DEVELOPMENTS IN THE MALAYSIAN ECONOMY

Strong domestic demand sustained growth amid weaker external demand in the first quarter

The Malaysian economy expanded by 4.1% in the first quarter of 2013 (4Q 2012: 6.5%), supported by stronger domestic demand that expanded by 8.2% during the quarter (4Q 2012: 7.8%). Private consumption registered strong growth during the quarter, while the expansion in gross fixed capital formation continued to be firm, reflecting sustained capital spending by both the private and public sectors. Exports contracted marginally during the quarter, and with higher growth of imports, led to a larger negative contribution of net exports to growth. On the supply side, while the domestic-oriented industries continued to register sustained growth, activity in the major economic sectors was weighed down by the weak external conditions.

Domestic demand remained robust

Domestic demand registered a strong growth of 8.2% in the first quarter (4Q 2012: 7.8%). Growth was driven by higher private consumption, while gross fixed capital formation remained firm with a double-digit growth rate.

GDP by Expenditure Components
(at constant 2005 prices)

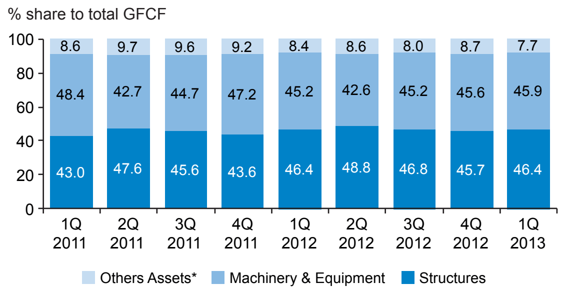
	Share 2012 (%)	2012 1Q	2012 4Q	2012 Year	2013 1Q
		Annual change (%)			
Aggregate Domestic Demand (excluding stocks)	90.6	9.7	7.8	10.6	8.2
Consumption	63.7	7.6	4.9	7.1	6.1
Private sector	*50.6*	*7.3*	*6.2*	*7.7*	*7.5*
Public sector	*13.2*	*9.2*	*1.2*	*5.1*	*0.1*
Gross Fixed Capital Formation	26.8	14.9	16.0	19.9	13.2
Private sector	*15.5*	*18.7*	*20.1*	*21.9*	*10.9*
Public sector	*11.3*	*8.9*	*12.9*	*17.1*	*17.3*
Net Exports	8.5	-25.9	-9.3	-31.7	-36.4
Exports of Goods and Services	*95.0*	*2.2*	*-1.6*	*-0.1*	*-0.6*
Imports of Goods and Services	*86.5*	*7.0*	*-0.6*	*4.7*	*3.6*
GDP	**100.0**	**5.1**	**6.5**	**5.6**	**4.1**

Source: Department of Statistics, Malaysia

Private consumption grew strongly in the first quarter (7.5%; 4Q 2012: 6.2%), driven by sustained income growth and favourable labour market conditions. Industry engagements also indicated that workers have benefitted from the implementation of the minimum wage policy in January 2013. The strong growth in private consumption was reflected in the higher growth of new passenger car sales and credit card spending. Growth of public consumption, however, moderated in the first quarter (0.1%; 4Q 2012: 1.2%), reflecting mainly lower Government spending on supplies and services.

Gross fixed capital formation continued to register a firm growth of 13.2% (4Q 2012: 16%), underpinned by capital spending in both the private and public sectors. Private sector investment grew by 10.9% (4Q 2012: 20.1%), supported by continued capital spending in the domestic-oriented manufacturing and consumer-related services sub-sectors, namely, telecommunication, real estate and aviation, in addition to the ongoing implementation of projects in the oil and gas sector. Public investment expanded by 17.3% (4Q 2012: 12.9%), driven by higher capital spending by public enterprises in the oil and gas, telecommunication and utilities sectors. Federal Government development expenditure was channelled mainly into the transportation, education, and trade and industry sectors. By type of assets, investment activity was broad-based, as reflected by the strong investment growth in both machinery and equipment (15.1%; 4Q 2012: 12%), and structures (13.1%; 4Q 2012: 21.5%).

GFCF by Type of Assets



* Others Assets include mineral exploration, research & development, etc.

Source: Department of Statistics, Malaysia

Major economic sectors affected by external weakness

On the supply side, growth in the manufacturing sector slowed, weighed down by the weak external conditions. Despite the weakness in trade-related activity, the services sector continued to expand, driven largely by sub-sectors catering to the domestic market. Growth in the agriculture sector was sustained on account of higher production of palm oil, while the mining sector declined due to lower production of crude oil. In the construction sector, growth remained firm, led mainly by the civil engineering sub-sector.

Growth in the manufacturing sector slowed to 0.3% in the first quarter (4Q 2012: 5.7%), weighed down largely by weak external demand. Growth in the export-oriented industries contracted (-0.6%; 4Q 2012: 5.3%), due to the weakness in global demand for electronics and electrical (E&E) products, and more moderate regional demand for refined petroleum products, chemicals and chemical products. Nevertheless, the domestic-oriented industries registered a growth of 2.4% (4Q 2012: 8.1%), supported by continued economic activity in both the consumer- and construction-related clusters.

The overall capacity utilisation rate in the manufacturing sector was marginally lower in the first quarter (79%; 4Q 2012: 80%). The export- and domestic-oriented industries operated at 80% and 74% of total capacity respectively (4Q 2012: 80% and 79% respectively).

GDP by Economic Activity (at constant 2005 prices)

	Share 2012 (%)	2012 1Q	2012 4Q	2012 Year	2013 1Q
		Annual change (%)			
Agriculture	7.3	2.4	5.6	1.0	6.0
Mining	8.4	0.3	4.2	1.4	-1.9
Manufacturing	24.9	4.4	5.7	4.8	0.3
Construction	3.5	15.4	17.6	18.1	14.7
Services	54.6	5.7	6.4	6.4	5.9
Real GDP	**100.0[1]**	**5.1**	**6.5**	**5.6**	**4.1**

[1] Numbers do not add up due to rounding and exclusion of import duties component

Source: Department of Statistics, Malaysia

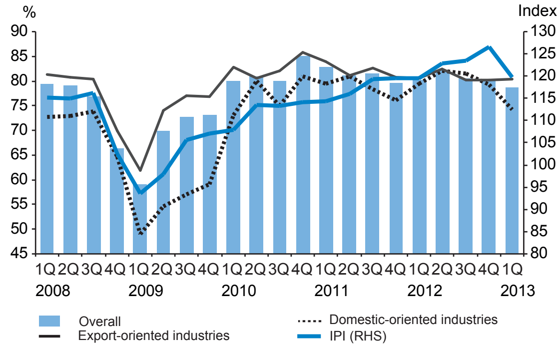
Performance of the Manufacturing Sector

	Share 2012 (%)	2012 1Q	2012 4Q	2012 Year	2013 1Q
		Annual Change (%)			
Value Added (RM million at Constant 2005 prices)		**4.4**	**5.7**	**4.8**	**0.3**
Overall Manufacturing Production[1]	**100.0**	**4.6**	**6.0**	**5.0**	**0.1**
Export-oriented industries	**80.2**	**3.0**	**5.3**	**3.9**	**-0.6**
Electronics and electrical products cluster	**32.3**	**0.0**	**3.9**	**2.2**	**0.9**
Of which:					
Electronics	21.4	-3.6	12.7	4.2	8.4
Electrical products	10.9	4.6	-5.8	-0.2	-7.7
Primary-related cluster	**47.9**	**4.5**	**6.0**	**4.9**	**-1.4**
Of which:					
Chemicals and chemical products	17.4	9.1	7.8	8.4	3.1
Petroleum products	15.8	3.8	4.2	4.3	-11.3
Rubber products	2.5	3.4	3.2	3.0	11.6
Off-estate processing	3.7	2.2	11.1	0.0	11.9
Domestic-oriented industries	**19.8**	**10.0**	**8.1**	**8.3**	**2.4**
Construction-related cluster	**8.3**	**8.3**	**10.5**	**8.5**	**2.9**
Of which:					
Construction-related products	5.5	0.9	-1.6	0.9	-3.0
Fabricated metal products	2.8	17.4	25.2	18.0	9.2
Consumer-related cluster	**11.5**	**11.4**	**6.2**	**8.1**	**2.1**
Of which:					
Transport equipment	4.3	9.9	19.1	13.9	8.3
Food, beverage & tobacco products	7.2	11.5	0.7	5.8	-1.0

[1] Industrial Production Index (2005=100)

Source: Department of Statistics, Malaysia

Capacity utilisation rate in the manufacturing sector*



* Beginning 2012, the capacity utilisation rate in the manufacturing sector has been rebased from value-add in year 2006 to value-add in year 2009

Source: Bank Negara Malaysia & Department of Statistics, Malaysia

The services sector registered a growth of 5.9% in the first quarter (4Q 2012: 6.4%), driven mainly by sub-sectors catering to the domestic market. Growth in the wholesale and retail sub-sector improved to 5.9% (4Q 2012: 2.4%). The retail segment was supported by strong household spending, while growth in the wholesale segment was attributed to the wholesale of petroleum products for domestic consumption. In the communication sub-sector, growth remained robust (9%; 4Q 2012: 8.6%), driven by continued demand for data communication services. The finance and insurance sub-sector continued to expand (6.2%; 4Q 2012: 10.8%), as growth in bank lending and net interest income remained favourable. Slower capital market activity, however, affected fee income during the quarter. Meanwhile, growth in the transport and storage sub-sector was lower (3.8%; 4Q 2012: 4.4%), due to slower external trade activity.

Performance of the Services Sector (value added at constant 2005 prices)

	Share 2012 (%)	2012			2013
		1Q	4Q	Year	1Q
		Annual change (%)			
Intermediate Services	**41.0**	**5.1**	**8.3**	**7.4**	**6.3**
Finance & insurance	17.2	2.0	10.8	7.8	6.2
Real estate & business services	10.1	7.0	6.6	7.2	6.3
Transport & storage	6.7	5.9	4.4	4.9	3.8
Communication	7.0	9.4	8.6	9.2	9.0
Final Services	**59.0**	**6.1**	**5.1**	**5.8**	**5.7**
Wholesale & retail trade	26.1	6.5	2.4	4.8	5.9
Accommodation & restaurant	4.5	6.2	4.8	5.4	6.2
Utilities	4.6	5.0	4.1	4.3	3.9
Government services	14.7	7.0	11.3	9.5	6.0
Other services	9.2	4.1	4.1	3.9	5.2
Total Services	**100.0[1]**	**5.7**	**6.4**	**6.4**	**5.9**

[1] Numbers do not add up due to rounding

Source: Department of Statistics, Malaysia

Selected Quarterly Indicators in the Services Sector

	2012			2013
	1Q	4Q	Year	1Q
	Index			
MIER Consumer Sentiments Index	114.3	118.7	116.6	122.9
MIER Retail Trade Index	85.3	94.8	107.4	101.0
MIER Tourism Market Index	125.2	129.8	125.6	115.5
	Annual change (%)			
Tourist arrivals	0.4	2.9	1.3	n.a.
Total passenger traffic at all airports	6.4	8.6	4.9	9.1
Total consumption credit outstanding	7.8	7.1	7.1	7.7
Total loans outstanding	12.2	10.4	10.4	10.6
Loans outstanding to the wholesale & retail trade, hotels & restaurants	11.3	12.1	12.1	14.2
Imports of consumption goods	20.4	5.7	11.6	-0.6
Total sales of motor vehicles	-12.6	13.1	4.6	13.8
Container cargo handled (Port Klang and PTP)	7.4	0.4	3.4	-0.4

Source: Various sources

Value-added growth of the agriculture sector continued to be sustained (6%; 4Q 2012: 5.6%), driven largely by higher output of crude palm oil and supported by higher production of fishing. Meanwhile, the mining sector contracted by 1.9% (4Q 2012: 4.2%), weighed down by the lower output of crude oil.

Performance of the Agriculture Sector

	Share 2012 (%)	2012 1Q	2012 4Q	2012 Year	2013 1Q
		Annual change (%)			
Value Added (at constant 2005 prices)	**100.0**	**2.4**	**5.6**	**1.0**	**6.0**
Industrial Crops	**55.7**	**1.5**	**4.9**	**-2.5**	**5.4**
Of which:					
Oil palm	36.5	3.5	11.6	-0.3	14.6
Rubber	8.2	-9.3	0.9	-6.3	-2.2
Food Crops	**44.3**	**3.5**	**6.7**	**5.7**	**6.7**
Of which:					
Fishing	14.4	-4.0	5.8	1.8	6.9
Livestock	11.7	10.6	11.6	9.0	6.7

Source: Department of Statistics, Malaysia

Performance of the Mining Sector

	Share 2012 (%)	2012 1Q	2012 4Q	2012 Year	2013 1Q
		Annual change (%)			
Value Added (at constant 2005 prices)	**100.0**	**0.3**	**4.2**	**1.4**	**-1.9**
Production					
Of which:					
Crude oil and condensates	-	1.4	5.8	3.0	-3.5
Natural gas	-	-0.2	4.6	1.5	0.3

Source: PETRONAS
Department of Statistics, Malaysia

Indicators for the Construction Sector

	2012 1Q	2012 4Q	2012 Year	2013 1Q
	Annual change (%)			
Housing approvals	75.6	12.3	47.4	-19.0
New housing sales and advertising permits	12.5	-1.1	11.9	-14.8
Production[1] of construction-related materials	8.3	10.5	8.5	2.9
Structural metal products	49.2	40.9	32.8	14.7
Iron and steel	-11.7	-3.6	-5.8	6.6
Structural non-refractory clay and ceramic products	3.3	3.4	5.3	-6.4
Ready-mix concrete	18.2	18.4	19.7	23.1
Loans for the construction sector				
Approval	38.2	-59.6	-18.2	-28.9
Disbursement	15.7	4.2	20.5	23.5

[1] Industrial Production Index (2005=100)

Source: Ministry of Housing and Local Government, Department of Statistics, Malaysia and Bank Negara Malaysia

In the construction sector, growth remained firm (14.7%; 4Q 2012: 17.6%), led mainly by robust expansion of the civil engineering sub-sector. Infrastructure and oil and gas projects, such as the MRT, Tanjung Bin and Janamanjung power plants, and Kebabangan Gas Field, continued to drive growth in the sub-sector. The residential sub-sector provided further support to growth, driven by the construction of residential properties in the Klang Valley and Penang.

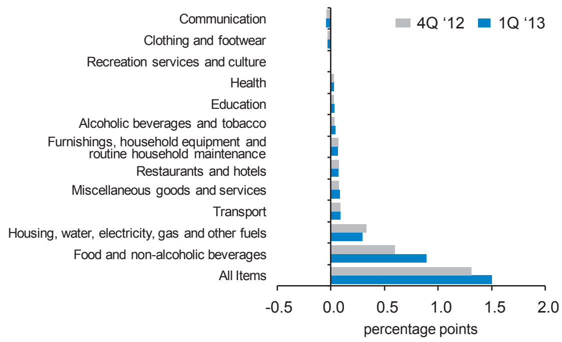
Slightly higher inflation in the first quarter

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), was slightly higher at 1.5% in the first quarter (4Q 2012: 1.3%). The increase was attributed mainly to higher inflation in the *food and non-alcoholic beverages* category.

Inflation in the *food and non-alcoholic beverages* category rose to 2.9% (4Q 2012: 2%), due mainly to higher prices in the *fresh meat* sub-category (5.7%; 4Q 2012: -1.6%) arising from the higher cost of poultry feed. Prices of *fresh vegetables* were also higher by 4.6% (4Q 2012: 1.9%), due partly to more expensive imported onions.

Meanwhile, inflation in the *transport* category was unchanged at 0.6%. Although the price of RON97 petrol was revised upwards in March, the average price during the quarter was lower compared to the corresponding period in 2012 (RM 2.77 per litre; 1Q 2012: RM 2.80 per litre). The impact from the lower average petrol price was partly offset by higher inflation in the *repair and maintenance of personal transport* sub-category (3.7%; 4Q 2012: 2.8%).

Contribution to Consumer Price Inflation



Source: Bank Negara Malaysia

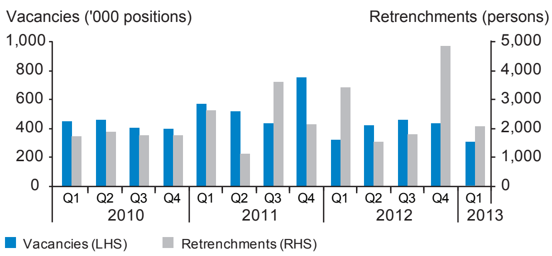
The Producer Price Index (PPI) recorded a smaller decline of 3.4% on an annual basis in the first quarter (4Q 2012: -3.7%). The prices of commodity-related components declined by 9.5% (4Q 2012: -10.3%), while prices of non-commodity-related components increased by 0.2% during the quarter (4Q 2012: +0.2%). By origin, prices of both local components and imported components declined by 4.6% and 0.5% respectively (4Q 2012: -5.2% and 0% respectively).

Favourable labour market conditions

Employment conditions improved in the first quarter, with total employment averaging 12.88 million persons during the first two months of the quarter. This represented a net job gain of 342,800 persons compared to the fourth quarter of 2012, and the unemployment rate remained low at 3.2% in January-February (4Q 2012: 3.1%). Similarly, total retrenchment reported to the Ministry of Human Resources decreased significantly to 2,058 persons (4Q 2012: 4,823 persons), following lower layoffs in the manufacturing sector.

Nevertheless, labour demand softened during the quarter, as reflected in the lower number of job vacancies posted in the JobsMalaysia Portal (322,146 positions; 4Q 2012: 429,928 positions). Meanwhile, growth in aggregate real wages in the manufacturing sector was sustained at 6.6% (4Q 2012: 6.9%).

Labour Market Conditions



Note: Vacancies data from 2012 onwards is not comparable to previous years due to a reclassification exercise

Source: Ministry of Human Resources

Moderation in external sector

The current account surplus narrowed in the first quarter to RM8.7 billion, equivalent to 3.9% of GNI, due to a lower goods surplus, as well as a larger services deficit and income outflows.

Balance of Payments[1]

	2012			2013
	1Q	4Q	Year	1Q
	RM billion			
Current Account	**16.9**	**22.9**	**57.3**	**8.7**
(% of GNI)	*7.7*	*9.6*	*6.3*	*3.9*
Goods	36.0	34.3	125.6	24.7
Services	-5.1	-2.2	-14.0	-3.4
Primary income	-8.7	-5.6	-36.0	-8.8
Secondary income	-5.4	-3.5	-18.2	-3.8
Financial Account	**-10.3**	**-10.3**	**-23.0**	**1.0**
Direct investment	-9.5	-18.4	-21.7	-2.2
Assets	-21.5	-16.5	-51.9	-11.5
Liabilities	12.0	-1.9	30.2	9.4
Portfolio investment	25.1	10.4	58.4	3.9
Assets	-7.6	-4.1	-21.5	-5.3
Liabilities	*32.7*	*14.5*	*79.8*	*9.2*
Financial derivatives	*-0.02*	*0.1*	*1.0*	*0.2*
Other investment	-25.9	-2.3	-60.6	-0.9
- Official sector	-0.8	-0.6	-1.7	-0.7
- Private sector	-25.1	-1.7	-58.9	-0.2
Net Errors & omissions[2]	-13.7	-7.0	-30.6	-5.6
Overall Balance	**-7.2**	**5.9**	**3.9**	**4.0**

Assets: (-) denotes outflows due to the acquisition of assets abroad by residents
Liabilities: (+) denotes inflows due to the incurrence of foreign liabilities
[1] In accordance with the Sixth Edition of The Balance of Payments and International Investment Position Manual (BPM6) by the International Monetary Fund (IMF)
[2] Includes foreign exchange revaluation on gains/losses made on international reserves

Source: Department of Statistics, Malaysia

Trade Account

	Share 2012 (%)	2012			2013
		1Q	4Q	Year	1Q
		Annual change (%)			
Gross Exports	**100.0**	**3.9**	**-2.3**	**0.6**	**-2.4**
Manufactured	67.0	1.2	-2.4	-0.1	-3.2
E&E	*32.9*	*-1.7*	*-4.4*	*-2.5*	*-4.9*
Non-E&E	*34.1*	*4.1*	*-0.5*	*2.3*	*-1.6*
Petroleum & agri-related	*12.9*	*5.0*	*-1.7*	*1.4*	*-3.6*
Equipment & metals	*12.6*	*6.1*	*1.8*	*6.6*	*-0.9*
Misc. manufacturing goods	*8.6*	*0.1*	*-2.2*	*-2.1*	*0.3*
Commodities	32.1	9.1	-3.1	1.5	-1.1
Agriculture	*11.4*	*-7.8*	*-16.8*	*-14.8*	*-17.0*
Minerals	*20.7*	*20.9*	*6.2*	*13.6*	*7.4*
Gross Imports	**100.0**	**6.8**	**0.9**	**5.9**	**6.2**
Capital goods	15.9	18.3	14.5	20.5	12.9
Intermediate goods	61.4	-1.4	-8.8	-3.4	-1.9
Consumption goods	7.5	20.4	5.7	11.6	-0.6
Re-exports and dual-use goods	15.2	35.9	32.3	38.4	39.5
Trade balance (RM billion)	**–**	**29.8**	**26.6**	**94.8**	**16.6**

Source: MATRADE and Department of Statistics, Malaysia

The trade surplus narrowed to RM16.6 billion in the first quarter (4Q 2012: RM26.6 billion), following a contraction in gross exports while gross imports registered a stronger expansion.

Gross exports remained weak in the first quarter (-2.4%; 4Q 2012: -2.3%), weighed down by a larger contraction in manufactured exports. The continued decline in the export of E&E products was due mainly to weak global demand, particularly for computers and parts, and electrical products. Non-E&E exports also declined following lower demand, in particular for petroleum- and agriculture-related products. However, commodity exports recorded a smaller contraction, supported by regional demand for commodities.

Gross imports expanded at a faster pace of 6.2% (4Q 2012: 0.9%), driven mainly by higher import of goods for re-export and sustained expansion in capital imports. The strong growth in import for re-export activity was attributable mainly to the increase in the import of petroleum products. This was driven by the rise in oil trading activity following the expansion of oil storage terminals in Johor. Capital imports continued to register a double-digit growth, supported by strong investment activity. In contrast, consumption imports declined slightly, attributable to a moderation in the import of processed food and beverages, and consumer goods. Intermediate imports remained weak, in line with the continued decline in manufactured exports.

The services account deficit was larger at RM3.4 billion in the first quarter (4Q 2012: -RM2.2 billion). The higher deficit was attributable mainly to lower net receipts from travel and other business services, with travel receipts weighed down by the lower number of foreign tourist arrivals in Malaysia relative to the previous quarter. The deficit in the primary income account widened to RM8.8 billion, arising from higher investment income accrued to foreign direct investors in Malaysia and lower investment income accrued to Malaysian companies investing abroad. The lower income of Malaysian companies investing abroad was attributable mainly to companies in the *oil and gas* and *services* sectors.

The financial account turned around to record a net inflow of RM1 billion in the first quarter (4Q 2012: -RM10.3 billion), as the inflows of direct investment and portfolio funds from non-residents outweighed outflows arising from direct and portfolio investment undertaken by residents.

Net increase in direct investment liabilities (which include foreign direct investment flows) was RM9.4 billion (4Q 2012: -RM1.9 billion), largely reflecting higher earnings retained by MNCs operating in Malaysia for reinvestment amid sustained inflows of foreign equity capital and intercompany loans. Inflows of foreign direct investment were broad-based during the quarter, undertaken mainly by companies in the *manufacturing, oil and gas*, and *services* sectors, particularly within the *finance and insurance* sub-sectors.

Net increase in direct investment assets (which include direct investment abroad flows), however, was lower at RM11.5 billion (4Q 2012: -RM16.5 billion), due mainly to lower extension of loans by Malaysian companies to their subsidiaries abroad. The acquisitions of direct investment assets were undertaken largely by companies in the services sector, particularly in the *entertainment* and *finance and insurance* sub-sectors. Investment abroad by companies in the *oil and gas* sector continued to remain sizeable, albeit substantially lower, compared to the previous quarter.

Malaysia: Direction of Exports

	2012			2013	2012			2013
	1Q	4Q	Year	1Q	1Q	4Q	Year	1Q
	Annual change (%)				Share of total exports (%)			
United States	5.5	4.1	5.4	-2.9	8.3	8.6	8.7	8.3
European Union (EU)	-10.4	-15.7	-13.7	-6.6	9.1	8.8	8.9	8.8
Japan	14.5	-14.1	1.9	-8.3	12.8	11.0	11.8	12.1
Selected ASEAN countries[1]	9.3	8.0	9.5	9.9	25.8	26.9	26.4	29.0
North East Asia	-3.1	-4.3	-3.7	-5.0	22.9	23.7	23.6	22.3
PR China	-3.4	-4.9	-3.1	-1.7	11.9	12.6	12.6	12.0
Hong Kong SAR	-8.1	-4.2	-3.8	-9.0	4.0	4.1	4.3	3.8
Chinese Taipei	-6.0	-8.8	-6.1	-15.7	3.0	3.1	3.1	2.6
Korea	5.8	2.1	-3.6	-2.9	4.0	3.8	3.6	4.0
West Asia[2]	-4.8	-8.8	-3.1	-1.2	3.4	3.3	3.4	3.4
India	-5.1	12.9	4.2	-3.2	3.6	4.6	4.2	3.5
Total exports	3.9	-2.3	0.6	-2.4	100.0	100.0	100.0	100.0

[1]Singapore, Thailand, Indonesia, Philippines, Brunei Darussalam and Vietnam
[2]United Arab Emirates, Saudi Arabia, Oman, Iraq, Qatar, Kuwait, Jordan, Lebanon, Bahrain, Syria, Palestine, Yemen and Iran

Source: Department of Statistics, Malaysia

Portfolio investment recorded a smaller net inflow of RM3.9 billion during the quarter (4Q 2012: +RM10.4 billion). There continued to be net inflows of foreign portfolio funds into both the equity and bond markets, which was, however, partially offset by higher acquisition of foreign portfolio assets by residents.

Other investment recorded a net outflow of RM0.9 billion (4Q 2012: -RM2.3 billion), reflecting continued outflows of trade credits extended by Malaysian exporters to their foreign counterparts amid placements of deposits by non-residents in the banking system. The official sector continued to register a small net outflow due to the repayment of external loans.

Net inflows in the financial account, coupled with the surplus in the current account, resulted in the overall balance of payments recording a surplus of RM4 billion in the first quarter (4Q 2012: +RM5.9 billion). Errors and omissions, which partly reflected the foreign exchange revaluation loss on international reserves, amounted to -RM5.6 billion during the quarter.

External debt

Malaysia's total external debt increased to RM264.8 billion or USD84.9 billion as at end-March 2013 (end-December 2012: RM252.2 billion or USD81.6 billion), equivalent to 27% of GNI.

Medium- and long-term external debt increased to RM163.5 billion, as a net drawdown of external borrowings by the private sector offset the net repayment by the public sector. As at end-March 2013, the short-term external debt was also higher at RM101.3 billion, due mainly to the net drawdown of interbank borrowing.

External Debt Outstanding

	2012		2013
	end-Mar	end-Dec	end-Mar[p]
	RM billion		
Medium- and long-term debt	148.3	159.8	163.5
Public sector	84.2	82.9	81.8
Private sector	64.1	76.9	81.7
Short-term debt[1]	101.1	92.5	101.3
Total external debt	**249.4**	**252.2**	**264.8**
USD billion equivalent	80.5	81.6	84.9
External debt/GNI (%)	27.6	27.9	27.0
Reserves/Short-term external debt (times)	4.1	4.6	4.3[2]

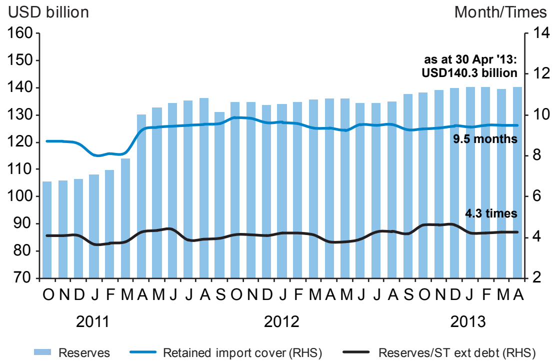
[1] Excludes currency and deposits held by non-residents with resident banking institutions
[2] Based on international reserves as at 30 April 2013
[p] Preliminary

Source: Ministry of Finance, Malaysia and Bank Negara Malaysia

International reserves remained high

The international reserves of Bank Negara Malaysia amounted to RM431.2 billion (equivalent to USD139.6 billion) as at 29 March 2013. This reserve level has taken into account the quarterly adjustment for foreign exchange revaluation changes. As at 30 April 2013, the reserves position amounted to RM433.3 billion (equivalent to USD140.3 billion), sufficient to finance 9.5 months of retained imports and is 4.3 times the short-term external debt.

Net International Reserves (as at end period)



Source: Bank Negara Malaysia

Government spending continued to support domestic economy

Federal Government spending remained supportive of growth in the first quarter, with total expenditure rising by 9.3%. In particular, operating expenditure increased on account of higher emoluments arising from the half-month civil servant bonus payment in January, and grants and transfers to statutory bodies. Development expenditure also rose, reflecting the higher disbursements for the transportation sector, and projects under the National Key Economic Areas (NKEA) within the agriculture and rural development sectors. Meanwhile, revenue declined by 8.6%, due mainly to the base effect following the one-off investment income received in the first quarter of 2012. Overall, the Federal Government recorded a fiscal deficit of 6.4% of GDP during the quarter. As at end-March 2013, total outstanding debt of the Federal Government amounted to RM508.9 billion or 50.8% of the estimated 2013 GDP.

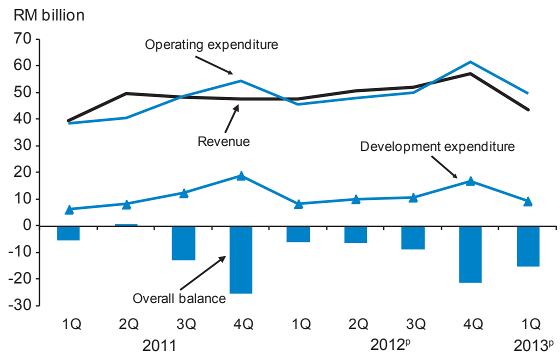
Federal Government Finance[p]

	2012			2013
	1Q	4Q	Year	1Q
	RM billion			
Revenue	47.9	57.2	207.9	43.8
% annual growth	*20.4*	*20.0*	*12.1*	*-8.6*
Operating expenditure	45.6	61.6	205.5	49.9
% annual growth	*18.0*	*13.1*	*12.6*	*9.4*
Current account	**2.3**	**-4.5**	**2.4**	**-6.1**
% of GDP	***1.0***	***-1.8***	***0.3***	***-2.6***
Net development expenditure	8.1	16.6	44.3	8.8
% annual growth	*28.5*	*-10.2*	*-2.2*	*8.3*
Overall balance	**-5.8**	**-21.1**	**-42.0**	**-14.9**
% of GDP	***-2.6***	***-8.7***	***-4.5***	***-6.4***
Memo item:				
Total net expenditure	53.7	78.3	249.9	58.7
% annual growth	*19.4*	*7.2*	*9.6*	*9.3*
Total Federal Government debt (as at end-period)	470.8	501.6	501.6	508.9
% of GDP	*50.0*	*53.3*	*53.3*	*50.8*
Domestic debt	453.9	484.8	484.8	492.8
% of GDP	*48.2*	*51.5*	*51.5*	*49.2*
External debt	16.9	16.8	16.8	16.1
% of GDP	*1.8*	*1.8*	*1.8*	*1.6*

[p] Preliminary

Source: Ministry of Finance

Federal Government Finance



[p] Preliminary

Source: Ministry of Finance