DEVELOPMENTS IN THE MALAYSIAN ECONOMY

Growth resumed in the fourth quarter

The Malaysian economy registered a growth of 4.5% in the fourth quarter (3Q 09: -1.2%), amid strengthened domestic demand and external demand. Sustained expansion in private consumption and increased public sector spending contributed to higher domestic demand. The implementation of the fiscal stimulus measures had gained further momentum during the quarter, providing additional impetus to growth. Meanwhile, Malaysia's export performance benefited from improvements in external demand, particularly from the regional economies as well as stronger commodity prices. On the supply side, all economic sectors recorded improved performance. Overall, the economy contracted by 1.7% in 2009 (2008: +4.6%).

GDP by Expenditure Components (at constant 2000 prices)

	2008		2009		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Aggregate Domestic Demand (excluding stocks)	2.8	6.8	0.4	3.0	-0.4
Consumption	7.1	9.0	3.3	1.6	1.4
Private sector	*5.3*	*8.5*	*1.5*	*1.7*	*0.8*
Public sector	*12.7*	*10.9*	*10.9*	*1.3*	*3.7*
Gross Fixed Capital Formation	-10.2	0.8	-7.9	8.2	-5.5
Net Exports	-39.5	-3.5	-16.9	11.4	8.4
Exports of Goods and Services	*-13.3*	*1.3*	*-13.4*	*7.3*	*-10.1*
Imports of Goods and Services	*-10.2*	*1.9*	*-12.9*	*6.9*	*-12.5*
GDP	**0.1**	**4.6**	**-1.2**	**4.5**	**-1.7**

Source: Department of Statistics, Malaysia

Domestic demand recorded strong growth

Domestic demand grew by 3% in the fourth quarter (3Q 09: 0.4%), due to both higher private consumption and public sector spending. Meanwhile, private sector capital spending activity remained weak although business sentiment has improved.

Private consumption expanded by 1.7% (3Q 09: 1.5%), supported by better conditions in the labour market and a low level of inflation. Consumer spending was also encouraged by various promotions held during the festive period and long school holidays in December. Major consumption indicators such as imports of consumption goods, credit card spending, bank lending to households and sales of new passenger cars improved further, pointing to higher consumer spending. In addition, consumer confidence also improved, as the MIER Consumer Sentiments Index increased further to 109.6 points in the fourth quarter (3Q 09: 105.4 points).

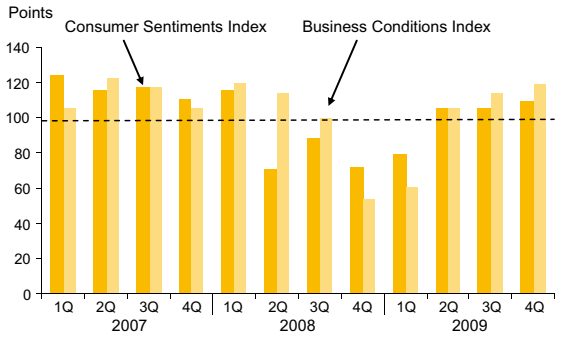
Meanwhile, **public consumption** expanded more moderately by 1.3%, supported by the expenditure on emoluments as well as supplies and services.

Gross fixed capital formation registered a higher growth of 8.2% (3Q 09: -7.9%), due mainly to the acceleration in public sector capital spending as implementation of fiscal stimulus measures gained momentum. The bulk of the development expenditure continued to be channelled into trade and industry, public utilities, education and transportation sectors. Meanwhile, private sector capital spending remained weak but showed some signs of stabilisation as reflected in major investment indicators. During the quarter, there was notable improvement in indicators such as imports of capital goods, sales of commercial vehicles, production of construction-related products and loans disbursed to businesses. In addition, MIER Business Conditions Index increased further to 118.8 points during the quarter (3Q 09: 113.7 points).

Improved performance in all sectors

On the supply side, all economic sectors registered improved performance during the quarter. Growth in the services sector was broad-based with almost all sub-sectors registering higher growth rates, while the manufacturing sector recovered to register a positive growth, reflecting the improvements in both external and domestic demand. The construction sector continued to expand, supported mainly by further progress in the implementation of projects under the fiscal stimulus packages. Growth in the agriculture sector was positive due mainly to the higher production of industrial crops, while the mining sector contracted at a slower rate during the quarter due to lower production of crude oil.

Business and consumer sentiments improved



Source: MIER

Quarterly GDP by Economic Activity (at constant 2000 prices)

	2008		2009		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Agriculture	0.5	4.0	-0.5	6.0	0.4
Mining	-5.7	-0.8	-3.5	-2.8	-3.8
Manufacturing	-8.8	1.3	-8.6	5.3	-9.3
Construction	-1.6	2.1	7.9	9.2	5.7
Services	5.7	7.2	3.4	5.1	2.6
Real GDP (Annual Change)	**0.1**	**4.6**	**-1.2**	**4.5**	**-1.7**
Real GDP (Preceding Change)	**-3.4**	**4.6**	**5.7**	**2.2**	**-1.7**

Source: Department of Statistics, Malaysia

Strong growth in the services sector

Growth in the **services sector** strengthened to 5.1% (3Q 09: 3.4%), with most sub-sectors registering higher growth rates, as both domestic and external demand conditions improved further. The services sector remained the largest contributor to growth, contributing 2.9 percentage points to overall GDP growth.

The **finance and insurance** sub-sector grew strongly by 9.8% (3Q 09: 3.5%), led by the continued expansion in bank lending and the marked increase in fee-based income. The insurance segment also supported growth as reflected by the higher premium income. Similarly, the **real estate and business services** sub-sector recorded a robust growth of 7% (3Q 09: 4.9%), supported by higher capital market-related activities and a pick-up in property transactions during the quarter.

Reflecting the improved consumer sentiments and the year-end sales, the **wholesale and retail trade** sub-sector registered a higher growth of 3.3% (3Q 09: 2.2%). Of significance, total motor vehicle sales increased by 17.6% in the fourth quarter, after five consecutive quarters of declines. Meanwhile, the continued positive growth in tourist arrivals as well as the school holiday season contributed to the expansion of the **accommodation and restaurant** sub-sector.

Performance of the Services Sector (value added at constant 2000 prices)

	Share 2008 (%)	2008		2009		
		4Q	Year	3Q	4Q	Year
		Annual change (%)				
Intermediate Services	**43.3**	**2.6**	**6.0**	**3.1**	**7.6**	**3.0**
Finance & insurance	20.0	3.5	7.7	3.5	9.8	4.4
Real estate & business services	9.4	-0.6	1.5	4.9	7.0	2.1
Transport & storage	7.0	1.0	6.1	-3.5	2.6	-2.8
Communication	7.0	6.3	7.3	6.1	7.1	6.0
Final Services	**56.7**	**7.9**	**8.3**	**3.7**	**3.4**	**2.2**
Utilities	5.3	-2.6	2.1	1.7	9.4	0.4
Wholesale & retail trade	23.2	5.9	9.8	2.2	3.3	1.2
Accommodation & restaurant	4.4	7.4	7.3	3.8	2.2	2.7
Government services	13.4	18.2	11.1	7.4	1.3	3.0
Other services	10.4	5.3	5.2	3.8	3.9	4.4
Total Services	**100.0**	**5.7**	**7.2**	**3.4**	**5.1**	**2.6**

Source: Department of Statistics, Malaysia

Selected Quarterly Indicators in the Services Sector

	2008	2009			
	4Q	1Q	2Q	3Q	4Q
	Index				
MIER Consumer Sentiment Index	71.4	78.9	105.8	105.4	109.6
MIER Retail Trade Index	52.7	52.3	76.3	100.7	111.0
MIER Tourism Market Index	94.0	78.1	75.8	88.7	114.1
	Annual change (%)				
Tourist arrivals	7.5	2.2	4.7	12.4	9.5
Total passenger traffic at all airports	2.1	-4.6	5.2	10.4	15.8
Total consumption credit outstanding	8.9	8.5	6.8	6.6	7.7
Loans outstanding to the wholesale & retail trade, hotels & restaurants	9.0	3.5	-1.8	-4.1	-1.2
Imports of consumption goods	4.5	-4.3	-8.3	-4.4	6.3
Total sales of motor vehicles	-8.3	-8.1	-11.1	-3.5	17.6
Container cargo handled (Port Klang and PTP)	-3.9	-10.6	-6.4	-1.7	11.8

Source: Various sources

The **communication** sub-sector registered a 7.1% growth (3Q 09: 6.1%) as heightened competition among telecommunication service providers prompted aggressive year-end promotions which contributed to strong demand for both cellular and broadband services. The **transport and storage** sub-sector turned around to register a positive growth of 2.6%, after three consecutive quarters of contraction. This was due mainly to the improvement in cargo-related transportation services, following the improved external demand conditions. Growth in the **utilities** sub-sector strengthened further, in line with the expansion in manufacturing activity.

Positive growth in the manufacturing sector

The **manufacturing sector** recovered to register a positive growth of 5.3% with better performance in all four clusters, reflecting the improvement in both external and domestic demand.

The marginal growth in the **export-oriented industry** was led by the primary-related cluster, which turned around to expand by 6.7% (3Q 09: -1.2%), driven by higher demand for chemical, rubber and off-estate processing products. Meanwhile, the E&E cluster turned around to expand by 2%, more evidently in semiconductors and electrical products segments as external demand recovered.

In the **domestic-oriented industry**, stronger domestic demand contributed to the expansion in both consumer- and construction-related clusters. Production of food, beverages and tobacco products grew robustly, in tandem with the continued growth in domestic private consumption, while the improved production in the construction-related cluster was supported by higher domestic construction activity.

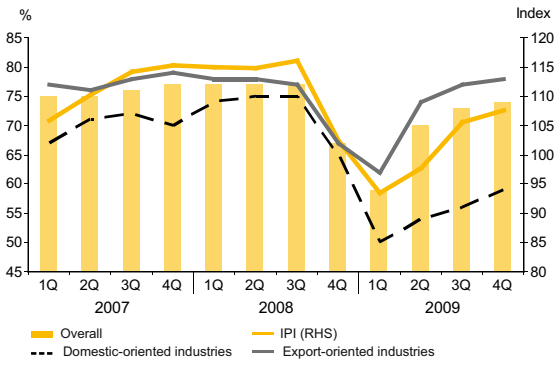
Performance in the Manufacturing Sector

	2008		2009		
	4Q	Year	3Q	4Q	Year
	Annual Change (%)				
Value Added (at constant 2000 prices)	**-8.8**	**1.3**	**-8.6**	**5.3**	**-9.3**
Overall Production[1]	**-11.1**	**0.6**	**-9.1**	**5.1**	**-9.8**
Export-oriented industries	**-13.4**	**-1.2**	**-10.0**	**5.0**	**-10.9**
Electronics and electrical products cluster	**-22.5**	**-3.6**	**-22.6**	**2.0**	**-22.8**
Of which:					
Electronics	-27.8	-5.4	-22.9	0.6	-24.6
Electrical products	-8.2	0.9	-22.1	5.0	-18.5
Primary-related industry cluster	**-6.8**	**0.4**	**-1.2**	**6.7**	**-3.2**
Of which:					
Chemicals and chemical products	-15.0	-3.5	-1.8	19.6	-1.7
Petroleum products	2.0	5.9	6.5	-3.4	0.1
Rubber products	2.1	4.7	2.4	15.6	-3.2
Off-estate processing	-0.2	9.4	-5.1	8.5	-2.1
Domestic-oriented industries	**-2.0**	**8.0**	**-5.7**	**5.5**	**-5.7**
Construction-related cluster	**-8.3**	**4.3**	**-8.6**	**2.6**	**-11.4**
Of which:					
Construction-related materials	-10.7	3.2	-15.2	-2.9	-18.2
Fabricated metal products	-4.4	6.1	1.0	11.1	-0.9
Consumer-related cluster	**3.1**	**11.0**	**-3.4**	**7.7**	**-1.3**
Of which:					
Transport equipment	18.4	23.4	-16.2	-8.6	-12.4
Food, beverage & tobacco products	-2.3	7.4	-0.1	12.1	1.5

[1] Industrial Production Index (2005=100)

Source: Department of Statistics, Malaysia

Capacity utilisation rate in the manufacturing sector*



* Beginning 2009, the capacity utilisation rate in the manufacturing sector has been rebased from value-add in year 2004 to value-add in year 2006

Source: Bank Negara Malaysia and Department of Statistics, Malaysia

Overall capacity utilisation rate in the manufacturing sector increased to 74% in the fourth quarter (3Q 09: 73%), reflecting the improved production level in the sector. Export- and domestic-oriented industries were operating at 78% and 59% of total capacity respectively (3Q 09: 77% and 56% respectively).

Better performance in the commodities sector

The **agriculture sector** turned around to record a positive growth of 6% due mainly to higher production of industrial crops such as palm oil and rubber. Palm oil and rubber production increased following higher external demand. The increase in rubber production was also due to a rise in the tapping activity in response to higher prices. Meanwhile, the **mining sector** contracted at a slower rate of 2.8%, due to lower crude oil production.

Performance of the Agriculture Sector

	2008		2009		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Value Added (at constant 2000 prices)	**0.5**	**4.0**	**-0.5**	**6.0**	**0.4**
Industrial Crops	**-3.1**	**2.9**	**-5.1**	**6.0**	**-4.4**
Food Crops	**5.8**	**5.6**	**5.5**	**4.4**	**6.7**
Production					
Of which:					
Crude palm oil	3.6	12.1	-4.1	6.4	-1.0
Rubber	-29.7	-10.6	-24.8	19.6	-20.2
Fish	7.1	5.2	0.5	0.6	6.7
Livestock	3.0	4.3	8.9	13.0	7.6

Source: Malaysian Palm Oil Board (MPOB)
Malaysian Rubber Board (MRB)
Fisheries Department, Malaysia
Department of Veterinary Services, Malaysia
Department of Statistics, Malaysia

Performance of the Mining Sector

	2008		2009		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Value Added (at constant 2000 prices)	**-5.7**	**-0.8**	**-3.5**	**-2.8**	**-3.8**
Production					
Of which:					
Crude oil and condensates	-5.9	1.1	-4.8	-5.0	-4.4
Natural gas	-1.5	0.3	-2.6	0.4	-4.0

Source: PETRONAS
Department of Statistics, Malaysia

Indicators for the Construction Sector

	2008		2009		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
New sales and advertising permits	-47.8	-18.9	28.4	100.8	12.3
Housing approvals	-53.8	-18.8	29.3	111.6	4.2
Production[1] of construction-related materials	-8.3	4.3	-8.6	2.6	-11.4
Loans approved for construction	-25.2	-1.7	-6.2	14.6	-19.1
Imports of construction materials and mineral products	-10.0	4.9	-8.3	1.8[2]	-7.7[3]

[1] Industrial Production Index (2005=100)
[2] Oct-Nov 2009
[3] Jan-Nov 2009

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

Strong growth in the construction sector

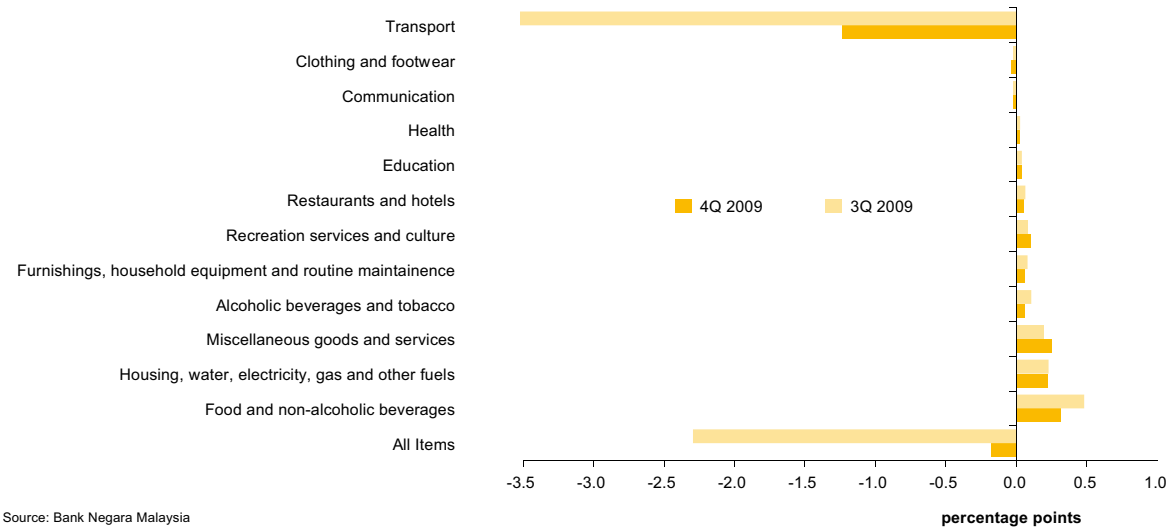
The **construction sector** expanded strongly by 9.2% during the quarter (3Q 09: 7.9%) benefiting mainly from the accelerated implementation of projects under the fiscal stimulus packages and RMK9. Growth in the non-residential segment was also driven by the ongoing construction of purpose-built office and retail space. The civil engineering sub-sector was supported by progress on the implementation of infrastructure projects such as double-track rail project and roads. Meanwhile, improvement in the residential segment reflected better demand conditions following improved consumer sentiments during the quarter.

Prices declined at a slower rate

The headline inflation rate, as measured by the change in the Consumer Price Index (CPI), declined by 0.2% on an annual basis in the fourth quarter (3Q 09: -2.3%). The decline in consumer prices was largely explained by the effect of the cumulative downward adjustments in retail fuel prices in the second half of 2008. Prices in the *transport* category fell by 7% on a yearly basis (3Q 09: -18.5%) during the period, which lowered headline inflation by approximately 1.2 percentage points. With the exception of the *transport, recreation services and culture* and *miscellaneous goods and services* category, all other CPI categories registered lower inflation rates compared to the previous quarter. Despite the quarterly decline, headline inflation turned positive in December, registering an increase of 1.1%.

Producer prices, as measured by the Producer Price Index (PPI) declined at a slower pace of 1.2% on a yearly basis in the fourth quarter (3Q 09: -10.8%). The rate of decline in prices of commodity-related components moderated to 0.9% (3Q 09: -26.4%). Prices in the non commodity-related components of the PPI also declined at a slower rate of 1.3% (3Q 09: -2.9%). In terms of composition, both the local and imported components of the PPI registered slower price declines of 1.8% (3Q 09: -14.4%) and 0.1% (3Q 09: -2.9%) respectively.

Contribution to Consumer Price Inflation



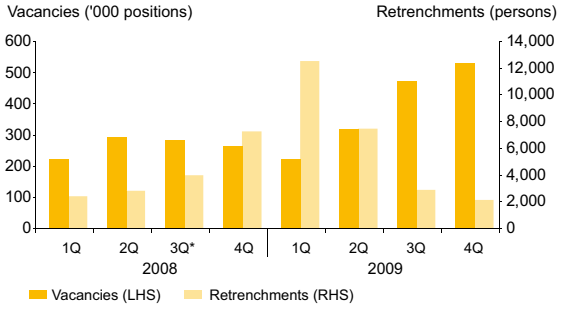
Source: Bank Negara Malaysia

Labour market conditions improved further

Labour market conditions improved further in the fourth quarter as total retrenchments continued to decline while vacancies increased. Retrenchments declined by 26% from the preceding quarter to 2,125 persons (3Q 09: 2,879 persons), reflecting broad-based improvements across all economic sectors, especially the services sector. There were fewer retrenchments in all of the services sub-sectors, while layoffs in the manufacturing sector continued to decline amid improvements in the E&E industry.

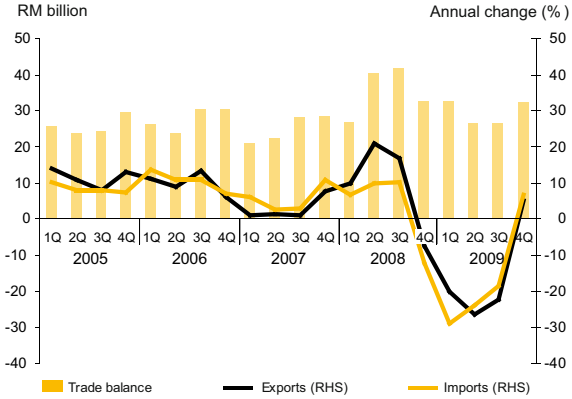
Total vacancies posted in the JobsMalaysia portal increased further in the quarter (531,694 positions; 3Q 09: 474,781 positions), supported by higher job openings in most economic sectors and in particular, the manufacturing sector. Meanwhile, real wage per worker in the manufacturing sector increased by 5.9% (3Q 09: 6.1%), providing further support to private consumption activity.

Labour Market Conditions



* Reflects adjusted retrenchments for 3Q 2008
Source: Ministry of Human Resources

External Trade Performance



Source: Department of Statistics, Malaysia

External trade recovered and expanded

Gross exports recovered and expanded by 5.1% in the fourth quarter, supported by higher external demand, particularly from the region, and stronger commodity prices. Gross imports increased by 6.7% due to higher manufacturing production and an improvement in domestic demand. Nevertheless, the trade surplus remained large at RM32.4 billion.

All segments of **gross exports**, except minerals, registered positive growth. Manufactured exports improved further and recorded a positive growth in both E&E and non-E&E exports. The strong growth in the E&E exports was reflected in both electronics and electrical segments, due mainly to higher demand from the regional countries, EU and US, particularly to meet the year-end festivities demand. Non-E&E exports also increased following higher demand from regional countries for resource-based products as well as machinery and parts used for manufacturing production. Contraction of commodity exports narrowed further in the fourth quarter due to expansion in the agriculture exports and smaller contraction in the minerals exports. The improvement was also attributed to stronger prices and demand for all major commodities, except liquefied natural gas.

Gross imports turned positive in the fourth quarter. Imports of intermediate goods increased as firms raised their productions to meet higher export demand. Capital and consumption imports continued to increase as business and consumer confidence strengthened further amid improving domestic demand and growth outlook.

Trade Account

	2008[1]		2009[1]		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Gross Exports	**-7.4**	**9.8**	**-22.4**	**5.1**	**16.6**
Manufactured	-11.2	1.8	-16.0	11.3	-11.4
E&E	*-16.2*	*-2.8*	*-16.0*	*18.4*	*-10.8*
Non-E&E	*-4.3*	*8.1*	*-16.0*	*2.9*	*-12.2*
Commodites	6.1	38.4	-37.5	-10.0	-28.8
Agriculture	*-10.6*	*32.2*	*-31.6*	*5.4*	*-22.7*
Minerals	*16.9*	*42.4*	*-41.3*	*-17.7*	*-32.5*
Gross Imports	**-11.2**	**3.9**	**-18.4**	**6.7**	**-16.6**
Capital goods	-13.4	0.0	-13.2	17.4	-5.9
Intermediate goods	-12.2	5.7	-22.6	0.1	-21.6
Consumption goods	4.5	11.8	-4.4	6.3	-2.7
Trade balance (RM billion)	**32.7**	**141.9**	**26.7**	**32.4**	**118.4**

[1] Malaysia's trade classification has been revised in April 2008 to reflect the revisions of the international trade codes i.e. Harmonised System (HS), ASEAN Harmonized Tariff Nomenclature (AHTN) and Standard International Trade Classification (SITC)

Source: MATRADE and Department of Statistics, Malaysia

Malaysia: Direction of Exports

	2008		2009			2008		2009		
	4Q	Year	3Q	4Q	Year	4Q	Year	3Q	4Q	Year
	Annual change (%)					Share of total exports (%)				
United States	**-22.2**	**-12.5**	**-30.4**	**-7.4**	**-26.8**	**12.0**	**12.5**	**10.7**	**10.6**	**10.9**
European Union (EU)	**-14.2**	**-3.8**	**-24.6**	**0.9**	**-19.9**	**11.6**	**11.3**	**10.7**	**11.1**	**10.8**
Selected ASEAN countries[1]	**-15.0**	**9.9**	**-23.5**	**11.7**	**-16.8**	**24.2**	**25.6**	**25.4**	**25.7**	**25.5**
North East Asia	**-18.3**	**10.9**	**-9.0**	**42.4**	**-1.5**	**18.1**	**20.1**	**24.9**	**24.6**	**23.8**
People's Republic of China	*-18.4*	*19.2*	*-2.8*	*61.0*	*6.4*	*8.4*	*9.5*	*13.3*	*12.8*	*12.2*
Hong Kong SAR	*-22.7*	*1.2*	*2.2*	*37.8*	*1.9*	*4.0*	*4.3*	*5.7*	*5.2*	*5.2*
Chinese Taipei	*-22.1*	*-1.4*	*-12.5*	*24.7*	*-11.1*	*2.2*	*2.4*	*2.9*	*2.6*	*2.6*
Korea	*-9.9*	*12.4*	*-38.2*	*15.2*	*-18.5*	*3.6*	*3.9*	*2.9*	*4.0*	*3.8*
West Asia	**29.3**	**38.0**	**-29.5**	**-10.2**	**-18.0**	**4.0**	**3.9**	**4.1**	**3.4**	**3.9**
India	**9.8**	**22.4**	**-40.0**	**-27.6**	**-31.3**	**4.0**	**3.7**	**2.8**	**2.8**	**3.1**
Total exports	**-7.4**	**9.8**	**-22.4**	**5.1**	**-16.6**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1]Singapore, Thailand, Indonesia, Philippines, Brunei Darussalam and Vietnam

Source: Department of Statistics, Malaysia

Sustained FDI and direct investment abroad (DIA) while portfolio investment registered a net outflow

On a cash basis, gross inflows of **foreign direct investment (FDI)**[3] increased to RM7.2 billion in the fourth quarter (3Q 09: RM6.7 billion), reflecting higher inflows of equity capital. After adjusting for gross outflows due mainly to the repayment of inter-company loans, **net FDI** was sustained at RM2.5 billion (3Q 09: RM2.6 billion), in line with the gradual recovery seen in the global FDI flows. During the quarter, FDI was channelled mainly into the manufacturing sector, particularly in the E&E industry. Meanwhile, FDI in the services sector was channelled mainly into the finance and insurance sub-sectors.

Net direct investment abroad (DIA) by Malaysian companies amounted to RM4.8 billion in the fourth quarter (3Q 09: -RM4.9 billion). DIA were largely concentrated in the services sector, mainly the entertainment, communications, finance and insurance, and real estate and business services sub-sectors. Of significance, the outflows reflect continued investment in existing operations in the Asian region, particularly the integrated resort in Singapore and mobile service operators in India and Indonesia.

Meanwhile, **portfolio investment** registered a net outflow of RM2.6 billion in the fourth quarter (3Q 09: RM9.3 billion). The net outflow was driven mainly by net purchases of foreign assets by residents, which more than offset the net inflows by non-residents. Foreign investors continued to increase their holdings of Malaysian debt instruments, amid further signs of global and regional economic recovery. Portfolio flows remained volatile in the first two months of 2010, reflecting changing sentiments among international investors.

External debt declined

As at end-December 2009, Malaysia's total external debt amounted to RM233.9 billion or USD67.7 billion (end-September 2009: RM241 billion or USD68.5 billion), equivalent to 34.3% of GNI. The **medium- and long-term external debt** declined to RM156 billion due to net repayments by both the private and public sectors. The appreciation of the ringgit against the US dollar also contributed to the decline in external debt.

External Debt Outstanding

	2008	2009	
	end-Dec	end-Sep	end-Dec[p]
	RM billion		
Medium- and long-term debt	156.5	160.5	155.9
Public sector	83.5	87.8	85.3
Private sector	73.1	72.7	70.6
Short-term debt[1]	79.6	80.5	78.0
Total external debt	236.2	241.0	233.9
USD billion equivalent	67.4	68.5	67.7

[1] Excludes currency and deposits held by non-residents with resident banking institutions
[p] Preliminary

Source: Ministry of Finance, Malaysia and Bank Negara Malaysia

[3] The statistics for FDI on a cash basis does not include retained earnings and investment in the form of imported machinery and equipment.

Within the public sector, the NFPEs recorded a net repayment due to the maturity of a bond and principal repayment of some loans, which more than offset a small drawdown by the Federal Government. The net repayment in the private sector was effected largely by repayment of bonds and loans by companies in the services, oil and gas as well as the manufacturing sectors.

The total **short-term external debt** declined further to RM78 billion or USD22.6 billion as interbank borrowing activities moderated. As at end-December 2009, the short-term debt accounted for 33.3% of total external debt and was 23.5% of the net international reserves.

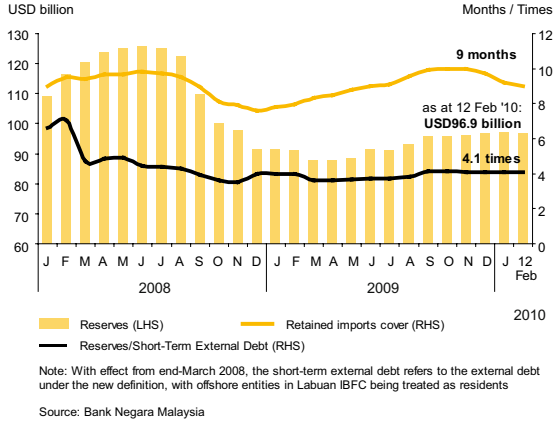
International reserves

The international reserves of Bank Negara Malaysia amounted to RM331.3 billion (equivalent to USD96.7 billion) as at 31 December 2009. The reserves level as at 31 December 2009 has taken into account the quarterly adjustment of the foreign exchange revaluation loss, following the strengthening of the ringgit against most major currencies during the quarter. As at 12 February 2010, the reserves position amounted to RM332.1 billion (equivalent to USD96.9 billion), sufficient to finance 9 months of retained imports and is 4.1 times the short-term external debt.

Fiscal deficit of 7% of GDP in 2009

The Federal Government's total expenditure was higher in the fourth quarter, reflecting the Government's continued efforts to implement fiscal stimulus. This resulted in an overall fiscal deficit of 7% of GDP for the year as a whole. In particular, higher operating expenditure was recorded for the payments of supplies and services, and grants and transfers to statutory bodies. The bulk of the development expenditure was channelled to the economic sectors especially to trade and industry, as well as public utilities. Meanwhile, revenue remained favourable on account of higher collection from oil-related revenue and indirect taxes. The fiscal deficit was financed from domestic borrowings. As at end-2009, total outstanding debt of the Federal Government amounted to RM362.4 billion or 53.7% of GDP.

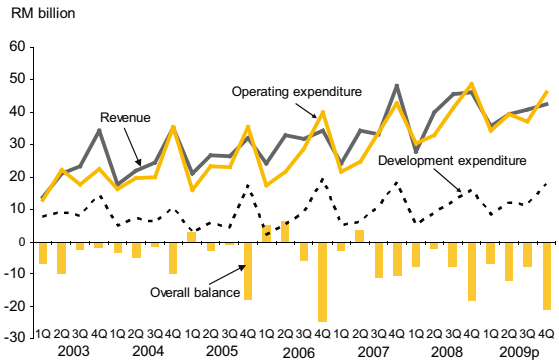
Net International Reserves (as at end-period)



Note: With effect from end-March 2008, the short-term external debt refers to the external debt under the new definition, with offshore entities in Labuan IBFC being treated as residents

Source: Bank Negara Malaysia

Federal Government Finance



[p] Preliminary

Source: Ministry of Finance

Federal Government Finance

	2008		2009[p]		
	4Q	Year	3Q	4Q	Year
	RM billion				
Revenue	46.3	159.8	40.8	42.6	158.6
% growth	-3.9	14.2	-10.6	-8.0	-0.7
Operating expenditure	48.9	153.5	37.1	46.2	157.1
% growth	13.8	24.7	-10.2	-5.4	2.3
Current account	**-2.6**	**6.3**	**3.7**	**-3.6**	**1.6**
% of GDP	***-1.4***	***0.9***	***2.1***	***-2.0***	***0.2***
Gross development expenditure	16.0	42.8	11.6	17.6	49.5
% growth	-12.0	5.6	-7.4	9.5	15.6
Overall balance	**-18.2**	**-35.6**	**-7.8**	**-21.0**	**-47.4**
% of GDP	***-10.3***	***-4.8***	***-4.5***	***-11.3***	***-7.0***
Memo item:					
Total gross expenditure	64.9	196.3	48.7	63.8	206.6
% growth	*6.2*	*20.0*	*-9.6*	*-1.7*	*5.2*
Total Federal Government debt					
(as at end-period)	306.4	306.4	354.3	362.4	362.4
% of GDP	*41.5*	*41.5*	*52.5*	*53.7*	*53.7*
Domestic debt	286.1	286.1	340.4	348.6	348.6
% of GDP	*38.7*	*38.7*	*50.5*	*51.7*	*51.7*
External debt	20.3	20.3	13.9	13.8	13.8
% of GDP	*2.8*	*2.8*	*2.1*	*2.0*	*2.0*

[p] Preliminary

Source: Ministry of Finance