DEVELOPMENTS IN THE FIRST QUARTER OF 2004

International Economic Environment

Strong global growth in major countries and regional economies

The global economic environment improved further in the first quarter, led by the **United States** (US) and supported by a strong revival of growth in **Japan** and robust economic expansion in emerging Asia, especially the People's Republic of China (P. R. China).

US economic expansion was sustained at a strong pace of 4.2% in the first quarter (4Q '03: 4.1%), driven by consumption, investment and inventory re-building. Stronger growth was, however, accompanied by heightened inflationary expectations in some of the major countries amidst rising energy prices. In the **euro area**, weak consumer spending and subdued sentiment continued to constrain growth. Meanwhile, recovery in the Japanese economy broadened as private consumption strengthened due to sustained capital expenditure and exports, as well as improved labour market conditions. Global equity markets during the quarter remained buoyant on improving global outlook, higher corporate earnings and positive business expectations. Borrowing costs remained low, strongly supporting the revival in the global investment cycle. The forward momentum of the global economic expansion is expected to hinge on further strengthening of business investment, the ongoing rebalancing of growth between the US, Japan, the other major industrial and Asian regional economies and the reactions of businesses and consumers to the expectations of increases in US interest rates.

In the **Asian** region, growth gathered momentum with countries recording more robust growth ranging between 5 - 9%. Growth was supported by rising intra-regional trade, strong upturn in global electronics and pick up in domestic demand, particularly from higher private investment activities and rising consumer spending in most parts of the region. Growth was the strongest in P.R. China, raising some concerns of overheating in the economy. Consequently, P.R. China has undertaken measures to curb excessive investment in selected sectors and industries through raising equity requirements for investment and tightening monetary policy aimed at controlling credit expansion. In

Industrial Countries:
Real GDP growth showed improved performance

	2003			2004	Key contributing factors for 1Q growth
	1Q	4Q	Year	1Q	
	Annual change (%)				
US[1]	2.0	4.1	3.1	4.2	Consumer spending, investment and inventory re-building contributed to growth.
UK	1.9	2.7	2.3	3.0	Growth continued to be supported by consumer spending and the services sector.
Germany	-0.2	0.1	-0.1	0.7	Weak consumer spending and sentiment remained a drag on growth.
Japan[1]	2.2	6.4	2.7	5.6	Strength in exports, capital spending and private consumption continued to support the recovery.

[1] annualised basis

Singapore, concerns on inflation, as growth prospects have strengthened significantly, prompting the authorities to undertake pre-emptive measures to allow for a modest and gradual appreciation of the Singaporean dollar exchange rate.

Regional Countries:
Strong real GDP growth in the first quarter

	2003			2004	Key contributing factors for 1Q growth
	1Q	4Q	Year	1Q	
	Annual change (%)				
P.R. China	9.9	9.9	9.1	9.8	Underpinned by strong growth in fixed asset investment and robust export performance.
Singapore	1.7	4.9	1.1	7.5	Broad-based growth with stronger output from goods-producing industries and services-producing industries.
Chinese Taipei	3.5	5.2	3.2	6.3	Underpinned by strong export performance.
Korea	3.7	3.9	3.1	5.3	Supported by strong exports and construction investment.

The **inflation** environment remained benign in most regional countries despite consumer prices edging upwards following higher energy and raw material prices. In Chinese Taipei, deflationary pressures turned around as consumer prices gained 0.5% following stronger domestic demand conditions and higher food and petroleum prices. Reflecting ample liquidity conditions, interest rates in most regional countries have remained unchanged.

In the **foreign exchange market**, the weakness of the US dollar was contained by expectations of higher interest rates and stronger growth prospects in the US. Meanwhile, regional currencies closed mixed against the US dollar. The depreciation of the Indonesian rupiah and the Philippine peso reflected mainly dollar demand for debt and import payments by the corporate sector and uncertainties ahead of the presidential elections. In contrast, the Taiwanese dollar and Korean won appreciated markedly during the quarter due to large inflows as well as stronger yen gains in March. Similarly, the Singapore dollar also gained from its positive link with the yen while the Thai baht appreciated due to continued foreign equity inflows. The strengthening of the US dollar since April, following increased expectations of higher interest rates in US, led to an across-the-board depreciation of the regional currencies, most notably the Korean won and Thai baht.

Developments in the Malaysian Economy

Robust growth in major sectors

Quarterly GDP by Kind of Economic Activity at 1987 Prices

	2003			2004
	1Q	4Q	Year	1Q
	Annual change (%)			
Agriculture	4.7	1.9	5.7	3.2
Mining	4.6	5.3	5.9	5.6
Manufacturing	5.8	12.2	8.3	12.5
Construction	1.2	2.7	1.9	0.6
Services	4.7	4.7	4.4	6.2
Real GDP (Ann. Chg.)	4.6	6.6	5.3	7.6
Real GDP (Preceding Chg.)	-4.6	2.7	5.3	-3.7

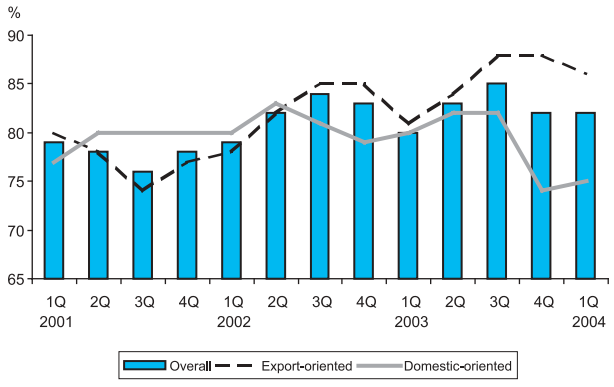
On the supply side, growth was broad based, led mainly by the manufacturing and services sectors and augmented by expansion in all sectors. Benefiting from the improved external environment, the manufacturing sector continued to exert a strong positive impulse to growth, contributing 3.8 percentage points to GDP. The services sector strengthened significantly, reflecting broad-based expansion across all sub-sectors.

Despite the seasonally low production period for some of the major agriculture crops, the primary commodity sector performed favourably during the quarter. Higher growth in the agriculture and mining sectors was also supported by commodity prices being sustained at a high level.

Sustained rapid expansion in the manufacturing sector

Growth in the **manufacturing sector** continued to expand at a rapid pace of 12.5% in the first quarter of 2004 (4Q 2003: 12.2%), underpinned by the pick-up in exports and sustained domestic demand. The expansion was supported mainly by stronger growth in the export-oriented industries (19.4%; 17.7% in 4Q) and growth in the domestic-oriented industries (6.2%; 8.8% in 4Q). Despite capacity expansion in several industries, the overall capacity utilisation rate in the manufacturing sector continued to remain high at 82% (4Q 2003: 82%), with the export- and domestic-oriented industries operating at 86% and 75% respectively (4Q 2003: 88% and 74% respectively).

Capacity Utilisation in the Manufacturing Sector



The stronger performance of the **export-oriented industries** continued to be driven by higher output in the semiconductors (33.3%), rubber products (30.6%) and chemical products (17%) industries. Growth in the semiconductor industry was supported mainly by robust global demand arising from higher corporate spending on information technology products and the rapid growth in the wireless products segment. The strong growth in the electronics sector had a positive impact on the chemical industry with strong demand for plastic-based products as well as stronger domestic demand for industrial gases. Higher output was also recorded in the rubber products industry due largely to increased export demand for rubber gloves.

Performance in the Manufacturing Sector

	2003			2004
	1Q	4Q	Year	1Q
	Annual Change (%)			
Value Added (Constant Price)	5.9	12.2	8.3	12.5
Overall Production	7.6	15.7	10.5	16.3
Export-oriented industries	8.0	17.7	11.9	19.4
of which :				
- Electronics	8.6	30.4	15.1	33.3
- Electrical	-4.3	-3.5	-7.0	-6.5
- Textiles & wearing apparel	0.8	-11.1	-2.2	-10.6
- Chemicals and chemical products	16.4	22.7	20.8	17.0
- Off-estate processing	4.5	0.0	11.8	3.3
- Rubber products	9.6	23.9	18.7	30.6
- Wood and wood products[1]	4.3	-0.9	0.9	13.9
Domestic-oriented industries	6.4	8.8	6.1	6.2
of which :				
- Transport equipment	-6.6	3.4	-5.5	0.7
- Fabricated metal products	3.8	17.5	7.4	28.2
- Iron & steel and non-ferrous metal	16.7	13.3	10.8	6.4
- Non-metallic mineral products	10.0	8.3	9.7	-1.5
- Petroleum products	1.9	-1.2	2.3	-2.0
- Food	5.5	7.2	8.8	7.1
Total Manufactured Exports	6.6	14.1	8.3	16.3
- Electronics & electrical products[2]	0.7	13.2	5.3	14.0
- Wood and wood products	13.2	9.7	6.1	18.4
- Furniture & parts	8.9	18.2	8.9	14.5
- Textiles, clothing & footwear	8.4	0.3	2.3	17.3
- Optical & scientific equipment	19.1	12.5	13.0	8.5
- Chemical and chemical products	33.9	24.4	23.3	24.8
- Petroleum products	67.3	10.5	23.6	19.0

[1] Output of furniture and parts are not captured in the wood production data.

[2] Exports of electronics and electrical products for 1Q 2004 include revised data from Department of Statistics, Malaysia.

Growth in the **domestic-oriented industries** was supported mainly by expansion in the fabricated metal, food and iron and steel products industries arising from higher domestic and external demand. Meanwhile, production of transport equipment continued to remain subdued, dampened mainly by the soft demand for passenger cars, especially in the early part of the year.

Services sector strengthened further

Growth in the **services sector** strengthened significantly to 6.2% in the first quarter (4Q 2003: 4.7%), with the major sub-sectors recording higher growth. Growth in the wholesale and retail trade, restaurants and hotels sub-sector was supported mainly by the improved consumer sentiment and significant increase in tourist arrivals during the quarter. Tourist arrivals reached a record high level of close to 4 million during the quarter. Tourist arrivals from Singapore rose significantly by 66.3%, while arrivals from other countries was 9.8% higher. Benefiting from the strong tourist arrivals and trade activity during the quarter, the growth in air passenger traffic in both domestic and international segments, and the sea transportation and port activities were robust. The strong growth in the telecommunication sector was led by the mobile segment amidst the increased subscriber base and international calls as well as wider usage of new applications.These factors contributed to the strong growth in the transport, storage and communication sub-sector.

The finance, insurance, real estate and business services sub-sector picked up sharply, benefiting from higher loan growth, reinforced by continued robust performance in the insurance sub-sector as well as stronger stock market and real estate activity. Increased demand for electricity, particularly from the commercial and industrial sectors, underpinned growth in the utilities sub-sector.

Performance in the Services Sector (Value Added)

	2003			2004
	1Q	4Q	Year	1Q
	Annual change (%)			
Intermediate Services	4.8	5.8	5.5	7.4
Transport, storage & communication	5.2	8.0	5.7	7.4
Finance, insurance, real estate & business services	4.5	4.6	5.4	7.4
Final Services	4.7	3.9	3.7	5.5
Electricity, gas & water	7.3	5.5	5.7	8.1
Wholesale & retail trade, hotel & restaurants	3.0	3.1	1.5	5.6
Government services	8.0	5.1	7.6	3.2
Other services	3.7	3.4	3.3	5.9
Total Services	4.7	4.7	4.4	6.2

Selected Quarterly Indicators in the Services Sector

	2003			2004
Indicators	1Q	4Q	Year	1Q
	Levels			
KLSE CI (end-period)	635.7	793.9	793.9	901.9
MIER Consumer Sentiment Index	105.2	115.5	-	117.5
MIER Retail Survey Index	78.1	114.0	-	119.0
MIER Hotel Operators Index	101.5	133.6	-	134.5
MIER Travel Agencies Index	87.8	138.1	-	124.9
	Annual change (%)			
Electricity Production Index	7.5	5.6	5.7	7.8
Tourist arrivals	-6.5	3.8	-20.4	38.4
Import of consumption goods	4.6	13.9	1.1	14.3
Consumption credit disbursed	3.1	4.2	4.2	13.0
Total passenger traffic in all airports in Malaysia	9.1	10.7	2.0	10.9
Total TEUs handled [1]	19.1	11.2	15.6	15.8
Total loan outstanding (end-period)	3.5	4.8	4.8	5.7
Total property transactions (value)	3.3	51.3	11.8	30.1

[1] For PTP and Port Klang
Source: Various sources

Favourable performance of the primary commodity sector amidst firm prices

Production in both the agriculture and mining sectors expanded further during the quarter. Despite the seasonally low production period for rubber and oil palm in the first quarter, the agriculture sector expanded by 3.2%, as strong prices provided the incentive for greater intensity of inputs to induce higher crop output. Growth was also supported by higher production of other agriculture activities such as fisheries and livestock. Meanwhile, growth in the mining sector picked up to 5.6%, driven mainly by higher crude oil production and reinforced by sustained growth in output of natural gas.

In the **agriculture sector**, growth in production of crude palm oil moderated to 2.5% (4Q 2003: 5.4%), reflecting seasonal lows as well as the downcycle in yields following several quarters of strong performance in 2003. The average monthly crude palm oil output fell below 1 million tonnes (0.89 million tonnes; 4Q: 1.13 million tonnes) during the quarter due mainly to markedly lower yields of fresh fruit bunches of 3.69 tonnes per mature hectare compared with 4.74 tonnes in the 4Q of 2003. In contrast, rubber production expanded significantly despite the wintering period in the months of February and March, which typically reduces latex yields. The higher production during the quarter was due mainly to continued active tapping, especially among the rubber smallholders, as rubber prices remained remunerative, averaging 476 sen per kilogram (SMR 20; 4Q 2003: 485 sen per kilogram).

Performance of the Agriculture Sector

	2003			2004
	1Q	4Q	Year	1Q
	Annual change (%)			
Value Added (at 1987 prices)	**4.7**	**1.9**	**5.7**	**3.2**
Production[1]				
Of which:				
Crude palm oil	0.4	5.4	12.1	2.5
Crude palm kernel oil	-5.0	3.4	11.6	3.8
Rubber	15.2	12.4	10.8	32.0[2]
Saw logs	16.1	-6.8	3.5	-20.7
Cocoa	22.0	-42.0	-24.0	-32.5
Exports (RM million)	**42.0**	**14.8**	**28.1**	**13.7**
Of which:				
Palm oil				
('000 tonnes)	9.3	0.7	15.2	4.0
(RM/tonne)	41.4	10.6	18.3	6.4
(RM million)	54.6	11.4	36.3	10.7
Palm kernel oil				
('000 tonnes)	-33.9	42.4	18.3	10.6
(RM/tonne)	51.0	10.3	17.9	23.6
(RM million)	-0.2	57.0	39.5	36.7
Rubber				
('000 tonnes)	13.4	9.7	1.9	24.0
(Sen/kilogramme)	57.6	36.1	41.1	35.9
(RM million)	78.7	49.4	43.8	68.4
Sawn timber				
('000 cu.metres)	6.3	261.2	108.4	-2.6
(RM/cu.metre)	1.4	-70.8	-50.1	3.7
(RM million)	7.7	5.6	4.1	0.9
Saw logs				
('000 cu.metres)	12.9	9.9	7.9	-21.5
(RM/cu.metre)	23.0	-5.7	2.0	0.3
(RM million)	38.8	3.7	10.0	-21.3
Cocoa				
('000 tonnes)	51.7	-53.6	-37.9	-76.0
(RM/tonne)	62.9	-11.0	20.9	-20.3
(RM million)	147.2	-58.7	-25.0	-80.9

[1]In '000 tonnes, except for saw logs in '000 cubic metres
[2]Jan-Feb

Growth in the **mining sector** rose to 5.6%, driven mainly by higher production of crude oil (including condensates) as well as continued increases in natural gas output. During the quarter, production of crude oil (including condensates) rose by 8% to average 772,800 barrels per day, supported by strong external demand (8.1%), particularly from major buyers in the region. Meanwhile, natural gas production continued to increase by 2.3% due to the expansion in production capacity with the coming onstream of the new

MNLG plant and several new gas fields in 2003. Growth was also supported by higher demand for LNG, particularly from major buyers, namely, Japan and Korea.

Performance of the Mining Sector

	2003			2004
	1Q	4Q	Year	1Q
	Annual change in %			
Value Added (at 1987 prices)	**4.6**	**5.3**	**5.9**	**5.6**
Production				
Of which:				
Crude oil and condensates ('000 barrels)	2.3	6.4	5.6	8.0
Natural gas (net) (million standard cubic feet)	8.5	5.4	7.2	2.3
Exports (RM million)	**54.6**	**26.1**	**33.1**	**15.9**
Of which:				
Crude oil				
('000 tonnes)	6.0	19.3	10.6	3.6
(US$/barrel)	61.6	12.6	22.0	4.4
(RM million)	71.2	34.3	35.0	8.1
Liquefied natural gas				
('000 tonnes)	5.8	16.7	16.0	18.3
(RM/tonne)	35.2	-0.1	16.2	-2.3
(RM million)	43.0	16.6	34.8	15.6

Residential sub-sector supported growth in the construction sector

The **construction sector** expanded by 0.6% during the first quarter (4Q 2003: 2.7%), supported mainly by growth in the residential sub-sector. Demand for residential property remained strong as the low interest rates were complemented by attractive housing loan packages as well as incentives provided under the Economic Package. These incentives would remain until 31 May 2004. Activity in the civil engineering sub-sector, however, was subdued due to completion of several large infrastructure projects in 2003 and lower Federal Government expenditure in line with the ongoing fiscal consolidation. In the non-residential sub-sector where activity had remained subdued over several years, some improvement was seen during the quarter as indicated by the increase in the number of commercial property transactions as well as a rise in the occupancy rate for commercial space.

During the quarter, activity in the construction sector was also partly affected by the temporary shortage of steel bars, which led to delays in some projects, particularly in the civil engineering sub-sector. To address the situation, the Government has implemented several measures, including a six-month relaxation on imports of steel bars and billets as well as stricter control on exports of steel, effective 25 February 2004. In addition, the Government revised upwards the ceiling price of steel bars and billets in April by 28 - 45%. These measures are expected to ease the supply shortage and enable construction activities to normalise.

Construction Indicators

	2003			2004
	1Q	4Q	Year	1Q
	Annual change (%)			
New sales and advertising permits	-24.5	21.5	-2.7	42.0
Housing approvals	-30.7	26.7	3.3	48.5
Production of construction-related materials	13.0	10.6	10.2	2.2
Loans approved for construction	19.9	15.9	-5.0	-36.8
Imports of construction materials & mineral products	3.6	17.8	-6.7	11.5*

* Jan-Feb. 2004

Source: Ministry of Housing and Local Government
Department of Statistic, Malaysia

Domestic demand expanded further, led by the private sector

Domestic demand expanded further in the first quarter of 2004. Growth was led by the

private sector as the increase in public sector expenditure moderated in line with the fiscal consolidation stance. Growth in private sector expenditure was driven by both strong household consumption and the strengthening of private investment activities.

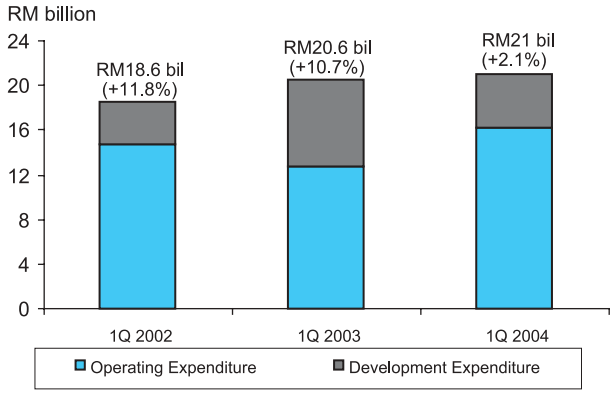
Private consumption growth remained robust in the first quarter (8.4%, 4Q 2003: 8.6%), in line with the increase in consumer confidence. The propensity to consume was supported by the sustained increase in disposable incomes due to continued firm commodity prices, high export earnings, and the general improvement in business conditions; the low interest rate environment, easy access to financing, as well as stable job market. The pick-up in the performance of the stock market during the quarter also exerted a positive wealth effect on consumers. Attractive promotions for the festive celebration and Mega Sales had also encouraged household spending. The higher first quarter Consumer Sentiments Index of the MIER (117.5 points, 4Q 2003: 115.5 points) showed that consumers were more optimistic

GDP by Expenditure Components (at Constant 1987 prices)

	2003			2004
	1Q	4Q	Year	1Q
	Annual change (%)			
Aggregate Domestic Demand (excluding stocks)	7.1	7.7	5.9	7.0
Consumption	8.6	9.5	7.4	8.6
Private sector	*5.9*	*8.6*	*6.6*	8.4
Public sector	*21.3*	*12.2*	*10.0*	9.2
Gross Fixed Capital Formation	3.8	3.6	2.7	3.5
Exports of Goods and Services	5.5	10.9	6.3	15.1
Imports of Goods and Services	2.8	15.9	5.0	19.3
GDP	**4.6**	**6.6**	**5.3**	**7.6**

Source: Department of Statistics, Malaysia

Sustained Federal Government Spending

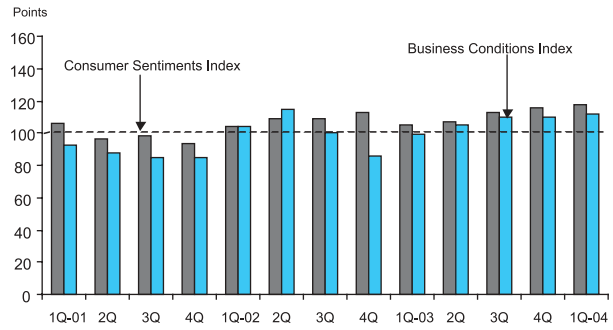


on job prospects and income level. Major consumption indicators such as imports of consumption goods, loans disbursed to households and consumer spending on credit cards pointed to continued strong expansion in private consumption during the first quarter. Meanwhile, **public consumption** continued to increase, albeit moderately, by 9.2% (4Q 2003: 12.2%) due to higher expenditures on emoluments and supplies and services.

Growth in **gross fixed capital formation** remained positive (3.5%, 4Q 2003: 3.6%) in the first quarter, with the pace of private sector capital spending gaining momentum. Strong domestic investment was supported by continued inflows of new foreign direct investment and reinvestment. Investment in machinery and equipment and capacity expansion continued to strengthen as business sentiment improved further and capacity utilisation remained high. Improved business sentiment in the private sector was reflected in the MIER Business Conditions Index, which rose by 2.1 points to 112 points in the first quarter (4Q 2003: 109.9 points) as a result of rising sales, higher export and local orders as well as increasing production

activities. In addition, positive growth registered by indicators such as loans disbursed to businesses, imports of capital goods and sales of commercial vehicles provide further corroborative evidence that investment activities had increased in the quarter under review. Public sector investment declined as reflected in the lower development expenditure of the Federal Government during the quarter (-38%). The bulk of the development expenditure was disbursed to education and training, health, transportation infrastructure, and agriculture.

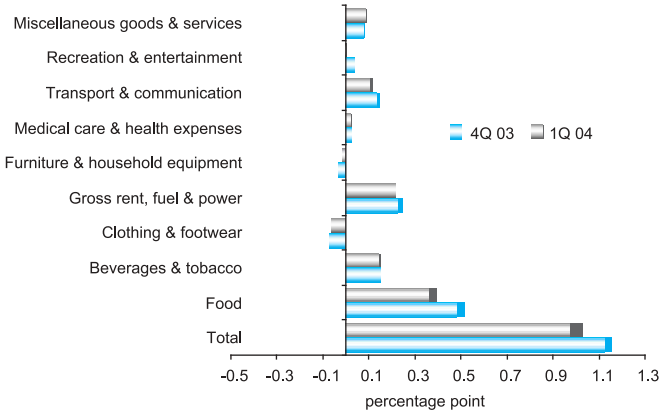
Improved consumer and business confidence



Inflation remained low

While domestic demand strengthened further, inflation continued to remain low during the first quarter of 2004. Adequate supply and a competitive environment restrained price increase. The annual rate of inflation, as measured by the change in the Consumer Price Index (CPI, 2000=100), was slightly lower at 1% in the first quarter (1.2% in 4Q 2003). This was due mainly to a slower increase in the prices of food, gross rent, fuel and power, transport and communications as well as a continued decline in the prices of clothing and footwear, as well as furniture and

Contribution to Inflation

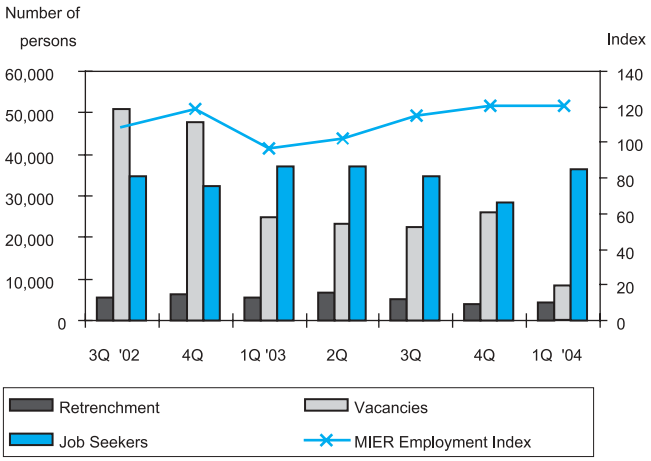


household equipment. The slower increase in the prices of food was mainly due to the more moderate increases in the price of food taken at home and the decline in the prices of fruits.

Labour market conditions remained stable.

Labour market conditions remained stable as reflected in the MIER employment index. The labour market continued to be supported by higher growth in productivity. In the manufacturing sector, labour productivity, as measured by real sales value of products per employee rose by 8.9% during the first

Stable Labour Market Conditions



quarter, exceeding the 2.3% increase in real wage per employee. Reflecting the prevailing stable conditions, vacancies as reported to the authorities during the quarter outpaced retrenchment (7,850 positions and 4,463 persons respectively).

Both exports and imports recorded stronger growth

Consistent with expansion in investments, the trade surplus while remaining large at RM18.6 billion, narrowed from RM19.9 billion in the fourth quarter of 2003. While gross exports expanded by 16.6%, gross imports increased at a stronger pace of 23.4%.

Gross exports expanded due to stronger growth in exports of manufactured goods and sustained expansion in exports of agriculture commodities, while receipts from minerals grew at a more moderate pace. During the quarter, export performance was driven mainly by higher export volume (14.6%) as export prices remained almost unchanged (0.1%). In tandem with a more favourable external environment, exports of manufactured goods continued to expand at a double-digit rate of 16.3% (4Q 2003: 14.1%). The favourable performance was attributed mainly to strong offtake of electronics and electrical products, chemicals and metal products. Electronics exports benefited from improved global demand, particularly from the US and the Asia-Pacific region. Higher exports of chemicals and metal products were driven largely by increased demand from the regional countries and, to some extent, higher export prices. Other major exports of manufactured goods, namely textiles, wood products, rubber products, petroleum products, and furniture and parts, also expanded strongly. Overall, the increase in manufacturing exports was attributed entirely to higher volume (15.7%) as prices declined during the quarter (-1.1%).

Trade Account

	2003			2004
	1Q	4Q	Year	1Q
	Annual change (%)			
Gross Exports	**12.3**	**15.2**	**11.6**	**16.6**
Manufacturing	*6.6*	*14.1*	*8.3*	*16.3*
Agriculture	*42.0*	*14.8*	*28.1*	*13.7*
Minerals	*54.6*	*26.1*	*33.1*	*15.9*
Gross Imports	**4.0**	**16.1**	**4.8**	**23.4**
Capital goods	*2.1*	*14.7*	*0.7*	*23.4*
Intermediate goods	*3.4*	*18.4*	*6.5*	*22.6*
Consumption goods	*4.6*	*6.5*	*-0.4*	*14.3*
Trade balance (RM bil)	**20.2**	**19.9**	**81.1**	**18.6**

Note: Gross exports for 1Q 2004 include revised data from Department of Statistics, Malaysia

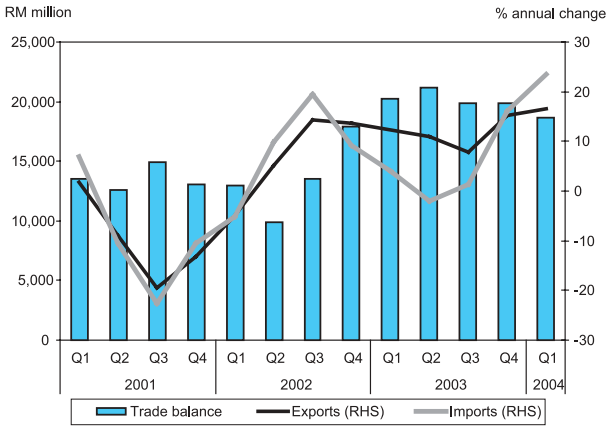
Source: Department of Statistics, Malaysia

Exports receipts from agriculture commodities expanded by 13.7% (4Q 2003: 14.8%), attributable to higher export earnings of palm oil, rubber and sawn timber. Palm oil exports rose by 10.7%, underpinned by higher prices and export volume. Palm oil prices trended higher to average RM1,764 per tonne during the quarter following tight global supplies of edible oils, particularly soybean oil, which is palm oil's closest substitute. Although Malaysia's exports of palm oil to India, one of Malaysia's largest buyers, was lower due to its bumper oilseed harvest, purchases by other major buyers, namely China, the European Union and the Middle East, remained strong, increasing by between 18 to 33%.

Export receipts from minerals expanded by 15.9% (4Q 2003: 26.1%), contributed by increased earnings from both crude oil and LNG. During the quarter, Malaysian crude oil fetched higher prices,

averaging US$34.07 per barrel, as sentiments in the international oil markets were influenced by geopolitical concerns. Demand was mainly from the Asian countries and Australia, which accounted for about 80% of the total export volume. Meanwhile, earnings from LNG exports increased by 15.6%, due entirely to higher offtake by the major buyers, namely Japan and Korea, while export prices declined during the quarter.

Trade balance

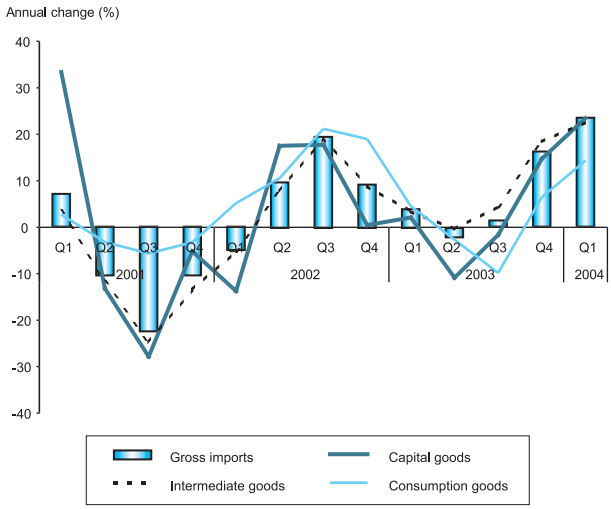


The trade pattern continues to shift towards markets in the region. The impetus to sustained growth in exports to regional countries (excluding Japan) stemmed from the strong export growth to the People's Republic of China and Korea. In the wake of the improvement in economic performance of the European Union (EU) countries, exports to EU expanded while exports to the United States continued to grow, reflecting growth in exports of electrical and electronic products.

Gross imports grew by 23.4%, the highest growth since the third quarter of 2000. Import growth was spurred by the stronger growth in production and exports of electronic and electrical products. Hence, intermediate imports, which are mainly inputs for the production of manufactured exports, grew by 22.6%. Inputs which recorded significant increases included industrial supplies such as metals and metal products, and chemicals. Higher imports of intermediate goods reflected largely growth in imports of parts and accessories of capital goods (except transport equipment) comprising mainly electronics and parts and accessories of telecommunications equipment.

Another notable feature was the significant growth of 23.4% in capital imports signalling the stronger revival of growth in investment activity. Capital imports excluding lumpy import items, grew by 11.1%. The increase in imports for capacity expansion occurred in the manufacturing and services sectors as evidenced by the increase in imports of machinery for the manufacturing sector, office equipment and generators, turbines and electric motors. Increased exploration and downstream activities in the oil and gas industry in the wake of high prices for petroleum led to higher imports of construction and mining equipment. Increasing external demand for commodity exports and fleet expansion to service new markets also induced the increase in deliveries of ships and aircraft in the first quarter. Consonant with sustained private consumer spending and higher demand owing to festivities, imports of consumption goods increased by 14.3%. Accordingly, imports of primary and processed materials used for the food and beverages industry registered an increase of 19.6% during the quarter. Similarly, imports of consumer goods were robust, increasing by 11.6%.

Import growth



Malaysia: Imports by Economic Function And Broad Economic Categories (BEC) Classification

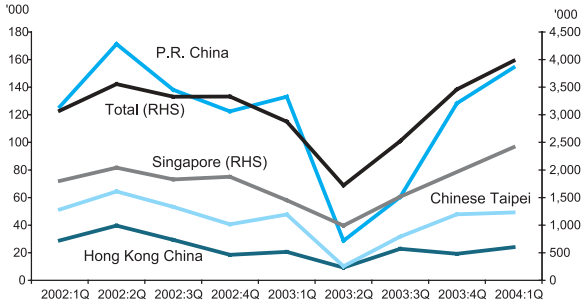
	2003			2004	
	1Q	4Q	Year	1Q	
	Annual change (%)				RM mil
CAPITAL GOODS	**2.1**	**14.7**	**0.7**	**23.4**	**12,283.1**
Capital goods (except transport equipment)	8.4	6.7	7.0	13.2	10,665.7
Transport equipment	-49.9	203.7	-47.1	205.1	1,617.4
INTERMEDIATE GOODS	**3.4**	**18.4**	**6.5**	**22.6**	**63,853.5**
Food and beverages, mainly for industry	37.6	9.9	13.3	31.8	2,135.6
Industrial supplies, n.e.s.	8.9	17.5	3.4	24.8	19,584.9
Fuel and lubricants	31.0	18.7	23.2	-2.2	3,111.2
Parts and accessories of capital goods (except transport equipment)	-2.3	19.3	7.6	23.4	37,105.1
Parts and accessories of transport equipment	-5.3	16.8	-16.0	24.4	1,916.6
CONSUMPTION GOODS	**4.6**	**6.5**	**-0.4**	**14.3**	**5,065.2**
Food and beverages, mainly for household consumption	-3.5	9.8	-5.5	19.6	2,022.8
Transport equipment, non-industrial	104.7	125.9	90.8	-8.8	67.6
Consumer goods,n.e.s.	8.8	2.6	1.3	11.6	2,974.8
Durables	*22.4*	*-22.2*	*-2.0*	*9.0*	*687.6*
Semi-durables	*-9.3*	*9.4*	*-5.1*	*15.7*	*975.2*
Non-durables	*18.6*	*16.7*	*8.9*	*10.2*	*1,312.0*
DUAL USE GOODS	**28.8**	**23.2**	**15.2**	**22.2**	**2,179.7**
OTHERS	**3.5**	**-5.0**	**-4.4**	**7.5**	**1,701.9**
RETAINED IMPORTS	**3.8**	**16.6**	**5.1**	**21.8**	**85,083.4**
RE-EXPORTS	**13.2**	**3.1**	**-4.4**	**82.0**	**3,450.9**
GROSS IMPORTS	**4.0**	**16.1**	**4.8**	**23.4**	**88,534.4**

Source: Department of Statistics, Malaysia and Bank Negara Malaysia.

Record high level of tourist arrivals

Tourist arrivals increased by 38.4% to 4 million in the first quarter of 2004, the highest recorded historically for quarterly arrivals. The surge in tourist arrivals was contributed by visitors from Singapore, Thailand and P.R. China, which increased by 66.3%, 32.9% and 15.9% respectively. Visitors from ASEAN countries accounted for 79.4% of tourist arrivals. Higher arrivals was reflective of the improved economic performance, particularly of regional countries, greater connectivity with the increase in flights, restoration of flights from Europe by a European carrier as well as promotional fares by no-frills airlines.

Quarterly Tourist Arrivals



Larger inflows of portfolio investment

On a cash basis, gross inflows of funds for long-term investments (FDI) were higher than the corresponding period in 2003, amounting to RM3.4 billion. The bulk of the FDI inflows were channelled mainly into the services sector, particularly the business and support services and wholesale and retail trade sub-sectors. The manufacturing sector, in particular the electrical and electronics and petroleum-related manufacturing activities,

continued to receive large inflows of FDI. After adjusting for outflows due mainly to loan repayment to related companies, FDI recorded a net inflow of RM0.6 billion.

Gross outflows for overseas investment remained stable at RM2 billion. The bulk of the investments were effected by companies in the oil and gas sector. There were also significant investments by companies in the manufacturing sector, particularly from the petroleum-related manufacturing and electrical and electronics industries, as well as the services sector. Meanwhile, investments by companies in the construction industry were marginally higher, following the successful bidding of large projects, particularly in India. Overseas investment, after adjusting for inflows from repayment of inter-company loans from abroad, recorded a marginally lower net outflow of RM1 billion.

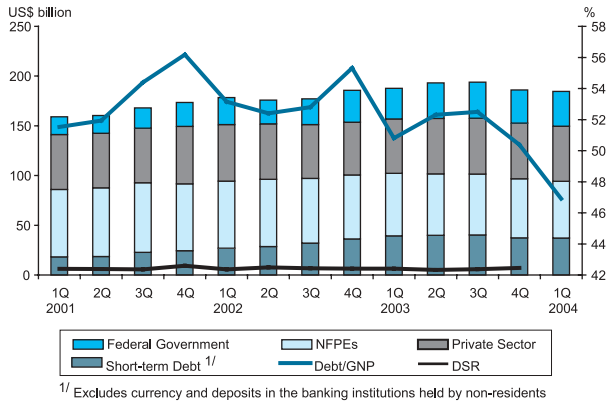
Portfolio investment recorded a large net inflow of RM16.3 billion, reflecting improved investor sentiments and continued active foreign participation in the stock market following announcements of better outlook for the Malaysian economy.

External debt declined further

Malaysia's total external debt declined further to RM184.6 billion or US$48.6 billion as at end-March 2004 (4Q 2003: RM186.1 billion), equivalent to 46.9% of GNP. The **medium and long-term external debt** declined by 1.9% to RM149.8 billion or US$39.4 billion (4Q 2003: RM152.6 billion), reflecting net repayments of external loans by both the public sector, particularly the non-financial public enterprises (NFPEs) and private sector. In the first quarter, the drawdown of external loans was significantly lower (+RM0.3 billion; 4Q 2003: +RM2.2 billion) with no new borrowing by the public sector. In the private sector, repayments were effected mainly by investment holding companies and companies operating in the manufacturing sector.

The **total short-term external debt** increased slightly to RM34.9 billion or US$9.2 billion (4Q 2003: RM33.5 billion) due mainly to increase in short-term debt of the banking sector arising from higher interbank borrowing

External Debt



1/ Excludes currency and deposits in the banking institutions held by non-residents

External Debt Outstanding

	2003		2004
	1Q	4Q	1Q p
	RM billion		
Medium & Long-term debt	156.8	152.6	149.8
Public sector	102.3	96.8	94.3
Private sector	54.5	55.8	55.5
Short-term debt [1]	30.9	33.5	34.9
Total external debt	187.7	186.1	184.6
- US$ billion equivalent	49.4	49.0	48.6

[1] Excludes currency and deposits held by non-residents with banking institutions.

p Preliminary

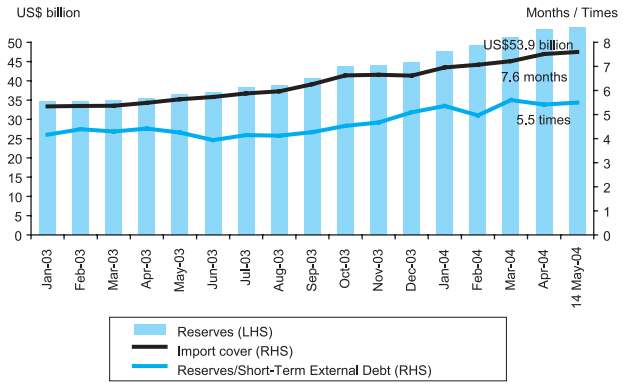
Source: Ministry of Finance, Malaysia and Bank Negara Malaysia

which was subsequently placed abroad as part of the banks' regional treasury operations. As at end-March, the short-term debt accounted for only 18.9% of total external debt, and is about 17.9% of the net international reserves.

International reserves continued to increase

The rising trend in the international reserves of Bank Negara Malaysia continued into the first quarter of 2004. As at 31 March 2004, the net international reserves stood at RM195.1 billion or US$51.3 billion, representing an increase of RM24.6 billion or US$6.5 billion since end 2003. The increase in reserves during the quarter was supported mainly by higher repatriation of export earnings, sustained inflows of FDI and larger inflows of portfolio funds in line with the improved performance in the stock market. The reserves level has also taken into account the quarterly adjustment of the foreign exchange revaluation loss amounting to US$421 million.

Net International Reserves (as at end period)



The reserves increased further to RM204.7 billion or US$53.9 billion as at 14 May 2004, reflecting the sustained repatriation of export earnings, drawdown of external loans and the continued inflows of portfolio funds and foreign direct investment. The current level of reserves is adequate to finance 7.6 months of retained imports and is 5.5 times the short-term external debt.

Lower Fiscal Deficit

The Federal Government recorded a lower fiscal deficit of RM3.2 billion or 3.1% of GDP in the first quarter. The improvement in the fiscal position emanated from stronger revenue collection as well as lower gross development expenditure. Revenue collection during the quarter was higher from both direct taxes and non-tax revenue. As the private sector demand generated stronger growth, the Government prioritised its expenditure, with the bulk of the outlays extended to the

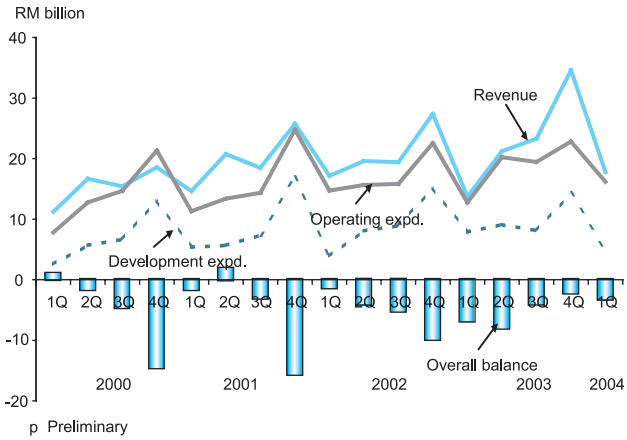
Federal Government Finance [p]

	2003			2004
	1Q	4Q	Year	1Q
	RM billion			
Revenue	13.7	34.6	92.8	17.7
% growth	*-20.0*	*26.5*	*11.1*	*29.3*
Operating expenditure	12.8	22.4	75.2	16.2
% growth	*-13.3*	*-0.5*	*9.5*	*26.7*
Current account	**1.0**	**12.2**	**17.6**	**1.6**
% of GDP	***1.0***	***11.6***	***4.5***	***1.5***
Gross development expenditure	7.8	14.3	39.4	4.9
% growth	*101.4*	*-5.5*	*9.4*	*-38.0*
Loan recoveries	0.1	0.4	0.8	0.1
Overall balance	**-6.8**	**-1.8**	**-20.9**	**-3.2**
% of GDP	***-7.3***	***-1.7***	***-5.3***	***-3.1***
Memo item:				
Total gross expenditure	20.6	36.8	114.6	21.0
% growth	*10.7*	*-2.5*	*9.5*	*2.1*
Total Federal Government debt				
(as at end period) (RM billion)	175.3	188.8	188.8	194.3
% of GDP	*44.5*	*47.9*	*47.9*	*46.5*
Domestic debt (RM billion)	135.9	151.5	151.5	157.0
% of GDP	*34.5*	*38.4*	*38.4*	*37.6*
External (RM billion)	39.4	37.3	37.3	37.3
% of GDP	*10.0*	*9.5*	*9.5*	*8.9*

p Preliminary

education, transport, health and housing sectors. The ample liquidity in the domestic market enabled the Government to raise funds at low interest cost from the domestic market to finance the deficit. As at end-March 2004, total outstanding debt of the Federal Government remained within prudent levels of RM194.2 billion or 46.5% of GDP. The external debt of the Federal Government continued to remain low at 20.2 % of the nation's external debt or 8.9% of GDP.

Federal Government Finance p



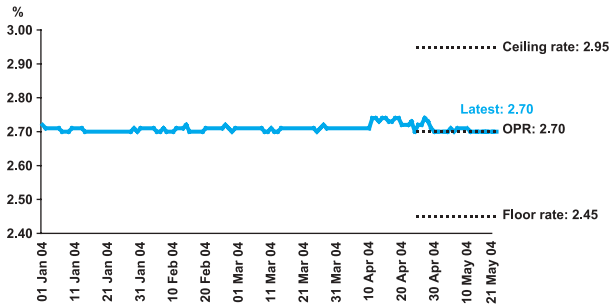
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Monetary conditions remained supportive of private sector-led activities

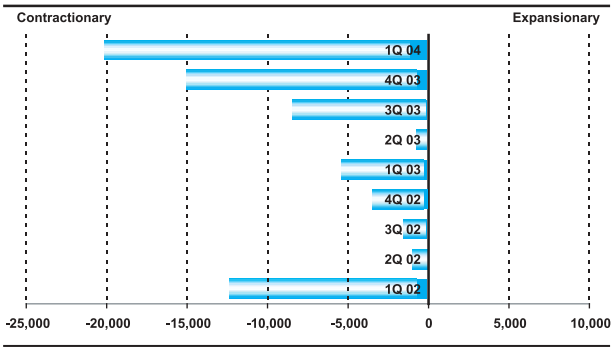
In a low inflation environment, monetary policy continued to be supportive of economic growth in the first quarter of 2004. The ample liquidity and strengthened capacity of the banking system together with the low and stable interest rates continued to support the financing needs of the private sector.

In the first quarter, the interbank rates remained low and stable. The overnight interbank rate ranged between 2.70% - 2.75%. Bank Negara Malaysia absorbed additional liquidity from expansionary external operations to maintain stable money market conditions.

Daily Average Overnight Interbank Rate



BNM Liquidity Operations
(During the quarter, RM million)



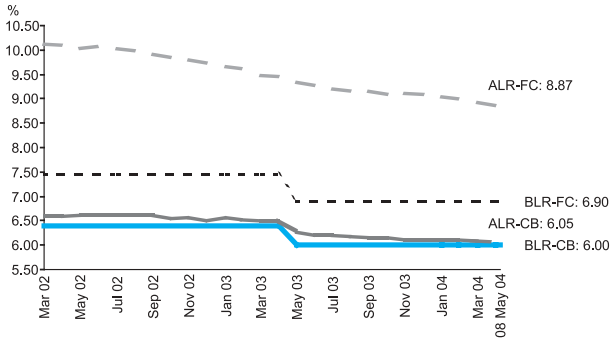
A significant development in the conduct of monetary policy was the implementation of the new interest rate framework on 26 April 2004 by Bank Negara Malaysia. The changes introduced are to enhance the effectiveness of the monetary policy transmission mechanism and promote more efficient pricing by banking institutions. The new framework is designed to enhance the effectiveness of monetary policy by facilitating the transmission of changes in the policy rate to the other market rates and ultimately, to key macroeconomic objectives.

The overnight policy rate (OPR) replaced the 3-month intervention rate as the indicator of the monetary policy stance. The new framework represented a change in the system of implementing monetary policy and did not represent a change in monetary policy. To reflect this, the OPR was set at the prevailing interbank overnight rate of 2.70%. Since its introduction, the interbank overnight rate has fluctuated within a narrow margin of around 2.68% - 2.80%, with an average of 2.71% during the period 26 April - 21 May 2004. This reflected the smooth transition to the new framework as market participants responded within expectations.

Under the new interest rate framework, each banking institution will announce its own base lending rates (BLRs) based on its cost structure and business strategies. Since the introduction of the new interest rate

framework, the BLRs of the commercial banks (CBs), with the exception of one institution, remained unchanged at 6.00% while the BLRs of finance companies (FCs) remained unchanged at 6.90% as at 21 May 2004. The average lending rates (ALR) of the CBs and FCs continued to decline marginally to 6.05% and 8.87% respectively as at 30 April 2004, reflecting the larger components of new loans priced at lower lending rates.

Lending Rates: Commercial banks & Finance Companies
(average for the month)



Interest Rates

	1Q 03	4Q 03	1Q 04
	At end-period (%)		
3-month intervention rate *	5.00	4.50	4.50
Interbank rates			
Overnight	2.81	2.71	2.71
1-month	2.99	2.99	2.98
Base lending rates (BLR)			
Commercial banks	6.39	6.00	6.00
Finance companies	7.45	6.90	6.90
Average lending rates			
Commercial banks	6.50	6.11	6.10
Finance companies	9.49	9.11	8.95
Fixed deposit rates			
Commercial banks			
3-month	3.20	3.00	3.00
12-month	4.00	3.70	3.70
Finance companies			
3-month	3.20	3.00	3.00
12-month	4.00	3.70	3.70

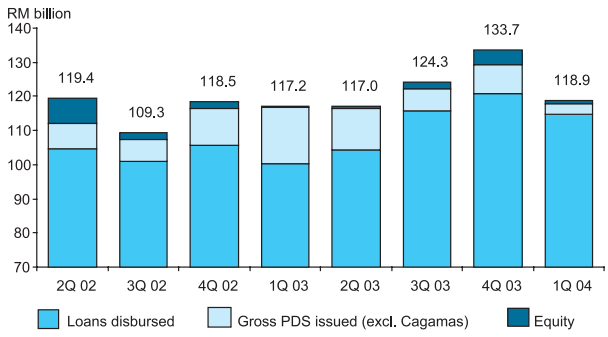
* Effective 26 April 2004, the Overnight Policy Rate (OPR) replaced the 3-month intervention rate as the indicator of the monetary policy stance.

Source: Bank Negara Malaysia

Sustained private sector financing

Private sector demand for financing remained high during the quarter due to the prevalence of continued low borrowing cost, sustained domestic demand conditions and improved external economic conditions. Gross private sector financing through the banking system and the capital market remained strong at RM118.9 billion in the first quarter of 2004. On a net basis, outstanding banking system loans and PDS continued to increase at a strong annual rate of 8.2%.

Gross Private Sector Financing through Banking System and Capital Market



Reflecting improved business and consumer sentiment, most loan indicators grew at a strong pace during the quarter. Total loan applications rose further to RM58.6 billion, exceeding the quarterly average in 2003, while loan approvals remained high at RM37.2 billion. Loan applications were higher for both businesses and households compared with the fourth quarter of 2003. Total loans disbursed increased at an annual rate of 14.4% to RM114.9 billion. Loans disbursed to the manufacturing and wholesale sectors accounted for 39.5% of total loans disbursed.

Financing of the Private Sector through Banking System and Capital Market

	During the period (RM billion)				Annual growth (%)		
	2003	1Q 03	4Q 03	1Q 04	2003	4Q 03	1Q 04
Gross total financing	**492.2**	**117.2**	**133.7**	**118.9**	**9.0**	**12.8**	**1.4**
Loans disbursed *	441.7	100.4	120.9	114.9	7.3	14.3	14.4
Gross PDS (excl. Cagamas)	42.8	16.2	8.3	2.8	60.5	-22.3	-82.5
Equity	7.8	0.6	4.6	1.2	-41.5	116.5	104.4
Outstanding total financing (A)+(B)	**57.8**	**17.3**	**11.1**	**6.9**	**10.3**	**10.3**	**8.2**
Banking system	28.1	5.7	4.5	3.3	5.9	5.9	5.3
Loans outstanding (A)	*21.6*	*1.2*	*1.3*	*5.3*	*4.8*	*4.8*	*5.7*
Holding of PDS	*6.6*	*4.5*	*3.2*	*-2.0*	*23.8*	*23.8*	*0.0*
PDS outstanding (B)	36.2	16.0	9.8	1.6	33.4	33.4	17.5
Memorandum item							
Gross PDS (incl. Cagamas)	51.0	17.4	10.5	6.0	40.8	-10.3	-65.3

* Banking system loans include loans sold to Cagamas.

Efforts continued to support access to financing by the small and medium enterprises (SMEs). Bank lending to the sector remained strong in the first quarter of 2004. Higher approvals from previous quarters resulted in an annual growth rate of 12.3% in loan disbursements to the SMEs, amounting to RM23.7 billion during the quarter. However, higher loan repayments contributed to a moderation in the annual growth rate of outstanding loans to the SMEs, to 5.3% at end-March 2004 from 10% at end-2003. During the quarter, a total of RM5.7 billion was approved to 18,703 SMEs.

Loan Indicators

	During the period (RM billion)				Annual Growth (%)			
	2003			2004	2003			2004
	1Q	4Q	Year	1Q	1Q	4Q	Year	1Q
Total								
Loan applications	56.1	55.8	227.6	58.6	14.4	6.8	4.8	4.4
Loan approvals	35.3	38.9	152.7	37.2	14.3	16.8	11.0	5.2
Loan disbursements	100.4	120.9	441.7	114.9	0.5	14.3	7.3	14.4
Loan repayments	100.9	123.0	430.5	112.5	4.3	17.5	6.9	11.5
Change in loan outstanding *	1.2	1.3	21.6	5.3	3.5	4.8	4.8	5.7
Of which:								
Business enterprises								
Loan applications	33.9	28.6	124.9	30.5	-1.3	-9.4	-7.7	-9.9
Loan approvals	18.2	18.8	77.2	17.2	20.1	13.9	12.7	-5.1
Loan disbursements	68.1	84.4	303.4	78.2	0.2	16.2	7.6	14.9
Loan repayments	69.4	86.9	299.6	75.6	5.5	22.2	8.6	8.9
Change in loan outstanding *	-4.5	-5.0	-5.2	-0.4	-3.2	-2.4	-2.4	-0.6
SMEs								
Loan applications	12.8	9.8	44.5	10.5	n.a.	n.a.	n.a.	-17.8
Loan approvals	6.8	6.6	25.7	5.7	n.a.	n.a.	n.a.	-16.1
Loan disbursements	21.1	24.9	87.1	23.7	n.a.	n.a.	76.0	12.3
Change in loan outstanding *	2.3	2.4	7.4	-1.1	1.9	10.0	10.0	5.3
Large corporations								
Loan applications	21.0	18.8	80.4	20.0	n.a.	n.a.	n.a.	-5.0
Loan approvals	11.3	12.2	51.5	11.5	n.a.	n.a.	n.a.	1.5
Loan disbursements	47.0	59.5	216.4	54.6	n.a.	n.a.	-6.9	16.0
Change in loan outstanding *	-6.7	-7.3	-12.7	0.6	-5.8	-8.8	-8.8	-3.9
Households								
Loan applications	21.0	25.5	98.5	27.2	27.2	26.8	20.2	29.9
Loan approvals	16.0	18.7	72.0	19.3	7.5	13.3	7.6	20.8
Loan disbursements	26.2	30.4	114.5	30.8	2.4	12.5	8.9	17.5
Loan repayments	22.5	26.3	94.1	26.8	8.5	20.6	12.4	19.2
Change in loan outstanding *	5.0	7.4	26.2	6.0	13.7	12.8	12.8	13.0

* The annual growth is for end-period.
Source: Bank Negara Malaysia

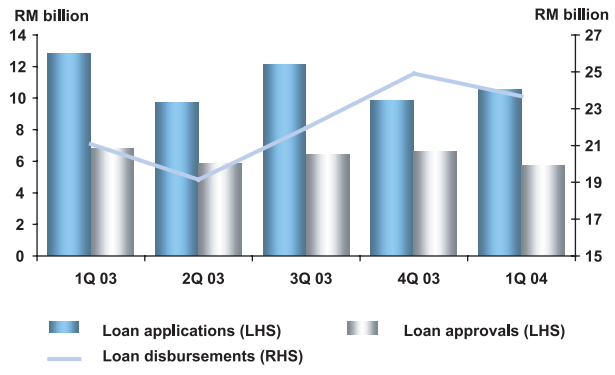
For the household sector, improved household income and consumer sentiment were reflected in the increase in all the major loan indicators for households compared with the previous quarter. Loan applications, approvals and disbursements grew at higher annual rates of 29.9%, 20.8% and 17.5% respectively. Approvals were granted mainly for the purchase of residential properties (44.3% of total loans approved for households). Loans disbursed for the purchase of residential properties accounted for 30.8% of disbursements to households, followed by credit cards (27.2%) and purchase of passenger cars (19.4%).

Loans by Sector

	Loans disbursed					Loans out-standing
	During the period				Share of total	Share of total
	2003	1Q 03	4Q 03	1Q 04		
	RM billion				%	
Business enterprises	303.4	68.1	84.4	78.2	68.1	44.6
Large corporations	*216.4*	*47.0*	*59.5*	*54.6*	*47.5*	*27.6*
SMEs	*87.1*	*21.1*	*24.9*	*23.7*	*20.6*	*16.9*
Households	114.5	26.2	30.4	30.8	26.8	49.4
By sector						
Agriculture, hunting, forestry and fishing	11.1	2.5	3.0	3.1	2.7	2.3
Mining and quarrying	1.7	0.3	0.5	0.5	0.5	0.2
Manufacturing	110.4	27.3	28.5	27.2	23.6	12.7
Broad property sector	78.9	17.2	21.6	21.0	18.3	40.2
Construction	*27.5*	*6.3*	*7.2*	*7.0*	*6.1*	*6.1*
Purchase of residential property	*35.6*	*7.6*	*9.7*	*9.5*	*8.2*	*25.1*
Purchase of non-residential property	*9.7*	*2.0*	*2.7*	*2.7*	*2.4*	*6.1*
Real estates	*6.1*	*1.3*	*1.9*	*1.8*	*1.5*	*3.0*
Electricity, gas and water supply	6.0	1.5	1.0	1.5	1.3	1.1
Wholesale, retail, restaurants and hotels	70.1	16.1	19.3	18.3	15.9	8.2
Transport, storage and communication	12.0	1.9	2.4	2.5	2.1	2.3
Finance, insurance and business services	36.7	6.1	14.7	10.6	9.2	6.2
Consumption credit	72.4	17.2	18.9	19.5	17.0	18.9
Of which:						
Credit cards	*30.5*	*7.1*	*8.5*	*8.4*	*7.3*	*2.5*
Purchase of passenger cars	*24.5*	*6.1*	*5.7*	*6.0*	*5.2*	*13.1*
Purchase of securities	12.9	2.8	3.4	3.7	3.2	4.1
Purchase of transport vehicles excluding passenger cars	1.2	0.4	0.3	0.3	0.2	0.7
Others	28.3	7.1	7.3	6.8	5.9	3.2
Total	**441.7**	**100.4**	**120.9**	**114.9**	**100.0**	**100.0**

Source: Bank Negara Malaysia

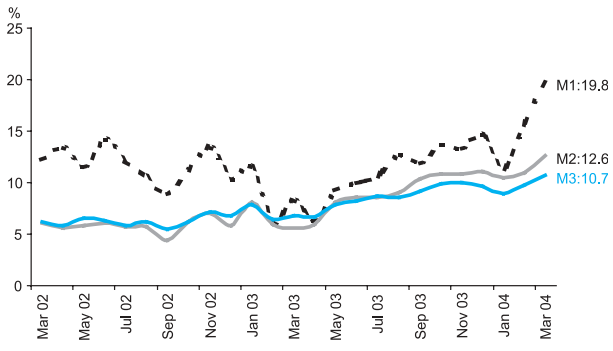
Bank Lending to SMEs



Further expansion in monetary aggregates

In line with the higher growth in private sector-led economic activities and the improved external sector, all three monetary aggregates expanded during the quarter. The annual growth rates of M1, M2 and M3 were higher at 19.8%, 12.6% and 10.7% respectively at end-March 2004 (14.6%, 11.1% and 9.7% respectively at end-December 2003). The higher growth in M1 reflected stronger demand for transaction balances due to higher consumption spending as well as higher turnover in the equity market. Meanwhile, broad money, M3, expanded by RM19.1 billion during the quarter, reflecting the continued repatriation of export earnings and inflows of foreign funds for portfolio and direct investments as well as higher financing by the banking system to the private sector. This was partially offset by the increase in deposits with

Monetary Aggregates: Annual Growth



M3 Determinants

	Change during the period				
	Yearly		Quarterly		
	2002	2003	1Q 03	4Q 03	1Q 04
	RM billion				
M3	31.6	48.5	12.6	14.3	19.1
Net claims on Government	11.5	12.9	4.7	8.5	-6.0
Claims on private sector	27.7	31.3	7.2	2.4	3.8
Net external operations *	1.2	20.7	-2.1	12.0	33.3
Other influences	-8.9	-16.5	2.8	-8.6	-12.0

* Pre-revaluation
Source: Bank Negara Malaysia

Bank Negara Malaysia as the Government placed the proceeds from the issuance of MGS during the quarter.

Higher funds raised in the capital market

In the first quarter of 2004, higher net funds amounting to RM5.9 billion were raised in the capital market. The higher net funds reflected higher gross funds of RM11.5 billion raised by the public sector with three issuances of MGS. The first issuance of the Merdeka Savings Bond by Bank Negara Malaysia on 4 February 2004 amounted to RM500 million. Merdeka Savings Bond is an additional savings instrument for senior citizens not employed on a full-time basis as well as retired Malaysian Armed Forces personnel. On a net basis, taking into account the MGS and Malaysia Savings Bond redemptions, total net funds raised by the public sector was higher, amounting to RM5.5 billion (RM2.6 billion in 4Q 2003).

The Government securities auction calendar was announced during the quarter, with 17 issues planned for the year. The auction calendar was designed to further lengthen the benchmark MGS and GII yield curves with a new issuance of 15-year MGS, and a new issuance of 7-year GII during the year.

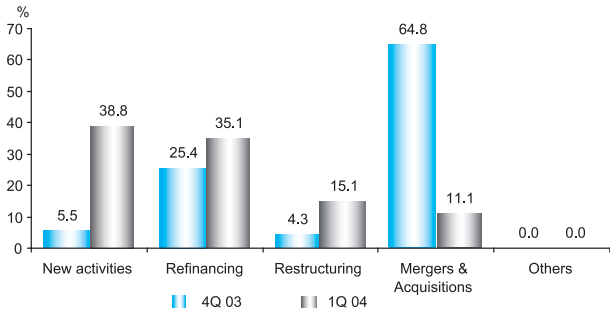
In terms of private issuance, on a gross basis, new issues of private debt securities (excluding Cagamas bonds) amounted to RM2.8 billion, issued mainly by companies in the manufacturing sector. Funds raised through the PDS market during the quarter were mainly for new activities (38.8% of total PDS) and refinancing (35.1%). The new issues were mainly in the form of medium-term notes (MTN) and straight bonds. Cagamas Berhad also issued bonds worth RM3.2 billion. On a net basis, the PDS market recorded a net redemption of RM880 million. In the equity market, RM1.2 billion was raised, of which RM383 million were from 19 initial public offerings. There were 21 new listings on the Bursa Malaysia during the period, with three listings on the Main Board, 11 on the Second Board and seven on MESDAQ.

Funds Raised in the Capital Market

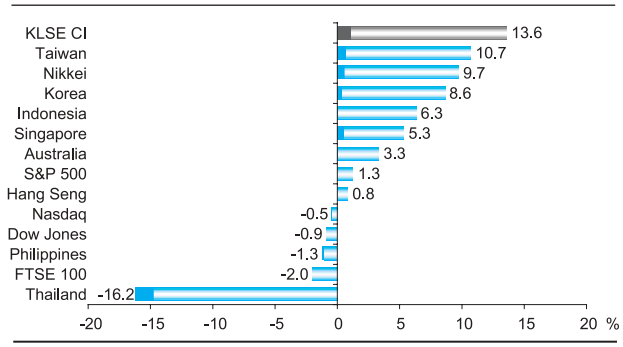
	4Q 02	1Q 03	4Q 03	1Q 04
	RM million			
By Public Sector				
Government Securities, *gross*	6,000	17,730	2,768	11,000
Less Redemptions	2,000	10,300	0	5,500
Less Government holdings	0	0	0	0
Equals Net Federal receipts	4,000	7,430	2,768	5,500
Khazanah Bonds, *net*	0	878	-210	0
Govt. Investment Issues, *net*	738	1,729	0	0
Malaysia Savings Bond, *net*	-2	-2	-2	-455
Merdeka Savings Bond, *net*	0	0	0	500
Net Funds Raised	4,736	10,035	2,556	5,545
By Private Sector				
Shares	2,112	587	4,573	1,200
Debt securities	11,701	17,405	10,493	6,041
Private Debt Securities (PDS)	*10,636*	*16,185*	*8,268*	*2,836*
Cagamas	*1,065*	*1,220*	*2,225*	*3,205*
Less Redemptions	10,271	2,176	16,940	6,924
Net Issues	*1,430*	*15,229*	*-6,447*	*-883*
Net issues (excluding Cagamas)	*685*	*15,536*	*-8,672*	*-2,088*
Net Funds Raised	3,542	15,816	-1,874	317
Total Net Funds Raised	8,278	25,851	682	5,862
Short-term papers and notes, *net* *	413	1,620	-884	-3,793
TOTAL	**8,691**	**27,471**	**-202**	**2,069**

*Refers to Commercial Papers and Cagamas Notes only.

Private Debt Securities Issued by Purpose
(% of total)



Performance of Selected Global and Regional Markets in the First Quarter of 2004



KLSE CI registered significant gains

The KLSE CI strengthened further during the first quarter of 2004. Share prices in the Bursa Malaysia increased, supported by the favourable corporate performances and better economic outlook. While other overseas share markets also rose during the quarter, the KLSE CI registered significant gains. The KLSE CI breached the 900-point threshold to reach 908.96 on 22 March 2004.

During the first quarter, KLSE CI gained 107.9 points (+13.6% since the end of fourth quarter of 2003). Market capitalisation during the quarter was also higher at RM724.2 billion (+13.1% since the end of the fourth quarter of 2003) while average daily trading activities stabilised at 650.6 million units.

Bursa Malaysia: Turnover of Corporate Securities

	During the period									
	4Q 02		1Q 03		3Q 03		4Q 03		1Q 04	
	million units	RM million	million units	RM million	million units	RM million	million units	RM million	million units	RM million
Turnover	8,890	17,098	12,387	21,294	41,877	62,274	40,144	71,970	37,737	77,036
of which:										
Main Board	7,276	14,914	10,609	19,397	27,849	46,225	27,495	51,391	27,626	61,454
of which:										
Consumer Products	255	1,096	310	1,481	857	2,768	944	3,086	1,173	3,905
Industrial Products	575	1,213	711	1,535	3,911	5,406	3,735	5,369	4,087	6,067
Construction	869	1,199	1,482	1,687	2,088	3,967	2,177	5,415	1,693	4,044
Trading / Services	1,791	5,384	2,791	7,165	5,994	14,829	6,118	16,632	5,632	19,975
Finance	1,244	3,335	1,532	3,784	3,497	8,471	3,468	9,065	4,536	14,521
Properties	996	749	1,370	966	5,215	4,567	5,138	5,446	4,159	5,145
Plantations	178	737	296	1,283	676	1,815	638	1,981	762	3,106
Mining	38	72	48	91	42	67	36	102	43	140
Second Board	1,523	2,162	1,591	1,807	8,069	12,103	10,100	18,229	6,258	11,249

Source: Bursa Malaysia