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Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2002

Growth strengthens in the third quarter

Real GDP growth in the Malaysian economy strengthened in the third quarter to an annual rate of 5.6%, following growth of 3.9% in the second quarter and 1.1% in the first quarter. Strong domestic demand was reinforced by a stronger export performance. Aggregate investment turned around to increase after four quarters of decline. Growth also remained strong on a quarter on quarter basis at 3.4%. On a cumulative basis, real output expanded by 3.5% in the first three quarters of 2002.

2. The positive and cumulative effects from the monetary and fiscal stimulus, higher commodity prices that benefited a wider section of consumers across the country and a stronger recovery in external demand were the factors sustaining private sector domestic demand in the third quarter. Indicators of private consumption spending recorded increases during the quarter, including sales tax, imports of consumption goods, credit card spending and loans approved and disbursed by the banking system for consumption

credit. Public sector consumption was higher due to higher expenditure on salaries as well as supplies and services.

3. An encouraging development during the quarter was the recovery in gross fixed capital formation. Following negative growth rates for four consecutive quarters, gross fixed capital formation recorded a positive growth of 2.6% in the third quarter of 2002. Public investment was sustained with the expansion of 20.9% in development expenditure. The recovery in private sector investment activities was seen in the higher imports of capital goods, particularly telecommunications and office equipment, following the high capacity utilisation. Stronger investment activities were also visible in the retail and wholesale and oil and gas sectors. In particular, new investments in high value-added services included investment in banking, telecommunication and information technology sectors.

Positive growth in all economic sectors

4. The expansion in economic activity was reflected in the broad-based growth across all sectors. All sectors experienced positive growth. For the second consecutive quarter, the manufacturing sector emerged to provide the main impetus to higher output growth. In the face of strong external demand, value-added growth in the manufacturing sector strengthened to 7.3%. Supported by the underlying strength in demand conditions and the pick up in trade-related acitivities, value added in the services sector increased by 3.4% (2Q: 4.2%). Activity in the construction sector continued to expand, while agriculture and mining sectors turned around to register positive growth.

5. In the manufacturing sector, growth was led by stronger performance of the export-oriented industries, which increased to 11.2% (2Q 2002: 6%). As a result, most industries in the export-oriented sector operated at a higher production capacity, with the overall capacity utilisation increasing to 84%, from 82% in the second quarter. Growth in output of the electronics industry was sustained at a high level (20.4%). The electrical products industry turned positive in the third quarter (0.6%), following four consecutive quarters of

decline. The recovery was mainly export-driven. Export volume of electrical products increased to record a small positive growth of 0.8% compared with a decline of 8.9% in the second quarter. In particular, external demand for audio-visual products and air-conditioners recovered significantly. In the electronics industry, demand for consumer durables and wireless products from the United States and the Asia Pacific region continued to support the production of semiconductors and electronics equipment. This led to spillover effects to the chemical products industry in terms of higher output of resins required as inputs for the electronics industry.

6. Output of the domestic-oriented industries continued to expand, although at a moderate pace of 1.8% (2Q 2002: 8.2%). The moderation in activities were mainly in industries producing construction-related materials such as cement and other non-metallic mineral products and iron and steel products, due primarily to the temporary labour shortages in the construction sector. The transport equipment industry also experienced slower growth. Consequently, capacity utilisation in the domestic-oriented industries was lower at 77% during the quarter (2Q 2002: 83%). Indicators show that this moderation reflects specific factors rather than a fundamental trend.

7. Sustained consumer spending continued to support growth in the services sector, especially the wholesale and retail trade, hotels and restaurants sub-sector. The sector also benefited from higher tourism-related activities. In the third quarter of 2002, tourist arrivals increased to levels prevailing prior to the September 11 incident (annual growth of 3.9%), with arrivals averaging 1.1 million a month. Continued expansion in trade-related activities and improved performance of the airline industry contributed to a higher growth in the transport, storage and communication sub-sector. The expansion in finance, insurance, real estate and business services sub-sector was supported by activity in the banking and insurance sub-sectors and stronger performance of the real estate sub-sector.

8. Value added in the construction sector increased by 2.3%. Activity in the construction sector was to some extent affected by labour shortages in the sector. This situation is expected to be transitory with the measures that have been taken to alleviate labour shortages. These include relaxation on the hiring of foreign workers, particularly for the construction sector, with applications processed on a fast track basis. The Government to date has approved more than 300,000 work permits. The labour situation is therefore expected to normalise going into next year.

9. The agriculture sector turned around to record a positive growth of 5.4%, emanating mainly from higher production of crude palm oil and rubber. Crude palm oil production rose strongly by 13% due to improvement in yields as well as increased harvesting activity induced by higher palm oil prices. Similarly, more favourable rubber prices encouraged increased tapping activity, particularly among the smallholders. In other areas, production in crude palm kernel oil and cocoa increased significantly driven by higher prices for these commodities. Crude palm oil, rubber and cocoa prices rose by 11.1%; 14.3% and 19.1% respectively to RM1,439 per tonne, 328 sen per kilogramme and RM5,830 per tonne respectively.

10. Similarly, value added growth in the mining sector rose strongly by 7.2% due to higher production of crude oil and improved natural gas production to meet increased external and domestic demand. Crude oil production increased to 607,000 barrels per day, an increase of 4.8% from the second quarter. Natural gas production rose by 1.4% during the quarter.

Inflation remained low

11. Inflation, as measured by the Consumer Price Index (CPI), remained low at 2.1%. The slight increase compared with 1.9% in the second quarter, reflected mainly higher prices for transport and communication following the one-off price adjustment in telephone charges in March 2002.

Labour market conditions

12. In the labour market, the consolidation and streamlining by companies, mainly in the electronics and electrical products sub-sector, resulted in a retrenchment of 5,549 workers during the quarter. Most of the retrenched workers were, however, subsequently absorbed into the production of strategic products. During the quarter, the total number of workers retrenched as a result of lower product demand was lower at 877 compared with 2,374 in the second quarter. Shortages continued to be experienced in the construction sector.

External position remained strong

13. Exports recorded a strong annual growth of 14% in the third quarter. Higher exports were relatively broad-based across the manufacturing and commodity sectors. Exports of manufactured products increased by 12.7%, with strong increases in electronics, chemical products, wood products as well as furniture. While intense competition pressure has led to further declines in export prices of electrical goods, Malaysia was able to increase export volume of electrical products because of strengthened competitive position. Growth in commodity exports accelerated to 22.2%. During the quarter, exports to China, the United States and the ASEAN countries continued to increase strongly by 43.8%, 19.7% and 18.7% respectively. Excluding Singapore, exports to the other ASEAN countries were higher at 23.8% during the quarter. The impact of the shutdown of US ports in late September on the Malaysian economy has not been significant, as almost 60% of the manufacturing exports to the US are electronics goods, which rely on air transport. The market for Malaysia's primary commodities is also more diversified.

14. Following the improved production and investment activities, imports rose strongly by 19.9%. More importantly, the increase in imports of intermediate goods of 19.2% is indicative of sustained export orders beyond the third quarter. In addition, capital imports excluding the import of large one-off items, registered an annual growth of 12.7%. The

large one-off import items comprised aircraft and ships for commercial use. Despite the stronger growth in imports, the overall trade surplus was larger at RM13.4 billion during the quarter.

15. Following three consecutive quarters of decline, tourist arrivals turned around to record a positive annual growth of 3.9% in the third quarter. Higher tourist arrivals were recorded from China (11.8%), India (13.7%) and West Asia (18.1%), reflecting efforts by the Government to aggressively market Malaysia as a tourist destination in these countries.

16. Inflows of funds for investment were sustained during the quarter. The Cash BOP Reporting System of Bank Negara Malaysia showed continued gross inflows of FDI in the form of direct equity and inter-company loans amounting to RM3.5 billion in the third quarter. The inflows of FDI were broad-based, into the services and oil and gas sectors, and the manufacturing sector. After adjusting for outflows due mainly to loan repayment by related companies, FDI recorded a net inflow of RM0.8 billion. Net overseas investment increased to RM5.7 billion due mainly to a short-term lending abroad by a multinational company from its excess funds. Portfolio investment recorded a net outflow of RM1.9 billion during the third quarter, following general softening of the regional and global stock markets amidst less favourable external developments.

17. International reserves of Bank Negara Malaysia remained on an increasing trend. As at 15 November, the net international reserves amounted to RM130.4 billion or US$34.3 billion, an increase of RM2.7 billion or US$0.7 billion since the end of the second quarter. The increase in reserves was attributed primarily to the repatriation of export earnings and steady inflow of FDI, which was more than sufficient to finance payments for import of goods and services, repayment of external debt as well as portfolio outflows. The reserves position as at 15 November is adequate to finance 5.4 months of retained imports and is 5.1 times the short-term external debt.

18. Malaysia's total external debt amounted to RM178.4 billion (US$47 billion) as at end-September, equivalent to 54.5% of GNP. The medium and long-term external debt stabilised at RM152.7 billion or US$40.2 billion. The net borrowing by the public sector, including the drawdown of the proceeds from the US$600 million Global Islamic Trust Certificates, was offset by the reduction in private sector external debt. The total short-term debt remained low, at about 14.4% of total external debt and 20% of the net international reserves of Bank Negara Malaysia. The debt service ratio of 6.2% (as at end-2001) is one of the lowest in the region.

Expansionary budgetary operations

19. Budgetary operations by the Federal Government remained expansionary in the quarter. Disbursements continued to be targeted to finance economic and social spending programmes. The Federal Government registered an overall deficit of RM5.1 billion in the third quarter. While expansionary fiscal policy continued to play a significant role in promoting economic growth, the consolidation process has commenced amidst stronger private sector activity.

Monetary policy remains accommodative

20. Monetary policy continued to support economic expansion in the third quarter as reflected by the low interest rates, ample liquidity and a strengthened banking system. Total gross private sector financing (loan disbursed, gross PDS issued and funds raised through the equity market) was sustained at RM109.3 billion during the third quarter. Households responded positively to the low interest rates, as evident in the continued demand for bank credit, in particular for the purchase of residential properties and passenger cars. Higher loan demand from the business sector was also observed, with loan applications and loan approvals recording the highest quarterly levels during the year, mainly in sectors such as manufacturing and wholesale and retail trade. As a result, total loan applications and approvals rose to RM57.7 billion and RM37.4 billion respectively (RM55.8 billion and RM35.9 billion in the preceding quarter respectively).

Meanwhile, loan disbursements remained high at RM101.1 billion (RM104.8 billion in the preceding quarter), with the funds being channelled mainly to the corporate sector in activities such as manufacturing, wholesale, retail, restaurants and hotels, and finance, insurance and business services. However, amidst the on-going debt restructuring exercises, loan repayments were also higher during the quarter.

21. In the capital market, the gross issuance of private debt securities by the private sector amounted to RM6.2 billion (RM7.4 billion in the second quarter). Funds raised in the equity market amounted to RM1.9 billion (RM7.2 billion in the preceding quarter), of which, RM351.4 million was raised through 14 initial public offerings (IPO) compared to 19 IPOs (RM5.6 billion) in the preceding quarter.

Ringgit exchange rate continued to facilitate trade and investment

22. In line with movements in the US dollar, the ringgit appreciated against most major currencies (except the pound sterling) and regional currencies in the third quarter of 2002. Against an increasingly volatile external environment, the ringgit peg to the US dollar continued to accord certainty and stability, creating a conducive environment for business and economic activity.

Stronger capitalisation increasing banking system resilience

23. The banking system demonstrated increased resilience as the quality of assets and capital position improved further. The net NPL ratio (6-month classification) moderated below 8% in the third quarter to 7.7%, while provisions remained ample with the loan loss coverage (including collateral) standing at 159.2%. The capital position of the banking system continued to strengthen, with both risk-weighted capital ratio (RWCR) and core capital ratio improving further to 13.3% and 11% respectively as at end-September 2002.

24. An important development during the quarter was the successful completion of the corporate debt restructuring process by CDRC. At its closure on 15 August 2002, CDRC has completed the resolution scheme for 47 out of 48 cases referred to it. The remaining one case was subsequently resolved in September 2002 involving debts totaling RM8.6 billion when it obtained approvals from the regulatory authorities and creditors. The unwinding of CDRC reflected the significant progress in the restructuring process of the corporate sector. This implementation of the restructuring scheme will reduce the gross NPL ratio of the banking system by 0.9 percentage points.

25. Danaharta has also dealt with all the NPLs (loan rights acquired of RM52.5 billion) in its portfolio with an expected recovery rate of 57% (49% for acquired loans and 63% for managed loans). As at 30 September 2002, Danaharta had received proceeds amounting to RM18.5 billion out of the total RM30 billion that it expects to recover from all managed / acquired loans. Danaharta has also distributed surplus recoveries of RM10.9 billion in cash and 55,899,542 units of securities to 28 banking institutions and the Government.

Banking sector policies moving forward

26. The focus of policy in the banking sector has now shifted from addressing banking sector problems to enhancing the efficiency and quality of services of the industry to meet the needs of our changing economy. To complement the benchmarking exercise which will drive institutional capacity enhancement, Bank Negara Malaysia has also initiated a market analysis study to develop a quality service index to assess the service quality of the industry to enhance the qualitative aspect of services offered by the industry. In addition, product approval requirements will be liberalised to encourage the banking institutions to develop new products and services.

27. In an effort to enhance consumer education on financial matters, a consumer education programme will be launched nationwide in January 2003 to promote greater awareness and understanding by the public and businesses on the roles and functions of the different segments within the financial system.

28. To support the Government's efforts in enhancing the role and contribution of the SMEs to the economy, Bank Negara Malaysia has undertaken a comprehensive study on SMEs and proposed a "Comprehensive Framework on the Development of the SMEs". In this regard, a Steering Committee has been established in July 2002 to take this project forward. The Committee is chaired by the Governor of Bank Negara Malaysia and is represented by the Secretary Generals of Ministries and heads of agencies involved in the development of the SMEs.

29. Given the changing structure of the domestic economy, access to financing is vital in supporting the transformation of the economy. The new growth areas include information and communications technology, transportation, tourism, healthcare, education, pharmaceuticals, biotechnology, high-end consumer visual equipments, and commercialised food production.

More resilient economy allows for sustained growth

30. Overall, the performance of the Malaysian economy in the third quarter was stronger. The latest leading and coincident indices for the month of August indicate a favourable near-term outlook for the economy. The six-month growth rate of both these indices suggest that economic growth would extend into the first quarter of 2003. The strength of the economic expansion, however, would be influenced by global developments.

31. Continued gradual recovery in the US economy is expected going into 2003. The Government policy in the US has been proactive in supporting growth, including the recent interest rate cut by 50 percentage points. Inventory levels are low, and therefore, there would be potential for activities to pick up rapidly when demand strengthens. At the same time, corporate restructuring in terms of the cost cutting measures has contributed to continued growth in productivity and improved corporate profits. Consumer spending is also expected to continue to support growth, aided by growth in real disposal income and

low financing costs. Investment spending is also expected to strengthen given the significant adjustments already made.

32. A number of positive developments have increased the resilience of the Malaysia economy. In the fourth quarter, the domestic demand is expected to remain strong. Seasonal factors, with three festivals during this quarter, is expected to sustain consumer spending at a high level. Bonus payments including the one-month bonus or a minimum of RM1,200 for the civil servants announced during the Budget, will be disbursed in November and December. Furthermore, the prevailing favourable financial conditions continue to be supportive of further expansion in consumption spending. Applications for investment have also increased in September as increasing capacity utilisation and inventories adjustment would stimulate further recovery in investments.

33. Malaysia is also benefiting from the increasing exports to the East Asian region, especially China. Intra-regional trade now accounts for almost half of Asia's total trade from just a fifth a decade ago, creating new sources of endogenous growth in the region. The increased significance in domestic demand of the economies in the region, combined with the opening up and rapid growth of China have provided the end market for goods traded among countries in the region. The share of East Asian exports to China has doubled in the recent decade to about 10%, and it is estimated that almost one half of this is for final demand within China. In addition to trade in goods, Malaysia can expect to gain from trade in services, especially intra-regional tourism, education and health-related activities which are showing an increasing trend. The Budget 2003 announced on 20 September 2002 has also contained longer-term measures to stimulate further domestic sources of growth.

Bank Negara Malaysia
27 November 2002

Table 1: Quarterly GDP by Kind of Economic Activity at 1987 Prices

	2001					2002		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
	Annual change in %							
Agriculture	14.0	3.7	-3.5	-4.2	1.8	-5.0	-1.6	5.4
Mining	1.3	1.7	2.2	1.3	1.6	1.4	-1.4	7.2
Manufacturing	1.0	-7.6	-9.1	-8.4	-6.2	-2.3	5.6	7.3
Construction	0.8	3.2	2.6	2.5	2.3	2.9	3.4	2.3
Services	4.7	6.2	6.0	5.8	5.7	4.4	4.2	3.4
Real GDP	**3.0**	**0.4**	**-0.9**	**-0.5**	**0.4**	**1.1**	**3.9**	**5.6**
Real GDP (Preceding Chg.)	**-4.4**	**1.1**	**1.8**	**1.2**	**-**	**-2.9**	**4.0**	**3.4**

Table 2: GDP by Expenditure Components (at Constant 1987 prices)

	2001					2002		
	Q1	*Q2*	Q3	Q4	Year	Q1	Q2	Q3
	Annual change in %							
Consumption	5.5	4.1	5.6	7.6	5.8	4.8	7.6	8.2
Private sector	*3.8*	*1.7*	*2.2*	*3.3*	*2.8*	*3.0*	*5.4*	*4.0*
Public sector	*15.3*	*13.3*	*18.3*	*21.8*	*17.6*	*13.4*	*15.4*	*21.7*
Gross Fixed Capital Formation	8.3	0.2	-10.2	-8.1	-2.8	-8.5	-2.1	2.6
Exports of Goods & Services	6.4	-6.0	-16.3	-12.0	-7.5	-6.5	3.1	11.1
Imports of Goods & Services	7.5	-8.1	-20.1	-10.5	-8.6	-4.8	6.6	15.4
Gross Domestic Product	**3.0**	**0.4**	**-0.9**	**-0.5**	**0.4**	**1.1**	**3.9**	**5.6**

Table 3: Contribution to Growth

	2001					2002		
	Q1	*Q2*	Q3	Q4	Year	Q1	Q2	Q3
	Percentage point							
Consumption	3.1	2.3	3.1	4.6	3.3	2.7	4.4	4.9
Private sector	*1.8*	*0.8*	*0.9*	*1.5*	*1.2*	*1.4*	*2.4*	*1.8*
Public sector	*1.3*	*1.5*	*2.2*	*3.0*	*2.0*	*1.3*	*2.0*	*3.1*
Gross Fixed Capital Formation	2.4	0.1	-3.3	-2.4	-0.9	-2.6	-0.7	0.7
Change in stocks	-2.3	-3.7	-3.6	0.3	-2.3	3.6	3.3	2.6
Net Exports	-0.2	1.7	2.9	-2.9	0.3	-2.6	-3.1	-2.7
Exports of Goods & Services	*7.1*	*-7.0*	*-20.2*	*-14.0*	*-8.8*	*-7.5*	*3.4*	*11.6*
Imports of Goods & Services	*7.3*	*-8.7*	*-23.1*	*-11.1*	*-9.2*	*-4.9*	*6.5*	*14.3*
Gross Domestic Product	**3.0**	**0.4**	**-0.9**	**-0.5**	**0.4**	**1.1**	**3.9**	**5.6**

Table 4: Performance in the Services Sector
(Value added in RM million at 1987 prices)

	2001			2002		
	1Q	2Q	3Q	1Q	2Q	3Q
	Annual change in %					
Intermediate Services	**6.3**	**10.1**	**9.8**	**6.0**	**5.2**	**3.4**
Transport, storage & communication	10.0	10.8	6.7	1.9	2.0	3.0
Finance, insurance, real estate & business services	4.0	9.6	11.9	8.7	7.3	3.7
Final Services	**3.7**	**3.8**	**3.7**	**3.4**	**3.6**	**3.3**
Electricity, gas & water	10.2	7.7	6.4	8.2	8.1	5.4
Wholesale & retail trade, hotels & restaurants	3.5	2.8	3.2	2.0	2.5	2.8
Government services	2.1	5.7	4.5	3.3	2.6	2.8
Other services	2.1	2.2	2.8	3.6	4.0	3.5
Total Services	**4.7**	**6.2**	**6.0**	**4.4**	**4.2**	**3.4**

Source: Department of Statistics

Table 5: Performance of the Manufacturing Sector

	2001					2002		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
	Annual change in %							
Value-added (constant prices)	**1.0**	**-7.6**	**-9.1**	**-8.4**	**-6.2**	**-2.3**	**5.6**	**7.3**
Overall Production	**4.2**	**-7.9**	**-10.5**	**-10.9**	**-6.6**	**-3.4**	**6.5**	**8.6**
Export-oriented industries	**2.0**	**-11.4**	**-15.5**	**-15.3**	**-10.4**	**-5.5**	**6.0**	**11.2**
Of which:								
• *Electronics*	*-1.2*	*-25.3*	*-27.5*	*-23.8*	*-20.2*	*-0.8*	*23.6*	*20.4*
• *Electrical*	*8.6*	*3.4*	*-10.4*	*-9.4*	*-2.8*	*-9.3*	*-7.1*	*0.6*
• *Textiles & wearing apparel*	*3.0*	*-9.7*	*-11.4*	*-14.2*	*-8.3*	*-14.9*	*-6.5*	*-9.2*
• *Chemicals and chemical products*	*-1.6*	*-7.2*	*-8.2*	*-13.7*	*-7.7*	*-8.8*	*-2.0*	*10.1*
• *Off-estate processing*	*10.4*	*13.5*	*4.0*	*3.7*	*7.7*	*1.0*	*-2.8*	*17.7*
• *Rubber products*	*10.8*	*4.2*	*-0.7*	*-0.3*	*3.3*	*-4.5*	*-0.1*	*6.7*
• *Wood and wood products* [1/]	*12.4*	*1.3*	*-2.0*	*-5.5*	*1.2*	*-15.4*	*-6.3*	*-3.3*
Domestic-oriented industries	**12.1**	**4.3**	**7.2**	**4.8**	**7.0**	**3.5**	**8.2**	**1.8**
Of which:								
• *Transport equipment*	*18.9*	*18.4*	*23.2*	*15.3*	*19.0*	*18.0*	*13.0*	*3.3*
• *Fabricated metal products*	*10.6*	*6.4*	*4.7*	*-4.8*	*3.9*	*-4.9*	*11.6*	*-1.5*
• *Iron & steel and non-ferrous metal*	*9.6*	*-7.3*	*-2.4*	*-0.9*	*-0.7*	*-3.3*	*10.1*	*-1.2*
• *Non-metallic mineral products*	*15.4*	*9.7*	*6.6*	*7.6*	*9.6*	*8.0*	*7.1*	*4.4*
• *Petroleum products*	*21.0*	*8.7*	*18.6*	*30.0*	*19.3*	*3.4*	*-11.6*	*0.0*
• *Food*	*8.6*	*0.0*	*3.1*	*6.1*	*4.3*	*12.4*	*8.9*	*3.8*
Total Manufactured Exports	**3.5**	**-9.1**	**-20.4**	**-12.4**	**-10.3**	**-4.0**	**5.5**	**12.7**
• Electronics	-2.1	-18.5	-26.5	-16.0	-16.3	1.1	16.6	21.7
– *Semiconductors*	*15.1*	*-15.1*	*-30.4*	*-22.8*	*-14.9*	*-13.2*	*15.7*	*48.6*
– *Electronic equipment and parts*	*-13.6*	*-21.0*	*-23.6*	*-10.5*	*-17.3*	*13.8*	*17.3*	*3.4*
• Electrical products	9.4	6.2	-16.8	-12.6	-4.7	-13.9	-12.5	-4.0
– *Consumer electrical*	*-0.2*	*2.5*	*-20.8*	*-19.8*	*-10.9*	*-11.7*	*-11.5*	*-9.5*
– *Industrial & commercial electrical*	*26.4*	*8.2*	*-18.5*	*-8.2*	*-0.6*	*-18.8*	*-21.8*	*-6.6*
– *Electrical industrial machinery & equipment*	*0.9*	*8.3*	*-7.4*	*-6.1*	*-1.0*	*-10.4*	*0.3*	*10.5*
– *Household electrical appliances*	*15.0*	*30.9*	*33.5*	*8.0*	*22.3*	*7.0*	*11.1*	*12.1*
• Wood and wood products	-0.5	-9.1	-17.7	-17.4	-11.5	-12.6	-7.4	23.3
• Furniture & parts	-9.9	-16.2	-16.9	-10.5	-13.5	3.2	9.6	10.2
• Textiles, clothing & footwear	-5.1	-8.3	-18.7	-19.6	-13.2	-17.0	-12.6	2.6

• Optical & scientific equipment	29.9	23.4	3.2	7.2	14.3	5.6	-1.9	10.0
• Chemicals and chemical products	21.9	-1.8	-15.9	-2.5	-0.9	-6.1	14.5	24.6
• Petroleum products	39.5	-2.5	-8.3	-8.0	3.4	-35.6	-15.8	-4.6

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

Table 6: Manufacturing – Quarterly Average Capacity Utilisation [1/]

Industry	2001					2002		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q [e/]
Overall	**79**	**78**	**76**	**78**	**78**	**79**	**82**	**81**
Export-oriented	**80**	**78**	**74**	**77**	**77**	**78**	**82**	**84**
Of which:								
• Electronics	73	75	70	78	74	79	85	83
– *MNCs*	*62 - 88*	*68 - 100*	*61 - 103*	*70 - 99*	*62 - 97*	*64 - 100*	*71 - 100*	*60-100*
– *Malaysian companies* [2/]	-	-	-	-	-	*30 - 50*	*45 - 73*	*30-90*
• Electrical products	83	80	75	82	80	70	77	84
• Chemicals and chemical products	97	81	82	84	86	85	81	89
• Textiles and apparel	80	76	79	75	77	85	87	80
Domestic-oriented	**77**	**80**	**80**	**80**	**79**	**80**	**83**	**77**
Of which:								
• Petroleum products	79	82	85	85	83	87	82	88
• Non-metallic mineral products	67	68	66	65	66	71	70	71
• Transport equipment	91	92	96	95	93	99	102	85
• Food, beverages and tobacco	83	84	78	82	82	74	75	63

Source: Quarterly Manufacturing Capacity Utilisation Survey

[e/] estimates

[1/] Results are different from the BNM Annual Survey of Companies (ASC) due to differences in sample size. The ASC covers more companies (240) while the Quarterly Survey covers only 90 companies.

[2/] Malaysian electronics companies are only included in the Quarterly Survey beginning 2002.

Table 7 : Performance of the Agriculture Sector

	2001					2002		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
	Annual change in %							
Value Added (RM million at 1987 prices)	**14.0**	**3.7**	**-3.5**	**-4.2**	**1.8**	**-5.0**	**-1.6**	**5.4**
Production [1/]								
Of which:								
• Crude palm oil	27.6	17.2	2.4	-4.1	8.9	-8.4	-3.5	13.0
• Rubber	-11.7	-21.8	-6.3	-5.1	-11.1	1.2	7.5	4.4
• Saw logs	-15.7	-13.9	-15.9	-12.1	-14.5	-16.0	-11.7	-3.6
• Cocoa	-6.7	-14.6	-11.2	-37.5	-17.9	-44.7	-14.2	23.5
Exports (RM million)	**-16.9**	**-17.6**	**-13.3**	**-4.8**	**-13.2**	**7.0**	**26.9**	**41.6**
Of which:								
• Palm oil								
('000 tonnes)	24.4	36.8	13.5	3.0	18.1	-11.8	2.9	12.9
(RM/tonne)	-34.0	-29.8	-6.3	10.8	-15.9	41.0	45.3	39.9
(RM million)	-17.9	-4.0	6.3	14.1	-0.7	24.4	49.5	58.0
• Rubber								
('000 tonnes)	-6.5	-18.7	-21.6	-16.5	-16.0	-10.5	18.8	28.9
(Sen/kg)	-12.0	-15.1	-10.3	-14.5	-12.7	-11.6	11.1	26.5
(RM million)	-17.7	-31.0	-29.7	-28.6	-26.6	-21.0	32.0	63.0
• Saw logs								
('000 cu. metres)	-26.9	-31.7	-24.4	-18.2	-25.5	-7.5	-6.4	2.4
(RM/cu. metre)	-7.6	-17.5	-23.8	-20.4	-17.9	-10.2	6.8	33.8
(RM million)	-32.4	-43.6	-42.4	-34.9	-38.8	-17.0	0.0	37.0

[1/] In '000 tonnes, except for saw logs in '000 cubic metres.

Table 8 : Performance of the Mining Sector

	2001					2002		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
	Annual change in %							
Value Added (RM million at 1987 prices)	**1.3**	**1.7**	**2.2**	**1.3**	**1.6**	**1.4**	**-1.4**	**7.2**
Production								
Of which:								
• Crude oil and condensates ('000 barrels)	-4.2	-2.9	-0.7	-1.8	-2.4	4.0	-0.6	9.9
• Natural gas (net) (million standard cubic feet)	5.9	5.2	2.8	1.1	3.7	-1.6	-1.9	1.4
Exports (RM million)	**1.5**	**-3.7**	**-14.9**	**-30.6**	**-12.6**	**-29.4**	**-14.9**	**4.4**
Of which:								
• Crude oil								
('000 tonnes)	-1.7	-4.6	-13.4	-18.0	-9.6	-0.8	8.6	12.5
(US$/barrel)	3.7	-0.8	-16.4	-36.7	-13.7	-26.1	-11.9	1.4
(RM million)	2.0	-5.3	-27.7	-48.1	-21.9	-26.7	-4.3	14.1
• Liquefied natural gas								
('000 tonnes)	-4.8	5.0	5.4	-1.9	0.4	-3.2	-19.7	0.6
(RM/tonne)	5.7	1.1	-2.0	-8.8	-1.1	-23.2	-16.1	-12.9
(RM million)	0.6	6.2	3.3	-10.5	-0.7	-25.7	-32.6	-12.4

Table 9: Trade Account

	2001					2002		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
	Annual change in %							
Gross Exports	**1.7**	**-8.9**	**-19.2**	**-13.2**	**-10.4**	**-4.9**	**5.4**	**14.0**
Manufacturing	3.5	-9.1	-20.4	-12.4	-10.3	-4.0	5.5	12.7
Agriculture	-16.9	-17.6	-13.3	-4.8	-13.2	7.0	26.9	41.6
Minerals	1.5	-3.7	-14.9	-30.6	-12.6	-29.4	-14.9	4.4
Gross Imports	**7.3**	**-10.3**	**-22.5**	**-10.3**	**-9.9**	**-5.0**	**9.9**	**19.9**
Capital goods	42.8	-5.0	-24.3	-2.6	-1.0	-15.7	15.2	18.1
Intermediate goods	2.2	-11.7	-25.5	-14.7	-13.2	-4.8	6.7	19.2
Consumption goods	2.7	-1.1	-7.4	11.4	1.4	7.6	9.9	23.8
Trade balance (RM b)	**13.3**	**12.4**	**15.2**	**12.8**	**53.7**	**12.8**	**9.9**	**13.4**

Table 10: Balance of Payments

	2001					2002		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
	RM billion							
Gross exports (f.o.b.)	86.2	82.8	82.2	83.3	334.4	81.9	87.3	93.7
Gross imports (c.i.f.)	72.8	70.4	67.0	70.5	280.7	69.2	77.4	80.3
Trade balance	**13.3**	**12.4**	**15.2**	**12.8**	**53.7**	**12.8**	**9.9**	**13.4**
Net International Reserves (end-period)	103.3	98.8	112.9	117.2	117.2	124.4	127.7	129.0
-US$ billion equivalent	27.2	26.0	29.7	30.8	30.8	32.7	33.6	34.0

Table 11: External Debt Outstanding

	2001				2002		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	RM billion						
Medium & Long-term debt	140.5	142.0	146.7	149.0	150.7	151.9	152.7
Public sector	*86.1*	*87.5*	*92.6*	*91.7*	*94.4*	*96.3*	*99.0*
Private sector	*54.5*	*54.5*	*54.1*	*57.2*	*56.3*	*55.6*	*53.7*
Short-term debt	17.9	17.8	20.3	24.2	27.5	24.1	25.8
Total external debt	158.4	159.8	167.0	173.2	178.2	176.1	178.4
– US$ billion equivalent	41.7	42.1	43.9	45.6	46.9	46.3	47.0

Table 12: Federal Government Finance

	2001					2002		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
	RM billion							
Revenue	14.6	20.7	18.5	25.7	79.6	17.1	19.6	19.4
Operating expenditure	11.3	13.4	14.3	24.8	63.8	14.7	15.6	15.8
Current account	**3.3**	**7.4**	**4.2**	**1.0**	**15.8**	**2.4**	**4.0**	**3.6**
Gross development expenditure	5.3	5.7	7.3	16.9	35.2	3.9	8.1	8.9
Loan recoveries	0.4	0.1	0.2	0.3	1.0	0.2	0.1	0.1
Overall balance	**-1.6**	**1.8**	**-3.0**	**-15.6**	**-18.4**	**-1.3**	**-4.0**	**-5.1**
Memo item: Total Federal Government debt (as at end period)	128.9	129.3	138.4	145.7		146.0	149.6	156.7
	Annual change in %							
Revenue	30.4	24.3	19.8	38.7	28.6	17.1	-5.5	5.1
Operating expenditure	44.8	4.8	-2.3	16.1	12.8	30.2	16.9	10.4
Gross development expenditure	110.1	-0.1	10.4	29.1	26.1	-27.1	42.5	20.8

Table 13: Monetary Indicators

	2001				2002		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	Annual growth (% at end period)						
M1	5.2	4.4	11.6	3.2	12.3	14.2	9.0
M2	3.6	3.0	5.0	2.2	6.1	6.1	4.4
M3	4.5	4.0	5.4	2.9	6.1	6.3	5.5
Loans[1/]	5.5	6.0	5.7	3.6	4.6	3.8	3.8
Deposits	2.8	3.6	4.0	1.8	4.5	3.2	3.0
	During the quarter (RM billion)						
Approvals	29.7	31.1	35.3	29.6	30.9	35.9	37.4
Disbursements	91.2	93.1	93.6	95.6	98.3	104.8	101.1
Repayments	89.3	86.2	91.8	98.1	95.0	100.1	101.1
	At end period (%)						
Interbank rates							
1-month	2.99	2.99	2.81	2.97	2.74	2.97	2.98
3-month	3.04	3.00	3.28	3.27	3.24	3.21	2.83
Fixed deposits of commercial banks							
1-month	3.44	3.44	3.20	3.20	3.20	3.20	3.20
3-month	3.46	3.45	3.21	3.21	3.21	3.21	3.20
BLR of commercial banks	6.79	6.79	6.39	6.39	6.39	6.39	6.39
	Average annual growth (%)						
Consumer Price Index (CPI) (2000 = 100)	1.5	1.6	1.4	1.2	1.4	1.9	2.1
Producer Price Index (PPI) (1989 = 100)	-4.7	-4.7	-4.3	-6.4	-0.9	2.7	5.0

1/ Including loans sold to Cagamas and Danaharta.

Table 14: Banking System Health Indicators

	2000				2001				2002		
	Mar.	**Jun.**	**Sep.**	**Dec.**	**Mar.**	**Jun.**	**Sep.**	**Dec.**	**Mar.**	**Jun.**	**Sep.**
Capital											
Core-capital ratio (%)	10.6	10.7	10.8	10.7	10.2	10.5	10.5	11.1	10.8	10.9	11.0
RWCR (%)	13.0	13.0	13.1	12.5	12.1	12.6	12.5	13.0	12.6	13.2	13.3
Asset quality (6-month classification)											
Net NPL ratio (%)	6.3	6.5	6.7	6.3	7.1	8.0	8.2	8.1	8.2	8.2	7.7
Net NPLs (RM mil)	23,553	24,574	25,858	24,700	27,989	32,291	32,995	32,775	33,535	33,924	32,558
GP/Net total loans (6-month, %)	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8

* Beginning June 1999 onwards, the figures include Islamic banks

Table 15: Danaharta

	2000			2001				2002	
	Jun.	**Sep.**	**Dec.**	**Mar.**	**Jun.**	**Sep.**	**Dec.**	**Jun.**	**Sep.**
Total Loan Rights Acquired (RM b)	46.8	46.8	47.5	48.0	48.0	48.1	47.7	47.7	47.7
- Acquired	*20.5*	*20.5*	*20.4*	*20.4*	*20.1*	*20.1*	19.8	19.8	19.8
- Under management	*26.3*	*26.3*	*27.1*	*27.6*	*27.9*	*28.0*	27.9	27.9	27.9
Total Loan Rights Acquired (RM b)	46.8	46.8	47.5	48.0	48.0	48.1	47.7	47.7	47.7
- Restructured / Approved for restructuring	*31.5*	*33.7*	*35.1*	*38.7*	*39.1*	*40.1*	*47.7*	*47.7*	*47.7*
- Yet to be restructured	*15.3*	*13.1*	*12.4*	*9.3*	*8.9*	*8.0*	**	**	*0*
Expected Average Recovery Rates (%)	73	74	66	60	57	57	56	57	57

Source: Pengurusan Danaharta Nasional Berhad

**Negligible

Table 16: KLSE – Selected Market Indicators

	As at end					
	2001			2002		
	2Q	3Q	4Q	1Q	2Q	3Q
Price Indices						
– Composite	592.99	615.34	696.09	756.10	725.44	638.01
– EMAS	142.29	145.84	165.23	181.72	176.50	155.39
– Second Board	106.93	109.61	134.13	132.29	119.84	102.89
Average daily turnover						
– Volume (million units)	121.5	306.8	276.4	304.9	299.3	159.1
– Value (RM million)	225.6	485.3	427.6	636.1	643.8	349.2
Market Capitalisation (RM b)	403.49	411.35	464.98	517.63	505.89	476.35
No. of Companies Listed	809	807	812	826	843	859