1.3 percent in 1998. Within this total, however, commercial banks achieved loan growth of 7.1 percent, but this was offset by sharp falls in lending by distressed finance companies. For 1999, BNM has again indicated that achievement of the target should not compromise prudent lending practices.

C. Money and Credit Developments

37. **The evolution of monetary and credit aggregates since 1997 has reflected three inter-related developments: the slowing and then sharp contraction of domestic economic activity; the collapse of equity and housing market values; and efforts to restore the strength of the financial system.** On the demand side, falls in property and equity prices in 1997–98, together with weak export prices and increases in interest rates, all contributed to a sharp contraction of demand for credit. On the supply side, financial institutions became less willing to lend as uncertainties about borrower quality increased and as their own balance sheets were adversely affected by NPLs. The contraction in lending was accentuated, at least until mid-1998, by BNM restrictions on lending. Finally, the measured growth of lending by the banking system has also been affected by operations to relieve the banking system of NPLs.

38. **Broad money and credit growth began to moderate in 1997.** M3 growth eased slightly, to 20 percent in 1997 from 24 percent in 1996, while M1 growth slowed more sharply, to 10 percent from 24 percent, as depositors shifted funds to take advantage of higher rates. M2 growth, however, remained high (22 percent compared with 23 percent in 1996), as deposits shifted toward commercial banks from finance companies. (See also Appendix Tables 27–33)

39. **Money and credit growth fell sharply in 1998 in response to the contraction of economic activity, and financial consolidation efforts of banking institutions, but has begun to recover more recently.** Between December 1997 and September 1998, annualized growth rates of M1, M2, and M3 plummeted to -40 percent, -9 percent, and -6 percent, respectively (Appendix Tables 29 and 31). Subsequently, however, growth in the monetary aggregates has begun to pick up in response to stabilization of economic activity, declines in interest rates, and easing of restrictions on lending to the property sector. In the six months to March 1999, annualized growth rates of M1, M2, and M3 picked up to 1.4 percent, 11 percent, and 9 percent, respectively.

40. **In 1998 there were also large shifts in the sources of growth in M3.** In 1997, the increase in net claims on the private sector had accounted for more than all of the increase in M3, mainly offset by reductions in net external claims (reflecting declines in BNM reserves and increased net liabilities of the banking system in ringgit terms). By contrast, in 1998, net external claims made a large positive contribution to M3 growth, reflecting the accumulation of foreign reserves by BNM and the reduction of short-term foreign debt of the banking system. Offsets were provided by a large negative contribution from net other influences and

by a fall in net claims on government. The negative contribution from net other influences partly reflected the effects of capital losses as banks sold NPLs at a loss to Danaharta, as well as the effect of the revaluation of BNM foreign exchange reserves in September.¹⁶ The fall in net claims on government primarily resulted from increased government deposits with BNM, including the deposit of a drawdown of a \$300 million World Bank loan in June and the proceeds of a (RM 6 billion) bond sale to the Employees Provident Fund in October.

41. Total lending by the banking system (excluding NPLs sold to Danaharta) fell 1.8 percent in 1998 after expanding 26.5 percent in 1997. Although lending growth was weak in virtually all sectors, loans for the purchase of shares, personal consumption (predominantly car loans), and real estate loans were particularly hard hit by the lending restrictions imposed by BNM in 1997. Excluding lending to these sectors, total loans to other sectors increased 2.9 percent in 1998 after increasing 23.3 percent in 1997. In addition, lending growth by different parts of the banking system also varied significantly in 1998. Finance companies, in particular, saw lending fall by 14.4 percent while lending by commercial banks increased by 4.4 percent, as banks gained business being lost by finance companies.

42. Sales of NPLs to Danaharta lowered banking system loan growth in late 1998 and 1999, but have had a more neutral impact on overall M3 growth. Sales of NPLs to Danaharta (amounting to RM 21 billion by end-1998) lowered lending growth in 1998 by a little over 3 percentage points. If such loans are included in total loans, then total lending growth in 1998 was 1.3 percent. The effect of Danaharta operations on overall M3, however, are neutral, since sales of NPLs are offset by increased banking system holdings of Danaharta securities and reductions in banking sector capital liabilities. Injections of capital into the banking system by Danamodal also tend to have offsetting effects on M3, as capital injections have a negative impact on the net other items, while the funding of such operations through sales of bonds to the banking system raise claims on the private sector.¹⁷

D. Capital Market Developments

43. Long-term fund-raising in the Malaysian capital market in 1997 and 1998 largely paralleled the slowing and then contraction of borrowing through the banking system, with the notable exception of government financing. Total funds raised in the capital market in 1997 increased by 11.5 percent to RM 38.4 billion, a marked slowing from the 54 percent increase registered in 1996 (Appendix Table 35). In 1998, however, total funds raised fell by 52 percent to RM 18.4 billion. The contraction of private sector funding was

¹⁶The revaluation of official reserves has no net influence on M3, as the effects on the level of reserves and net other influences are exactly offsetting.

¹⁷Mismatching in the timing between fund-raising by Danamodal and injections of capital into the banking system, however, can temporarily boost M3 growth.

even more pronounced, falling nearly 75 percent to RM 8.9 billion. And of this, RM 7.7 billion was accounted for by the issue of Danamodal bonds in October.

44. **The public sector significantly increased its funding through the long-term capital market in 1998**, in contrast with the decline in net financing of the public sector through the banking system. Funds raised, largely by Khazanah Berhad, the government's investment agency, amounted to a net RM 9.8 billion versus a net redemption of RM 1.4 billion in 1997. The long-term government bond issues in 1998 also continued the government's program of providing yield curve benchmarks for the development of the domestic bond market.

45. **After several years of spectacular gains, the Kuala Lumpur Composite Index (KLCI) fell sharply in 1997 and 1998.** In the first two months of 1997, the KLCI rose about 3 percent and then declined gradually through the beginning of July to about 12.4 percent below the end-1996 level. From the onset of the Asian financial crisis at the beginning of July, the KLCI fell sharply, losing 27 percent of its value by the end of August. Thereafter, stock prices continued to slide, so that by year's end the KLCI stood nearly 52 percent below its value a year earlier. In 1998, the slide in the stock market continued, so that by the beginning of September, the KLCI was down 79 percent from the end of 1996.

46. **In late 1998, the KLCI began to recover along with equity prices elsewhere in the region as economic prospects stabilized.** In Malaysia, the easing of monetary policy following the imposition of exchange controls, together with the program for restructuring the financial sector, have also undoubtedly played an important role in boosting share prices. By the end of May 1999, the KLCI had risen by 145 percent from the level at the end of August 1998, though still 40 percent below the end-1996 level.

E. Financial and Corporate Sector Restructuring

47. **A full discussion of financial sector restructuring efforts in Malaysia is contained in Chapter III of the Selected Issues paper, while details of corporate sector restructuring efforts are contained in Chapter IV.** This section, therefore, provides only a brief overview of developments.

48. **The contraction of economic activity in 1998, together with high interest rates, quickly showed up in Malaysia's banking system in the form of rising NPLs, strained earnings, and declining capital.** Malaysia has avoided the effects of full-scale financial sector crisis because of fundamental strengths that were present in advance of the distress, as well as a prompt and concerted effort on the part of the authorities to arrest deterioration once it had begun.

49. **The authorities moved in January 1998 to consolidate the finance company sector as it was viewed to be the most vulnerable segment within the banking system.** By midyear, this effort was augmented by a comprehensive strategy to restructure and revitalize the banking system, creating Danaharta to acquire NPLs, Danamodal to provide fresh capital,

and the CDRC to help negotiate the restructuring of large corporate loans. The authorities (Ministry of Finance and BNM) provided the initial capitalization to Danaharta and Danamodal and stand behind the issuance of approximately RM 30 billion in debt financing. The authorities expect to be repaid when the assets are sold.

50. In 1998, BNM sharpened its supervision over the banking sector by tightening loan classification requirements and, later, requiring that banks reach agreements to sell NPLs to Danaharta in order to improve asset quality. These actions were accompanied by more frequent on-site examinations to scrutinize individual banks and bank managers. To the extent that NPL sales to Danaharta depleted capital, banks were forced to seek new equity either from shareholders, new investors, or through Danamodal.

51. Through March 1999, Danaharta has acquired approximately one-fourth of the banking system's NPLs, while Danamodal has injected fresh capital into banking institutions that in the aggregate represent approximately one-fifth of system assets. Danaharta's purchases of NPLs have amounted to RM 23 billion, from 37 financial institutions, while Danamodal's capital injections into 11 banking institutions have amounted to RM 6.2 billion. NPLs have begun to moderate and are expected to peak in coming quarters.

52. The Malaysian economic crisis has also been reflected in severe financial distress among segments of the corporate sector—primarily companies in the construction and finance sectors as well as diversified holding companies—mainly through the impact on cash flows and debt-servicing capacity arising from the sharp exchange rate depreciation, the significant decline in stock prices, the increase in interest rates, and the sharp decline in demand, both domestically and of Malaysia's main regional trading partners. The peak increase in interest rates and the peak exchange rate depreciation are estimated to have reduced corporate cash flows by some 10 percent of GDP since the start of the crisis, while the total wealth shock is estimated to have been equivalent to some 170 percent of GDP. The distress in the corporate sector is evidenced by indicators such as the sharp decline in earnings before interest and taxes and by the number of corporations filing for court protection.

53. To facilitate restructuring in the corporate sector, the government established the CDRC, modeled after the London Approach, as a complement to the establishment of Danaharta and Danamodal. In addition, the authorities have implemented several reforms to improve corporate governance and to strengthen regulations over banking and other financial institutions.

IV. EXTERNAL SECTOR DEVELOPMENTS

A. Overview

54. Malaysia's balance of payments position strengthened significantly in 1998, reflecting mainly a current account surplus generated by a sharp decline in private investment and an improvement in private sector saving in response to the negative wealth shock caused

by the stock market collapse in 1997 (Appendix Tables 36–42). The large current account surplus—the first since 1989—was in sharp contrast to the current account deficit and substantial loss of reserves observed in 1997. The current account surplus was somewhat offset by short-term capital outflows and a decline in foreign direct investment flows into Malaysia. Nevertheless, for the year as a whole, there was a significant buildup of reserves, especially in the last quarter of the year when exports picked up and capital outflows ceased as a result of the imposition of capital controls in September 1998.

B. Current Account Developments

55. **The current account recorded an unprecedented surplus of \$9.2 billion during 1998**, mainly on account of a sharp positive turnaround in the trade balance. The rise in the trade surplus to \$18 billion in 1998 from \$4 billion in 1997, resulted entirely from strong import compression, as exports declined notwithstanding the rebound in manufactured exports by 8.8 percent in the fourth quarter of 1998. The service account also improved due, in large part, to a narrowing of the deficit on net payments of freight and insurance, in line with the improvement in the trade balance. Malaysia also recorded a significant net outflow of transfers, mainly one-time lump-sum repatriation of remittances made by a sizable foreign workforce who took their savings with them as they left the country because of the recession.

56. **The value of imports fell sharply in 1998, by 26 percent in U.S. dollar terms.** The drop in imports was due to a reduction in volumes of all categories of imports. The biggest drop was recorded in the import of capital goods (39 percent), as a result of the contraction in domestic demand, large excess capacity, the exchange rate depreciation, as well as measures introduced earlier in the year to defer noncritical infrastructure projects and rationalize the purchase of imported goods by public agencies. Imports of intermediate goods also declined by 21 percent, in line with a decline in manufacturing production in response to weak domestic and export demand.

57. **The dollar value of exports declined by 8 percent in 1998.** For the year as a whole, this resulted mainly from a fall in the prices of key export goods (such as semi-conductors and electronics, as well as commodity exports) and, to a lesser extent, from the slowdown in regional export demand. In the final months of 1998, however, exports picked up as the recovery in regional and world demand led to a rise in export volumes, and the declining trend in key export prices moderated. The improved fourth quarter performance was mainly due to the growth in exports of electronic components, transport equipment, nonmetallic mineral products, and rubber products.¹⁸ In addition, the downward adjustment in semi-conductor prices moderated following the decision of some major world producers to halt or cut production levels to restrain falling prices. For the year as a whole, Malaysia was able to maintain its share of the U.S. and Japanese markets at the 1997 levels, reflecting the

¹⁸Semi-conductor sales have benefited from the revival of the disk drive subsector, improved sales of personal computers, and intensified efforts to deal with the Y2K problem.

competitiveness of the ringgit against other regional currencies (which appreciated against the ringgit in 1998 as the yen rose against the dollar).¹⁹

58. **Malaysian exports and imports continued to be channeled to and from mainly the ASEAN countries (particularly Singapore), Japan, the United States, and the European Union.** However, as their economies contracted, the relative share of ASEAN countries in Malaysian exports declined (by 13 percent), to be replaced by the United States and the European Union, which absorbed larger shares (16 percent and 12 percent more than in 1997, respectively).

C. Exchange Rate Developments and Capital Controls

59. **For most of 1998, the ringgit was determined on the basis of a managed float vis-à-vis an undisclosed basket of major trading partners' currencies.** The nominal exchange rate stabilized somewhat after January 1998, following a steep depreciation of the ringgit against the U.S. dollar since the onset of the crisis in July 1997. In June 1998, the currency again came under pressure as the Russian financial crisis unfolded. Through the first eight months of 1998, the real effective exchange rate recovered some ground and, by September 1998, stabilized at about 23 percent below its June 1997 level.

60. **At the beginning of September 1998, the Malaysian authorities introduced a wide range of capital controls and pegged the exchange rate at RM 3.8 per U.S. dollar.** These measures were aimed at stemming speculation against the ringgit and regaining monetary policy independence.²⁰ The controls effectively eliminated the offshore ringgit market, by removing all legal channels for the transfer of ringgit abroad and requiring transfer of offshore ringgit to Malaysia, and prohibited nonresidents from repatriating portfolio capital held in Malaysia for a period of 12 months. Payments and transfers related to current international transactions and foreign direct investment were exempt from the controls.

61. **In February 1999, the 12-month rule was replaced with a declining scale of exit levies that apply to the principal or the profits from investments in Malaysian securities, depending on whether the funds were brought into Malaysia before or after February 15,**

¹⁹See also Chapter II of the Selected Issues paper, "Exports and Competitiveness."

²⁰See Chapter I of the Selected Issues paper, "Use of Capital Controls and Evolution of the Capital Control Regime," which provides a more detailed review and assessment of Malaysia's experience with the recent capital controls, reviews the adequacy of Malaysia's prudential framework to manage the risks involved in cross-border capital flows, and discusses issues related to the strategy for exiting from the controls and the necessary supporting policies.

1999, respectively, with the size of the levy decreasing with the length of the investment. Some exemptions from the exit levy have also been granted for property investments and transactions related to the new over-the-counter stock exchange and financial futures exchanges. In introducing the exchange and capital controls in September 1998, the authorities stated that these would be temporary, and that Malaysia would in time modify the capital controls and return to more flexible management of the exchange rate. Official statements (as recently as mid-May) indicated that capital controls would remain in place until stricter curbs were imposed on currency trading in international markets.

D. Capital Account Developments

62. The capital account swung from a small surplus in 1997 to a deficit of \$5 billion in 1998. The deterioration in the capital account can be attributed to an increase in short-term private sector capital outflows (by 32 percent), as well as a slowdown in portfolio capital inflows due to investors' risk aversion to emerging markets. This was exacerbated by a drop in foreign direct investment inflows (by almost half the amount that came in during 1997), as well as smaller net inflows of official medium- and long-term capital (Appendix Table 43).

63. Foreign direct investment flows moderated because of the tightening of lending conditions in international markets, domestic financial problems in the major investing countries (such as Japan), global excess capacity, and continued regional uncertainties. Reinvestment by foreign investors in Malaysia also declined as a result of higher repatriation of profits and dividends, mainly by Japanese firms, to meet liquidity needs in their parent companies. In addition, the imposition of selective capital controls in September 1998 and the confusion surrounding the initial phase of implementation appears to have been detrimental to foreign direct investment, even though such transactions fell outside the purview of the controls. Matters improved somewhat in the last quarter of 1998 following the liberalization of foreign equity participation in the telecommunications and manufacturing sectors, when funds were brought in by foreign investors for the acquisition of stakes in Malaysian companies. In addition, the number of applications for new investment projects increased significantly during this period, once the operation and scope of the capital controls became increasingly clear to long-term foreign investors.

64. The net outflow of short-term capital increased further in 1998 from the historically high level already witnessed in 1997. This was due to a decline in the external liabilities of the commercial banks and the liquidation of portfolio investments by foreign investors. The former reflected a decline in the short-term external debt of commercial banks in response to the stagnation of domestic demand and reduction in external trade. Heightened uncertainty, including increased concerns about the risks in the financial system and the economic outlook, led to a large portfolio capital outflow, especially in the second and third quarters of 1998. However, such capital outflows stabilized in the last quarter after the imposition of the 12-month withholding period for portfolio capital under the selective capital controls imposed in September 1998.

E. International Reserves, External Debt, and Debt Service

65. **BNM's external reserves rose by \$4.5 billion to \$26.2 billion at end-1998**, equivalent to approximately four months of retained imports of goods and services (Appendix Table 44). This reflects the strong balance of payments position generated by a large current account surplus. This was bolstered in the last quarter of the year by the effectiveness of the capital controls in preventing large private capital outflows. As a result, reserve accumulation accelerated in the final quarter of the year (reserves rose by \$6 billion in this period), allowing the reserve loss during the early part of the year to be recouped. In 1999, reserves have continued to build up, reaching \$29.8 billion by the end of May.

66. **Malaysia's total external debt stood at \$42 billion in 1998, equivalent to 59 percent of GDP**, up from 45 percent of GDP in 1997 (Appendix Tables 45-49). Within this total, there has been a noticeable shift in the maturity profile, toward medium- and long-term debt away from short-term debt. The latter has declined significantly as a proportion to total external debt from 25 percent to 18 percent during this period. Medium- and long-term debt rose slightly in 1998 on account of increased borrowing by the federal government from official creditors, while the nonfinancial public and private sectors maintained virtually the same levels of external indebtedness as in the previous year. At the same time, short-term debt declined, owing to a reduction in external liabilities of commercial banks, which in turn reflects lower short-term borrowing by banks as a result of lower trade financing needs following the stagnation in domestic demand and external trade. The currency composition continued to be dominated by U.S. dollar-denominated debt (74 percent of total debt outstanding at the end of 1998), while yen-denominated debt registered a small increase (to 17 percent of total outstanding debt in 1998).

67. **Malaysia's debt-service payments have remained low, at about \$6 billion in 1998**. However, its debt-service ratio, while still modest, has increased somewhat to 7 percent of exports of goods and services, reflecting the fall in the value of exports.

F. Trade Policy

68. **Malaysia's trade regime is characterized by a relatively moderate average tariff rate of 9.3 percent**. All nontariff barriers on agricultural goods (including licensing requirements and quotas) have been converted to tariffs, and several other items such as diamonds, polyethylene, polypropylene, etc., have been removed from import licensing in recent years. **However, despite continued progress toward the reduction of tariff and nontariff barriers, Malaysia's trade system remains somewhat more restrictive than some other countries in the region because of the continued existence of nontariff barriers**. These take the form of discretionary import licensing requirements for the import of automobiles, iron and steel products, and other industrial goods, aimed at protecting domestic infant industries, as well as promoting forward and backward industrial linkages.

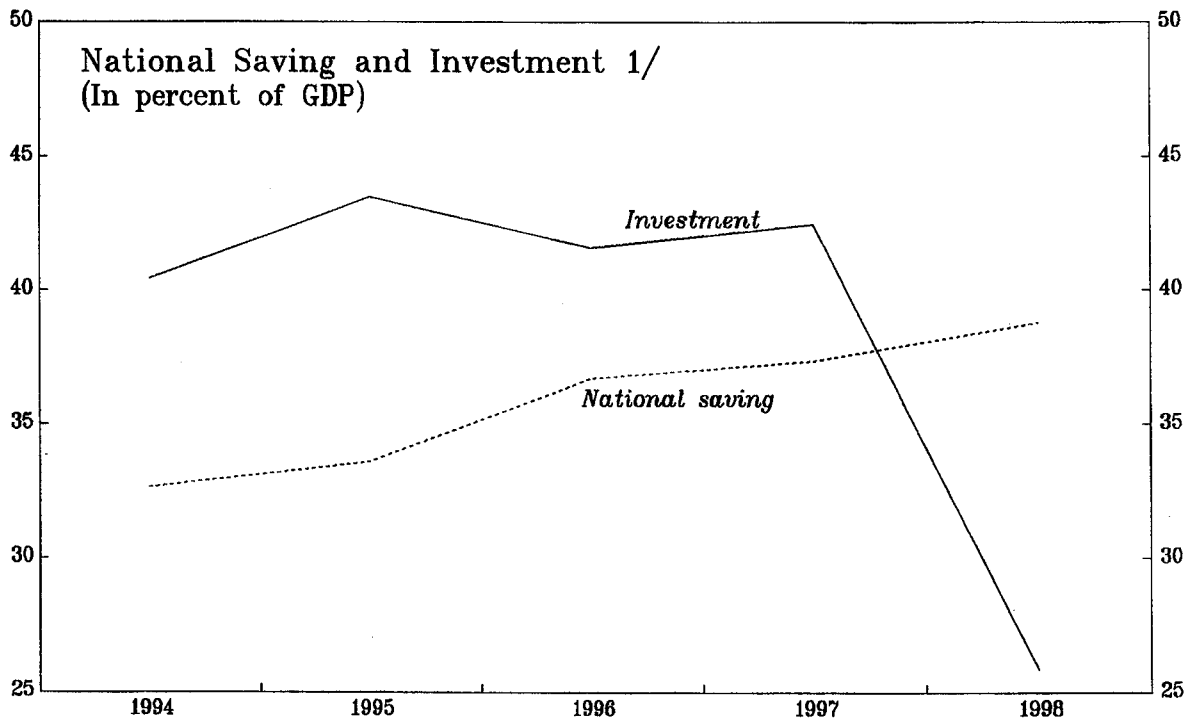
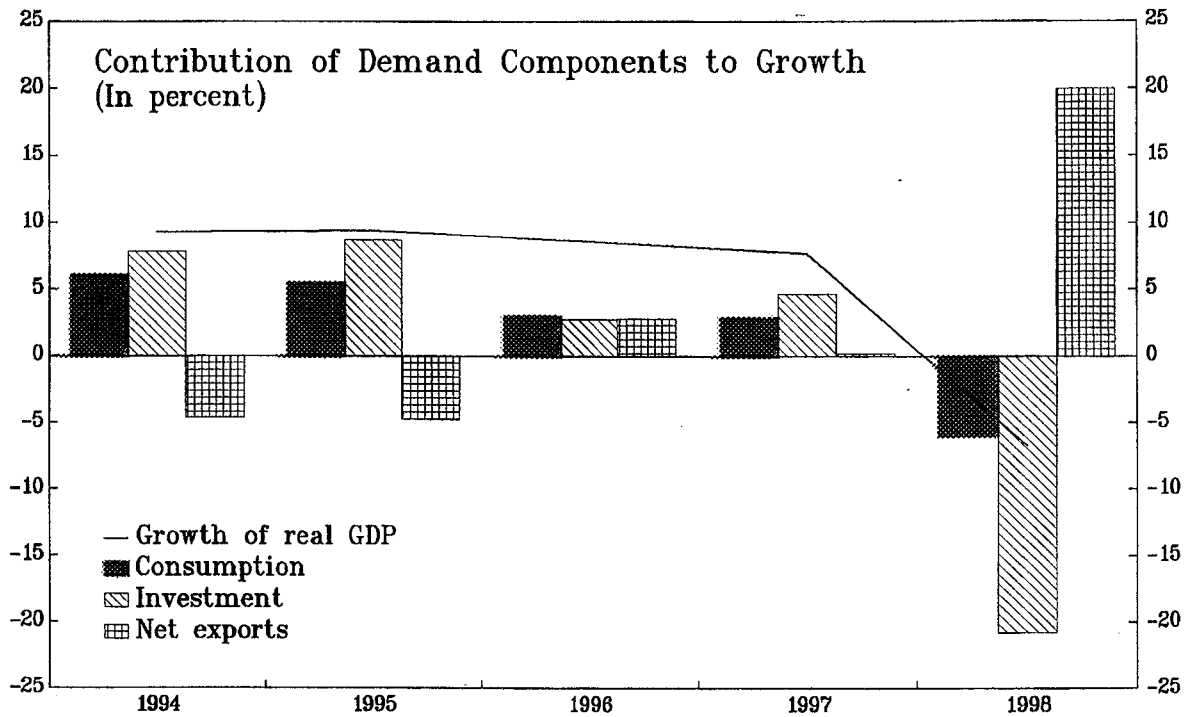
69. **During 1998, Malaysia made further progress toward meeting its commitments to the WTO**, mainly through continued tariff reduction, enhanced GATS commitments in

the financial services sector, further relaxation in foreign equity participation in the telecommunications sector, and amendment to Malaysian anti-dumping legislation and regulations. During 1998, duties on 65 tariff lines were reduced and those on 12 items, abolished (increasing the number of tariff lines with zero duty to 57 percent from 13 percent in 1993). Some import duties were raised in the 1998 and 1999 budgets, but these increases were consistent with Malaysia's tariff bindings under WTO.²¹

70. **The December 1998 ASEAN Summit agreed to advance the time frame of the ASEAN Free Trade Area (AFTA) by one year from 2003 to 2002.** Under this agreement, Malaysia agreed to accelerate the implementation of AFTA to ensure that 85, 90, and 100 percent of the total tariff lines in the Inclusion List would have tariffs of 0–5 percent by January 1, 2000, 2001, and 2002, respectively; to deepen tariff reduction to zero percent as soon as possible; and to accelerate the transfer of products from the General Exception List to the Inclusion List. Moreover, in March 1999 it was agreed that as an initial step, at least 60 percent of total tariff lines of each member country would be at zero percent by 2003. Thus far, Malaysia has been in compliance with the Summit mandate, and is in the process of identifying products for which tariff reduction could be accelerated.

²¹Import duties were raised on special purpose vehicles, some consumer durables, and luxury motor vehicles, and the 1999 budget exercise included import duty increases on cigarettes, tobacco, and alcoholic beverages.

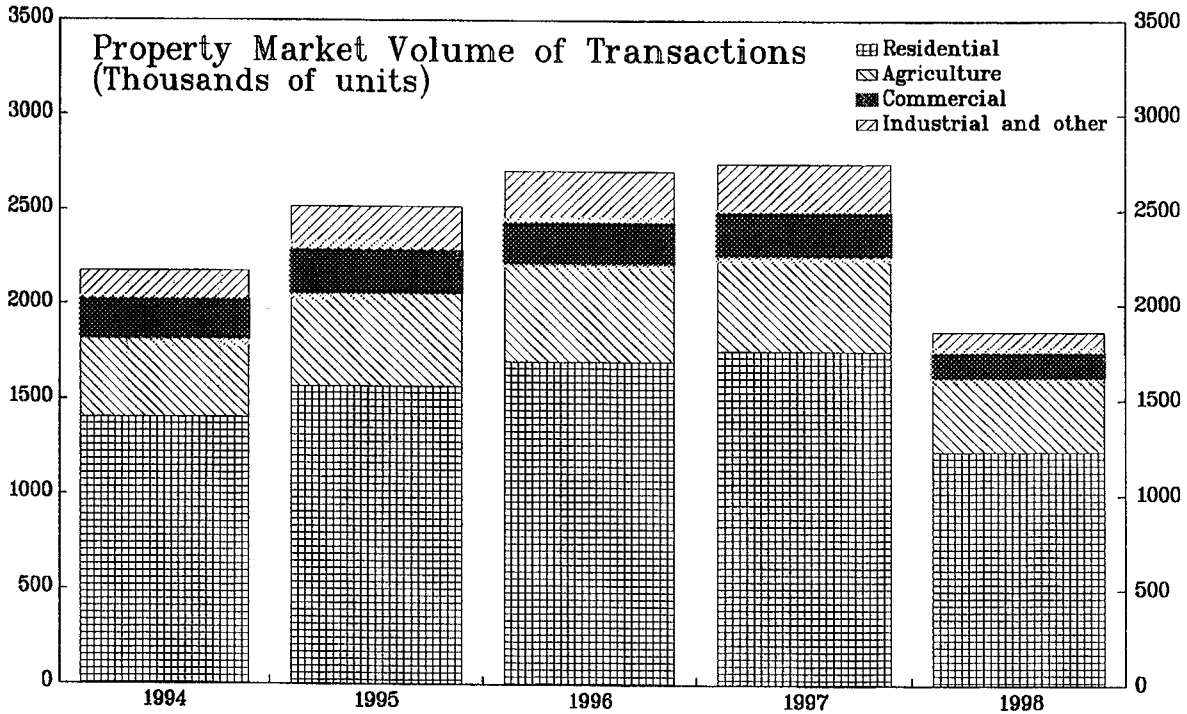
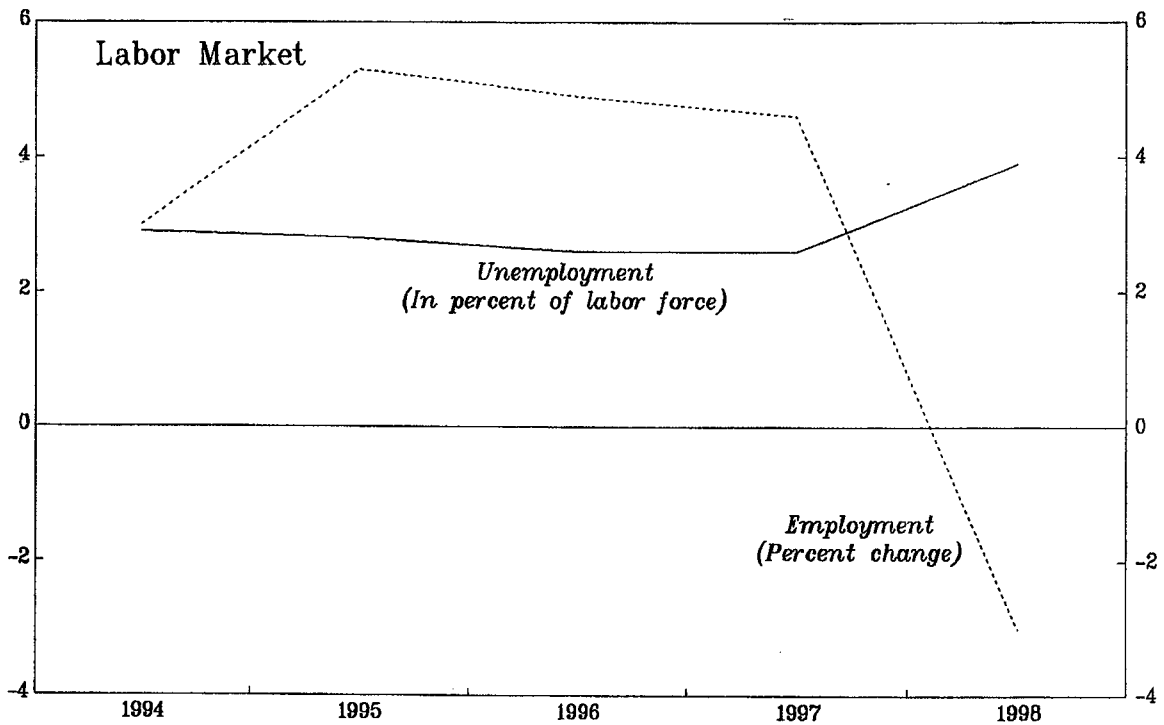
REAL SECTOR INDICATORS, 1994-98



Source: Data provided by the Malaysian authorities.

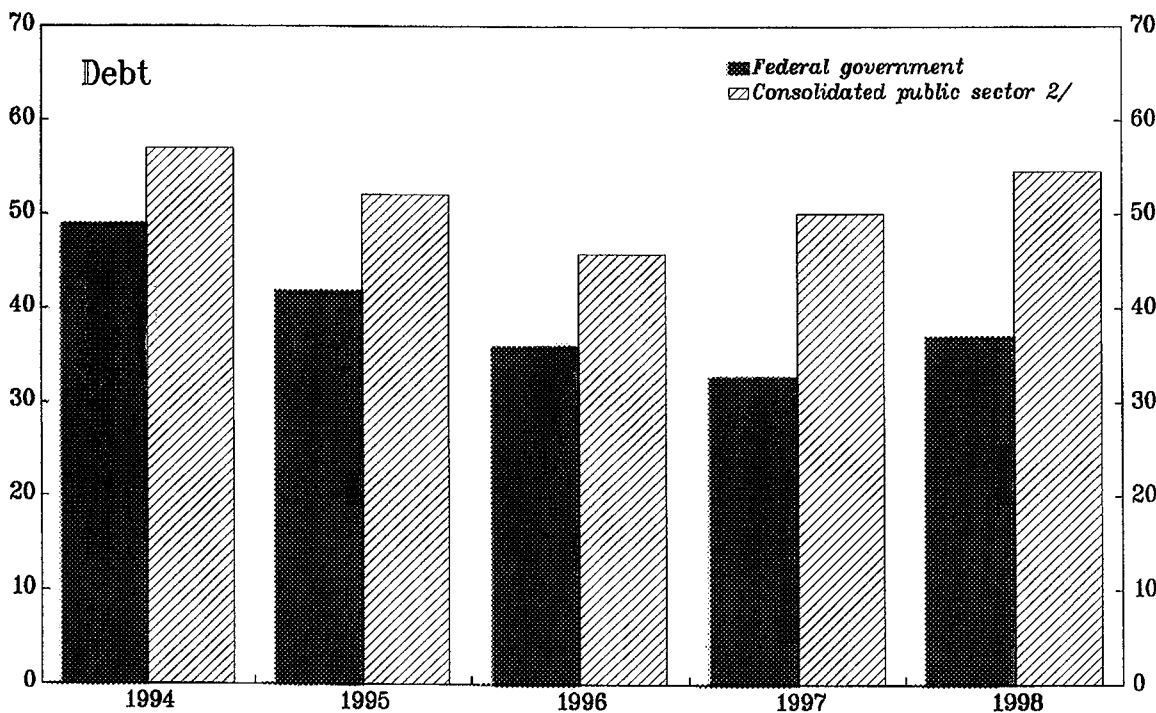
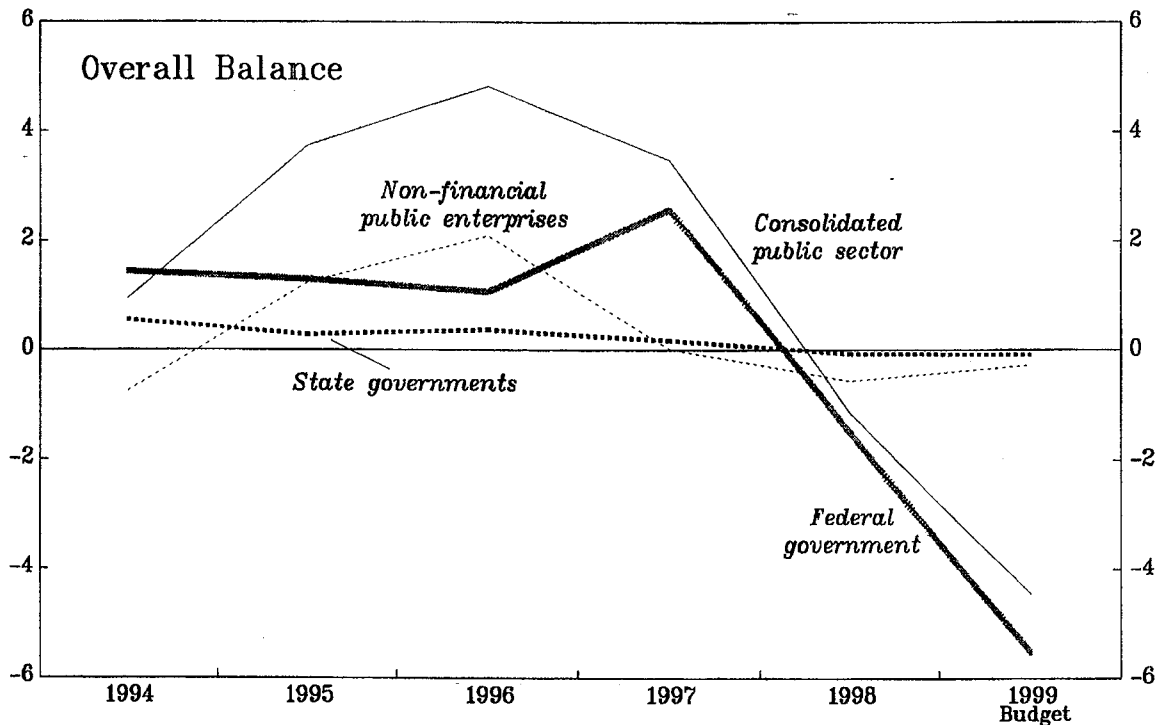
1/ In current prices.

LABOR AND PROPERTY MARKET DEVELOPMENTS, 1994-98



Source: Data provided by the Malaysian authorities.

CHART 3
MALAYSIA
PUBLIC SECTOR ACCOUNTS, 1994-99 1/
(In percent of GDP)



Sources: Data provided by the Malaysian authorities; and Fund staff estimates.

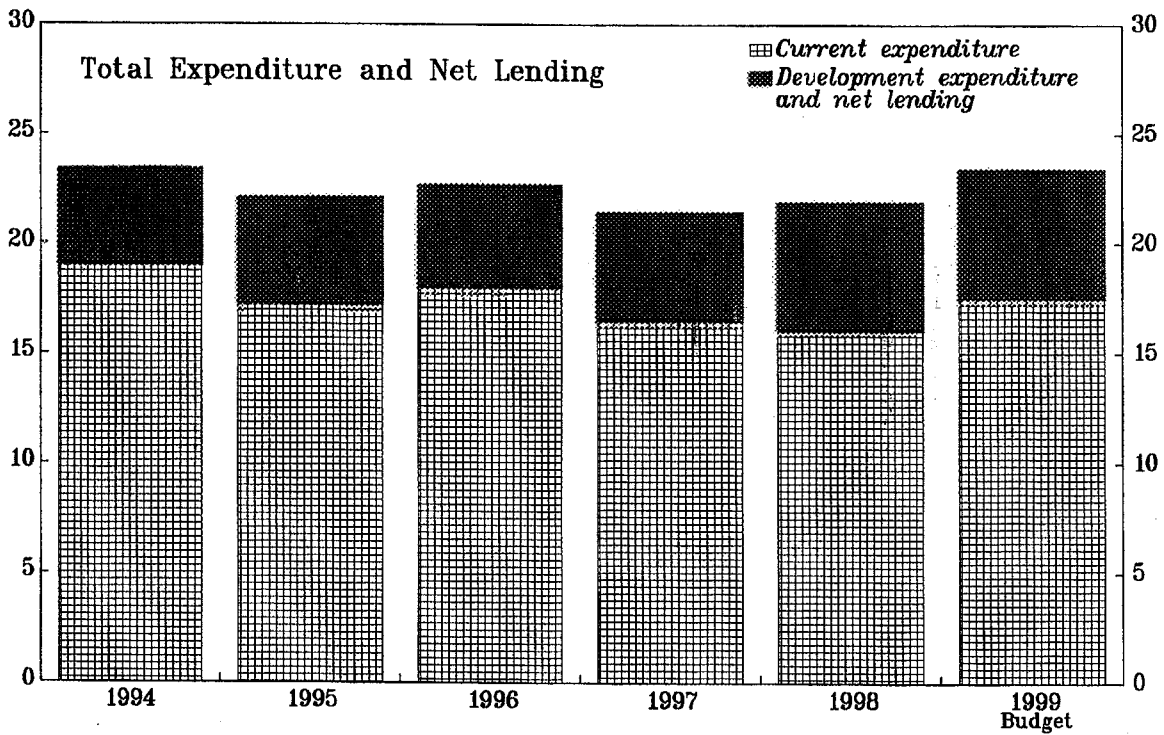
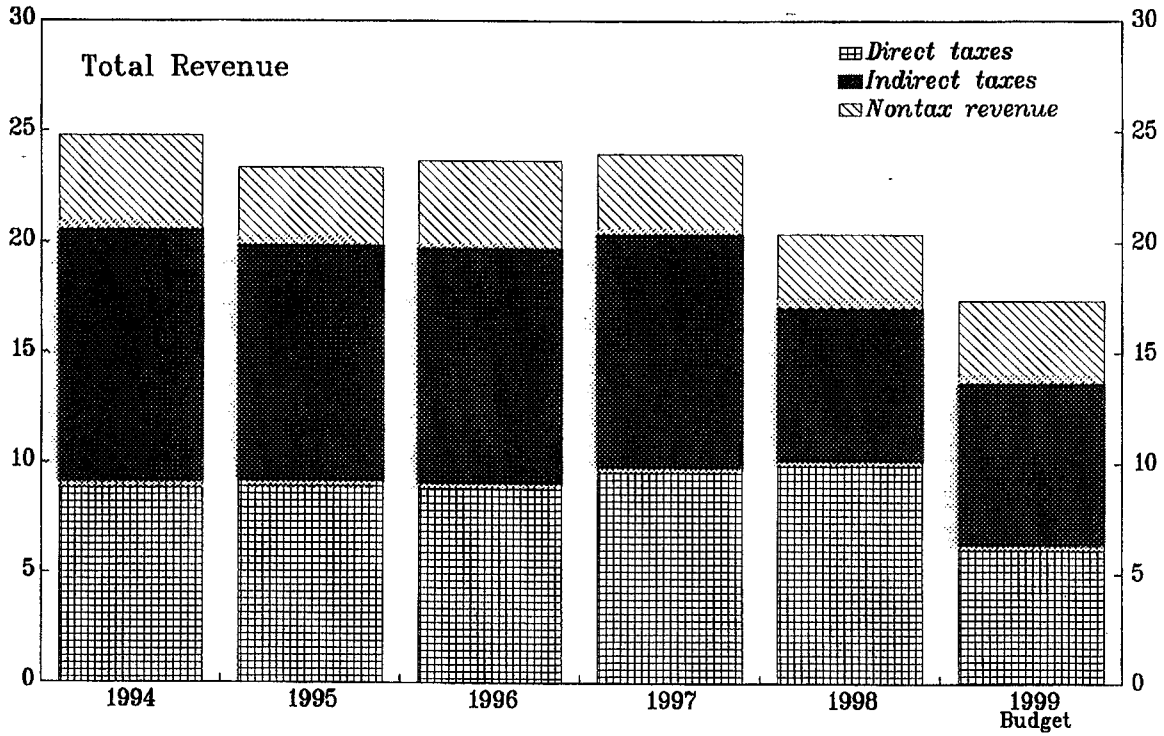
1/ The consolidated public sector comprises the operations of the federal government, state and local governments, statutory bodies, and nonfinancial public enterprises (NFPEs).

2/ Staff estimates. They exclude domestic debt of the NFPEs.

MALAYSIA

FEDERAL GOVERNMENT REVENUE AND EXPENDITURE, 1994-99

(In percent of GDP)



Source: Data provided by the Malaysian authorities.

Table 1. Malaysia: Expenditure on Gross Domestic Product
in 1978 Prices, 1994-98

	1994	1995	1996	1997	<u>Prel.</u> 1998
	(In millions of ringgit)				
Domestic demand	114,689	130,215	137,161	147,039	109,479
Consumption	67,888	73,856	77,486	81,253	72,871
Private	51,516	56,288	59,668	62,490	54,757
Public	16,372	17,568	17,818	18,763	18,114
Investment	46,801	56,359	59,675	65,786	36,608
Private	31,459	39,411	44,675	48,446	20,440
Public	15,004	16,304	16,485	17,908	16,121
Change in stocks	338	644	-1,485	-568	47
Net exports	-4,713	-9,943	-6,540	-6,355	21,779
Exports	109,566	128,827	138,043	152,942	151,890
Imports	114,279	138,770	144,583	159,297	130,111
Gross domestic product	109,976	120,272	130,621	140,684	131,258
Net factor payments from abroad	-5,970	-6,568	-7,455	-7,873	-6,782
Gross national product	104,006	113,704	123,166	132,811	124,476
	(Annual percentage change)				
Domestic demand	13.9	13.5	5.3	7.2	-25.5
Consumption	9.9	8.8	4.9	4.9	-10.3
Private	9.9	9.3	6.0	4.7	-12.4
Public	9.9	7.3	1.4	5.3	-3.5
Investment	20.3	20.4	5.9	10.2	-44.4
Private	27.9	25.3	13.4	8.4	-57.8
Public	-0.6	8.7	1.1	8.6	-10.0
Change in stocks 1/	1.1	0.3	-1.8	0.7	0.4
Net exports 1/	-4.6	-4.8	2.8	-2.8	442.7
Exports	22.5	17.6	7.2	10.8	-0.7
Imports	27.7	21.4	4.2	10.2	-18.3
Gross domestic product	9.3	9.4	8.6	7.7	-6.7
Net factor payments from abroad	12.1	10.0	13.5	5.6	-13.9
Gross national product	9.1	9.3	8.3	7.8	-6.3

Source: Data provided by the Malaysian authorities.

1/ Annual change as a percent of GDP.

Table 2. Malaysia: Expenditure on Gross Domestic Product
in Current Prices, 1994-98

	1994	1995	1996	1997	<u>Prel.</u> 1998
	(In millions of ringgit)				
Domestic demand	193,407	227,425	246,948	271,547	216,553
Consumption	116,504	132,331	143,179	154,589	144,546
Private	92,568	104,695	114,594	123,910	114,338
Public	23,936	27,636	28,585	30,679	30,208
Investment	76,903	95,094	103,769	116,958	72,007
Private	51,700	66,577	77,064	86,093	40,209
Public	24,657	27,543	28,437	31,823	31,712
Change in stocks	546	974	-1,732	-958	86
Net exports	-3,133	-8,754	2,555	3,820	62,171
Exports	173,771	208,699	229,841	261,227	324,677
Imports	176,904	217,453	227,286	257,407	262,506
Gross domestic product	190,274	218,671	249,503	275,367	278,724
Net factor payments from abroad	-9,412	-10,377	-11,816	-14,273	-16,230
Gross national product	180,862	208,294	237,687	261,094	262,494
	(Annual percentage change)				
Domestic demand	16.9	17.6	8.6	10.0	-20.3
Consumption	13.2	13.6	8.2	8.0	-6.5
Private	13.8	13.1	9.5	8.1	-7.7
Public	10.8	15.5	3.4	7.3	-1.5
Investment	23.1	23.7	9.1	12.7	-38.4
Private	31.7	28.8	15.8	11.7	-53.3
Public	2.3	11.7	3.2	11.9	-0.3
Change in stocks 1/	0.9	0.2	-1.2	0.3	0.4
Net exports 1/	-1.8	-3.0	5.2	0.5	21.2
Exports	28.2	20.1	10.1	13.7	24.3
Imports	30.4	22.9	4.5	13.3	2.0
Gross domestic product	15.2	14.9	14.1	10.4	1.2
Net factor payments from abroad	13.9	10.3	13.9	20.8	13.7
Gross national product	15.2	15.2	14.1	9.8	0.5

Source: Data provided by the Malaysian authorities.

1/ Annual change as a percent of GDP.

Table 3. Malaysia: Gross Domestic Product by Sector of Origin
in 1978 Prices, 1994-98

	1994	1995	1996	1997	<u>Prel.</u> 1998
	(In millions of ringgit)				
Primary sector	24,289	25,210	25,965	26,280	25,686
Agriculture, forestry, and fishing	16,047	16,231	16,584	16,805	16,133
Mining and quarrying	8,242	8,979	9,381	9,475	9,553
Secondary sector	39,431	45,175	50,834	57,002	50,241
Manufacturing	34,842	39,790	44,684	50,270	45,155
Construction	4,589	5,385	6,150	6,732	5,086
Tertiary sector	46,256	49,887	53,822	57,402	55,331
Electricity, gas, and water	2,474	2,797	3,134	3,543	3,672
Transport, storage, and communications	7,776	8,852	9,711	10,530	10,652
Wholesale and retail trade	13,428	14,780	16,163	17,289	16,936
Business services 1/	11,712	12,939	14,826	16,239	16,945
Government services	11,021	11,454	11,931	12,654	12,953
Other services 2/	-155	-935	-1,943	-2,853	-5,827
Gross domestic product	109,976	120,272	130,621	140,684	131,258
	(Annual percentage change)				
Primary sector	0.2	3.8	3.0	1.2	-2.3
Agriculture, forestry, and fishing	-1.0	1.1	2.2	1.3	-4.0
Mining and quarrying	2.5	8.9	4.5	1.0	0.8
Secondary sector	14.8	14.6	12.5	12.1	-11.9
Manufacturing	14.9	14.2	12.3	12.5	-10.2
Construction	14.1	17.3	14.2	9.5	-24.5
Tertiary sector	10.1	7.8	7.9	6.7	-3.6
Electricity, gas, and water	13.7	13.1	12.0	13.1	3.6
Transport, storage, and communications	12.4	13.8	9.7	8.4	1.2
Wholesale and retail trade	8.0	10.1	9.4	7.0	-2.0
Business services 1/	10.0	10.5	14.6	9.5	4.3
Government services	9.4	3.9	4.2	6.1	2.4
Other services 2/	-30.2	503.2	107.8	46.8	104.2
Gross domestic product	9.3	9.4	8.6	7.7	-6.7
	(Percent of GDP)				
Primary sector	22.1	21.0	19.9	18.7	19.6
Agriculture, forestry, and fishing	14.6	13.5	12.7	11.9	12.3
Mining and quarrying	7.5	7.5	7.2	6.7	7.3
Secondary sector	35.9	37.6	38.9	40.5	38.3
Manufacturing	31.7	33.1	34.2	35.7	34.4
Construction	4.2	4.5	4.7	4.8	3.9
Tertiary sector	42.1	41.5	41.2	40.8	42.2
Electricity, gas, and water	2.2	2.3	2.4	2.5	2.8
Transport, storage, and communications	7.1	7.4	7.4	7.5	8.1
Wholesale and retail trade	12.2	12.3	12.4	12.3	12.9
Business services 1/	10.6	10.8	11.4	11.5	12.9
Government services	10.0	9.5	9.1	9.0	9.9
Other services 2/	-0.1	-0.8	-1.5	-2.0	-4.4

Source: Data provided by the Malaysian authorities.

1/ Finance, insurance, real estate, and business services.

2/ Community, social and personal services, private nonprofit services to households and domestic services of households, less imputed bank service changes and plus import duties.

Table 4. Industrial Production Index, 1994-98

	1994	1995	1996	1997	1998
	(Index numbers: 1993 = 100)				
Total	112.4	127.1	141.1	156.1	144.9
Mining	103.6	112.8	119.4	122.3	123.6
Electricity	113.8	129.9	146.5	167.3	173.0
Manufacturing	114.9	131.2	147.3	165.6	148.6
Food	106.1	113.8	118.8	123.3	120.7
Beverages	115.4	127.6	147.5	147.2	129.9
Tobacco	98.8	100.8	108.3	129.8	118.0
Textiles	119.4	130.7	133.2	142.6	130.0
Wearing apparel	96.4	95.6	92.7	94.7	95.7
Crude oil refineries	116.4	137.4	149.3	164.0	146.2
Industrial chemicals	110.2	123.9	154.3	180.0	175.2
Other chemical	115.1	115.0	131.0	140.4	122.1
Wood products	104.2	110.5	123.1	121.1	107.4
Rubber products	115.4	130.5	145.0	149.9	161.7
Nonmetallic minerals	113.1	125.5	156.2	172.0	126.4
Iron and steel	114.8	129.5	153.6	165.6	106.7
Nonferrous metal	114.5	129.3	144.0	193.6	177.5
Fabricated metal	117.0	127.6	157.1	175.8	145.6
Electrical machinery and electronics	121.7	146.9	159.9	181.6	167.6
Transport equipment	119.8	163.1	199.5	228.0	109.1
	(Annual percentage change)				
Total	12.4	13.1	11.0	10.6	-7.2
Mining	3.6	8.9	5.9	2.4	1.1
Electricity	13.8	14.1	12.8	14.2	3.4
Manufacturing	14.9	14.2	12.3	12.4	-10.3
Food	6.1	7.3	4.4	3.8	-2.1
Beverages	15.4	10.6	15.6	-0.2	-11.8
Tobacco	-1.2	2.0	7.4	19.9	-9.1
Textiles	19.4	9.5	1.9	7.1	-8.8
Wearing apparel	-3.6	-0.8	-3.0	2.2	1.1
Crude oil refineries	16.4	18.0	8.7	9.8	-10.9
Industrial chemicals	10.2	12.4	24.5	16.7	-2.7
Other chemical	15.1	-0.1	13.9	7.2	-13.0
Wood products	4.2	6.0	11.4	-1.6	-11.3
Rubber products	15.4	13.1	11.1	3.4	7.9
Nonmetallic minerals	13.1	11.0	24.5	10.1	-26.5
Iron and steel	14.8	12.8	18.6	7.8	-35.6
Nonferrous metal	14.5	12.9	11.4	34.4	-8.3
Fabricated metal	17.0	9.1	23.1	11.9	-17.2
Electrical machinery and electronics	21.7	20.7	8.8	13.6	-7.7
Transport equipment	19.8	36.1	22.3	14.3	-52.1

Source: Data provided by the Malaysian authorities.

Table 5. Malaysia: Composition of Investment and Saving in Current Prices, 1994-98

	1994	1995	1996	1997	<u>Prel.</u> 1998
(In millions of ringgit)					
Gross domestic investment	76,903	95,094	103,769	116,958	72,007
Private gross fixed capital formation	51,700	66,577	77,064	86,093	40,209
Oil and gas	3,412	2,616	1,451	1,777	2,252
Other	48,288	63,961	75,613	84,316	37,957
Public gross fixed capital formation	24,657	27,543	28,437	31,823	31,712
Federal government	5,479	6,604	6,386	8,176	8,983
Statutory bodies	1,620	2,219	2,030	2,279	1,609
State governments	3,086	3,502	4,098	3,990	3,923
Local governments	806	760	863	763	1,835
Public enterprises	13,666	14,458	15,060	16,615	15,362
Change in stocks	546	974	-1,732	-958	86
Gross national saving	62,133	73,448	91,572	102,807	108,075
Private sector	28,790	40,685	51,843	52,493	65,745
Public sector	33,343	32,763	39,729	50,314	42,330
(Percent of GDP)					
Gross domestic investment	40.4	43.5	41.6	42.5	25.8
Private gross fixed capital formation	27.2	30.4	30.9	31.3	14.4
Oil and gas	1.8	1.2	0.6	0.6	0.8
Other	25.4	29.2	30.3	30.6	13.6
Public gross fixed capital formation	13.0	12.6	11.4	11.6	11.4
Federal government	2.9	3.0	2.6	3.0	3.2
Statutory bodies	0.9	1.0	0.8	0.8	0.6
State governments	1.6	1.6	1.6	1.4	1.4
Local governments	0.4	0.3	0.3	0.3	0.7
Public enterprises	7.2	6.6	6.0	6.0	5.5
Change in stocks	0.3	0.4	-0.7	-0.3	0.0
Gross national saving	32.7	33.6	36.7	37.3	38.8
Private sector	15.1	18.6	20.8	19.1	23.6
Public sector	17.5	15.0	15.9	18.3	15.2

Source: Data provided by the Malaysian authorities.

Table 6. Malaysia: Total Proposed Capital Investment in Approved Manufacturing Projects, 1994-98 1/

(In millions of ringgit)

	1994	1995	1996	1997	1998
Total	22,951	20,869	34,258	25,821	26,406
By ownership					
Foreign ownership	8,350	6,400	12,956	4,226	7,411
Joint ownership	10,117	8,600	15,122	17,476	13,233
Malaysian majority	7,516	6,240	7,616	10,351	7,491
Foreign majority	2,506	2,224	7,407	7,032	5,590
Equal ownership	95	136	99	93	152
Malaysian ownership	4,484	5,869	6,180	4,119	5,762
By industry					
Electrical and electronic products	6,339	3,152	13,062	6,223	2,410
Textiles and textile products	1,316	635	480	277	700
Wood, furniture and fixture	2,524	2,112	978	744	1,282
Rubber and rubber products	152	171	241	285	208
Food, beverages and tobacco	923	506	405	760	1,097
Petroleum products	2,686	1,810	3,883	6,552	6,435
Natural gas	0	0	2,137	0	110
Chemicals and chemical products	1,322	1,798	1,035	1,323	5,913
Non-metallic mineral products	2,473	4,045	3,338	1,629	1,073
Basic and fabricated metal products	2,839	3,998	2,166	4,762	3,674
Transport equipment	877	1,415	1,183	1,027	1,674
Miscellaneous	1,500	1,227	5,350	2,239	1,830

Source: Data provided by the Malaysian authorities.

1/ Includes equity and loans.

Table 7. Malaysia: Ongoing and Planned Investment in Infrastructure--Main Projects, 1998-2002

Main Projects	Expected Construction Period	Estimated Cost (RM million)	Estimated Annual Cost				
			1998	1999	2000	2001	2002 and beyond
Government (Federal and State)							
Roads--Ongoing projects							
Middle Ring Road II (Phase 2)	1997-2000	250	24	140	86	0	0
Access Road to Bakun Hydroelectric Dam	1995-1999	390	99	125	0	0	0
Simpang Pulai-Lojing-Gua Musang-Kuala Berang Road	1990-2005	1,100	81	200	227	500	0
Kuala Kangsar-Grik Road	1997-2000	200	11	60	74	0	0
Batang Rejang Bridge	1998-2000	124	1	48	75	0	0
Upgrading Betong-Kayu Malam Road	1998-2000	165	4	80	81	0	0
Access Road to Tanjung Pelepas Port, Johor	1998-2000	200	107	90	3	0	0
Kuala Perlis - Changlun Road	1997-2000	295	92	80	123	0	0
South Klang Valley Expressway - Seksyen 1A	1999-2001	350	0	120	190	40	0
Kota Kinabalu - Sulaiman Coastal Road, Sabah	1997-2001	315	115	105	85	10	0
Ports							
Lahad Datu Port	1995-1998	108	5	13	0	0	0
Labuan Integrated Port (Phase I)	1997-2000	70	1	47	22	0	0
Water supply							
Rehabilitation and Upgrading of Water Supply System	1994-2000	950	192	160	0	0	0
Interstate Water Transfer (Phase I)	1999-2004	2,511	0	42	566	878	1,025
Private sector 1/							
Roads--Ongoing projects							
New North Klang Straits Bypass	1996-2000	472	70	80	20	0	0
Butterworth Outer Ring Road	1999-2001	350	0	50	200	100	0
Rail							
Light Rail Transit, System I, Phase II	1996-1998	2,200	860	0	0	0	0
Light Rail Transit, System 2	1995-1999	4,350	1,740	1,305	0	0	0
Express Rail Link KL-KLIA	1996-1999	2,400	33	1,090	823	454	0
KL Monorail	1997-2001	1,500	150	400	400	200	0
Rail Link to North Butterworth Container Terminal	1997-1999	250	100	150	0	0	0
Rawang-Ipoh Double Track Project	1999-2005	2,500	0	100	300	800	1,300
Rail Link to Tanjung Pelepas Port	1999-2001	600	0	100	200	300	0
Electrified Double Track Project Sentul-Batu Caves	1999-2001	165	0	20	100	45	0
Ports							
West Port of Port Klang	1992-2001	2,200	89	301	10	0	0
Tanjung Pelepas Port (Phase I)	1995-2001	2,800	754	883	604	344	215
Phase IIA NBCT, Penang Port	1997-2000	120	63	38	51	0	0
Kuching Port Terminal	1993-1998	250	49	8	0	0	0
Bintulu International Container Terminal	1995-1998	243	109	34	8	0	0
Basin Dredging of Kuantan Port	1999-2001	153	0	38	84	31	0
Airports							
Kuala Lumpur International Airport	1993-1998	9,000	1,883	0	0	0	0
Total		38,116	6,632	5,907	4,332	3,702	2,540

Source: Data provided by the Malaysian authorities.

1/ According to the authorities' classification. Many private sector infrastructure projects are undertaken at the behest of the government and are financed by government-guaranteed loans.

Table 8. Malaysia: Labor Market Developments, 1994-98

	1994	1995	1996	1997	1998
	(In thousands)				
Population	19,650	20,689	21,169	21,666	22,180
Total labor force	7,846	8,257	8,641	9,038	8,881
Labor force participation rate (in percent)	64.9	64.5	65.8	67.0	64.3
Unemployment rate (in percent)	2.9	2.8	2.6	2.6	3.9
Total employment	7,618	8,024	8,417	8,805	8,538
Primary sector	1,556	1,562	1,544	1,534	1,473
Agriculture, forestry, and fishery	1,518	1,524	1,505	1,495	1,434
Mining and quarrying	38	38	39	39	39
Secondary sector	2,471	2,772	3,023	3,264	3,032
Manufacturing	1,877	2,061	2,221	2,390	2,305
Construction	594	711	802	874	727
Tertiary sector	3,591	3,690	3,850	4,007	4,033
Transport, etc.	362	399	419	436	438
Wholesale and retail services, hotels, and restaurants	1,318	1,314	1,382	1,447	1,439
Business services 1/	346	374	391	406	416
Government services	868	870	871	873	875
Electricity, gas, and water	61	66	70	76	77
Other services	636	667	717	769	788
	(Annual percentage change)				
Total labor force	2.9	5.2	4.7	4.6	-1.7
Total employment	3.0	5.3	4.9	4.6	-3.0
Primary sector	-3.6	0.4	-1.2	-0.6	-4.0
Agriculture, forestry, and fishery	-3.7	0.4	-1.2	-0.7	-4.1
Mining and quarrying	1.3	0.0	2.6	0.0	0.0
Secondary sector	8.1	12.2	9.1	8.0	-7.1
Manufacturing	7.7	9.8	7.8	7.6	-3.6
Construction	9.2	19.7	12.8	9.0	-16.8
Tertiary sector	2.7	2.8	4.3	4.1	0.6
Transport, etc.	5.2	10.2	5.0	4.1	0.5
Wholesale and retail services, hotels, and restaurants	3.4	-0.3	5.2	4.7	-0.6
Business services 1/	4.3	8.1	4.5	3.8	2.5
Government services	0.5	0.2	0.1	0.2	0.2
Electricity, gas, and water	1.2	8.2	6.1	8.6	1.3
Other services	2.3	4.9	7.5	7.3	2.5
	(Percentage share of total employment)				
Total employment	100.0	100.0	100.0	100.0	100.0
Primary sector	20.4	19.5	18.3	17.4	17.3
Agriculture, forestry, and fishery	19.9	19.0	17.9	17.0	16.8
Mining and quarrying	0.5	0.5	0.5	0.4	0.5
Secondary sector	32.4	34.5	35.9	37.1	35.5
Manufacturing	24.6	25.7	26.4	27.1	27.0
Construction	7.8	8.9	9.5	9.9	8.5
Tertiary sector	47.1	46.0	45.7	45.5	47.2
Transport, etc.	4.8	5.0	5.0	5.0	5.1
Wholesale and retail services, hotels, and restaurants	17.3	16.4	16.4	16.4	16.9
Business services 1/	4.5	4.7	4.6	4.6	4.9
Government services	11.4	10.8	10.3	9.9	10.2
Electricity, gas, and water	0.8	0.8	0.8	0.9	0.9
Other services	8.3	8.3	8.5	8.7	9.2

Source: Data provided by the Malaysian authorities.

1/ Finance, insurance, real estate, and business services.

Table 9. Malaysia: Registered Unemployed by Occupation, 1994-98

	1994	1995	1996	1997	1998
(Number of registered unemployed persons)					
Total	26,445	25,546	21,668	23,762	33,345
Industrial	9,198	8,210	7,081	8,156	9,845
Agricultural	132	98	76	67	95
Services	584	674	472	437	823
Clerical	13,589	13,181	11,061	11,066	14,712
Professional and technical	2,149	2,629	2,263	2,797	5,281
Others	793	754	715	1,239	2,589
(Percentage share of total registered unemployed)					
Total	100.0	100.0	100.0	100.0	100.0
Industrial	34.8	32.1	32.7	34.3	29.5
Agricultural	0.5	0.4	0.4	0.3	0.3
Services	2.2	2.6	2.2	1.8	2.5
Clerical	51.4	51.6	51.0	46.6	44.1
Professional and technical	8.1	10.3	10.4	11.8	15.8
Others	3.0	3.0	3.3	5.2	7.8

Source: Data provided by the Malaysian authorities.

Table 10. Malaysia: Changes in Average Wage Rates, 1994-98 1/

(Percentage change)

	1994	1995	1996	1997	1998
Manufacturing	8.3	10.2	12.1	10.0	5.8
Food manufacturing, beverages, tobacco industries	14.0	10.9	9.0	11.4	3.4
Textile, weaving, etc., industries	15.2	9.7	10.8	6.1	5.0
Wood and wood products	7.8	2.3	9.2	8.3	6.0
Petroleum refineries	10.6	14.3	11.5	-2.1	-1.6
Nonmetallic, mineral industries	8.8	15.1	8.6	5.6	7.9
Basic metal, metal products	9.3	13.3	2.8	10.2	3.6
Electrical and electronics products	8.8	13.5	12.7	10.5	10.7
Chemicals, chemical and plastic products	7.5	4.7	17.1	9.7	-0.3
Transport equipment	9.7	6.9	8.9	21.0	-1.9

Source: Data provided by the Malaysian authorities.

1/ For supervised personnel.

Table 11. Malaysia: Average Domestic Prices and Taxes
on Energy-Related Products, 1994-98

(Cents per liter; unless otherwise indicated)

	1994	1995	1996	1997	1998
Crude oil					
Excise duty	0.00	0.00	0.00	0.00	0.00
Import duty	0.00	0.00	0.00	0.00	0.00
Gasoline regular					
Price	106.00	106.00	106.00	106.00	106.00
Excise duty	58.62	58.62	58.62	58.62	58.62
Import duty	58.62	58.62	58.62	58.62	58.62
Gasoline premium					
Price	113.00	110.00	110.00	110.00	110.00
Excise duty	58.62	58.62	58.62	58.62	58.62
Import duty	58.62	58.62	58.62	58.62	58.62
Kerosene 1/					
Price	66.10	66.10	66.10	66.10	66.10
Excise duty	17.06	0.00	0.00	0.00	0.00
Import duty	17.06	0.00	0.00	0.00	0.00
Diesel oil					
Price	65.10	65.10	65.10	65.10	65.10
Excise duty	17.32	19.64	19.64	19.64	19.64
Import duty	17.32	19.64	19.64	19.64	19.64
Fuel oil 1/, 2/					
Excise duty (in tons)	16.73	0.00	0.00	0.00	0.00
Import duty (in tons)	16.73	0.00	0.00	0.00	0.00
Natural gas 2/					
Excise duty (cents/kg.)	1.0	1.0	1.0	1.0	0.0
Import duty (cents/kg.)	1.0	1.0	1.0	1.0	0.0

Source: Data provided by the Malaysian authorities.

1/ Duties on kerosene and fuel oil were abolished on October 10, 1994.

2/ Prices of fuel oil and natural gas (liquefied) are not available.

Table 12. Malaysia: Consumer Price Index, 1994-98

	Weights	1994	1995	1996	1997	1998	1997				1998			
							Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Index numbers; 1994 = 100)														
Food	34.9	100.0	104.9	111.0	115.5	125.8	115.2	114.5	114.9	117.2	122.9	126.2	126.2	127.7
Beverages and tobacco	3.6	100.0	102.4	104.6	106.0	110.6	105.2	105.3	106.4	107.0	107.4	108.3	110.0	116.5
Clothing and footwear	3.6	100.0	100.0	99.3	98.8	99.3	99.1	98.8	98.9	98.2	99.5	99.8	99.5	98.3
Gross rent, fuel, and power	21.2	100.0	103.4	106.7	110.2	114.9	108.3	109.7	110.8	111.8	113.3	114.7	115.6	116.0
Furniture and household equipment	5.6	100.0	102.8	103.9	104.0	108.0	104.0	103.9	103.7	104.5	106.1	108.0	108.8	109.2
Medical care and health expenses	1.9	100.0	103.1	106.9	110.7	117.6	109.5	110.2	111.1	112.1	115.0	117.3	118.6	119.5
Transport and communications	17.9	100.0	101.8	103.2	103.8	103.7	103.8	103.8	103.8	103.8	103.9	103.8	103.6	103.6
Recreation, education, cultural services	5.8	100.0	102.5	105.9	106.4	109.8	106.1	106.2	106.3	106.8	108.2	109.2	110.6	111.1
Miscellaneous	5.6	100.0	104.2	106.9	111.7	119.5	109.2	111.3	112.3	114.0	117.5	119.2	120.5	120.9
Total	100	100.0	103.4	107.1	109.9	115.7	109.2	109.4	109.9	111.0	113.9	115.7	116.1	117.0
(Annual percentage change)														
Food		5.3	4.8	5.8	4.1	8.9	5.9	3.9	2.9	3.6	6.7	10.2	9.8	9.0
Beverages and tobacco		4.9	2.4	2.2	1.3	4.3	1.9	0.8	0.9	1.6	2.1	2.8	3.4	8.9
Clothing and footwear		-0.8	0.0	-0.7	-0.5	0.5	-0.4	-0.7	-0.4	-0.5	0.4	1.0	0.6	0.1
Gross rent, fuel, and power		2.4	3.3	3.2	3.3	4.3	2.8	3.2	3.4	3.8	4.6	4.6	4.3	3.8
Furniture and household equipment		1.6	2.8	1.1	0.1	3.8	0.1	0.1	-0.3	0.6	2.0	3.9	4.9	4.5
Medical care and health expenses		3.4	3.0	3.7	3.6	6.2	3.7	3.6	3.5	3.7	5.0	6.4	6.8	6.6
Transport and communications		4.6	1.8	1.3	0.6	-0.1	0.7	0.3	1.0	0.5	0.1	0.0	-0.2	-0.2
Recreation, education, cultural services		0.6	2.6	3.3	0.4	3.2	0.6	0.1	0.2	0.9	2.0	2.8	4.0	4.0
Miscellaneous		2.4	4.2	2.5	4.5	7.0	2.9	4.2	4.9	6.1	7.6	7.1	7.3	6.1
Total		3.7	3.5	3.5	2.7	5.3	3.1	2.4	2.3	2.7	4.3	5.8	5.6	5.4

Source: Data provided by the Malaysian authorities.

Table 13. Malaysia: Producer Price Index, 1994-98

	Weights	1994	1995	1996	1997	1998	1997				1998			
							Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Index numbers; 1989 = 100)														
Food and live animals	14.9	111.0	113.6	119.9	122.8	133.1	121.1	121.0	123.1	125.8	131.6	134.1	133.2	133.6
Beverages and tobacco	2.1	133.7	136.7	137.4	137.5	139.6	137.3	137.4	137.6	137.7	137.5	137.5	137.6	145.7
Crude materials	18.0	113.4	121.3	119.5	113.6	117.0	116.4	114.2	110.0	113.6	118.2	118.6	115.9	115.1
Mineral fuels	18.8	100.0	99.7	112.2	120.0	116.9	120.7	112.3	115.3	131.5	122.4	115.8	117.3	112.2
Animal and vegetable oils	8.5	121.5	153.0	144.2	162.8	266.7	155.5	151.0	149.0	195.7	259.9	267.2	275.9	263.6
Chemicals	4.4	107.0	109.3	110.5	111.8	117.0	110.2	111.0	111.6	114.3	117.3	116.9	117.0	116.8
Manufactured goods, n.e.i.	10.8	112.4	112.3	113.2	113.3	121.0	112.5	112.3	112.5	115.9	121.2	121.3	121.3	120.0
Machinery and transport equipment	18.4	102.9	101.0	101.6	104.9	111.1	102.4	102.8	105.8	108.5	111.2	110.7	111.7	110.7
Miscellaneous goods	3.6	114.1	116.7	120.7	119.2	125.6	119.1	118.6	118.6	120.3	123.7	125.0	126.3	127.4
Communication and transport	0.6	113.1	112.7	113.0	112.4	114.7	112.5	112.2	112.3	112.7	114.8	114.6	114.8	114.7
Total	100	109.3	113.6	116.2	119.3	132.2	118.5	116.1	116.7	125.8	132.5	132.3	133.0	130.8
Domestic production	79.3	110.7	115.9	119.2	122.2	135.9	121.7	118.8	119.0	129.4	136.3	136.1	136.8	134.3
Imports	20.7	103.9	104.6	104.7	107.6	117.5	105.7	105.5	107.5	111.6	117.7	117.5	117.8	116.9
(Annual percentage change)														
Food and live animals		5.7	2.4	5.5	2.4	8.5	3.6	1.0	0.6	4.4	8.7	10.8	8.2	6.2
Beverages and tobacco		2.0	2.3	0.5	0.1	1.5	-0.1	0.0	0.1	0.3	0.1	0.1	0.0	5.8
Crude materials		10.0	7.0	-1.5	-4.9	3.0	-4.5	-7.2	-6.4	-1.5	1.5	3.9	5.4	1.3
Mineral fuels		-4.5	-0.3	12.5	6.9	-2.5	12.9	2.1	4.2	8.5	1.4	3.1	1.7	-14.7
Animal and vegetable oils		19.1	26.0	-5.8	12.9	63.8	6.9	2.5	6.5	36.0	67.1	77.0	85.2	34.7
Chemicals		0.4	2.2	1.1	1.2	4.7	-0.2	0.1	0.8	4.0	6.4	5.3	4.8	2.2
Manufactured goods, n.e.i.		3.2	-0.1	0.8	0.1	6.8	-0.7	-1.0	-0.4	2.6	7.7	8.0	7.8	3.5
Machinery and transport equipment		0.4	-1.8	0.5	3.3	5.9	1.1	1.6	4.3	6.1	8.6	7.7	5.6	2.0
Miscellaneous goods		5.4	2.3	3.4	-1.3	5.4	-1.2	-1.9	-1.9	0.0	3.9	5.4	6.5	5.9
Communication and transport		1.7	-0.4	0.3	-0.5	2.0	-0.4	-0.7	-0.6	-0.3	2.0	2.1	2.2	1.8
Total		4.0	3.9	2.3	2.7	10.7	2.8	-0.5	1.0	7.2	11.8	14.0	14.0	4.0
Domestic production		5.0	4.7	2.8	2.6	11.2	3.0	-0.9	0.6	7.5	12.0	14.6	15.0	3.8
Imports		0.2	0.7	0.1	2.8	9.2	1.4	1.0	2.8	6.0	11.4	11.4	9.6	4.7

Source: Data provided by the Malaysian authorities.

Table 14. Malaysia: Federal Government Revenue and Grants, 1995-99

	1995	1996	1997	Budget 1/ 1998	Prel.	Budget 1999
	(In millions of ringgit)					
Tax revenue	43,306	49,168	55,664	45,501	47,387	39,657
Taxes on net income and profits	20,136	22,661	27,121	26,236	28,369	18,657
Oil production companies	2,137	2,203	3,861	4,028	4,046	2,689
Petronas	1,672	1,762	3,861	4,028	4,046	2,689
Other oil companies	465	441	0		0	0
Other companies	11,707	14,166	16,688	15,997	17,294	10,936
Individuals	6,203	6,172	6,429	6,082	6,900	4,950
Other 2/	89	120	143	129	129	82
Taxes on property	281	437	542	424	430	402
Taxes on goods and services	14,029	15,966	17,607	12,547	12,716	14,146
Sales tax	4,868	5,473	6,167	3,789	3,844	4,332
Imported goods	1,664	1,768	2,007	1,258	1,267	1,397
Domestic goods	3,204	3,705	4,160	2,531	2,577	2,935
Selective excises on goods	5,280	5,790	6,053	3,143	3,586	4,084
Tobacco and alcoholic beverages	1,055	1,066	1,146	1,081	1,121	1,316
Petroleum products	1,899	1,908	1,705	1,304	1,526	1,623
Motor vehicle tax	2,280	2,756	3,136	707	897	1,094
Other	46	60	66	51	42	51
Selective excises on services	3,881	4,703	5,387	5,615	5,286	5,730
Motor vehicle tax	1,496	1,699	1,973	1,822	1,771	1,884
Taxes on international trade	6,474	7,173	7,577	4,696	4,491	4,691
Import duties	5,621	6,132	6,524	4,041	3,868	4,261
Tobacco and alcoholic beverages	366	419	425	374	365	409
Petroleum products	1,546	1,685	1,749	1,333	1,462	1,556
Other import duties	3,709	4,028	4,350	2,334	2,041	2,296
Export duties	853	1,041	1,053	655	623	430
Petroleum	751	996	1,024	607	563	386
Palm oil	74	24	9	19	20	20
Other	28	21	20	29	40	24
Other tax revenue 3/	2,386	2,931	2,817	1,598	1,381	1,761
Nontax revenue	7,765	9,890	10,396	9,903	9,436	10,980
Property income	5,553	5,634	5,786	6,493	5,985	7,473
Public financial institutions	2	19	7	7	4	1,004
Rent and interest	1,741	1,667	1,688	1,408	1,779	1,346
Dividends paid by Petronas	3,100	3,100	3,100	4,100	3,100	4,100
Petroleum royalties	710	848	991	978	1,102	1,023
Administrative fees and charges on sale of goods, fines, and forfeit	1,692	3,481	4,600	3,035	3,063	3,113
Other nontax revenue	520	775	10	375	388	394
Capital revenue	86	88	53	45	51	52
Total revenue	51,157	59,146	66,113	55,449	56,874	50,689
Foreign grants	0	0	0	0	0	0
Total revenue and grants	51,157	59,146	66,113	55,449	56,874	50,689
	(In percent of GDP)					
Tax revenue	19.8	19.7	20.2	16.3	16.9	14.0
Nontax revenue	3.6	4.0	3.8	3.5	3.4	3.9
Total revenue	23.4	23.7	24.0	19.8	20.3	17.9

Source: Data provided by the Malaysian authorities.

1/ Refers to revised budget plans presented in July 1998.

2/ Consists of income taxes on cooperatives and other direct taxes.

3/ Includes stamp duties. Excludes expenditure refunds and net lending.

Table 15. Malaysia: Economic Classification of Federal Government Expenditure and Net Lending, 1995-99

	1995	1996	1997	Budget 1/ 1998	Prel.	Budget 1999
	(In millions of ringgit)					
Current expenditure 2/	37,747	44,929	45,473	46,539	44,868	49,726
On personnel, goods, and services	18,822	21,639	20,468	20,866	19,779	22,686
Wages and salaries	11,433	14,324	13,195	14,276	13,984	13,971
Other goods and services 3/	7,389	7,315	7,273	6,590	5,795	8,715
Interest payments 4/	6,521	6,795	6,425	6,531	6,928	9,033
Subsidies and other current transfers	12,404	16,495	18,580	19,142	18,161	18,007
Transfers to state governments	1,410	1,451	1,541	1,592	1,715	1,396
Pensions	2,755	3,509	3,638	3,621	3,658	3,873
Other current transfers 5/	8,239	11,535	13,401	13,929	12,788	12,738
Development expenditure	11,212	11,796	13,878	16,625	17,038	17,089
Direct development expenditure	11,017	10,783	12,761	14,516	15,204	16,591
Net lending 6/	195	1,013	1,117	2,109	1,834	498
Adjustment for accounts payable	-649	-255	-349	-400	-870	-500
Total expenditure and net lending	48,310	56,470	59,002	62,764	61,036	66,315
	(In percent of total expenditure)					
Current expenditure 2/	78.1	79.6	77.1	74.1	73.5	75.0
Expenditure on goods and services	39.0	38.3	34.7	33.2	32.4	34.2
Wages and salaries	23.7	25.4	22.4	22.7	22.9	21.1
Other goods and services 3/	15.3	13.0	12.3	10.5	9.5	13.1
Interest payments 4/	13.5	12.0	10.9	10.4	11.4	13.6
Subsidies and other current transfers	25.7	29.2	31.5	30.5	29.8	27.2
Transfers to state governments	2.9	2.6	2.6	2.5	2.8	2.1
Pensions	5.7	6.2	6.2	5.8	6.0	5.8
Other current transfers 5/	17.1	20.4	22.7	22.2	21.0	19.2
Development expenditure	23.2	20.9	23.5	26.5	27.9	25.8
Direct development expenditure	22.8	19.1	21.6	23.1	24.9	25.0
Net lending 6/	0.4	1.8	1.9	3.4	3.0	0.8
Adjustment for accounts payable	-1.3	-0.5	-0.6	-0.6	-1.4	-0.8
	(In percent of GDP)					
Current expenditure	17.3	18.0	16.5	16.6	16.1	17.6
Expenditure on goods and services	3.4	2.9	2.6	2.4	2.1	3.1
Wages and salaries	5.2	5.7	4.8	5.1	5.0	4.9
Direct development expenditure	5.0	4.3	4.6	5.2	5.5	5.9

Source: Data provided by the Malaysian authorities.

1/ Refers to revised budget plans presented in July 1998.

2/ Includes expenditure refunds.

3/ Includes defense expenditures shown in the development budget and some net lending shown in the current budget.

4/ Excludes contributions to the sinking funds.

5/ Consists of subsidies, indemnities, refunds and write-offs, transfers to statutory bodies, and other transfers.

6/ Includes repayments of loans from revenue and loan funds, and revenue from sales of shares.

Table 16. Malaysia: Functional Classification of Federal Government
Expenditure and Net Lending, 1995-99

(In millions of ringgit)

	1995	1996	1997	Budget 1/ 1998	Prel.	Budget 1999
General services	33,604	37,688	39,908	39,653	39,898	41,582
General public services	9,197	8,669	9,986	11,219	10,047	8,784
General administration	6,426	5,700	6,942	8,714	7,315	6,158
Internal security	2,771	2,969	3,044	2,505	2,732	2,626
Defense	6,121	6,091	5,878	5,346	4,545	6,511
Education	10,603	12,489	12,881	12,125	13,443	14,179
Health	2,772	3,474	3,727	3,672	4,047	4,435
Social security 2/	2,755	3,509	3,638	3,621	3,658	3,873
Housing and community developments	2,156	3,456	3,798	3,670	4,158	3,800
<i>Of which: Community and social securities</i>	1,425	2,143	2,404	2,404	2,404	2,404
Economic services	9,309	11,978	11,626	14,034	13,329	14,766
Agriculture, forestry, and rural development	2,495	2,618	2,405	2,317	2,081	3,418
Transport and communication	4,191	5,655	4,992	5,266	4,143	5,596
Other economic services 3/	2,623	3,705	4,229	6,451	7,105	5,752
Unallocable	6,046	7,059	7,817	9,477	8,679	10,467
Interest payments	6,521	6,795	6,425	6,531	6,928	9,033
Transfers to state governments	1,410	1,451	1,541	1,592	1,715	1,396
Others 4/	-1,885	-1,187	-149	1,354	36	38
Adjustment for accounts payable	-649	-255	-349	-400	-870	-500
Total expenditure and net lending	48,310	56,470	59,002	62,764	61,036	66,315
Memorandum item:						
Interest payments (in percent of GDP)	3.0	2.7	2.3	2.3	2.5	3.2

Source: Data provided by the Malaysian authorities.

1/ Refers to revised budget plans presented in July 1998.

2/ Includes government pensions.

3/ Includes general administration, regulations and research, mining, manufacturing and construction, and utilities.

4/ Includes expenditure refunds and net lending items.

Table 17. Malaysia: Federal Budgetary Developments, 1995-99

	1995	1996	1997	Budget 1/ 1998	Prel.	Budget 1999
	(In millions of ringgit)					
Total revenue and grants	51,157	59,146	66,113	55,449	56,874	50,689
Tax revenue	43,306	49,168	55,664	45,501	47,387	39,657
Nonpetroleum tax revenue	36,973	42,376	47,325	38,229	39,790	33,403
Taxes on net income and profits 2/	18,280	20,895	23,802	22,632	24,753	16,370
Sales tax and excises 3/	14,516	16,989	18,719	12,841	12,571	14,284
Taxes on international trade	4,177	4,492	4,804	2,756	2,466	2,749
Petroleum tax revenue	6,333	6,792	8,339	7,272	7,597	6,254
Oil production companies	2,137	2,203	3,861	4,028	4,046	2,689
Excises and duties	4,196	4,589	4,478	3,244	3,551	3,565
Nontax revenue	7,851	9,978	10,449	9,948	9,487	11,032
Petroleum	3,810	3,948	4,091	5,078	4,202	5,123
Other 4/	4,041	6,030	6,358	4,870	5,285	5,909
Total expenditure and net lending	48,310	56,470	59,002	62,764	61,036	66,315
Current expenditure	37,747	44,929	45,473	46,539	44,868	49,726
Wages and salaries	11,433	14,324	13,195	14,276	13,984	13,971
Other expenditure on goods and services	7,389	7,315	7,273	6,590	5,795	8,715
Interest payments	6,521	6,795	6,425	6,531	6,928	9,033
Subsidies and transfers	12,404	16,495	18,580	19,142	18,161	18,007
Development expenditure	10,563	11,541	13,529	16,225	16,168	16,589
Direct expenditure	11,017	10,783	12,761	14,516	15,204	16,591
Net lending 5/	-454	758	768	1,709	964	-2
Overall balance	2,847	2,676	7,111	-7,315	-4,162	-15,626
Memorandum items:						
Current balance	13,324	14,129	20,587	8,865	11,955	911
Primary balance 6/	9,368	9,471	13,536	-784	2,766	-6,593
	(In percent of GDP)					
Total revenues	23.4	23.7	24.0	19.8	20.4	17.9
Total expenditures	22.1	22.6	21.4	22.4	21.9	23.4
Overall balance	1.3	1.1	2.6	-2.6	-1.5	-5.5
Current balance	6.1	5.7	7.5	3.2	4.3	0.3
Primary balance	4.3	3.8	4.9	-0.3	1.0	-2.3

Source: Data provided by the Malaysian authorities.

1/ Refers to revised budget plans announced in July 1998.

2/ Includes taxes on property.

3/ Includes "other tax revenue."

4/ Includes capital revenue and foreign grants.

5/ Includes adjustment for accounts payable.

6/ Overall balance plus interest payments.

Table 18. Malaysia: Federal Government Operations, 1995-99

(In millions of ringgit)

	1995	1996	1997	Budget 1/ 1998	Prel.	Budget 1999
Total revenue and grants	51,157	59,146	66,113	55,449	56,874	50,689
Total expenditure and net lending	48,310	56,470	59,002	62,764	61,036	66,315
Current expenditure 2/	37,747	44,929	45,473	46,539	44,868	49,726
Transfers to:	4,451	4,142	4,680	4,780	4,903	5,144
Statutory bodies	2,953	2,586	3,057	3,097	3,097	3,665
State governments	1,410	1,451	1,541	1,592	1,715	1,396
Statutory grants	914	907	907	938	938	938
Other grants	496	544	634	654	777	458
Local governments	88	105	82	91	91	83
NFPEs	0	0	0	0	0	0
Direct development expenditure	11,017	10,783	12,761	14,516	15,204	16,591
Transfers to:	2,068	2,740	2,704	1,942	3,303	1,093
Statutory bodies	1,587	2,171	2,103	1,394	1,394	796
State governments 3/	53	69	38	56	38	56
Local governments	81	66	43	74	74	141
NFPEs	347	434	520	418	1,797	100
Net lending	195	1,013	1,117	2,109	1,834	498
Net loans to:	765	2,123	675	640	1,708	2,098
Statutory bodies	43	43	43	55	53	50
State governments	247	261	638	273	242	203
Local governments	-12	-8	-8	-11	-17	-15
NFPEs	487	1,827	2	323	1,430	1,860
Adjustments for accounts payable	-649	-255	-349	-400	-870	-500
Overall balance	2,847	2,676	7,111	-7,315	-4,162	-15,626
Financing (net)	-2,847	-2,676	-7,111	7,315	4,162	15,626
External (net)	-1,851	-1,986	-1,513	2,096	2,096	...
Project loans	-534	-1,503	-984	708	708	...
Market loans	-746	231	-479	2,267	2,267	...
Other	-571	-714	-50	-879	-879	...
Domestic (net)	-996	-690	-5,598	5,219	2,066	15,626
Banking system 4/	-2,440	-2,055	2,688	8,378	-11,024	...
Central bank	-435	-1,006	-907	-12,206	-13,982	...
Claims on federal government	1,144	1,024	-1,338	1,070	-706	...
Deposits by federal government	-1,579	-2,030	431	-13,276	-13,276	...
Commercial banks	-2,005	-1,049	3,595	20,584	2,958	...
Claims on federal government	-1,047	1,343	3,431	22,931	5,305	...
Deposits by federal government	-958	-2,392	164	-2,347	-2,347	...
Nonbanks	1,444	1,365	-8,286	-3,159	13,090	15,626
Employees Provident Fund	-1,123	-396	-897	7,294	7,294	...
Petronas	1,120	1,452	-2,262	-57	-57	...
Insurance companies 5/	-44	-70	-412	113	113	...
Other	1,491	379	-4,715	-10,509	5,740	15,626
Memorandum items:						
Current balance	13,324	14,129	20,587	8,865	11,955	911
Overall balance (in percent of GDP)	1.3	1.1	2.6	-2.6	-1.5	-5.5

Source: Data provided by the Malaysian authorities.

1/ Refers to revised budget plans presented in July 1998.

2/ Excludes net lending shown in the current budget.

3/ Includes reimbursements to state governments.

4/ Net of claims and deposits from Pension Trust Fund (which are included in monetary survey figures).

5/ Insurance companies are currently required to hold 25 percent of assets in government securities.

Table 19. Malaysia: Operations of Statutory Bodies, 1995-99

(In millions of ringgit)

	1995	1996	1997	Budget	Prel.	Budget
				1998		1999
Total revenue	6,765	7,122	7,651	7,726	7,726	8,434
Own revenue	2,225	2,365	2,491	3,235	3,235	3,973
Transfers from the federal government	4,540	4,757	5,160	4,491	4,491	4,461
Total expenditure	5,538	6,143	6,378	6,383	6,383	6,275
Operating expenditure	3,319	4,113	4,099	4,774	4,774	4,762
Development expenditure	2,219	2,030	2,279	1,609	1,609	1,513
Overall balance	1,227	979	1,273	1,343	1,343	2,159
Financing (net)	-1,227	-979	-1,273	-1,343	-1,343	-2,159
External	-167	-174	-177	-246	-246	-237
Domestic	-365	366	-9	-386	-388	-324
Net borrowing from federal government	43	43	43	55	53	50
Other	-408	323	-52	-441	-441	-374
Change in assets (increase -)	-695	-1,171	-1,087	-711	-709	-1,598
Memorandum items:						
Current balance	3,446	3,009	3,552	2,952	2,952	3,672
Overall balance (in percent of GDP)	0.6	0.4	0.5	0.5	0.5	0.8

Source: Data provided by the Malaysian authorities.

Table 20. Malaysia: Operations of State Governments, 1995-99

(In millions of ringgit)

	1995	1996	1997	Budget	Prel.	Budget
				1998		1999
Revenue and grants	8,261	9,494	9,603	9,356	8,421	7,725
Own revenue	6,798	7,974	8,024	7,708	6,668	6,273
Transfers from:	1,463	1,520	1,579	1,648	1,753	1,452
Federal government	1,463	1,520	1,579	1,648	1,753	1,452
Statutory bodies	0	0	0	0	0	0
Local governments	0	0	0	0	0	0
NFPEs	0	0	0	0	0	0
Expenditure	7,640	8,560	9,095	9,049	8,590	7,932
Operating expenditure	4,167	4,956	4,988	4,606	4,123	4,665
Transfers to:	324	478	496	859	859	774
Federal government	0	0	0	0	0	0
Statutory bodies	0	0	0	0	0	0
Local governments	324	478	496	859	859	774
NFPEs	0	0	0	0	0	0
Development expenditure and net lending	3,473	3,604	4,107	4,443	4,467	3,267
Direct development expenditure	3,793	3,579	3,984	4,286	4,146	2,911
Transfers to:	85	95	80	92	91	93
Federal government	0	0	0	0	0	0
Statutory bodies	0	0	0	0	0	0
Local governments	85	95	80	91	91	93
NFPEs	0	0	0	1	0	0
Net lending	-320	25	123	157	321	356
Local governments	13	-7	1	11	15	17
Other	-333	32	122	146	306	339
Overall balance	621	934	508	307	-169	-207
Financing (net)	-621	-934	-508	-307	169	207
External	0	0	0	1	0	0
Domestic	-621	-934	-508	-307	169	207
Borrowing from federal government	247	261	638	273	242	203
Other borrowing including change in assets	-868	-1,195	-1,146	-580	-73	4
Memorandum items:						
Current balance	4,094	4,538	4,615	4,750	4,298	3,060
Overall balance (in percent of GDP)	0.3	0.4	0.2	0.1	-0.1	-0.1

Source: Data provided by the Malaysian authorities.

Table 21. Malaysia: Operations of Local Governments, 1995-99

(In millions of ringgit)

	1995	1996	1997	Budget	Prel.	Budget
				1998		1999
Total revenue	2,872	3,108	3,210	5,144	5,144	5,198
Own revenue	2,294	2,364	2,509	4,029	4,029	4,107
Transfers from:	578	744	701	1,115	1,115	1,091
Federal government	169	171	125	165	165	224
Statutory bodies	0	0	0	0	0	0
State governments	409	573	576	950	950	867
NFPEs	0	0	0	0	0	0
Total expenditure	2,865	3,003	3,265	5,515	5,515	5,472
Current expenditure	2,105	2,140	2,447	3,680	3,680	3,673
Transfers to:	0	0	0	0	0	0
Federal government	0	0	0	0	0	0
Statutory bodies	0	0	0	0	0	0
State governments	0	0	0	0	0	0
NFPEs	0	0	0	0	0	0
Development expenditure	760	863	818	1,835	1,835	1,799
Overall balance	7	105	-55	-371	-371	-274
Financing (net)	-7	-105	55	371	371	274
External	0	0	0	0	0	0
Domestic	-7	-105	55	371	371	274
Borrowing from federal government	-12	-8	-8	-11	-17	-15
Borrowing from state governments	13	-7	1	11	15	17
Other borrowing including change in assets	-8	-90	62	371	373	272
Memorandum items:						
Current balance	767	968	763	1,464	1,464	1,525
Overall balance (in percent of GDP)	0.0	0.0	0.0	-0.1	-0.1	-0.1

Source: Data provided by the Malaysian authorities.

Table 22. Malaysia: General Government Operations, 1995-99 1/

(In millions of ringgit)

	1995	1996	1997	Budget 2/ 1998	Prel.	Budget 1999
Total revenue and grants	62,474	71,849	79,137	70,421	70,806	65,042
Federal government	51,157	59,146	66,113	55,449	56,874	50,689
Statutory bodies	2,225	2,365	2,491	3,235	3,235	3,973
State governments	6,798	7,974	8,024	7,708	6,668	6,273
Local governments	2,294	2,364	2,509	4,029	4,029	4,107
Total expenditure and net lending	57,481	66,866	69,626	76,129	73,872	78,735
Total current expenditure	42,563	51,518	51,831	53,960	51,683	56,908
Federal government	33,296	40,787	40,793	41,759	39,965	44,582
Statutory bodies	3,319	4,113	4,099	4,774	4,774	4,762
State governments	3,843	4,478	4,492	3,747	3,264	3,891
Local governments	2,105	2,140	2,447	3,680	3,680	3,673
Total direct development expenditure 3/	15,983	14,854	17,578	20,631	21,197	21,728
Federal government	9,296	8,477	10,577	12,992	13,698	15,598
Statutory bodies	2,219	2,030	2,279	1,609	1,609	1,513
State governments	3,708	3,484	3,904	4,195	4,055	2,818
Local governments	760	863	818	1,835	1,835	1,799
Net lending	-416	749	566	1,938	1,862	599
Adjustments for accounts payable	-649	-255	-349	-400	-870	-500
Overall balance	4,993	4,983	9,511	-5,708	-3,066	-13,693
Financing	-4,993	-4,983	-9,511	5,708	3,066	13,693
External	-2,018	-2,160	-1,690	1,851	1,850	-237
Domestic (including change in assets)	-2,975	-2,823	-7,821	3,857	1,216	13,930
Memorandum items:						
Current balance	19,825	4,895	27,253	16,416	19,078	8,089
Overall balance (in percent of GDP)	2.3	2.0	3.5	-2.0	-1.1	-4.8
Net lending	-903	-1,078	564	1,615	432	-1,261
Federal government (other)	-570	-1,110	442	1,469	126	-1,600
State governments (other)	-333	32	122	146	306	339

Source: Data provided by the Malaysian authorities.

1/ Includes federal, state, and local governments, and the statutory bodies.

2/ Figures for the federal government refer to revised budget plans presented in July 1998.

3/ Net of transfers.

Table 23. Malaysia: Operations of Nonfinancial Public Enterprises (NFPEs), 1995-99 1/

(In millions of ringgit)

	1995	1996	1997	Budget 1998	Prel. 1998	Budget 1999
Operating surplus	16,339	20,762	22,267	26,594	24,249	24,052
Transfers from:	347	434	520	418	1,797	100
Federal government	347	434	520	418	1797	100
Development expenditure	13,630	15,512	22,181	22,456	25,777	24,791
Overall balance	2,709	5,250	86	4,138	-1,528	-739
Financing	-2,709	-5,250	-86	-4,138	1,528	739
External	6,696	2,844	7,045	2,100	3,500	3,500
Domestic	-9,405	-8,094	-7,131	-6,238	-1,972	-2,761
Borrowing from federal government	487	1,827	2	-6,238	-1,972	-2,761
Borrowing from state governments	0	0	0	1	0	0
Other (including changes in assets)	-9,892	-9,921	-7,133	-1	0	0
Memorandum items:						
Operating surplus net of transfers	15,992	20,328	21,747	26,176	22,452	23,952
Current balance	16,339	20,762	22,267	26,594	24,249	24,052
Current balance (in percent of GDP)	7.5	8.3	8.1	9.5	8.7	8.5
Development expenditure (in percent of GDP)	6.2	6.2	8.1	8.0	9.2	8.8
Overall balance (in percent of GDP)	1.2	2.1	0.0	1.5	-0.5	-0.3

Source: Data provided by the Malaysian authorities.

1/ As a result of privatization, the number of enterprises declined from 32 in 1995, to 31 in 1996, and to 28 in 1997.

Table 24. Malaysia: Consolidated Public Sector, 1995-99 1/

(In millions of ringgit)

	1995	1996	1997	Budget 2/ 1998	Prel.	Budget 1999
Total revenue and grants 3/	78,466	92,177	100,884	96,597	93,258	88,994
Federal government	51,157	59,146	66,113	55,449	56,874	50,689
Statutory bodies	2,225	2,365	2,491	3,235	3,235	3,973
State governments	6,798	7,974	8,024	7,708	6,668	6,273
Local governments	2,294	2,364	2,509	4,029	4,029	4,107
NFPE operating surplus	15,992	20,328	21,747	26,176	22,452	23,952
Total expenditure and net lending	70,277	80,117	91,285	97,843	96,422	101,566
Total current expenditure 3/	42,563	51,518	51,831	53,960	51,683	56,908
Federal government	33,296	40,787	40,793	41,759	39,965	44,582
Statutory bodies	3,319	4,113	4,099	4,774	4,774	4,762
State governments	3,843	4,478	4,492	3,747	3,264	3,891
Local governments	2,105	2,140	2,447	3,680	3,680	3,673
Total direct development expenditure 3/	29,266	29,932	39,239	42,668	45,177	46,419
Federal government	8,949	8,043	10,057	12,574	11,901	15,498
Statutory bodies	2,219	2,030	2,279	1,609	1,609	1,513
State governments	3,708	3,484	3,904	4,194	4,055	2,818
Local governments	760	863	818	1,835	1,835	1,799
NFPEs	13,630	15,512	22,181	22,456	25,777	24,791
Net lending	-903	-1,078	564	1,615	432	-1,261
Adjustment for accounts payable	-649	-255	-349	-400	-870	-500
Overall public sector balance	8,189	12,060	9,599	-1,246	-3,164	-12,572
Financing	-8,189	-12,060	-9,599	1,246	3,164	12,572
External	4,678	684	5,355	3,951	5,350	3,263
Domestic (including changes in assets)	-12,867	-12,744	-14,954	-2,705	-2,186	9,309
Memorandum items:						
Current balance 4/	35,817	40,571	49,000	42,592	41,524	32,041
Current balance (percent of GDP)	16.4	16.3	17.8	15.2	14.9	11.3
Overall balance (percent of GDP)	3.7	4.8	3.5	-0.4	-1.1	-4.4

Source: Data provided by the Malaysian authorities.

1/ Consists of the federal, state, and local governments, statutory bodies, and NFPEs.

2/ Figures for the federal government refer to revised budget plans presented in July 1998.

3/ Net of transfers.

4/ Excludes capital revenue and foreign grants.

Table 25. Malaysia: Outstanding Federal Government Debt, 1994-98

	1994	1995	1996	<u>Est.</u> 1997	<u>Prel.</u> 1998
(In millions of ringgit)					
Domestic debt	78,260	78,038	79,211	76,968	88,197
Government securities	69,769	69,769	71,060	69,012	77,012
Treasury bills	4,320	4,320	4,320	4,320	4,320
Other	4,171	3,949	3,831	3,636	6,865
Foreign debt	14,819	13,331	10,470	12,951	14,924
International institutions and foreign governments 1/	7,468	7,100	5,311	6,479	7,232
Market loans	7,351	6,231	5,159	6,472	7,692
Total debt	93,079	91,369	89,681	89,919	103,121
(In percent of GDP)					
Domestic debt	41.1	35.7	31.7	28.0	31.6
Government securities	36.7	31.9	28.5	25.1	27.6
Treasury bills	2.3	2.0	1.7	1.6	1.5
Other	2.2	1.8	1.5	1.3	2.5
Foreign debt	7.8	6.1	4.2	4.7	5.4
International institutions and foreign governments 1/	3.9	3.2	2.1	2.4	2.6
Market loans	3.9	2.8	2.1	2.4	2.8
Total debt	48.9	41.8	35.9	32.7	37.0

Source: Data provided by the Malaysian authorities.

1/ Consists of project loans and suppliers' credit.

Table 26. Malaysia: Operations of the Employees' Provident Fund, 1994-98

(In millions of ringgit)

	1994	1995	1996	1997	<u>Prel.</u> 1998
Receipts	14,900	16,985	21,131	22,994	24,879
Contributions	8,792	10,324	12,899	14,614	16,499
Investment income	5,689	6,599	8,137	8,278	8,380
Other	419	62	95	102	0
Expenditure	2,734	3,331	3,980	5,916	8,969
Withdrawals	2,592	3,160	3,768	5,679	8,708
Operating expenditure	142	171	212	237	261
Balance	12,166	13,654	17,151	17,078	15,910
In percent of GDP	6.4	6.2	6.9	6.2	5.7
Holding of government securities	40,721	39,150	38,754	38,068	45,670
Registered employees (in thousands)	7,300	7,760	8,050	8,275	8,512
Registered employers (in thousands)	236	256	276	296	297

Source: Data provided by the Malaysian authorities.

Table 27. Malaysia: Monetary Authorities' Account, 1994-99 1/

	Old Format		1996	1997	1998	1996	1997				1998				1999
	1994	1995					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		Q4	Q1
(In millions of ringgit; end of period)															
Net foreign assets 2/	68,173	63,770	70,005	60,046	99,421	70,005	72,042	70,625	62,312	60,046	57,993	59,309	81,484	99,421	105,285
Net domestic assets	-27,691	-15,800	591	29,880	-44,229	591	4,504	12,843	19,128	29,880	9,327	3,423	-32,299	-44,229	-33,776
Net claims on federal government	-5,488	-6,223	-10,078	-5,712	-30,435	-10,078	-3,866	-3,210	-8,274	-5,712	-4,265	-9,208	-16,024	-30,435	-24,022
Net claims on banks and NFIs 3/	3,443	3,250	3,676	27,451	2,512	3,676	2,598	10,126	23,367	27,451	11,733	12,163	4,732	2,512	2,287
Claims on private sector	3,319	4,072	8,904	10,175	18,133	8,904	8,965	8,839	8,931	10,175	9,655	9,079	11,381	18,133	19,957
Other items net 4/	-28,964	-16,899	-1,911	-2,033	-34,439	-1,911	-3,192	-2,911	-4,896	-2,033	-7,796	-8,612	-32,388	-34,439	-31,998
Reserve money	98,281	116,250	70,596	89,926	55,192	70,596	76,546	83,468	81,440	89,926	67,320	62,732	49,185	55,192	71,509
Amounts due to banks and NFIs	17,170	18,913	6,137	7,030	19,014	6,137	7,658	10,919	4,924	7,030	2,748	1,094	12,246	19,014	35,602
Monetary base	40,555	48,668	64,459	82,896	36,178	64,459	68,888	72,549	76,515	82,896	64,572	61,638	36,939	36,178	35,908
Currency in circulation	17,170	18,913	21,066	24,532	20,541	21,066	21,567	21,881	23,323	24,532	22,974	21,999	20,751	20,541	20,927
Statutory and excess reserves	23,385	29,755	43,393	58,364	15,636	43,393	47,321	50,668	53,193	58,364	41,598	39,639	16,188	15,636	14,980
(12-month percentage change)															
Net foreign assets 2/, 5/	-11.5	-4.5	10.2	-14.1	43.8	...	...	...	...	-14.1	-18.4	-13.6	23.5	43.8	70.2
Net domestic assets 5/	28.6	12.1	23.9	41.5	-82.4	...	...	...	...	41.5	6.3	-11.3	-63.1	-82.4	-64.0
Net claims on federal government 5/	-4.2	-0.7	3.6	6.2	-27.5	...	...	...	...	6.2	-0.5	-7.2	-9.5	-27.5	-29.3
Net claims on banks 5/	58.8	-0.2	-3.1	33.7	-27.7	...	...	...	...	33.7	11.9	2.4	-22.9	-27.7	-14.0
Claims on private sector	38.3	22.7	11.4	14.3	0.0	...	...	...	...	14.3	7.7	2.7	27.4	78.2	106.7
Other items net 4/, 5/	-27.3	12.3	22.6	-0.2	-36.0	...	...	...	...	-0.2	-6.0	-6.8	-33.8	-36.0	-36.0
Reserve money 6/	36.9	18.3	15.0	27.4	-38.6	...	...	...	...	27.4	-12.1	-24.8	-39.6	-38.6	6.2
Amounts due to banks and NFIs	17.2	10.2	-70.8	14.5	170.5	...	...	...	...	14.5	-64.1	-90.0	148.7	170.5	1195.4
Monetary base	42.0	20.0	37.3	28.6	-56.4	...	...	...	...	28.6	-6.3	-15.0	-51.7	-56.4	-44.4
Currency in circulation	17.2	10.2	11.4	16.5	-16.3	...	...	...	...	16.5	6.5	0.5	-11.0	-16.3	-8.9
Statutory and excess reserves	68.1	27.2	53.7	34.5	-73.2	...	...	...	...	34.5	-12.1	-21.8	-69.6	-73.2	-64.0

Source: Data provided by the Malaysian authorities.

1/ Bank Negara Malaysia accounts plus Treasury IMF operations. Data are reported according to the Fund's monetary statistics framework.

2/ 1997 figures exclude valuation gains on foreign currency reserves.

3/ Nonmonetary financial institutions (finance companies, merchant banks, and discount houses).

4/ Includes BNM deposits at banks and NFIs.

5/ Contribution to reserve money growth.

6/ The Fund's definition of reserve money includes monetary base (which corresponds conceptually to the BNM definition of reserve money) plus amounts due to banking and nonfinancial institutions.

Table 28. Malaysia: Deposit Money Banks--Consolidated Statement
of Assets and Liabilities of Commercial Banks and Bank Islam, 1994-99 1/

	Old Format		1996	1997	1998	1996	1997				1998				1999
	1994	1995					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		Q4	Q1
(In millions of ringgit; end of period)															
Assets	236,035	287,836	332,638	443,260	428,412	332,638	359,440	396,636	416,482	443,260	426,077	418,639	416,831	428,412	432,280
Foreign assets 2/	10,542	10,320	11,043	23,378	20,967	11,043	14,220	14,309	18,303	23,378	25,605	26,381	23,641	20,967	19,015
Reserves	15,810	20,459	30,729	42,266	13,679	30,729	33,494	36,732	38,063	42,266	30,792	29,341	14,388	13,679	13,489
Claims on general government	11,127	10,182	11,690	17,357	22,857	11,690	11,787	12,786	13,973	17,357	18,518	19,557	18,821	22,857	22,924
Claims on private sector	141,965	185,472	224,084	276,381	284,692	224,084	238,252	253,272	264,396	276,381	275,137	277,407	281,975	284,692	280,142
Claims on NFIs 3/	14,463	18,631	8,921	16,051	23,672	8,921	12,808	13,590	15,287	16,051	20,856	22,205	23,463	23,672	23,131
Other assets	42,129	42,772	46,172	67,827	62,545	46,172	48,879	65,947	66,461	67,827	55,168	43,748	54,543	62,545	73,579
Liabilities	236,035	287,836	332,638	443,260	428,412	332,638	359,440	396,636	416,482	443,260	426,077	418,639	416,831	428,412	432,280
Foreign liabilities 2/	17,000	15,873	28,428	48,024	34,810	28,428	35,749	39,516	42,837	48,024	40,548	36,608	30,815	34,810	34,418
Liabilities to general government	2,858	4,149	24,327	26,906	29,380	24,327	27,800	27,634	28,235	26,906	28,618	29,236	29,641	29,380	32,129
Demand deposits 4/	31,723	36,191	37,752	38,495	33,470	37,752	39,307	39,413	39,723	38,495	31,855	30,266	31,268	33,470	32,056
Time and savings deposits 4/	99,749	124,935	149,814	193,656	208,513	149,814	158,026	165,090	172,597	193,656	197,041	198,619	200,740	208,513	214,692
Repurchase agreements	9,202	9,612	11,090	12,414	14,158	11,090	11,292	13,390	13,813	12,414	11,649	10,528	11,490	14,158	14,513
Bonds and money market instruments	26,529	38,655	20,869	23,315	19,655	20,869	21,489	25,841	23,930	23,315	23,502	23,350	19,564	19,655	16,791
Credit from central bank	-18,079	-10,190	1,710	18,055	12	1,710	9	5,646	17,946	18,055	9,779	6,261	1,587	12	6
Credit from NFIs 3/	2,116	2,813	6,723	15,148	8,474	6,723	6,100	8,739	8,264	15,148	12,144	9,008	11,432	8,474	7,054
Capital and reserves	23,813	29,478	29,901	40,682	40,682	29,901	35,254	44,265	38,250	40,682	40,858	38,500	38,059	40,682	40,683
Other liabilities	41,124	36,320	22,024	26,566	39,257	22,024	24,414	27,101	30,887	26,566	30,081	36,263	42,236	39,257	39,938
(12-month percentage change)															
Assets	8.5	21.9	7.3	33.3	-3.3	...	...	...	...	33.3	18.5	5.5	0.1	-3.3	1.5
Foreign assets	0.6	-2.1	7.0	111.7	-10.3	...	...	...	...	111.7	80.1	84.4	29.2	-10.3	-25.7
Claims on private sector	16.0	30.6	-93.7	23.3	3.0	...	...	...	...	23.3	15.5	9.5	6.6	3.0	1.8
Liabilities	8.5	21.9	7.3	33.3	-3.3	...	...	...	...	33.3	18.5	5.5	0.1	-3.3	1.5
Foreign liabilities	-46.0	-6.6	37.5	68.9	-27.5	...	...	...	...	68.9	13.4	-7.4	-28.1	-27.5	-15.1
Demand deposits	8.9	14.1	23.3	2.0	-13.1	...	...	...	...	2.0	-19.0	-23.2	-21.3	-13.1	0.6
Time and savings deposits	10.6	25.2	26.4	29.3	7.7	...	...	...	...	29.3	24.7	20.3	16.3	7.7	9.0

Source: Data provided by the Malaysian authorities.

1/ Data are reported according to the Fund's monetary statistics framework.

2/ Valued at current exchange rates.

3/ Nonmonetary financial institutions (finance companies, merchant banks, and discount houses).

4/ Includes deposits of nonresidents, state and local governments, statutory bodies, and the Employees Provident Fund.

Table 29. Malaysia: Monetary Survey, 1994-99 1/

	Old Format		1996	1997	1998	1996	1997				1998				1999
	1994	1995					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		Q4	Q1
(In millions of ringgit; end of period)															
Net foreign assets 2/	61,714	58,216	52,620	35,401	85,578	52,620	50,513	45,418	37,778	35,401	43,050	49,082	74,310	85,578	89,882
Net domestic assets	116,528	157,013	201,050	274,946	214,190	201,050	217,300	236,155	252,964	274,946	256,055	245,091	215,544	214,190	214,928
Domestic credit	148,065	189,355	232,447	288,079	287,006	232,447	249,061	264,976	272,776	288,079	285,152	283,636	285,725	287,006	285,143
Net claims on general government	2,781	-189	93	2,031	-13,705	93	2,495	3,352	-78	2,031	1,819	-1,403	-5,530	-13,705	-12,850
Claims on private sector	145,284	189,544	232,353	286,049	300,711	232,353	246,566	261,625	272,854	286,049	283,333	285,040	291,255	300,711	297,993
Other items net	-31,537	-32,342	-31,396	-13,133	-72,816	-31,396	-31,761	-28,821	-19,812	-13,133	-29,097	-38,545	-70,181	-72,816	-70,216
Broad money (M2)	175,994	198,964	253,671	310,347	299,768	253,671	267,812	281,573	290,742	310,347	299,105	294,174	289,853	299,768	304,809
Narrow money (M1)	53,928	47,330	77,523	85,059	60,048	77,523	82,627	84,874	85,559	85,059	70,613	66,948	58,325	60,048	58,731
Reserve money	64,046	61,287	70,596	89,926	55,192	70,596	76,546	83,468	81,440	89,926	67,320	62,732	49,185	55,192	71,509
Less: Bank notes and coins	1,286	1,480	2,087	3,173	2,380	2,087	2,150	2,799	3,240	3,173	2,486	2,314	2,729	2,380	2,632
Less: Bank deposits at Bank Negara	40,555	48,668	49,530	65,394	34,651	49,530	54,979	61,587	58,117	65,394	44,347	40,733	28,434	34,651	50,582
Plus: Bank demand deposits 3/	31,723	36,191	58,544	63,699	41,886	58,544	63,211	65,792	65,476	63,699	50,125	47,264	40,303	41,886	40,435
Quasi-money 3/, 4/	120,726	134,551	162,753	198,875	214,436	162,753	167,282	176,608	183,577	198,875	202,681	202,977	209,721	214,436	222,890
Other financial liabilities 5/	13,100	17,083	13,395	26,412	25,284	13,395	17,903	20,092	21,606	26,412	25,811	24,248	21,807	25,284	23,189
(12-month percentage change)															
Net foreign assets 2/, 6/	3.6	-2.0	0.5	-6.8	16.2	...	...	...	...	-6.8	-2.8	1.3	12.6	16.2	15.7
Net domestic assets 6/	11.2	23.0	-89.8	29.1	-19.6	...	...	...	...	29.1	14.5	3.2	-12.9	-19.6	-13.8
Domestic credit	13.0	27.9	-95.4	23.9	-0.4	...	...	...	...	23.9	14.5	7.0	4.7	-0.4	0.0
Net claims on federal government 6/	-2.0	-1.7	-3.7	0.8	-5.1	...	...	...	...	0.8	-0.3	-1.7	-1.9	-5.1	-4.9
Claims on private sector	16.5	30.5	-91.4	23.1	5.1	...	...	...	...	23.1	14.9	8.9	6.7	5.1	5.2
Other items net 6/	1.5	-0.5	0.9	7.2	-19.2	...	...	...	...	7.2	1.0	-3.5	-17.3	-19.2	-13.7
M2	0.5	13.1	16.4	22.3	-3.4	...	...	...	...	22.3	11.7	4.5	-0.3	-3.4	1.9
M1	-23.9	-12.2	-2.7	9.7	-29.4	...	...	...	...	9.7	-14.5	-21.1	-31.8	-29.4	-16.8

Source: Data provided by the Malaysian authorities.

1/ Consolidation of the accounts of the monetary authorities, commercial banks, and Bank Islam. Data are reported according to the Fund's monetary statistics framework. See footnote 1 to Table 31.

2/ 1997 figures exclude valuation gains on official foreign currency reserves; financial institutions' net foreign assets valued at current exchange rates.

3/ Includes deposits of nonresidents, state and local governments, statutory bodies, and the Employees Provident Fund.

4/ Quasi-money is equal to Bank Negara time deposits plus bank time, and savings deposits plus bank repos.

5/ Includes bank negotiable instruments of deposit.

6/ Contribution to M2 growth.

Table 30. Malaysia: Nonmonetary Financial Institutions - Consolidated Statement of Assets and Liabilities of Finance Companies, Merchant Banks, and Discount Houses, 1994-99 1/

	Old format		1996	1997	1998	1996	1997				1998				1999
	1994	1995					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3		Q4	Q1
(In millions of ringgit, end of period)															
Assets	105,310	130,100	162,381	208,568	176,064	162,381	174,276	186,920	202,156	208,568	196,145	185,178	178,196	176,064	175,559
Foreign assets 2/	167	209	372	1,069	1,014	372	370	652	936	1,069	1,063	1,098	1,042	1,014	1,149
Reserves	10,394	12,280	14,865	19,711	4,516	14,865	16,171	17,152	18,604	19,711	13,570	12,934	4,854	4,516	4,444
Claims on general government	3,073	2,995	4,354	3,652	6,616	4,354	4,471	4,129	3,757	3,652	4,313	4,705	5,763	6,616	6,947
Finance companies	1,936	2,031	666	2,463	3,982	666	720	2,938	2,637	2,463	3,027	3,292	3,909	3,982	4,374
Merchant banks	546	431	3,053	878	1,670	3,053	3,012	674	697	878	963	1,044	1,336	1,670	1,632
Discount houses	591	533	635	311	964	635	740	517	423	311	323	369	519	964	940
Claims on private sector	71,024	91,554	117,192	144,463	132,249	117,192	126,524	135,238	145,788	144,463	143,597	138,738	133,401	132,249	126,178
Finance companies	51,681	65,641	89,948	110,349	95,226	89,948	96,220	104,344	110,448	110,349	107,792	104,044	97,699	95,226	90,466
Merchant banks	13,074	15,907	21,471	26,895	28,015	21,471	23,886	25,185	27,509	26,895	27,631	27,492	27,524	28,015	26,819
Discount houses	6,269	10,006	14,178	16,784	16,407	14,178	13,767	14,869	17,532	16,784	15,624	15,034	14,905	16,407	14,381
Claims on commercial banks	9,135	9,148	2,199	4,107	3,562	2,199	2,916	3,401	3,018	4,107	4,856	3,644	4,872	3,562	3,930
Finance companies	6,642	7,395	1,277	1,742	2,186	1,277	1,428	1,474	1,049	1,742	2,230	1,723	3,066	2,186	2,613
Merchant banks	2,261	1,468	738	2,218	1,024	738	1,176	1,746	1,855	2,218	1,510	1,116	1,353	1,024	1,177
Discount houses	233	285	168	140	322	168	159	178	84	140	1,113	702	441	322	95
Other assets	11,517	13,914	23,400	35,566	28,106	23,400	23,825	26,348	30,052	35,566	28,747	24,059	28,263	28,106	32,911
Liabilities	105,310	130,100	162,381	208,568	176,064	162,381	174,276	186,920	202,156	208,568	196,145	185,178	178,196	176,064	175,559
Foreign liabilities 2/	30	62	875	1,735	1,325	875	1,860	1,539	2,099	1,735	1,880	1,673	1,451	1,325	1,583
Liabilities to federal government	707	1,213	11,636	12,459	12,229	11,636	13,940	15,188	14,546	12,459	13,335	12,600	11,955	12,229	13,474
Time and savings deposits 3/	61,073	68,692	82,014	90,335	94,881	82,014	86,381	92,869	92,350	90,335	96,748	96,533	94,795	94,881	97,055
Finance companies	47,396	54,212	61,536	69,793	73,680	61,536	67,132	71,515	72,039	69,793	76,417	77,095	74,530	73,680	73,769
Merchant banks	8,964	8,880	12,937	14,154	14,383	12,937	12,167	14,616	14,396	14,154	14,371	14,230	13,891	14,383	16,230
Discount houses	4,713	5,600	6,684	5,411	5,977	6,684	6,228	5,799	4,956	5,411	5,076	4,298	5,667	5,977	6,045
Repurchase agreements	3,327	5,079	4,676	6,699	5,516	4,676	4,220	4,032	4,999	6,699	5,571	5,887	4,515	5,516	3,613
Bonds and money market instruments	7,556	11,097	800	1,635	1,168	800	903	1,439	1,682	1,635	1,384	1,304	1,266	1,168	1,162
Credit from commercial banks	13,267	19,094	31,981	43,720	22,470	31,981	33,550	34,740	47,272	43,720	36,203	25,080	24,071	22,470	19,487
Finance companies	5,562	10,370	16,418	24,681	8,014	16,418	17,269	18,379	25,409	24,681	18,475	12,839	11,515	8,014	7,128
Merchant banks	4,969	4,979	9,028	10,230	6,877	9,028	10,164	9,316	11,962	10,230	8,601	6,249	6,308	6,877	6,137
Discount houses	2,736	3,745	6,535	8,808	7,579	6,535	6,117	7,045	9,901	8,808	9,126	5,991	6,248	7,579	6,222
Capital and reserves	8,588	10,772	14,721	20,741	21,006	14,721	15,476	17,384	18,059	20,741	20,957	20,057	19,903	21,006	21,232
Other liabilities	10,762	14,091	15,678	31,246	17,469	15,678	17,946	19,729	21,149	31,246	20,068	22,043	20,240	17,469	17,952
(12-month percentage change)															
Assets	19.5	23.5	30.1	28.4	-15.6	...	...	...	...	28.4	12.5	-0.9	-11.9	-15.6	-10.5
Foreign assets	21.6	25.1	73.2	187.5	-5.1	...	...	...	...	187.5	187.3	68.5	11.3	-5.1	8.1
Claims on private sector	19.0	28.9	32.3	23.3	-8.5	...	...	...	...	23.3	13.5	2.6	-8.5	-8.5	-12.1
Liabilities	19.5	23.5	30.1	28.4	-15.6	...	...	...	...	28.4	12.5	-0.9	-11.9	-15.6	-10.5
Foreign liabilities	-32.9	103.9	-30.6	98.3	-23.6	...	...	...	...	98.3	1.1	8.7	-30.8	-23.6	-15.8
Time and savings deposits	8.4	12.5	26.1	10.1	5.0	...	...	...	...	10.1	12.0	3.9	2.6	5.0	0.3

Source: Data provided by the Malaysian authorities.

1/ Data are reported according to the Fund's monetary statistics framework.

2/ Valued at current exchange rates.

3/ Includes deposits of nonresidents, state and local governments, statutory bodies, and the Employees Provident Fund.

Table 31. Malaysia: Banking Survey, 1994-99 1/

	Old Format		1996	1997	1998	1996	1997					1998				1999
	1994	1995					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Q1
(In millions of ringgit; end of period)																
Net foreign assets 2/	61,851	58,363	52,117	34,735	85,267	52,117	49,023	44,531	36,615	34,735	42,233	48,507	73,900	85,267	89,448	
Net domestic assets	181,462	229,300	290,932	377,708	320,509	290,932	311,675	336,063	355,939	377,708	365,160	353,912	320,372	320,509	322,691	
Domestic credit	221,455	282,690	338,537	420,037	410,539	338,537	359,274	386,000	403,741	420,037	415,695	410,980	409,780	410,539	402,100	
Net claims on general government	5,147	1,592	-7,189	-6,776	-19,318	-7,189	-6,974	-7,707	-10,867	-6,776	-7,204	-9,299	-11,722	-19,318	-19,377	
Claims on private sector	216,308	281,098	345,725	426,813	429,857	345,725	366,248	393,708	414,608	426,813	422,899	420,278	421,501	429,857	421,476	
Other items net	-39,993	-53,390	-47,605	-42,328	-90,030	-47,605	-47,598	-49,937	-47,802	-42,328	-50,536	-57,068	-89,408	-90,030	-79,409	
Total liquidity (M3)	241,067	271,399	343,049	412,443	405,776	343,049	360,698	380,593	392,554	412,443	407,392	402,419	394,271	405,776	412,139	
Monetary liabilities	46,013	37,543	61,924	64,397	54,851	61,924	65,691	66,766	66,072	64,397	56,309	53,393	52,857	54,851	53,731	
Narrow money (M1) 3/	53,928	47,330	77,523	85,059	60,048	77,523	82,627	84,874	85,559	85,059	70,613	66,948	58,325	60,048	58,731	
Less: Intersystem demand deposits	561	601	903	1,152	869	903	942	1,158	1,214	1,152	930	799	804	869	745	
Less: NFI deposits at BNM 4/	7,354	9,186	14,696	19,510	4,328	14,696	15,995	16,949	18,273	19,510	13,373	12,757	4,665	4,328	4,255	
Broad quasi-money	173,027	207,873	240,982	282,373	305,860	240,982	250,081	263,978	273,275	282,373	293,071	296,110	299,195	305,860	315,546	
Quasi-money and bank repos 3/	108,966	134,551	162,753	198,875	214,436	162,753	167,282	176,608	183,577	198,875	202,681	202,977	209,721	214,436	222,890	
NFI time and savings deposits 3/, 4/	61,073	68,692	76,935	84,317	89,762	76,935	81,368	86,645	87,428	84,317	89,600	90,947	89,845	89,762	92,374	
NFI repos 4/	3,327	5,079	4,676	6,699	5,516	4,676	4,220	4,032	4,999	6,699	5,571	5,887	4,515	5,516	3,613	
Less: Intersystem fixed deposits	339	449	3,382	7,518	3,854	3,382	2,789	3,306	2,729	7,518	4,781	3,702	4,886	3,854	3,331	
Other financial liabilities 5/	22,027	25,983	40,143	65,673	45,065	40,143	44,926	49,849	53,207	65,673	58,013	52,916	42,219	45,065	42,861	
Memorandum items:																
Broad money (M2)	175,994	198,964	253,671	310,347	299,768	253,671	267,812	281,573	290,742	310,347	299,105	294,174	289,853	299,768	304,809	
Narrow money (M1)	53,928	47,330	77,523	85,059	60,048	77,523	82,627	84,874	85,559	85,059	70,613	66,948	58,325	60,048	58,731	
(12-month percentage change)																
Net foreign assets 2/, 6/	2.7	-1.4	0.4	-5.1	12.3	...	...	...	...	-5.1	-1.9	1.0	9.5	12.3	11.6
Net domestic assets 6/	11.6	19.8	-58.9	25.3	-13.9	...	...	...	...	25.3	14.8	4.7	-9.1	-13.9	-10.4
Domestic credit	14.3	27.7	-53.1	24.1	-2.3	...	...	...	...	24.1	15.7	6.5	1.5	-2.3	-3.3
Net claims on federal government 6/	-1.8	-1.5	-2.3	0.1	-3.0	...	...	...	...	0.1	-0.1	-0.4	-0.2	-3.0	-3.0
Claims on private sector	17.3	30.0	-51.1	23.5	0.7	...	...	...	...	23.5	15.5	6.7	1.7	0.7	-0.3
Other items net 6/	-0.3	-5.6	-3.6	1.5	-11.6	...	...	...	...	1.5	-0.8	-1.9	-10.6	-11.6	-7.1
M3	3.5	12.6	19.1	20.2	-1.6	...	...	...	...	20.2	12.9	5.7	0.4	-1.6	1.2
M2	0.5	13.1	16.4	22.3	-3.4	...	...	...	...	22.3	11.7	4.5	-0.3	-3.4	1.9
M1	-23.9	-12.2	-2.7	9.7	-29.4	...	...	...	...	9.7	-14.5	-21.1	-31.8	-29.4	-16.8

Source: Data provided by the Malaysian authorities.

1/ Consolidation of the accounts of the monetary authorities, commercial banks, and Bank Islam, and NFIs (nonmonetary financial institutions, comprising finance companies, merchant banks, and discount houses). Note that data are reported according to the Fund's monetary statistics framework, although this framework is currently being revised for Malaysia in light of the new report forms submitted by financial institutions to Bank Negara.

2/ 1997 figures exclude valuation gains on official foreign currency reserves; financial institutions' net foreign assets valued at current exchange rates.

3/ Includes deposits of nonresidents, state and local governments, statutory bodies, and the Employees Provident Fund.

4/ Nonmonetary financial institutions (finance companies, merchant banks, and discount houses).

5/ Includes bank and NFI negotiable instruments of deposit.

6/ Contribution to M3 growth.

Table 32. Malaysia: Money and Banking Indicators, 1994-99

	1994	1995	1996	1997	1998	1997				1998				1999
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	(In millions of ringgit)													
Interbank transactions volume	818.9	857.2	888.3	527.7	369.2	223.1	276.8	412.3	527.7	606.7	425.0	422.8	369.2	606.7
	(In percent; end of period)													
Interest rates														
Interbank rate (overnight)	4.90	6.50	7.15	8.30	5.41	6.43	7.18	5.71	8.30	9.62	10.19	6.64	5.41	5.23
Interbank rate (3-month)	5.48	6.65	7.34	8.60	6.48	7.36	7.71	7.65	8.60	10.91	11.07	7.75	6.48	6.19
Treasury bill rate (3-month)	4.50	5.80	6.48	6.76	5.38	6.31	6.48	6.00	6.76	6.08	9.98	6.26	5.38	5.40
Deposit rate (12-month) 1/	6.15	6.89	7.26	9.33	5.74	7.25	7.38	7.79	9.33	9.9	10.24	6.13	5.74	5.4
Average base lending rate 1/	6.83	8.03	9.18	10.33	8.04	9.24	9.50	9.61	10.33	11.96	12.27	8.89	8.04	8.04
Average lending rate 1/	8.24	9.28	10.12	11.51	9.72	10.14	10.68	10.68	11.51	13.33	13.51	11.09	9.72	9.56
Loan/deposit ratio 2/														
Commercial banks	83.7	88.9	89.3	91.9	92.9	92.1	92.6	94.0	91.9	94.2	97.2	96.9	92.9	90.1
Finance companies	87.4	89.7	90.8	96.2	88.6	89.2	92.0	97.4	96.2	91.0	89.6	90.8	88.6	86.1
Merchant banks	...	87.9	80.3	87.4	84.3	85.6	88.6	87.7	87.4	89.1	93.8	88.8	84.3	75.7
Share of loans to broad property sector 2/														
Commercial banks	26.3	26.5	30.4	31.8	33.3	29.7	30.6	31.7	31.8	32.3	32.7	33.0	33.3	34.2
Finance companies	26.3	24.0	24.0	24.7	28.4	24.3	24.1	22.8	24.7	25.6	26.9	27.8	28.4	28.3
Merchant banks	21.6	22.2	25.8	32.7	32.1	28.6	30.7	31.9	32.7	30.3	32.6	33.3	32.1	31.4
Risk-weighted capital ratio (RWCR) 3/														
Commercial banks	11.3	11.1	10.8	10.3	11.7	11.0	12.2	11.0	10.3	11.0	11.0	10.4	11.7	12.1
Finance companies	10.1	9.7	9.8	10.3	11.1	9.9	10.8	10.6	10.3	10.7	10.9	10.6	11.1	12.0
Merchant banks	8.2	11.9	11.7	13.3	15.2	11.9	13.4	12.9	13.3	11.8	11.6	11.7	15.2	14.5
	(Number)													
Institutions not meeting the minimum RWCR 3/														
Commercial banks	1	0	0	1	1	0	0	0	1	1	3	1	1	...
Finance companies	3	1	0	1	5	0	0	0	1	2	4	7	5	...
	(Percent of total loans)													
Nonperforming loans 4/														
Commercial banks	6.9	4.9	3.6	4.9	15.0	3.2	3.5	3.3	4.9	7.6	10.9	15.5	15.0	16.4
Finance companies	9.9	6.6	4.7	9.2	28.1	4.2	4.3	5.1	9.2	13.6	17.3	23.6	28.1	27.1
Merchant banks	9.5	7.8	1.7	4.8	32.4	1.7	2.0	2.0	4.8	8.0	13.3	23.1	32.4	36.5
Banking system	7.8	5.5	3.7	6.0	18.9	3.3	3.6	3.7	6.0	9.1	12.6	17.8	18.9	19.8
Banking system incl. NPLs sold to Danaharta 5/												(17.75)	(21.34)	(24.13)
General provisions 6/														
Commercial banks	1.7	1.7	1.9	2.2	2.3	2.0	2.0	2.1	2.2	2.4	2.3	2.1	2.3	2.4
Finance companies	1.5	1.6	1.6	1.7	2.1	1.6	1.6	1.6	1.7	1.8	1.8	1.8	2.1	1.6
Merchant banks	1.8	1.7	1.8	1.9	2.2	1.7	1.8	1.8	1.9	2.0	2.1	2.1	2.2	2.1
Banking system	1.7	1.7	1.8	2.0	2.3	1.9	1.9	1.9	2.0	2.2	2.2	2.0	2.3	2.2
	(Percent of nonperforming loans)													
Total outstanding bad-debt provision 7/														
Commercial banks	78.6	85.0	98.3	79.7	53.7	107.0	96.3	104.2	79.7	56.1	56.2	48.7	53.7	50.0
Finance companies	75.2	84.0	87.9	46.9	32.0	83.2	78.2	66.1	46.9	37.6	34.2	31.6	32.0	31.2
Merchant banks	102.8	90.2	155.6	68.0	34.5	149.7	127.3	124.5	68.0	61.9	50.0	38.9	34.5	36.1
Total	79.2	85.1	96.4	66.2	44.7	100.6	91.8	90.9	66.2	49.5	48.6	42.8	44.7	43.1
Memorandum items:														
Number of institutions														
Commercial banks	38	38	38	35	35	37	36	35	35	35	35	35	35	32
Finance companies	40	40	40	39	33	40	40	39	39	39	39	37	33	31

Source: Data provided by the Malaysian authorities.

1/ Commercial banks.

2/ Deposits include repurchase agreements and negotiable instruments of deposit; loans exclude housing loans sold to Cagamas Berhad, the national mortgage corporation.

3/ The minimum RWCR is currently 8 percent for all institutions; before 1994, it was 8 percent for finance companies and domestic banks, and 10 percent for foreign banks. Compliance was mandatory by end-December 1992.

4/ NPLs (including those sold to Danaharta, the national asset management corporation) as a percent of total loans including housing loans sold to Cagamas and NPLs sold to Danaharta. Figures reported through 1997 4Q were under the old system of classification, which counted loans as nonperforming if payments were overdue for six months or more. Beginning 1998 Q1, figures are reported using a 3-month criterion. Using this criterion, the 1997 Q4 figures would be 5.3 percent and 9.9 percent for commercial banks and finance companies, respectively.

5/ Loans were first sold to Danaharta beginning 1998 Q3.

6/ In percent of total loans including housing loans sold to Cagamas Berhad, minus interest-in-suspense and specific provisions; minimum requirement is 1.5 percent (1 percent prior to January 1, 1998).

7/ Aggregate of provisions for general, specific, and interest-in-suspense.

Table 33. Malaysia: Direction of Financial Institution Lending, 1996-98

	1996	1997	1998	1996	1997	1998	1996	1997	1998
	(In millions of ringgit; end of period)			(Percentage change)			(Share of total loans, in percent)		
Primary industries 1/	6,860	8,986	9,391	6.5	31.0	4.5	2.1	2.1	2.3
Commercial banks	5,034	6,704	7,379	5.8	33.2	10.1	1.5	1.6	1.8
FCs and MBs 2/	1,826	2,282	2,013	8.5	24.9	-11.8	0.5	0.5	0.5
Manufacturing	53,447	63,311	63,200	9.5	18.5	-0.2	16.1	15.0	15.3
Commercial banks	47,099	54,952	56,532	11.1	16.7	2.9	14.1	13.0	13.7
FCs and MBs	6,348	8,359	6,669	-0.9	31.7	-20.2	1.9	2.0	1.6
Electricity, gas, and water	4,519	4,461	5,879	20.5	-1.3	31.8	1.4	1.1	1.4
Commercial banks	4,146	3,944	5,083	15.8	-4.9	28.9	1.2	0.9	1.2
FCs and MBs	373	517	797	120.6	38.5	54.0	0.1	0.1	0.2
Commerce, restaurants, and hotels	27,463	34,941	35,111	28.1	27.2	0.5	8.2	8.3	8.5
Commercial banks	23,971	29,478	30,263	25.7	23.0	2.7	7.2	7.0	7.3
FCs and MBs	3,492	5,463	4,849	48.2	56.4	-11.2	1.0	1.3	1.2
Construction	27,787	42,616	43,198	37.3	53.4	1.4	8.3	10.1	10.4
Commercial banks	19,664	29,157	30,663	39.6	48.3	5.2	5.9	6.9	7.4
FCs and MBs	8,123	13,459	12,536	32.2	65.7	-6.9	2.4	3.2	3.0
Residential property	40,528	50,844	56,387	23.7	25.5	10.9	12.2	12.1	13.6
Commercial banks	29,638	37,895	43,373	26.3	27.9	14.5	8.9	9.0	10.5
FCs and MBs	10,890	12,949	13,014	17.4	18.9	0.5	3.3	3.1	3.1
Nonresidential and real estate	36,085	46,463	46,563	75.4	28.8	0.2	10.8	11.0	11.3
Commercial banks	27,143	34,169	34,794	71.0	25.9	1.8	8.2	8.1	8.4
FCs and MBs	8,942	12,293	11,769	90.4	37.5	-4.3	2.7	2.9	2.8
Transport, storage, communication	6,710	13,041	14,983	31.5	94.3	14.9	2.0	3.1	3.6
Commercial banks	4,412	8,617	11,420	47.5	95.3	32.5	1.3	2.0	2.8
FCs and MBs	2,298	4,424	3,563	9.0	92.5	-19.4	0.7	1.1	0.9
Finance, insurance, business services	32,820	36,209	37,117	3.0	10.3	2.5	9.9	8.6	9.0
Commercial banks	24,763	28,433	30,270	4.2	14.8	6.5	7.4	6.8	7.3
FCs and MBs	8,057	7,777	6,847	-0.6	-3.5	-12.0	2.4	1.8	1.7
Consumption credit (new format)	41,521	57,836	49,418	...	39.3	-14.6	12.5	13.7	11.9
Commercial banks	13,453	18,039	17,144	...	34.1	-5.0	4.0	4.3	4.1
FCs and MBs	28,068	39,797	32,274	...	41.8	-18.9	8.4	9.4	7.8
Consumption credit (old format)	40,063	50,129	...	35.7	25.1	...	12.0	11.9	...
Commercial banks	8,097	7,016	...	26.7	-13.3	...	2.4	1.7	...
FCs and MBs	31,966	43,112	...	38.2	34.9	...	9.6	10.2	...
Purchases of stocks and shares	24,602	38,951	32,460	...	58.3	-16.7	7.4	9.2	7.8
Commercial banks	13,369	24,186	19,432	...	80.9	-19.7	4.0	5.7	4.7
FCs and MBs	11,233	14,765	13,028	...	31.5	-11.8	3.4	3.5	3.1
<i>Of which: Purchases by individuals</i>	16,143	18,434	14,888	15.8	14.2	-19.2	4.8	4.4	3.6
Commercial banks	9,410	10,789	8,439	17.6	14.7	-21.8	2.8	2.6	2.0
FCs and MBs	6,733	7,646	6,449	13.3	13.6	-15.7	2.0	1.8	1.6
Purchase of transport vehicles	10,929	5,687	4,505	...	-48.0	-20.8	3.3	1.4	1.1
Commercial banks	28	46	207	...	64.7	351.3	0.0	0.0	0.0
FCs and MBs	10,902	5,642	4,298	...	-48.3	-23.8	3.3	1.3	1.0
Community, social, and personal services	7,662	6,872	6,671	...	-10.3	-2.9	2.3	1.6	1.6
Commercial banks	5,297	4,533	4,821	...	-14.4	6.4	1.6	1.1	1.2
FCs and MBs	2,364	2,339	1,850	...	-1.1	-20.9	0.7	0.6	0.4
Total loans (excluding NPLs sold)	332,952	421,202	413,638	27.6	26.5	-1.8	100.0	100.0	100.0
Commercial banks	228,276	289,757	299,258	25.4	26.9	3.3	68.6	68.8	72.3
FCs and MBs	104,676	131,446	114,380	32.8	25.6	-13.0	31.4	31.2	27.7
Total loans (including NPLs sold)	332,952	421,202	426,566	27.6	26.5	1.3	100.0	100.0	100.0
Commercial banks	228,276	289,757	310,294	25.4	26.9	7.1	68.6	68.8	72.7
FCs and MBs	104,676	131,446	116,272	32.8	25.6	-11.5	31.4	31.2	27.3
Memorandum items:									
Housing loans sold to Cagamas	13,665	19,337	19,126	52.0	41.5	-1.1	4.1	4.6	4.6
Commercial banks	10,419	13,471	13,491	47.3	29.3	0.1	3.1	3.2	3.3
FCs and MBs	3,246	5,866	5,635	69.0	80.7	-3.9	1.0	1.4	1.4
Loans to the broad property sector	104,400	139,922	146,148	41.9	34.0	4.4	31.4	33.2	35.3
Commercial banks	76,445	101,221	108,830	43.1	32.4	7.5	23.0	24.0	26.3
FCs and MBs	27,956	38,701	37,318	38.9	38.4	-3.6	8.4	9.2	9.0

Source: Data provided by the Malaysian authorities.

1/ Agriculture, hunting, forestry, fishing, mining, and quarrying.

2/ Finance companies and merchant banks.

Table 34. Malaysia: Developments in Malaysian Exchanges, 1992-98

	1992	1993	1994	1995	1996	1997	1998
Kuala Lumpur Stock Exchange (KLSE)							
Indices (end-of-period value)							
Composite (KLCI)	644.0	1,275.3	971.2	995.2	1,238.0	594.4	586.1
(Percentage change)	15.8	98.0	-23.8	2.5	24.4	-52.0	-1.4
EMAS	162.1	383.7	283.7	279.5	347.7	151.2	146.9
(Percentage change)	15.3	136.8	-26.1	-1.5	24.4	-56.5	-2.8
Second Board	139.9	352.0	260.7	298.7	576.3	162.9	158.4
(Percentage change)	9.7	151.7	-25.9	14.6	93.0	-71.7	-2.8
Turnover (MR billion) 1/							
Main Board	49.2	372.6	318.3	157.9	278.1	299.6	100.6
Second Board	2.3	14.6	9.8	20.9	185.1	109.0	14.6
Total 2/	51.5	387.3	328.1	178.9	463.3	408.6	115.2
Daily average (MR million)	208	1,555	1,323	736	1,868	1,647	468
Turnover value/market capitalisation (in percent)	21	64	64	32	57	109	31
Turnover (billion units) 1/							
Main Board	18.6	105.0	58.7	30.9	47.4	62.3	52.1
Second Board	0.7	2.7	1.4	3.1	19.0	10.5	6.2
Total 1/	19.3	107.8	60.1	34.0	66.5	72.8	58.3
Daily average (million units)	78	433	243	140	268	294	237
Number of listed companies							
Main Board	369	413	478	529	621	708	736
Second Board	317	329	347	369	413	444	454
Total	52	84	131	160	208	264	282
Total	369	413	478	529	621	708	736
Market concentration ratio (in percent) 3/							
Main Board	42.8	32.5	30.4	32.4	29.0	38.1	37.6
Second Board	33.1	30.4	22.0	22.2	16.4	36.1	11.6
Composite index	42.3	31.8	29.5	31.1	26.8	35.9	36
Market capitalization (MR billion)							
Main Board	242.9	604.8	492.8	541.9	746.0	354.1	353.4
Second Board	2.9	13.6	15.9	22.7	60.8	21.6	21.1
Total	245.8	618.4	508.7	564.6	806.8	375.7	374.5
Total (in percent of GDP)	165	374	267	258	323	136	134
Price/earnings ratio							
Main Board	22.9	48.3	28.5	24.4	27.7	10.2	-145.0
Second Board	16.6	44.9	27.1	27.4	45.7	11.9	-49.1
Composite index	21.9	39.2	25.1	24.3	26.8	11.3	60.1
Dividend yield (in percent)							
Main Board	2.2	1.1	1.6	1.6	1.4	3.4	2.8
Second Board	2.5	0.8	1.4	1.0	0.6	2.1	1.6
Composite index	2.0	1.2	1.9	1.6	1.4	3.1	2.7
Call warrants							
Market valuation (MR billion)	...	...	...	0.1	0.01	0.0	0.0
Turnover (MR million)	...	...	...	74	66	6	0
Turnover (million units)	...	...	...	40	71	23	0
Kuala Lumpur Options and Financial Futures Exchange (KLOFFE)							
Average daily volume (contracts) 4/	...	...	...	...	312	1,544	3,135
Malaysia Monetary Exchange (MME) 5/							
Average daily volume (contracts) 6/	...	...	...	...	273	309	101

Source: Data provided by the Malaysian authorities.

1/ Based on market transactions only (excludes direct business).

2/ Since 1995 total includes turnover of call warrants.

3/ Value of ten largest equity issues divided by total market capitalization of respective Boards, times 100.

4/ KLSE Composite Index futures contracts.

5/ MME and Commodity and Monetary Exchange of Malaysia merged to become COMMEX on December 7, 1998.

6/ Three-month Klibor futures contracts.

Table 35. Malaysia: Funds Raised in the Capital Market, 1992-98

(In millions of ringgit)

	1992	1993	1994	1995	1996	1997	<u>Prel.</u> 1998
Net funds raised by the public sector	1,531	1,181	1,778	-35	1,331	-1,407	9,804
New issues	4,300	3,748	5,500	2,750	6,000	3,794	17,682
Malaysian government securities (MGS)	3,800	1,600	2,229	2,000	6,000	3,000	14,950
MGS advance subscriptions	0	0	271	0	0	0	0
Khazanah bonds		0	0	0	0	794	2,732
Government investment certificates	500	1,200	3,000	750	0	0	0
Malaysia savings bonds	0	948	0	0	0	0	0
Less: Redemptions	2,821	2,518	3,819	2,788	4,743	5,203	7,878
Malaysian government securities	2,421	2,225	3,549	2,250	3,809	3,648	6,200
Government investment certificates	400	200	200	500	900	1,400	750
Malaysia savings bonds	0	93	70	38	34	155	928
Less: Government holdings	-51	50	-97	-3	-74	-1	0
Net funds raised by the private sector	12,506	7,072	17,490	19,776	30,458	34,947	7,964
Shares	9,182	3,433	8,458	11,438	15,924	18,358	1,788
Ordinary shares (net) 1/	9,182	3,433	8,458	11,438	15,924	18,358	1,788
Initial public offers (IPOs)	5,416	913	2,973	4,175	4,099	4,781	685
Rights issues	3,438	1,177	3,437	5,240	5,269	8,525	722
Private placements/Restricted offer-for-sale	28	659	799	1,147	4,554	3,234	320
Special issues 2/	300	684	1,249	876	2,002	1,819	61
Preference shares	0	0	0	0	0	0	0
Debt securities (net) 3/	3,324	3,640	9,032	8,339	14,534	16,588	6,176
New issues	4,384	5,014	10,266	12,223	17,049	19,597	14,152
Straight bonds	1,185	2,110	1,022	3,930	2,675	4,209	10,238
Bonds with warrants	452	1,090	2,861	3,608	5,564	2,950	150
Convertible bonds	608	165	1,323	863	1,795	2,019	99
Islamic bonds	25	0	300	800	2,350	5,250	345
Cagamas bonds	2,115	1,650	4,760	3,022	4,665	5,169	3,320
Less:redemptions	1,060	1,374	1,234	3,884	2,515	3,009	7,976
Private debt securities 4/	310	474	384	1,249	1,765	1,369	2,964
Cagamas bonds	750	900	850	2,635	750	1,640	5,012
Total net issues	14,036	8,253	19,268	19,741	31,789	33,540	17,767
Net short-term securities	1,416	1,918	2,009	2,824	3,811	4,946	-155
New issues	1,856	4,400	19,092	23,612	40,111	69,884	86,890
Commercial paper	684	1,715	16,602	20,217	34,321	55,994	70,045
Cagamas notes	1,172	2,685	2,490	3,395	5,790	13,890	16,845
Less: Redemptions	440	2,482	17,083	20,788	36,299	64,938	87,045
Commercial paper	140	100	14,228	18,843	31,009	53,238	71,710
Cagamas notes	300	2,382	2,855	1,945	5,290	11,700	15,335
Total including short-term securities	15,452	10,171	21,277	22,565	35,601	38,486	17,612

Source: Data provided by the Malaysian authorities.

1/ Excludes funds raised by the exercise of Employee Share Options scheme, transferable subscription rights, warrants, and irredeemable convertible unsecured loan stocks.

2/ Issues to Bumiputra investors and selected other investors.

3/ Excludes bonds issued by the banking institutions.

4/ Includes all straight bonds, bonds with warrants, convertible, and Islamic bonds.

Table 36. Malaysia: Balance of Payments, 1994-98

	1994	1995	1996	1997	<u>Est.</u> 1998
(In billions of U.S. dollars)					
Current account balance	-5.6	-8.7	-4.9	-5.0	9.2
Trade balance	1.7	0.0	4.0	4.0	17.7
Exports, f.o.b.	56.6	71.7	76.8	77.7	71.9
Imports, f.o.b.	54.9	71.6	72.7	73.7	54.2
Services balance	-6.5	-7.7	-7.7	-7.7	-6.0
Net transfers	-0.8	-1.1	-1.2	-1.3	-2.5
Capital account balance	2.5	7.0	7.4	1.2	-4.7
Medium- and long-term flows, net	4.4	6.6	5.4	6.8	3.6
Public sector, net	0.3	2.5	0.3	1.7	1.4
Net federal government	-1.8	-0.7	-0.9	-0.6	0.5
Drawings	0.5	0.2	0.3	0.2	1.1
Repayments	-2.3	-0.8	-1.2	-0.8	-0.6
Net other public sector	2.1	3.1	1.2	2.2	0.8
Drawings	3.1	4.0	3.3	3.3	1.9
Repayments	-1.0	-0.9	-2.1	-1.1	-1.1
Private sector, net	4.1	4.2	5.1	5.1	2.2
Short-term flows, net	-3.2	1.0	4.1	-4.0	-5.5
Errors and omissions 1/	1.3	-0.7	-2.1	-1.6	-2.8
Overall balance	-3.1	-1.8	2.5	-3.9	4.5
Official reserves (end period)	26.6	25.1	27.7	21.7	26.2
(In percent of GDP)					
Current account balance	-7.8	-10.0	-4.9	-5.1	12.9
Trade balance	2.3	0.0	4.1	4.1	24.9
Services balance	-8.9	-8.8	-7.8	-7.9	-8.4
Capital account balance	5.2	7.2	5.3	-0.4	-10.5
Net foreign direct investment	3.1	3.8	3.6	4.0	3.0
Net short-term flows	-4.5	1.2	4.1	-4.1	-7.8
Overall balance	-4.3	-2.0	2.5	-4.0	6.3

Sources: Data provided by the Malaysian authorities; and Fund staff estimates and projections.

1/ Includes portfolio capital.

Table 37. Malaysia: Commodity Exports, 1994-98 1/

(In millions of U.S. dollars, unless otherwise indicated)

	1994	1995	1996	1997	<u>Prel.</u> 1998
Rubber	1,115	1,612	1,395	1,056	722
Volume ('000 tonnes)	1,017	1,013	980	1,018	989
Unit value (cents/kg)	110	159	142	104	73
Tin 2/	193	218	212	170	124
Volume (tonnes)	36,812	35,216	34,342	31,653	22,376
Unit value (US\$/tonne)	5,248	6,181	6,166	5,360	5,525
Saw logs	969	904	907	834	476
Volume ('000 m3)	8,417	7,746	6,985	6,396	5,418
Unit value (US\$/m3)	115	117	130	130	88
Sawn timber	1,650	1,533	1,240	986	644
Volume ('000 m3)	4,753	4,364	3,748	3,067	2,683
Unit value (US\$/m3)	347	351	331	322	240
Palm oil 3/	3,188	4,151	3,751	3,844	4,535
Volume ('000 tonnes)	6,604	6,656	7,324	7,591	7,513
Unit value (US\$/tonne)	483	624	512	506	604
Crude petroleum 4/	2,495	2,676	2,867	2,512	1,916
Volume ('000 tonnes)	19,061	19,165	17,494	15,872	18,012
Unit value (US\$/tonne)	131	140	164	158	106
LNG	972	1,265	1,886	2,224	1,526
Volume ('000 tonnes)	8,093	9,923	12,908	14,068	14,670
Unit value (US\$/tonne)	120	128	146	158	104
Major commodity exports	10,582	12,358	12,258	11,625	9,943
Manufactured exports	45,839	58,798	63,018	63,589	60,625
Other exports	2,231	2,708	3,040	3,280	2,585
Total exports (trade basis)	58,652	73,864	78,315	78,494	73,152
Memorandum item:					
Total exports (b.o.p. basis)	56,589	71,670	76,766	77,716	71,941

Source: Data provided by the Malaysian authorities.

1/ Customs data; volumes are expressed in 1988 prices and unit values are based on 1988 = 100.

2/ Includes tin-in-concentrate.

3/ Excludes export of processed palm oil and other oil products.

4/ Crude and partly refined.

Table 38. Malaysia: Manufactured Exports, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	<u>Prel.</u> 1998
Electrical machinery, appliances, and parts	29,100	38,631	41,450	42,296	41,258
Semiconductors	9,481	13,255	14,114	14,529	13,899
Electronics equipment and parts	6,766	9,417	11,576	14,175	15,228
Electrical appliances	12,853	15,959	15,756	13,592	12,132
Transportation equipment	2,223	2,097	1,852	1,762	2,057
Food	1,112	1,285	1,310	1,323	1,169
Beverages and tobacco	80	159	229	265	233
Textiles, clothing, and footwear	2,308	2,603	2,768	2,706	2,409
Wood products	1,819	1,978	2,419	2,306	1,526
Rubber products	1,048	1,305	1,425	1,407	1,464
Paper and paper products	238	310	278	265	246
Petroleum products	815	1,248	1,304	1,198	798
Chemicals and chemical products	1,733	2,498	2,667	2,892	2,711
Nonmetallic mineral products	545	670	652	607	535
Metal manufactures	1,385	1,859	1,987	2,012	2,106
Optical and scientific equipment	965	1,157	1,240	1,390	1,214
Toys and sporting goods	678	867	993	805	737
Other manufactured exports	1,789	2,131	2,444	2,353	2,162
Total manufactured exports	45,839	58,798	63,018	63,589	60,625
Commodity exports	10,582	12,358	12,258	11,625	9,943
Other exports	2,231	2,708	3,040	3,280	2,585
Total exports (trade basis)	58,652	73,864	78,315	78,494	73,152
Memorandum item:					
Total exports (b.o.p. basis)	56,589	71,670	76,766	77,716	71,941

Source: Data provided by the Malaysian authorities.

Table 39. Malaysia: Gross Imports, 1995-98 1/
(In millions of U.S. dollars)

	1995	1996	1997	<u>Prel.</u> 1998
Consumption goods	4,782	5,032	4,979	3,355
Food, primary	588	660	654	483
Food, processed	1,093	1,339	1,333	966
Transport equipment	124	76	64	9
Consumer goods	2,976	2,956	2,929	1,897
Capital goods	15,623	14,551	15,217	9,270
Transport equipment	2,525	2,064	3,002	1,679
Other capital goods	13,099	12,488	12,215	7,591
Intermediate goods	50,447	52,195	51,754	40,806
Food, primary	545	541	535	494
Food, processed	609	620	624	569
Industrial supplies, primary	1,698	1,835	1,885	1,270
Industrial supplies, processed	18,859	18,265	17,647	11,566
Fuel and lubricants, primary	236	321	295	278
Fuel and lubricants, processed	1,020	1,197	1,291	903
Capital goods parts and accessories	26,136	28,024	28,266	25,192
Transport equipment parts and accessories	1,345	1,391	1,211	535
Dual use goods	2,151	2,237	2,210	976
Fuel and lubricants	474	538	667	583
Transport equipment, passenger cars	1,677	1,699	1,543	393
Others	1,713	1,856	1,710	1,075
Retained imports	74,715	75,871	75,871	55,482
Imports for reexport	2,886	2,545	2,639	2,760
Total imports (trade basis) 2/	77,601	78,416	78,510	58,242
Memorandum items:				
Total imports (b.o.p. basis) 2/	71,632	72,730	73,688	54,256
Lumpy imports	1,933	1,126	1,952	2,086

Source: Data provided by the Malaysian authorities.

1/ Customs data.

2/ Trade basis imports are c.i.f.; balance of payments basis imports are f.o.b.

Table 40. Malaysia: Oil and LNG Trade, 1994-98 1/

(In millions of U.S. dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998
Oil trade, net	2,048	2,482	2,483	1,879	1,275
Exports	3,310	3,924	4,171	3,710	2,714
Crude (US\$ million)	2,495	2,676	2,867	2,512	1,916
Volume (million barrels)	145	146	133	121	137
Products (US\$ million)	815	1,248	1,304	1,198	798
Volume ('000 tonnes)	4,966	6,560	6,179	6,259	6,240
Imports	1,262	1,442	1,688	1,831	1,439
Crude (US\$ million)	176	151	185	168	179
Volume (million barrels)	1,538	1,271	1,397	1,256	1,929
Products (US\$ million)	1,086	1,291	1,503	1,663	1,260
Volume ('000 tonnes)	6,761	7,371	8,173	9,244	8,667
LNG exports					
Exports (US\$ million)	972	1,265	1,886	2,224	1,526
Volume ('000 tonnes)	8,093	9,923	12,908	14,068	14,670
Memorandum items:					
Domestic crude production					
('000 barrels/day)	660	705	716	714	725
Domestic petroleum products					
production ('000 b/d)	238	249	...	...	...

Source: Data provided by the Malaysian authorities.

1/ Figures are reported on a trade basis.

Table 41. Malaysia: Direction of Trade, 1994-98

(In percent)

	1994	1995	1996	1997	<u>Prel.</u> 1998
Exports					
ASEAN countries	27.4	27.2	28.1	27.5	23.9
Singapore	20.7	20.3	20.4	20.1	17.0
Japan	12.1	12.7	13.5	12.6	10.6
India	0.8	1.1	1.5	1.5	2.4
Australia	1.6	1.5	1.6	1.7	2.3
European Union	13.9	14.2	13.7	14.5	16.2
United States	21.1	20.7	18.2	18.6	21.7
Other	23.1	22.6	23.5	23.7	23.0
Total	100.0	100.0	100.0	100.0	100.0
Imports					
ASEAN countries	18.9	17.4	19.7	20.3	22.6
Singapore	14.1	12.4	13.4	13.1	13.6
Japan	26.7	27.3	24.5	22.0	19.6
India	0.7	0.7	0.9	1.0	0.8
Australia	3.0	2.7	2.8	2.5	2.2
European Union	13.5	15.4	14.4	14.1	11.9
United States	16.7	16.2	15.5	16.8	19.6
Other	20.5	20.3	22.2	23.4	23.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Data provided by the Malaysian authorities.

Table 42. Malaysia: Services Account, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	<u>Prel.</u> 1998
Freight and insurance (net)	-2,807	-3,605	-3,387	-3,385	-2,207
Receipts	783	1,019	1,126	1,128	1,053
Payments	-3,590	-4,624	-4,513	-4,513	-3,260
Other transportation (net)	168	294	593	913	579
Receipts	1,403	1,770	2,151	2,348	1,670
Payments	-1,235	-1,476	-1,558	-1,435	-1,091
Travel (net)	1,373	1,654	1,902	1,263	783
Receipts	3,367	3,969	4,477	3,739	2,384
Payments	-1,994	-2,314	-2,575	-2,477	-1,600
Investment income (net)	-3,600	-4,128	-4,622	-4,913	-4,008
Receipts	2,189	2,508	2,529	2,307	1,477
Payments	-5,789	-6,636	-7,151	-7,221	-5,485
Interest	-1,431	-1,590	-2,084	-2,273	-2,071
Government, n.i.e. (net)	-14	-9	-14	-24	-41
Receipts	120	127	129	109	84
Payments	-134	-137	-143	-133	-125
Other (net) 1/	-1,600	-1,885	-2,188	-1,597	-1,071
Receipts	4,074	4,893	6,857	7,969	5,854
Payments	-5,674	-6,778	-9,045	-9,566	-6,925
Total services (net)	-6,480	-7,678	-7,717	-7,744	-5,965
Receipts	11,936	14,286	17,268	17,601	12,523
Payments	-18,416	-21,964	-24,985	-25,345	-18,487

Source: Data provided by the Malaysian authorities.

1/ Includes contract and professional charges, agency fees, commissions, rents, royalties, and salaries.

Table 43. Malaysia: Capital Flows, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	<u>Prel.</u> 1998
Total net capital flows	1,210	7,643	9,477	2,726	-2,761
Long-term capital (net)	4,443	6,633	5,376	6,755	2,775
Public (net)	328	2,454	297	1,651	545
Federal government	-1,815	-652	-866	-598	464
NFPEs	2,195	3,102	1,130	2,262	92
Borrowing	2,195	3,102	1,130	2,262	92
Other 1/	-52	5	33	-14	-11
Private (net)	4,115	4,178	5,079	5,104	2,230
Short-term capital (net)	-3,233	1,010	4,101	-4,029	-5,536
Commercial banks 2/	-5,070	28	3,339	-979	-2,932
Nonmonetary financial institutions 3/	1,837	982	762	-3,050	-2,603

Source: Data provided by the Malaysian authorities.

1/ Changes in overseas assets of the government and statutory authorities and subscriptions to international institutions and international commodity agreements; from 1990, includes financial lease of capital goods.

2/ Change in net external assets/liabilities.

3/ Change in net external assets/liabilities of finance companies and merchant banks; and other identified financial transactions.

Table 44. Malaysia: International Reserves, 1994-98

(In millions of U.S. dollars)

	1994	1995	1996	1997	1998
Central bank (net)	26,630	25,086	27,675	21,698	26,192
Foreign assets 1/	26,642	25,097	27,681	21,700	26,196
Gold and foreign exchange 1/	26,106	24,265	26,825	21,158	25,361
Reserve position in IMF	399	678	687	419	626
SDRs	137	154	169	124	209
Foreign liabilities	12	10	6	3	4
Government and other official entities (net)	32	32	35	34	34
Foreign assets	32	32	35	34	34
Foreign liabilities	0	0	0	0	0
Total official (net)	26,662	25,118	27,709	21,732	26,227
Foreign assets	26,674	25,129	27,716	21,734	26,230
Foreign liabilities	12	10	6	3	4
Commercial banks (net)	-3,990	-4,062	-6,865	-6,367	-3,500
Assets	4,164	4,175	4,343	6,015	5,471
Liabilities	8,154	8,237	11,208	12,383	8,971
Memorandum items:					
Gold (in millions of troy ounces)	2.4	2.4	2.4	2.4	2.4
Gross official reserves (in months of imports) 2/	4.4	3.2	3.4	2.6	4.3

Source: Data provided by the Malaysian authorities.

1/ Includes revaluation gains.

2/ Imports of goods and services.

Table 45. Malaysia: Disbursed and Outstanding External Debt by Borrower, 1994-98

(In millions of U.S dollars)

	1994	1995	1996	1997	<u>Prel.</u> 1998
Total medium- and long-term debt					
Beginning of period	19,197	23,200	27,069	28,739	32,899
Net drawings	2,958	4,055	2,594	4,752	1,019
Drawings	7,666	8,509	8,938	8,967	4,682
Amortization 1/	4,709	4,454	6,343	4,215	3,663
Adjustment	1,045	-185	-924	-593	627
End of period	23,200	27,069	28,739	32,899	34,545
Total public sector debt					
Beginning of period	12,476	13,745	16,023	15,701	16,880
Net drawings	383	2,449	265	1,664	556
Drawings	3,643	4,150	3,528	3,494	2,221
Amortization 1/	3,261	1,701	3,263	1,830	1,665
Adjustment	887	-171	-586	-486	499
End of period	13,745	16,023	15,701	16,880	17,936
Government debt					
Beginning of period	7,167	5,788	5,244	4,140	3,342
Net drawings	-1,813	-653	-865	-597	464
Drawings	493	176	298	164	1,021
Amortization 1/	2,305	829	1,163	762	556
Adjustment	434	109	-239	-201	121
End of period	5,788	5,244	4,140	3,342	3,927
Nongovernment public sector debt 2/, 3/					
Beginning of period	5,309	7,957	10,779	11,561	13,538
Net drawings	2,195	3,102	1,130	2,262	92
Drawings	3,151	3,974	3,231	3,330	1,200
Amortization 1/	955	872	2,100	1,068	1,108
Adjustment	453	-280	-347	-285	378
End of period	7,957	10,779	11,561	13,538	14,008
Private sector debt 3/					
Beginning of period	6,721	9,454	11,046	13,038	16,019
Net drawings	2,575	1,606	2,329	3,088	462
Drawings	4,023	4,359	5,409	5,473	2,461
Amortization 1/	1,448	2,753	3,080	2,385	1,999
Adjustment	158	-14	-338	-107	128
End of period	9,454	11,046	13,038	16,019	16,609
Short-term debt (end of period) 4/					
Public sector	0	0	0	0	0
Commercial banks	3,844	4,443	6,743	8,328	5,173
Nonbank financial institutions 5/	1,720	1,932	3,202	2,833	2,328
Total external debt (end of period)					
Medium- and long-term	28,764	33,444	38,684	44,061	42,046
Short-term	5,564	6,375	9,945	11,162	7,501

Source: Data provided by the Malaysian authorities.

1/ Includes prepayments and refinancing.

2/ Includes both loans guaranteed by the federal government and loans not guaranteed by the government.

3/ Following privatization, debt owed by the Malaysia Airline System was shifted from NFPE debt to private sector debt in 1994.

4/ Obligations of less than one-year maturity.

5/ Includes other private sector.

Table 46. Malaysia: Medium- and Long-Term External Debt, 1994-98

	1994	1995	1996	1997	Prel. 1998
(In millions of U.S. dollars; outstanding end of period)					
Total medium- and long-term debt	23,200	27,069	28,739	32,899	34,545
Official creditors	4,881	4,616	3,643	3,042	3,547
Financial institutions	2,138	1,601	1,515	837	1,248
Bonds and FRN 1/	5,454	7,320	9,238	10,933	11,148
Suppliers' credits	159	507	34	21	13
Unallocated	10,568	13,024	14,310	18,066	18,588
Total public sector debt	13,745	16,023	15,701	16,880	17,936
Official creditors	4,881	4,616	3,643	3,042	3,547
Bilateral	3,492	3,267	2,340	1,748	2,044
Multilateral	1,389	1,349	1,303	1,294	1,503
IMF	0	0	0	0	0
Financial institutions	2,138	1,601	1,515	837	1,248
Bonds and FRN 1/	4,072	5,812	7,530	8,844	8,799
Suppliers' credits	159	507	34	21	13
Unallocated	2,495	3,486	2,980	4,136	4,329
Government debt	5,788	5,244	4,140	3,342	3,927
Official creditors	2,956	2,793	2,100	1,672	1,903
Bilateral	1,813	1,665	989	543	538
Multilateral	1,143	1,128	1,111	1,129	1,365
IMF	0	0	0	0	0
Financial institutions	724	443	502	281	797
Bonds and FRN 1/	2,108	2,008	1,538	1,389	1,227
Government-guaranteed debt	3,498	3,488	2,589	2,349	2,508
Official creditors	1,925	1,823	1,543	1,370	1,644
Bilateral	1,679	1,602	1,350	1,206	1,506
Multilateral	246	221	192	165	138
Financial institutions	1,414	1,157	1,013	556	451
Bonds and FRN 1/	0	0	0	402	400
Suppliers' credits	159	507	34	21	13
Other public sector debt	4,459	7,290	8,972	11,189	11,500
Bonds and FRN 1/	1,964	3,804	5,992	7,053	7,171
Unallocated	2,495	3,486	2,980	4,136	4,329
Private sector debt	9,454	11,046	13,038	16,019	16,609
Bonds and FRN 1/	1,381	1,508	1,708	2,089	2,350
Unallocated	8,073	9,539	11,330	13,930	14,260
(In percent of total medium- and long-term debt)					
By borrower:					
Public sector debt	59.2	59.2	54.6	51.3	51.9
Government debt	24.9	19.4	14.4	10.2	11.4
Government-guaranteed debt	15.1	12.9	9.0	7.1	7.3
Other public sector debt	19.2	26.9	31.2	34.0	33.3
Private sector debt	40.8	40.8	45.4	48.7	48.1
By lender:					
Official creditors	21.0	17.1	12.7	9.2	10.3
Bilateral	15.1	12.1	8.1	5.3	5.9
Multilateral	6.0	5.0	4.5	3.9	4.4
IMF	0.0	0.0	0.0	0.0	0.0
Financial institutions	9.2	5.9	5.3	2.5	3.6
Bonds and FRN 1/	23.5	27.0	32.1	33.2	32.3
Suppliers' credits	0.7	1.9	0.1	0.1	0.0
Unallocated	45.6	48.1	49.8	54.9	53.8

Source: Data provided by the Malaysian authorities.

1/ Floating rate notes.

Table 47. Malaysia: External Debt Service by Borrower, 1994-98

	1994	1995	1996	1997	<u>Prel.</u> 1998
(In millions of U.S. dollars)					
Total debt service 1/	3,798	5,636	6,464	5,230	5,641
Amortization 1/	2,367	4,046	4,380	2,957	3,569
Public sector	991	1,456	1,683	952	1,665
Government 1/	503	829	712	438	556
Other public sector	488	627	971	514	1,108
Private sector	1,376	2,590	2,697	2,005	1,905
Interest	1,431	1,590	2,084	2,273	2,071
Medium- and long-term debt	1,007	1,148	1,432	1,556	1,497
Public sector	755	783	852	888	977
Government	433	354	299	226	257
Other public sector	322	429	553	662	720
Private sector	252	366	580	668	520
Short-term debt	424	442	652	717	574
(In percent of goods and services exports)					
Debt service ratio 1/,	5.5	6.6	6.9	5.5	6.7
Amortization 1/	3.5	4.7	4.7	3.1	4.2
Public sector	1.4	1.7	1.8	1.0	2.0
Government 1/	0.7	1.0	0.8	0.5	0.7
Other public sector	0.7	0.7	1.0	0.5	1.3
Private sector	2.0	3.0	2.9	2.1	2.3
Interest	2.1	1.8	2.2	2.4	2.5
Medium- and long-term debt	1.5	1.3	1.5	1.6	1.8
Public sector	1.1	0.9	0.9	0.9	1.2
Government	0.6	0.4	0.3	0.2	0.3
Other public sector	0.5	0.5	0.6	0.7	0.9
Private sector	0.4	0.4	0.6	0.7	0.6
Short-term debt	0.6	0.5	0.7	0.8	0.7
(In millions of U.S. dollars)					
Memorandum items:					
Prepayments of federal government market loans	1,802	0	451	324	0
IMF net purchases	0	0	0	0	0
Federal government net drawing, excluding IMF	-1,813	-653	-865	-597	464

Source: Data provided by the Malaysian authorities.

1/ Excludes prepayments and refinancing.

Table 48. Malaysia: Summary of External Debt and Debt Service, 1994-98

	1994	1995	1996	1997	<u>Prel.</u> 1998
(In millions of U.S. dollars)					
Total external debt (end of period)	28,764	33,444	38,684	44,061	42,046
Medium- and long-term 1/	23,200	27,069	28,739	32,899	34,545
Public sector	13,745	16,023	15,701	16,880	17,936
Government and government-guaranteed	9,286	8,732	6,729	5,691	6,436
Federal government	5,788	5,244	4,140	3,342	3,927
Official creditors	2,956	2,793	2,100	1,672	1,903
IMF	0	0	0	0	0
Financial institutions	724	443	502	281	797
Bonds and FRN	2,108	2,008	1,538	1,389	1,227
Other private creditors 2/	0	0	0	0	0
Other government	3,498	3,488	2,589	2,349	2,508
Other public sector	4,459	7,290	8,972	11,189	11,500
Private sector	9,454	11,046	13,038	16,019	16,609
Short-term debt	5,564	6,375	9,945	11,162	7,501
Debt service					
Medium- and long-term	3,374	5,194	5,812	4,513	5,066
Public sector	1,746	2,239	2,535	1,840	2,642
Amortization 3/	991	1,456	1,683	952	1,665
Federal government	503	829	712	438	556
Other	488	627	971	514	1,108
Interest	755	783	852	888	977
Federal government	433	354	299	226	257
Other	322	429	553	662	720
Private sector	1,628	2,956	3,277	2,673	2,425
Amortization	1,376	2,590	2,697	2,005	1,905
Interest	252	366	580	668	520
Short-term debt service	424	442	652	717	574
(In percent of GDP)					
Debt/GDP ratio	39.7	38.3	39.0	45.0	59.2
Medium- and long-term	32.0	31.0	29.0	33.6	48.6
Public	19.0	18.4	15.8	17.3	25.2
Federal government	8.0	6.0	4.2	3.4	5.5
Private	13.0	12.7	13.1	16.4	23.4
Short-term	7.7	7.3	10.0	11.4	10.6
(In percent of goods and services exports)					
Debt-service ratio					
Medium- and long-term debt	4.9	6.0	6.2	4.7	6.0
Public sector	2.5	2.6	2.7	1.9	3.1
Federal government	1.4	1.4	1.1	0.7	1.0
Private sector	2.4	3.4	3.5	2.8	2.9
Short-term debt	0.6	0.5	0.7	0.8	0.7

Source: Data provided by the Malaysian authorities.

1/ Original maturity of one year and over.

2/ Suppliers' credits.

3/ Excludes prepayments and refinancing.

Table 49. Malaysia: Interbank Swap Transactions, 1995-99 1/

(In percent per annum, unless otherwise specified)

Period	Spot Exchange Rate (RM/\$) 2/	Swap Margin 3/	Eurodollar Interest Rate	Cost of Borrowing RM Through Interbank Market			Outstanding Foreign Exchange Swaps at Bank Negara 4/
				Swap	Money Market	Difference	
Jan-95	2.5572	-54	6.3	5.4	5.5	-0.1	0
Feb-95	2.5533	-46	6.3	5.5	5.7	-0.2	0
Mar-95	2.5353	-17	6.2	6.0	6.0	0.0	0
Apr-95	2.4665	-27	6.2	5.8	6.0	-0.2	0
May-95	2.4683	-23	6.1	5.7	5.8	-0.1	0
Jun-95	2.4393	-23	6.0	5.6	5.8	-0.2	0
Jul-95	2.4584	-9	5.9	5.7	5.9	-0.2	0
Aug-95	2.4966	11	5.9	6.1	6.1	0.0	0
Sep-95	2.5072	-1	5.9	6.0	6.1	-0.1	0
Oct-95	2.5445	50	5.9	6.7	6.8	-0.1	0
Nov-95	2.5425	45	5.8	6.5	6.8	-0.3	0
Dec-95	2.5405	42	5.6	6.2	6.9	-0.7	0
Jan-96	2.5615	142	5.4	7.6	7.2	0.4	0
Feb-96	2.5460	116	5.3	7.0	7.2	-0.2	0
Mar-96	2.5368	97	5.4	7.0	7.1	-0.1	0
Apr-96	2.4930	98	5.5	7.0	7.1	-0.1	0
May-96	2.4909	86	5.5	6.9	7.2	-0.3	-50
Jun-96	2.4945	86	5.6	6.7	7.4	-0.7	-312
Jul-96	2.4935	90	5.5	7.0	7.4	-0.4	0
Aug-96	2.4938	87	5.5	6.9	7.2	-0.3	0
Sep-96	2.5070	82	5.5	6.9	7.3	-0.4	0
Oct-96	2.5280	110	5.4	7.3	7.3	0.0	0
Nov-96	2.5270	93	5.5	7.0	7.3	-0.3	0
Dec-96	2.5279	79	5.5	7.1	7.4	-0.3	0
Jan-97	2.4868	83	5.5	6.9	7.4	-0.5	0
Feb-97	2.4832	85	5.6	6.8	7.3	-0.5	0
Mar-97	2.4790	58	5.7	6.8	7.4	-0.6	0
Apr-97	2.5110	60	5.7	6.8	7.0	-0.2	0
May-97	2.5140	90	5.9	7.6	7.5	0.1	0
Jun-97	2.5235	95	5.9	7.6	7.5	0.1	0
Jul-97	2.6360	190	5.8	9.1	8.4	0.7	0
Aug-97	2.9620	138	5.7	7.7	7.5	0.2	0
Sep-97	3.1975	210	5.8	8.5	8.0	0.5	0
Oct-97	3.4370	330	5.9	9.8	8.3	1.5	0
Nov-97	3.5010	275	6.0	9.6	8.5	1.1	0
Dec-97	3.8883	50	6.7	7.3	8.7	-1.4	0
Jan-98	4.5450	185	5.6	7.3	10.0	-2.7	0
Feb-98	3.6750	159	6.3	8.0	11.0	-3.0	0
Mar-98	3.6430	191	5.8	7.9	11.0	-3.1	0
Apr-98	3.7365	385	5.8	9.9	11.3	-1.4	0
May-98	3.8785	365	5.8	9.6	11.0	-1.4	0
Jun-98	4.1750	330	6.1	9.3	11.2	-1.9	0
Jul-98	4.1425	325	6.0	9.3	10.8	-1.5	0
Aug-98	4.2200	150	6.1	7.6	9.5	-1.9	0
Sep-98	3.8000	-130	5.9	4.7	7.5	-2.8	0
Oct-98	3.8000	-125	5.2	3.9	4.8	-0.9	0
Nov-98	3.8000	-185	5.0	3.0	6.7	-3.7	0
Dec-98	3.8000	-95	5.0	4.0	6.5	-2.5	0
Jan-99	3.8000		4.9	4.8	6.5	-1.7	0
Feb-99	3.8000	10	5.0	5.1	6.5	-1.4	0
Mar-99	3.8000	-25	4.9	4.6	6.3	-1.7	0
Apr-99	3.8000	-160	4.9	3.2	4.0	-0.8	0

Sources: Data provided by the Malaysia authorities and Bank Negara Malaysia *Monthly Bulletin*.

1/ Representative three-month swap effected through foreign exchange brokers at the end of the month.

2/ Average of commercial bank buying and selling rates at noon, end of period.

3/ Ringgit per RM 10,000 over a three-month period; a positive number implies a forward premium and a negative number implies a forward discount on the US\$ relative to the ringgit.

4/ In millions of ringgit.