6 External Trade, Balance of Payments and Foreign Exchange Market

Export Performance

Malaysia's gross export earnings are expected to maintain strong growth to register an increase of 15% to RM369,472 million in 2000 after recording growth of 12.1% in 1999. The continued strong growth in export earnings is driven by both higher export volumes and prices, particularly for manufactured goods, in tandem with the better performance of the world economy and its positive impact on trade. In addition, the upward business cycle and strong global demand for electronic goods contributed to sustaining demand for Malaysian exports. The total value of exports of manufactured goods is estimated to expand further by 15.9% to RM316,323 million (1999: 14.7%), and is expected to remain a significant contributor to total export earnings. The share of manufactured goods is expected to strengthen further to account for 85.6% of the total value of exports (1999: 84.9%).

The share of major primary commodity exports to total exports earnings, on the other hand, is expected to continue to decline by 11.4% (1999: 12.6%) due to the poor performance of the agricultural commodities in terms of both price and volume. The export earnings of major agricultural commodities are anticipated to continue to decline by 18.4% to RM19,965 million (1999: -9.4%), largely due to lower prices and lower export volume of palm oil arising from the build-up of supply of vegetable oils and fats in the global market. In contrast, export earnings from the mining sector are expected to record a stronger growth of 36.5% to RM22,044 million (1999: 15.6%) on account of higher prices of crude petroleum and liquefied natural gas (LNG). The anticipated favourable performance of exports for the year is based on the continuing strong growth of 19.7% achieved in the first eight months of 2000 (January-August 1999: 9.1%).

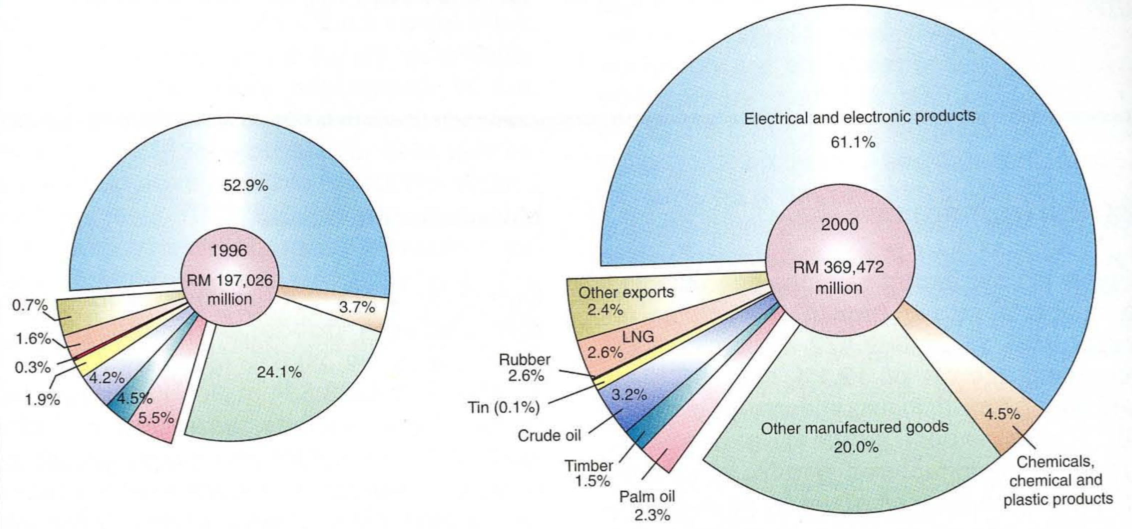
Manufactured Goods

During the first eight months of 2000, exports of manufactured goods, in ringgit terms, rose significantly by 20.6% (January-August 1999: 12.4%) to RM208,634 million to account for 86% of total gross exports, as shown in *Table 6.1*. Most of the manufactured export groups posted healthy growth rates although export receipts from rubber products and transport equipment declined. The strong performance was achieved on the back of continued strong global demand for electronic products and higher earnings from petroleum and chemical products. Apart from the higher export value generated by the traditional export-oriented industries such as electronics, domestic-oriented industries with excess capacity like non-metallic mineral products and iron and steel also recorded higher export earnings due to enhanced efforts to establish overseas markets. Despite concerns about the possible impact of a slowing United States (US) economy on external demand in the second half of 2000, Malaysia's exports of manufactured goods are expected to remain strong at 15.9%, given the stronger than expected global demand for electronic products and domestic-driven economic recovery in Asia.

In terms of composition of exports, electrical and electronic products, as a group, continued to be the single largest contributor of exports and accounted for 71.4% of total manufactured export earnings in the first eight months of 2000. This was followed by exports of chemical and plastic products (5.3%), textiles, apparel and footwear (3.5%) and wood products (3.2%).

US, Singapore, the European Union (EU) and Japan remained as Malaysia's major export markets, accounting for 70.1% of the total

Chart 6.1
Export Structure



Figures in diagram refer to percentage of total.
Source: Department of Statistics.

manufactured export trade, as shown in *Table 6.2.* US continued to be the single largest importer of Malaysia's manufactured goods with a share of 24.3%, followed by Singapore (19.5%), EU (15.2%), Japan (11.1%) and Hong Kong SAR (5.1%). Exports to Singapore registered a sharp increase of 36.3% (January-August 1999: 0.7%) in the first eight months of 2000 with electrical and electronic products constituting the main exports. Similarly, exports to Hong Kong SAR also staged a turnaround, registering an increase of 19% (January-August 1999: 1.2%). Manufactured exports to Japan recorded an increase of 26.6% to RM21,846 million, accounting for a share of 11.1% of total manufactured exports (January-August 1999: 10.4%). Growth in export earning to US, however, moderated to 8% (January-August 1999: 15.4%) valued at RM48,039 million, while exports to EU increased by 7.4% to RM30,043 million. The market share of Malaysia's manufactures in non-traditional markets, notably in the Asia Pacific region such as the China and Australia, also registered increases following continuous efforts in promoting Malaysian products in these markets.

Export earnings of **electrical and electronic products,** as a group, continued to grow by 20.6% to RM148,937 million in the first eight months of 2000 (January-August 1999: 19.1%), given the strong global demand for semiconductors and electronic components. Consequently, its share to the total value of manufactured exports increased to 71.4% with exports of electronics alone accounting for 51.9%. Exports of electronics, comprising semiconductors and electronic equipment and parts grew significantly, albeit at a slower rate of 17% (January-August 1999: 29.6%) to RM108,282 million. The impressive performance was achieved on the back of strong demand for semiconductors and electronic equipment and parts, underpinned by the impressive growth in the information technology infrastructure and wireless communications sector, despite a

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Export Structure

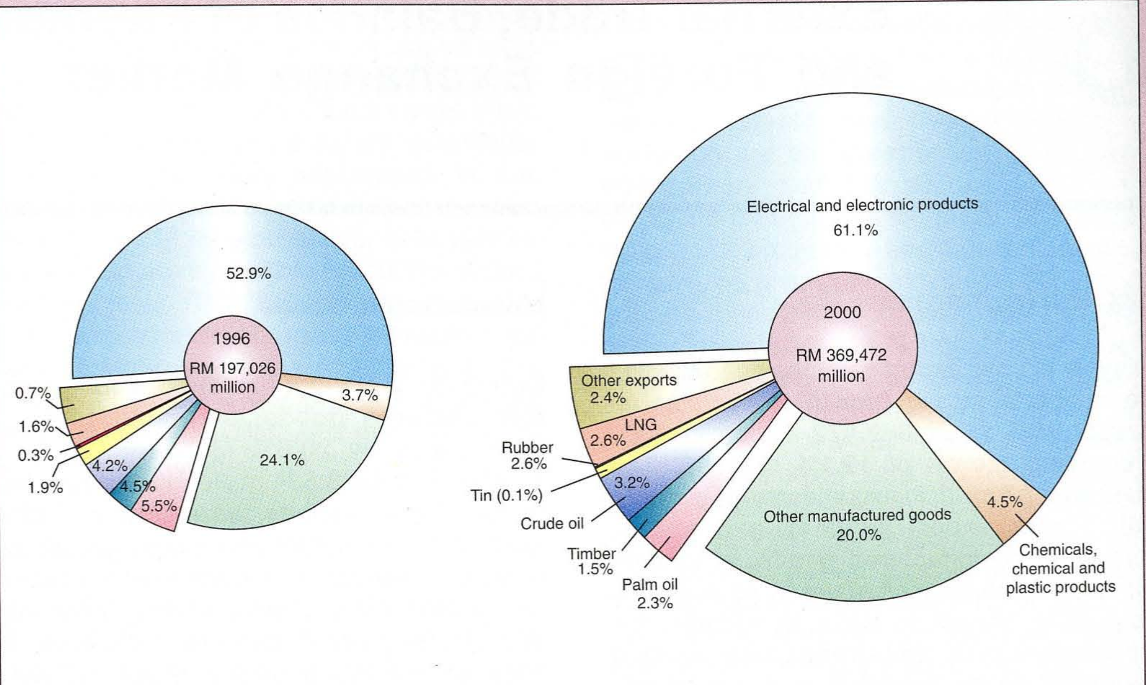

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Table 6.1

Manufacturing Exports
(January-August)

	RM Million		Annual Growth Rate (%)		% Share	
	1999	2000	1999	2000	1999	2000
Electronics, electrical, Machinery and appliances	123,488	148,937	19.1	20.6	71.3	71.4
Textiles, apparel and footwear	6,179	7,258	-0.7	17.5	3.6	3.5
Wood products	6,467	6,630	15.2	2.5	3.7	3.2
Rubber products	3,494	3,201	-9.6	-8.4	2.0	1.5
Food, beverages and tobacco	3,570	3,720	0.1	4.2	2.1	1.8
Petroleum products	2,840	6,369	24.9	124.1	1.6	3.0
Chemicals, chemical and Plastic products	7,615	11,010	-4.6	44.6	4.4	5.3
Non-metallic mineral products	1,484	1,705	11.3	14.9	0.9	0.8
Iron and steel, and metal products	5,161	5,857	-8.9	13.5	3.0	2.8
Transport equipment	3,246	1,926	-29.3	-40.7	1.9	0.9
Others	9,494	12,021	4.4	26.6	5.5	5.8
Total	**173,038**	**208,634**	**12.4**	**20.6**	**100.0**	**100.0**

Source: Department of Statistics.

slowdown in the demand for personal computers. US, Singapore, Japan and EU continued to be the major export markets for Malaysian electronic products with export sales to the Asia Pacific region growing stronger in tandem with the economic recovery in these countries, as shown in *Table 6.3*. Similarly, exports of electrical products comprising consumer and household electrical appliances as well as industrial and commercial electrical products, turned around to increase by 31.3% during the first eight months of 2000 (January-August 1999: -4.3%). The marked improvement is due to the competitive pricing of these products as well as increased demand from major Asian markets as economic activities began to pick up.

During the first eight months of 2000, export receipts of **textiles, apparel and footwear,** as a group, amounted to RM7,258 million, representing a growth of 17.5% (January-August 1999: -0.7%), as shown in *Table 6.4*. The strong growth was underpinned by strong overseas demand, particularly from quota markets under the Multifibre Arrangement, that is, US, EU, and Canada. Exports of apparel, which accounted for 46.5% of total exports of this industry group, also expanded by 4.8% to RM3,374 million during the period under review (January-August 1999: 4.9%) largely due to higher off-take from Japan and Singapore. Exports of textiles turned around to register a sharp increase of 32% to RM3,630 million (January-August 1999: -7.2%) on account of increased

Chart 6.2

Monthly Manufactured Goods Exports
(annual percentage change)

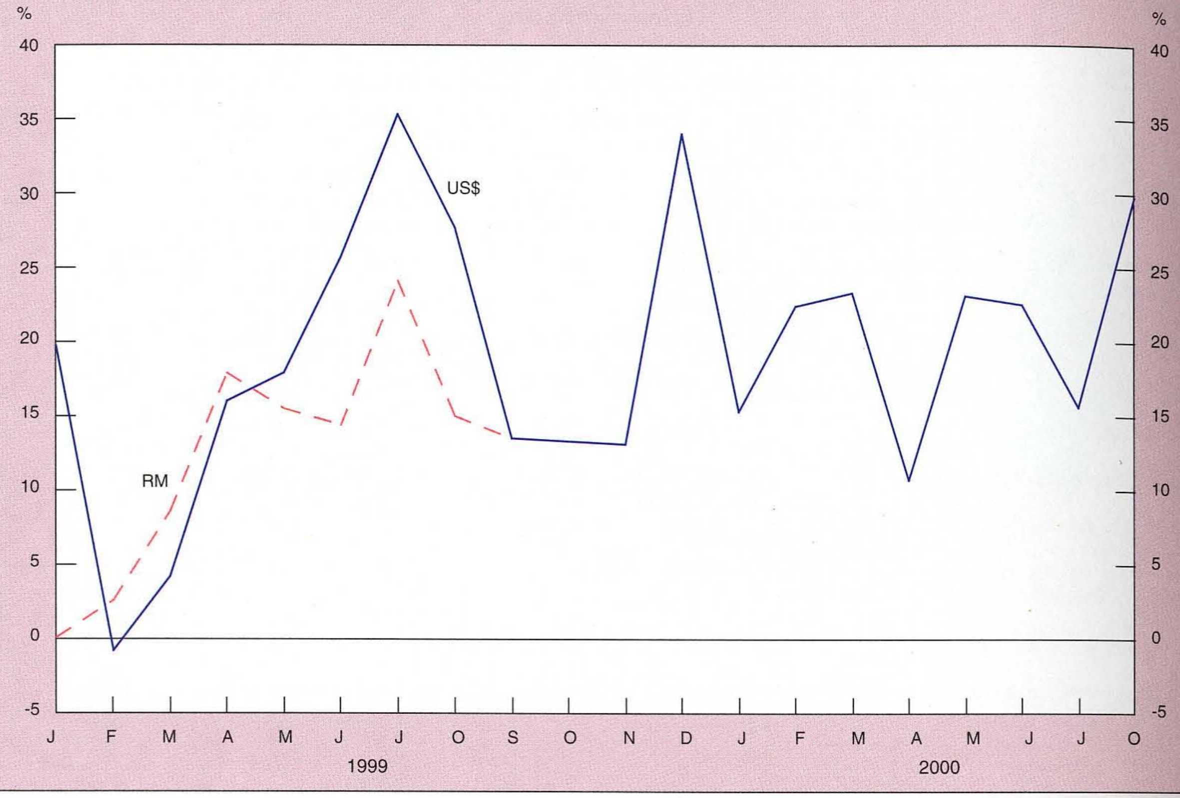


Table 6.2

Major Destinations of Manufactured Exports[1]

(January-August)

	1999			2000		
	RM Million	Annual Growth Rate (%)	% Share	RM Million	Annual Growth Rate (%)	% Share
United States	44,473	15.4	26.7	48,039	8.0	24.3
Singapore	28,243	0.7	17.0	38,503	36.3	19.5
European Union	27,967	13.3	16.8	30,043	7.4	15.2
Japan	17,260	29.8	10.4	21,846	26.6	11.1
Hong Kong SAR	8,407	1.2	5.0	10,007	19.0	5.1
Taiwan	8,424	38.7	5.1	7,566	-10.2	3.8
Others	31,623	9.6	19.0	41,491	31.2	21.0
Total	**166,397**		**100.0**	**197,495**		**100.0**

[1] Includes SITC 1,5,6,7 and 8.

Source: Department of Statistics.

Table 6.4

Exports of Textiles, Apparel and Footwear
(January-August)

	1999		2000		Annual Growth Rate (%)
	RM Million	% Share	RM Million	% Share	
Textiles	2,749.0	44.5	3,629.8	50.0	32.0
Apparel	3,219.4	52.1	3,373.7	46.5	46.8
Footwear	211.2	3.4	2,54.7	3.5	20.6
Total	**6,179.6**	**100.0**	**7,258.2**	**100.0**	**17.5**

Source: Department of Statistics.

Table 6.5

Exports of Chemicals, Chemical & Plastic Products
(January-August)

	1999		2000		Annual Growth Rate (%)
	RM Million	% Share	RM Million	% Share	
Organic chemicals	1562.8	20.5	2,680.9	24.3	71.5
Plastics in primary forms	1,266.0	16.6	2,266.2	20.6	79.0
Chemical materials & products	1,320.7	17.4	1,672.2	15.2	26.6
Articles of plastics	1,219.7	16.0	1544.6	14.0	26.6
Fertilizers	226.2	3.0	362.6	3.3	60.3
Others	2,020.0	26.5	2483.8	22.6	23.0
Total	**7,615.4**	**100.0**	**11,010.3**	**100.0**	**44.6**

Source: Department of Statistics.

Export earnings from **food, beverages and tobacco products** recovered to register an increase of 4.2% (January-August 1999: 0.1%) in line with the continued economic recovery in the Asia Pacific region. Export sales of food increased by 3% (January-August 1999: -3.4%) to RM2,946 million on account of increased exports of fish and crustaceans as well as cereals and cereal preparations. Exports of beverage and tobacco products also increased by 9% (January-August 1999: 16.9%) due to higher exports to Indonesia, Singapore and Hong Kong SAR.

Exports of **chemicals, chemical and plastic products** recovered strongly from a contraction of 4.6% in the first eight months of 1999 to an impressive 44.6% increase during the same period of 2000. In value terms, this amounted to RM11,010 million (January-August 1999: RM7,615 million) and constituted 5.3% of total manufactured exports. The high growth rate was attributable to higher growth of exports of plastics in primary forms (79%), organic chemicals (71.5%) and fertilizers (60.3%), as shown in *Table 6.5.* Singapore and US are the major destinations for the exports of chemicals and chemical products.

Exports of **petroleum products** accelerated sharply by 124.1% (January-August 1999: 24.9%) during the first eight months of 2000 to RM6,369 million. The robust growth in export earnings reflected the strong rebound in crude oil prices and higher demand for refinery products, particularly from Asian countries.

Exports of **non-metallic mineral products** accelerated to 14.9% (January-August 1999: 11.3%) in the first eight months of 2000. The stronger performance was largely due to higher external demand for mineral manufactures, clay and refractory construction materials as well as glassware. The exports of clay and refractory construction materials continued to expand by 20.9% (January-August 1999: 18.7%) with ceramic tiles being the major item exported. Growth in the exports of glassware also increased significantly by 54.5% (January-August 1999: 28.8%). The exports of glass declined marginally by 0.7%, given that the domestic demand for glass, especially in the automotive sector, began to pick up. Likewise, the exports of cement and fabricated construction materials increased by 4.8% (January-August 1999: 77.4%) as local demand for cement began to pick up and price competition declined in the domestic markets. However, with the local construction sector expected to grow moderately in the near term, it is envisaged that domestic cement producers will continue to venture into export markets. In this regard, local producers have already gained their footholds in Singapore, Bangladesh, Mauritius and Sri Lanka.

Export receipts of **iron, steel and metal products** increased by 13.5% (January-August 1999: -8.9%) to RM5,857 million in the first eight months of 2000. The turnaround was due to continued efforts by local manufacturers to increase exports as sales in regional economies began to pick up. Exports of iron and steel products such as tubes and pipes increased by 20.1% to RM1,633 million to account for about 27.9% of the total exports of the sector. Exports of finished and semi-finished products of non-ferrous metals also increased by 12.6% (January-August 1999: 9.8%), largely due to increased exports of copper and aluminium products. Exports of fabricated metal products turned around to record an increase of 10.3% (January-August 1999: -5.1%) on account of a 15.9% increase in exports of manufactured base metal products.

Exports of **transport equipment** subsector, which include road vehicles, railway vehicles, aircraft, ships, boats, floating structures and associated equipment and parts, registered a contraction of 40.7% (January-August 1999: -29.3%) to RM1,926 million in the first eight months of 2000. The decline was attributed to a 63.9% decline in the export of non-road vehicles such as leased aircraft, ships and boats. Exports of equipment for road vehicles, however, increased by 3% to RM1,163 million largely due to the increased demand for parts and accessories as well as motorcycles from Asia, as their economies continued to recover.

Export receipts from **other manufactured goods,** including professional and scientific instruments, photographic equipment, optical goods, watches, paper and pulp, leather articles and miscellaneous manufactured articles, increased sharply by 26.6% (January-August 1999: 4.4%) in the first eight months of 2000. The increase in export value is partly due to higher receipts from professional and scientific instruments, as well as photographic and optical equipment, as a result of increased demand from Singapore and Japan.

Major Primary Commodities

Export earnings from primary commodities are expected to increase by 3.5% to RM42,009 million in 2000 (1999: RM 40,608 million). Export earnings from **agricultural** commodities however, are expected to decline by 18.4% to RM19,965 million (1999: RM24,463 million) on account of lower prices of palm oil, which constitute 50.7% of total earnings from agricultural commodities. The decline in earnings from agricultural commodities is, however, offset by higher earnings from the **mining** sector. Export earnings from the mining sector are expected to increase markedly, following higher prices of crude petroleum and liquefied natural gas. Export receipts from this sector are expected to increase by 36.5% to RM22,044 million (1999: RM16,145 million).

Palm Oil and Palm Kernel Oil

In the first eight months of 2000, **palm oil** export was lower by 1.5% at 5.39 million tonnes (January-August 1999: 5.48 million tonnes) but export receipts fell markedly by 32.5% to RM6,576 million (January-August 1999: RM9,736 million) due mainly to weak prices, as shown in *Table 6.6*. The local delivery price of crude palm oil (CPO) for the first nine months of 2000 averaged RM1,087.85 per tonne, a decline of 29.3% (January-September 1999: RM1,539.06 per tonne). Prices for palm oil have been weak mainly due to excess supply of oils and fats in the global market. World production of the major oils and fats is expected to increase by 5.2% to 86 million tonnes with palm oil, soya oil, rapeseed oil and sunflower oil production increasing by 3.9%, 2.4%, 15.6% and 3.2%, respectively. In respect of palm oil exports, Malaysia also faced keen competition from Indonesia which benefited from the depreciation of the rupiah. The hike in import duty on vegetable oils into India, one of Malaysia's main markets, also affected palm oil exports to that country which declined by 42.3% in the first eight months of 2000 (January-August 1999: 22.7%). Malaysia's exports of palm oil are expected to decrease by 4.2% to 8.59 million tonnes in 2000 (1999: 8.96 million tonnes).

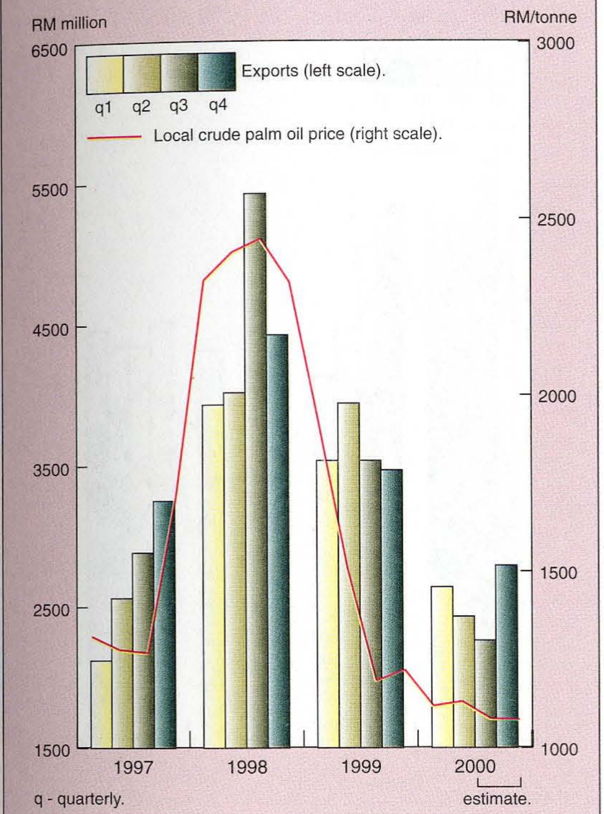
Table 6.6

Primary Commodity Exports

			Annual Growth Rate (%)	
	2000[e]	2000[2]	2000[e]	2000[2]
Palm Oil[1]				
Volume('000 tonnes)	8,590.8	5,392.9	-4.2	-1.5
Unit Value (RM/tonne)	1,178.00	1,219.34	-27.0	-31.4
Value (RM million)	10,120.0	6,575.8	-30.1	-32.5
Palm Kernel Oil				
Volume('000 tonnes)	500.2	312.0	-16.5	-15.9
Unit Value (RM/tonne)	2,320.00	2,393.84	-16.2	-13.8
Value (RM million)	1,160.5	746.9	-30.1	-27.5
Sawlogs				
Volume('000 cubic metre)	6,549	4,366	-2.8	4.8
Unit Value (RM/cubic Metre)	384.00	386.17	-2.8	-2.4
Value (RM million)	2,514.8	1,686.0	-5.6	2.3
Sawn Timber				
Volume('000 cubic metre)	2,900	1,933	2.9	12.4
Unit Value (RM/cubic Metre)	1,075.00	1,081.06	7.9	14.2
Value (RM million)	3,117.5	2,089.7	11.1	28.3
Rubber				
Volume('000 tonnes)	950.0	648.5	-3.4	-0.3
Unit Value (RM/tonne)	277.00	270.15	16.3	15.9
Value (RM million)	2,631.5	1,751.9	12.3	15.6
Pepper				
Volume('000 tonnes)	22.7	16.1	4.8	4.4
Unit Value (RM/tonne)	17,100.00	17,091.78	-8.1	-6.1
Value (RM million)	388.3	274.7	-3.8	-1.9
Cocoa				
Volume('000 tonnes)	11.0	6.7	-56.8	-64.7
Unit Value (RM/tonne)	2,985.00	2,913.89	-32.1	-37.3
Value (RM million)	32.8	19.4	-70.7	-77.8
Crude Petroleum				
Volume('000 tonnes)	15,821	10,821	-10.7	-6.0
Unit Value (RM/tonne)	750.88	810.11	43.0	85.1
Value (RM million)	11,879.9	8,766.2	27.7	74.0
Liquefied Natural Gas (LNG)				
Volume('000 tonnes)	15,159	10,329	0.5	2.1
Unit Value (RM/tonne)	640.00	710.07	52.1	102.4
Value (RM million)	9,701.8	7,334.3	52.8	106.7
Tin				
Volume('000 tonnes)	22.0	14.5	-8.4	-8.3
Unit Value (RM/tonne)	21,000.00	21,330.00	2.8	5.1
Value (RM million)	461.9	309.7	-5.9	-3.6
Total Value (RM million)	**42,009.1**	**29,554.6**	**3.5**	**19.0**

[1] Includes crude palm oil, processed palm oil and palm stearin.
[2] January to August.
[e] Estimate for the whole year.
Source: Department of Statistics.

Chart 6.3
Palm Oil - Exports and Price



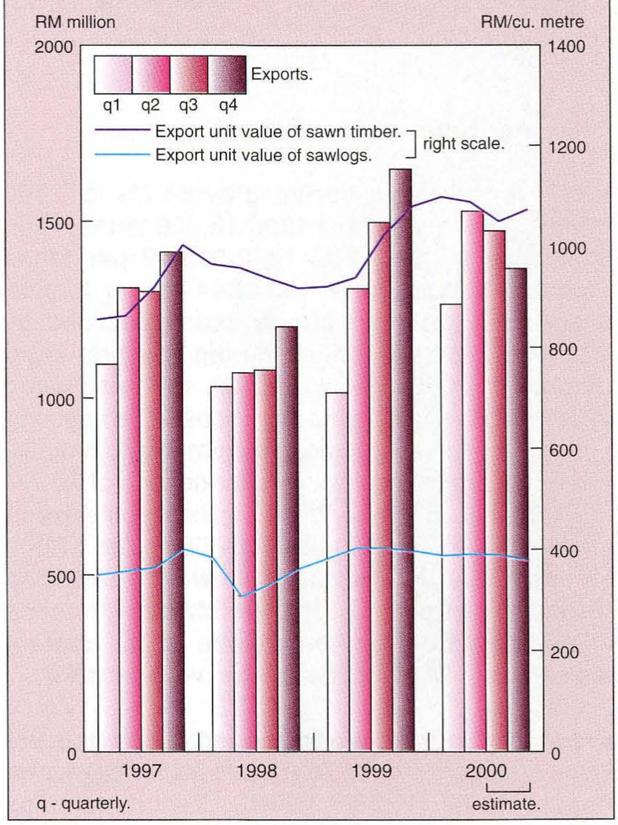
In tandem with the export performance of palm oil, export receipts from **palm kernel oil** declined by 27.5% to RM747 million (January-August 1999: RM1,031 million) from an export volume of 312,000 tonnes. Export unit value fell by 13.8% during the same period to RM2,393.84 per tonne due to excess supply of palm kernel oil in the world market. The declining price trend is expected to continue and, hence, total export earnings from palm kernel oil are expected to decrease by 30.1% to RM1,161 million (1999: RM1,659 million).

Sawlogs and Sawn Timber

During the first eight months of 2000, export receipts from **sawlogs** increased by 2.3% to RM1,686 million (January-August 1999: RM1,648 million). Although export volume rose by 4.8% to 4.37 million cubic metres (January-August 1999: 4.17 million cubic metres), mainly to Japan, China, Taiwan, India and South Korea, export unit value declined by 2.4% to RM386 per cubic metre. As export volumes are expected to soften towards the second half of the year, export earnings from sawlogs are estimated to decline by 5.6% to RM2,515 million in 2000. Price competition from temperate softwoods and timber from plantation forests, particularly from Chile and New Zealand as well as lower demand from China where stocks have built up in 1999 are factors that will place downward pressure on prices for the commodity.

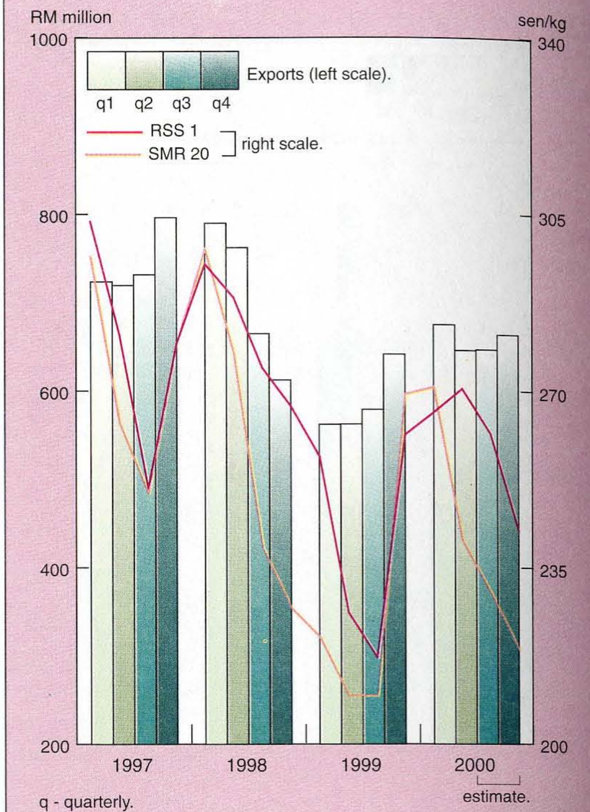
During the first eight months of 2000, export earnings from **sawn timber** increased by 28.3% to RM2,090 million (January-August 1999: RM1,628 million) with export volume increasing by 12.4% to 1.93 million cubic metres while export unit value increased by 14.2% to RM1,081.06 per cubic metre. For the year, however, the increase in export receipts is expected to be lower by 11.1% to RM3,117 million, following an anticipated 7.9% increase in export unit value and 2.9% increase in export volume to 2.90 million cubic metres (1999: 2.82 million cubic metres). In order to provide adequate funding to promote Malaysia's

Chart 6.4
Sawn Timber and Sawlogs - Exports and Unit Value



timber products, the cess for timber and timber products was revised upwards by RM3.64 to RM5.00, effective 1 March 2000. A major marketing effort that Malaysia has embarked upon is the implementation of an internationally accepted timber certification scheme, particularly for export to Europe. International chain-of-custody guidelines governing timber trade in certain markets require that the timber exported can be traced back to certified forests that have complied with approved forest management practice standards.

Chart 6.5
Rubber - Exports and Price



Rubber

During the first eight months of 2000, receipts from **rubber** export increased by 15.6% to RM1,752 million (January-August 1999: RM1,516 million) with export volume declining marginally to 648,500 tonnes (1999: 650,200 tonnes), while export unit value increased by 15.9% to RM270.15 per tonne (January-August 1999: RM233.11 per tonne). For the whole year, export earnings are expected to increase by a lower rate of 12.3% to RM2,632 million in 2000 (1999: RM2,343 million), following a lower export volume of 950,000 tonnes (1999: 983,700 tonnes). At the same time, exports of latex decreased due to strong domestic demand, while production of Ribbed Smoked Sheet (RSS) was curtailed by lack of raw material.

Other Agriculture Commodities

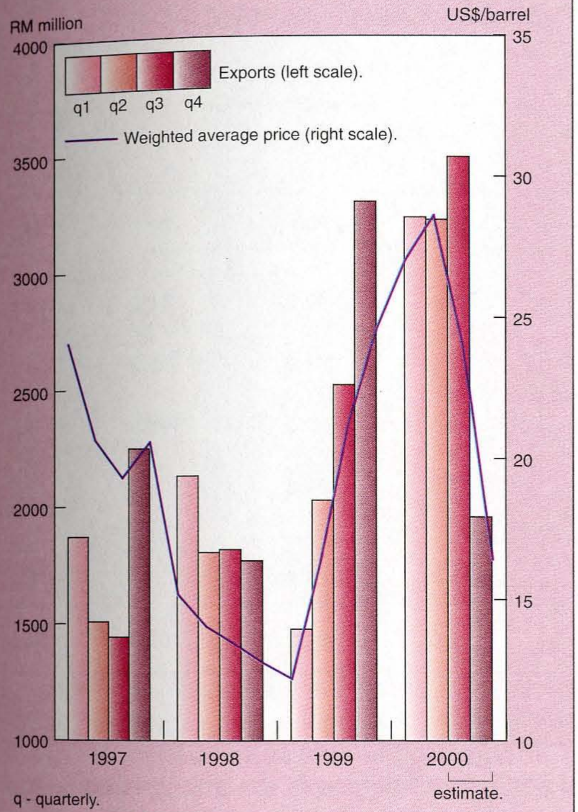
With export volume declining by 64.7% to 6,700 tonnes (January-August 1999:18,800 tonnes) and unit value by 37.3% to RM2,913.89 per tonne (January-August 1999: RM4,644.46 per tonne), export receipts from **cocoa** beans declined by 77.8% to RM19.4 million during the first eight months of 2000. However, with the anticipated pick up in export volume for cocoa in the second half of the year, export receipts from this commodity are expected to record a smaller decline of 70.7% to RM33 million (1999: RM112 million) while export volume is expected to decline by 56.8% to 11,000 tonnes. Export unit value is, however, expected to decline sharply by 32.1% to RM2,985 per tonne (1999: RM4,394 per tonne) due to the current excess supply of cocoa in the world market.

Export earnings from **pepper** decreased by 1.9% in the first eight months to RM275 million (January-August 1999: RM280 million). Export earnings for the year are, however, expected to show a bigger decline of 3.8% to RM388 million (1999: RM403 million) from an export volume of 22,710 tonnes (1999: 21,677 tonnes), mainly on account of weaker prices towards the end of the year. Consequently, prices of black and white pepper are expected to be lower at RM13,000 per tonne (1999: RM14,680 per tonne) and RM15,000 per tonne (1999: RM 21,970 per tonne), respectively.

Crude Petroleum and Liquefied Natural Gas

Export earnings from **crude petroleum** increased significantly by 74% to RM8,766 million in the first eight months, mainly due to the increase in unit export value of 85.1% to RM810.11 per tonne, in line with favourable world oil prices. With oil prices projected to moderate towards the end of the year and lower output in accordance with planned production schedule for the remainder of the year, export earnings are anticipated to

Chart 6.6
Crude Oil - Exports and Price



increase by 27.7% to RM11,880 million (1999: RM 9,306 million) from an export volume of 15.82 million tonnes (1999: 17.73 million tonnes).

The Weighted-Average Price (WAP) of Malaysian crude petroleum, derived from the export prices of all Malaysian crudes, increased by 83.5% to average US$28.76 per barrel in the first eight months of 2000 (January-August 1999: US$15.67 per barrel) due to the production quota imposed by the Organisation of Petroleum Exporting Countries (OPEC) since March 1999. An output increase of 2.4 million barrels per day (bpd) by OPEC in the first eight months of 2000 failed to keep oil prices below US$28 per barrel. In September 2000, OPEC decided to raise an additional 0.8 million bpd, effective from October 2000, to meet the excess world demand for oil. In addition, US has also decided to release 30 million barrels from its 571 million-barrel Strategic Petroleum Reserve (SPR) to avert further hike in oil price during the increased demand for oil in the winter.

Export earnings from **Liquefied Natural Gas** (LNG) is expected to increase by 52.8% to RM9,702 million (1999: RM6,349 million) due to an expected 52.1% increase in export unit value to RM640.00 per tonne (1999: RM420.77 per tonne) in tandem with higher average oil prices. LNG export volume is also expected to increase marginally by 0.5% to 15,159 tonnes (1999: 15,088 tonnes). In the first eight months of 2000, LNG export earnings increased significantly by 106.7% to RM7,334 million (January-August 1999: RM3,548 million).

Tin

During the first eight months of 2000, the export earnings from **tin** decreased by 3.6% to RM310 million (January-August 1999: RM321 million). This reflected an 8.3% decline in export volume to 14,521 tonnes (January-August 1999: 15,833 tonnes), although tin export unit value increased by 5.1% to RM21.33 per kg. The average tin price in the Kuala Lumpur Tin Market (KLTM)

Chart 6.7
Tin - Exports and Price

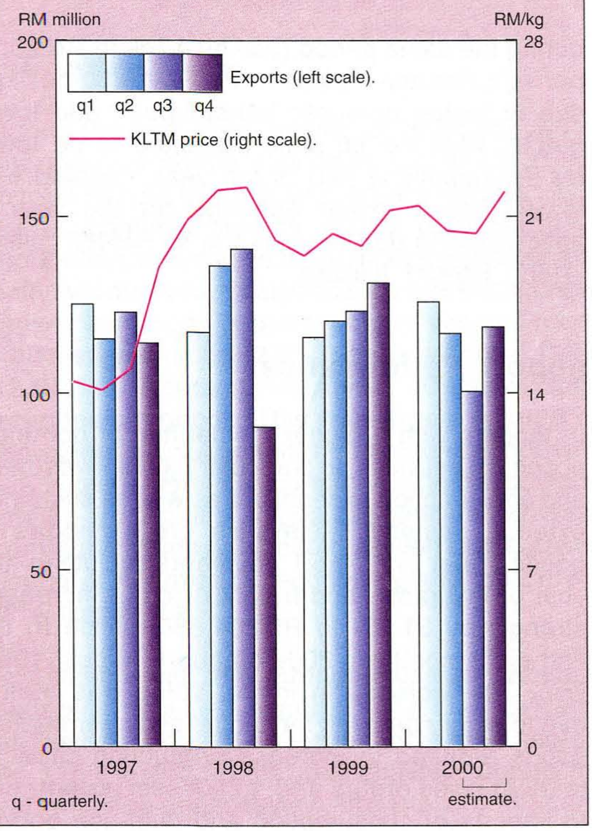


Table 6.7

Import By End Use And Broad Economic Categories (BEC)
(January-August)

	RM Million		Annual Growth Rate (%)		% Share	
	1999	2000	1999	2000	1999	2000
Capital goods	20,616	30,861	-20.5	49.7	13.2	15.1
Intermediate goods	114,514	151,019	7.4	31.9	73.3	73.7
Consumption goods	9,529	11,510	8.9	20.8	6.1	5.6
Others (including dual use goods)	5,904	7,337	11.3	24.3	3.8	3.6
Imports for re-exports	5,642	4,159	-14.0	-26.3	3.6	2.0
Total	**156,205**	**204,886**	**2.0**	**31.2**	**100.0**	**100.0**

Source: Department of Statistics.

during the same period rose by 4.6% to RM20.71 per kg (January-August 1999: RM19.80 per kg), due to higher domestic consumption and lower output. With the tin price projected to be lower for the remaining part of the year, coupled with lower output, export earnings for the year is anticipated to decline by 5.9% to RM462 million (1999: RM491 million).

Import Performance

In tandem with a higher momentum of domestic economic activities, in particular higher investment and consumption expenditure as well as sustained external demand, Malaysia's gross imports of goods, (that is, import payments including the cost of insurance and freight or c.i.f.) increased strongly by 31.2% to RM204,886 million in the first eight months in 2000 (January-August 1999: 2%). The increase in import value was mainly due to higher demand for capital and intermediate goods required to increase production capacity to meet sales orders and, to a lesser extent, due to imports of consumption and dual-use goods. Intermediate goods which constitute 73.7% of the total imports recorded a strong increase of 31.9% (January-August 1999: 7.4%). Imports of capital goods, on the other hand, expanded at an even higher rate of 49.7% (January-August 1999: -20.5%) to account for 15.1% of the total imports, reflecting the pickup in investment activities. Growth in imports of consumption goods also recorded a strong increase of 20.8% as private consumption spending continued to strengthen during the period under review, although its share of total imports was only 5.6% (January-August 1999: 6.1%). The import component of the Producer Price Index during the first eight months of 2000 registered a marginal increase of 1.1% (January-August 1999: -0.9%).

For the year 2000, gross imports are expected to increase strongly by 25.2% to RM311,583 million (1999: 9.1%) partly due to the sustained growth in the remaining months of the year. The import of capital goods is expected to increase further by 39.5% to RM46,061 million to account for 14.8% of total imports while intermediate goods are expected to account for a substantial 74.3%,

Table 6.8

Imports Of Capital Goods By End Use
(January-August)

	RM Million		Annual Growth Rate (%)		% Share	
	1999	2000	1999	2000	1999	2000
Capital goods (except transport equipment)	18,079	29,056	-13.7	60.7	87.7	94.1
Transport equipment (Industrial)	2,537	1,805	-49.4	-28.9	12.3	5.9
Total	**20,616**	**30,861**	**-20.5**	**49.7**	**100.0**	**100.0**

Source: Department of Statistics.

registering an increase of 27% to RM231,426 million. In response to the continuing strong growth in private consumption spending, imports of consumption goods are expected to increase by 11.7% to RM17,265 million, to account for 5.5% of total imports.

Capital Goods

Imports of **capital goods** continued to expand significantly by 49.7% to RM30,861 million during the first eight months of 2000 (January-August 1999: -20.5%). This was mainly due to the stronger than expected growth in domestic investment activities. On a disaggregated basis, all the sub-categories of investment goods, except imports of transport equipment, recorded strong increases during the period under review, as shown in *Table 6.8.* While the import of transport equipment for industrial purposes decreased further by 28.9% (January-August 1999: -49.4%), imports of other types of capital goods turned around to increase strongly by 60.7% (January-August 1999: -13.7%). The significant increase in the import of other types of capital goods is partly attributed to higher imports of machinery (93.8%), telecommunications equipment (67.9%) and office equipment (21.9%) in line with the strong recovery in domestic economic activity as well as the rising capacity utilisation, particularly in the manufacturing sector. Imports of capital goods, as a whole, constituted 15.1% of total imports in the first eight months (January-August 1999: 13.2%).

Intermediate Goods

During the first eight months of 2000, imports of intermediate goods expanded further by 31.9% to total RM151,019 million (January-August 1999: 7.4%) primarily due to robust manufacturing production activities to meet higher overseas and domestic demand. Of significance was the stronger growth in imports of thermionic valves and tubes which expanded by 32.3% (January-August 1999: 12.3%) to account for about 40.8% of total intermediate goods. This was largely spurred by the higher production in the electronics industry, which continued to enjoy strong external demand arising from bullish global demand for wireless communications equipment, as well as increased usage of information technology and the growth of e-commerce.

In tandem with the strengthening of domestic economic activities, imports of fuel and lubricants as well as industrial supplies increased sharply by 115.8% and 25.3%, respectively. During the same period under review, imports of other parts

Table 6.9

Imports Of Intermediate Goods By End Use
(January-August)

	RM Million		Annual Growth Rate (%)		% Share	
	1999	2000	1999	2000	1999	2000
Food & beverages, primary & processed mainly for industry	2,748	2,519	5.4	-8.3	2.4	1.7
Industrial supplies, primary & processed	36,991	46,347	8.0	25.3	32.3	30.7
Fuel & lubricants primary, processed, others	3,570	7,705	15.1	115.8	3.1	5.1
Parts & accessories for transport equipment	1,792	2,787	36.7	55.5	1.6	1.8
Parts & accessories of capital goods (except thermionic valves and tubes	22,827	30,009	-4.4	31.5	19.9	19.9
Thermionic valves & tubes	46,586	61,651	12.3	32.3	40.7	40.8
Total	**114,514**	**151,019**	**7.4**	**31.9**	**100.0**	**100.0**

Source: Department of Statistics.

and accessories of capital goods (excluding thermionic valves and tubes) also recorded a strong growth of 31.5%. Imports of primary and processed materials and components used by the food and beverages industry, on the other hand, declined by 7.9% and 8.7%, respectively, partly due to the marginal growth registered by the agriculture sector. In contrast, imports of parts and accessories for the transport equipment industry continued to increase strongly by 55.5% (January-August 1999: 36.7%) reflecting the favourable performance of the motor vehicle industry. Consequently, the share of intermediate goods increased marginally to 73.7% (January-August 1999: 73.3%).

Consumption Goods

In consonance with higher private consumption spending following the improvement in consumer confidence, better employment prospects and higher disposable income, imports of consumption goods increased strongly by 20.8% to RM11,510 million during the first eight months of 2000 (January-August 1999: 8.9%). All sub-categories of consumption goods recorded increases during the same period, as shown in *Table 6.10.* Notable increases were registered for imports of consumer durables and semi-durables which increased sharply by 47.3% and 55.6%, respectively. Imports

Table 6.10

Imports Of Consumption Goods By End Use
(January-August)

	RM Million		Annual Growth Rate (%)		% Share	
	1999	2000	1999	2000	1999	2000
Food & beverages, primary & processed mainly for household consumption	3,852	4,162	2.7	8.0	40.4	36.1
Transport equipment, (non-industrial)	50	59	121.0	17.2	0.5	0.5
Other consumer goods	5,626	7,289	13.1	29.6	59.1	63.4
Durables	979	1,442	36.4	47.3	10.3	12.5
Semi – durables	1,987	3,091	7.3	55.6	20.9	26.9
Non – durables	2,661	2,756	10.7	3.6	27.9	24.0
Total	**9,529**	**11,510**	**8.9**	**20.8**	**100.0**	**100.0**

Source: Department of Statistics.

of consumer durables, comprising household electrical and non-electrical products, watches and clocks as well as jewellery, increased between 19.4% to 63.8% while imports of semi-durables of clothing and footwear, household furnishing and articles of plastic increased between 37.1% to 77.2%. Similarly, imports of non-industrial transport equipment increased further by 17.2% (January-August 1999: 121%). However, imports of food and beverages increased at a moderate rate of 8% during the first eight months of 2000 (January-August 1999: 2.7%) partly due to the decline in imports of rice, cereals, sugar and vegetables. There was, however, a strong increase in imports of dairy and marine products and tobacco.

Other **imports** (including dual-use goods) increased strongly by 24.3% (January-August 1999: 11.3%) mainly attributed to a higher increase in imports of dual-use goods, which comprised processed fuel and lubricants, motor spirits as well as passenger motor cars. In particular, imports of passenger motor cars registered a significant increase of 31.4% (January-August 1999: 121.1%). **Imports for re-exports,** such as internal combustion piston engines as well as civil engineering and contractors plant, which accounted for 2% of total imports, recorded a contraction of 26.3% to RM4,159 million (January-August 1999: -14%). After discounting the imports for re-exports, retained imports increased strongly by 33.3% to RM200,726 million during the first eight months of 2000 (January-August 1999: 2.7%).

Direction of Trade

In line with the favourable developments in the world economy and continuing trade expansion, particularly in East Asia, Malaysia's total trade continued to expand significantly by 24.7% to RM447,337 million during the first eight months of 2000 (January-August 1999: 5.9%). This was partly due to the stronger than expected growth in imports induced by higher output expansion,

Table 6.11

Other Imports By End Use
(January-August)

	RM Million		Annual Growth Rate (%)		% Share	
	1999	2000	1999	2000	1999	2000
Dual-use good	3,082	4,192	23.0	36.0	52.2	57.1
Fuel & lubricants, processed motor spirit	1,090	1,574	-32.1	44.5	18.4	21.4
Transport equipment, passenger motorcars	1,993	2,618	121.1	31.4	33.8	35.7
Others (excluding re-exports)	2,821	3,145	0.9	11.5	47.8	42.9
Total	**5,903**	**7,337**	**11.3**	**24.3**	**100.0**	**100.0**

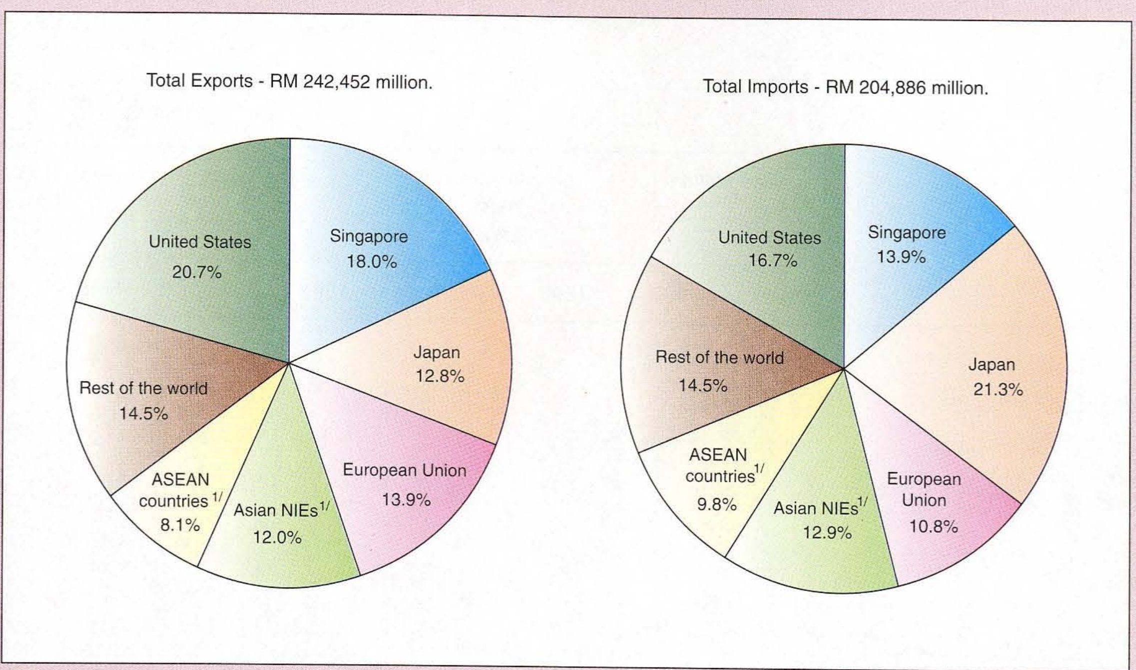
Source: Department of Statistics.

particularly in the manufacturing sector, to cater for the stronger domestic and external demand. Gross imports increased strongly by 31.2% to RM204,885 million (January-August 1999: 2%) while gross exports continued to expand by 19.7% (January-August 1999: 9.1%) to RM242,452 million. In terms of proportion, exports account for 54% of the total trade while imports, 46%. As a result, Malaysia's balance of trade continued to record a lower but, nevertheless, significant surplus of RM37,566 million during the first eight months of 2000 (January-August 1999: RM46,388 million). Generally, Malaysia's trade pattern remained unchanged during the period under review with major trading partners being US, Japan, Singapore, and EU. These countries collectively accounted for 64.2% (January-August 1999: 64.8%) of total trade in the period under review. At the same time, trade with the newly industrialising economies (NIE's) and ASEAN, not including Singapore, continued to expand, comprising 21.3% of total trade (January-August 1999: 20.7%).

Malaysia's largest trading partner continued to be **US** with a total trade of RM84,260 million or 18.9% of Malaysia's total trade in the first eight months of 2000. This is a slightly smaller share compared with the 20.6% share registered during the same period of 1999. The 1.7% contraction in the share of the total trade with US was largely due to a further decline in exports of 8.6% to RM50,081 million, accounting for 20.7% of total exports. Imports, however, rose significantly by 22.8% to RM34,179 million to account for 16.7% of total imports. Malaysia still recorded a fairly high trade surplus of RM15,901 million (January-August 1999: RM18,282 million). The major proportion of the export items was manufactured articles, in particular electronics and electrical machinery and parts as well as office equipment, which accounted for 90.7% of total exports to US. The main commodities imported from US were also from the same category (85.3% of total imports), comprising mostly electrical components.

Japan regained its pre-crisis position as Malaysia's second largest trading partner last year, with total trade expanding significantly by 35.1% to RM74,802 million during the first eight months of 2000 (January-August 1999: 10.3%), to account for 16.8% of Malaysia's total trade. This was mainly due to the strong expansion in imports of 36.1% to RM43,717 million, accounting for a share of 21.3% of Malaysian imports. Manufactured articles

Chart 6.8
Direction of Trade
(January - August 2000)



1/ Excluding Singapore.
Figures in diagram refer to percentage of total.
Source: The Department of Statistics.

such as machinery, telecommunications and transport equipment, particularly thermionic valves and tubes as well as motorcars and other motor vehicles, were the main items imported from Japan. Export earnings from Japan also increased significantly by 33.8% to RM31,085 million as the economy continued to recover. The major export items were machinery, telecommunications and transport equipment, inedible crude material, mineral fuels and lubricants. With growth of imports outpacing exports, the trade deficit which has always favoured Japan, continued to widen to RM12,632 million in the first eight months of 2000 (January-August 1999: RM8,878 million).

Malaysia's external trade with **Singapore**, which accounted for 16.1% of total trade, expanded sharply by 34.9% to RM72,176 million during the first eight months of 2000 (January-August 1999: 14.9%), placing it as Malaysia's third most important trading partner. Exports picked up significantly by 33.7% to RM43,751 million (January-August 1999: 0.9%). Likewise, imports increased even more strongly by 36.8% to RM28,425 million (January-August 1999: 0.2%). Nevertheless, Malaysia continued to register a trade surplus of RM15,326 million (January-August 1999: RM11,930 million). The export items which comprised mainly machinery, telecommunications and transport equipment, including thermionic valves and tubes, contributed to 79.2% of total exports. Meanwhile, the main category of machinery, telecommunications and transport equipment constituted 61.4% of total imports while that of chemicals, mineral fuels and lubricants, 22.8%.

Reflecting the increasing bilateral trade among member countries as well as the economic recovery in the region, Malaysia's trade with **ASEAN** (excluding Singapore) also expanded significantly by 35.7% to RM39,736 million, accounting for 8.9% of the country's total trade in the first eight months (January-August 1999: 8.2%). Export value grew strongly by 37.4% to RM19,591 million (January-August 1999: 5.6%) with major items, comprising machinery, telecommunications and transport equipment as well as other manufactured goods, accounting for 54.4% of total exports.

Table 6.12

Trade With the United States
(January-August)

	Exports				Imports			
	RM Million		Annual Growth Rate (%)		RM Million		Annual Growth Rate (%)	
	1999	2000	1999	2000	1999	2000	1999	2000
Food, beverages[1], Tobacco, oils and fats	730	681	4.2	-6.8	748	654	16.7	-12.6
Inedible crude material mineral fuels and lubricants[2]	819	1,272	-2.1	55.4	569	585	-2.7	2.9
Manufactured goods, intermediate[3]	2,006	2,590	0.5	29.1	2,905	3,317	-12.2	14.2
Machinery, telecommunications and transport equipment[4]	37,026	39,331	19.1	6.2	21,321	25,983	-11.8	21.9
Manufactured goods Final products[5]	5,430	6,101	-0.6	12.3	1,861	3,176	-21.5	70.6
Miscellaneous[6]	95	106	-21.2	12.2	420	465	-21.7	10.5
Total	**46,107**	**50,081**	**14.7**	**8.6**	**27,824**	**34,180**	**-12.0**	**22.8**

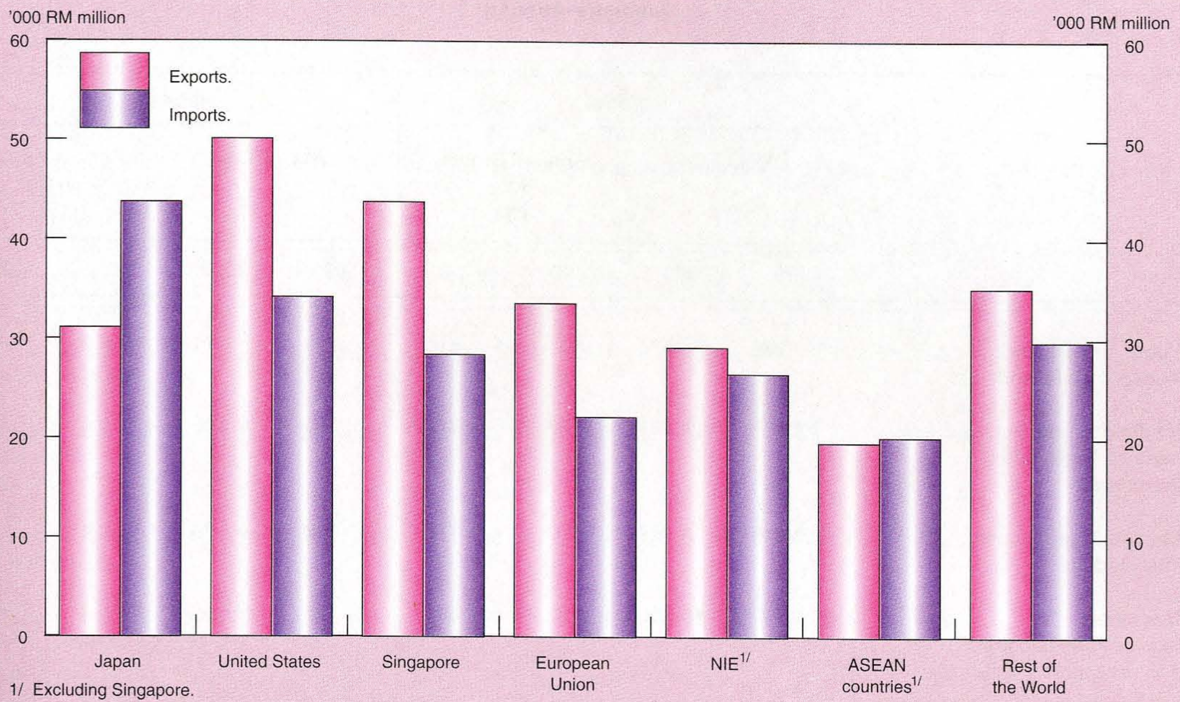
[1] Includes Standard International Trade Classification (SITC) codes 0,1 and 4.
[2] Includes SITC 2 and 3.
[3] Includes SITC 5 and 6.
[4] Includes SITC 7 only.
[5] Includes SITC 8 only.
[6] Includes SITC 9 only.

Source: Department of Statistics.

Imports, which included mainly machinery, telecommunications and transport equipment, mineral fuels, chemicals and lubricants, increased further by 34.2% to RM20,145 million (January-August 1999: 13.5%). Consequently, Malaysia continued to register a trade deficit of RM553 million with ASEAN (January-August 1999: 755 million) largely on account of trade deficits with Indonesia (RM1,556 million) and the Philippines (RM934 million).

EU, another important trading partner, accounted for quite a sizeable share of 12.5% of total trade in the first eight months (January-August 1999:13.9%). Total trade with these economies increased by 12.1% to RM55,756 million (January-August 1999: 4.6%), partly due to a significant increase in imports of 22.2% to RM22,154 million (January-August 1999: -2.3%), while export earnings expanded only by 6.3% to RM33,602 million (January-August 1999: 8.9%). As a result,

Chart 6.9
Balance of Trade
(January - August 2000)



1/ Excluding Singapore.
Source: Department of Statistics.

Malaysia registered a lower trade surplus of RM11,448 million with EU in the period under review (January-August 1999: RM13,478 million). The export items comprised mainly manufactured articles of machinery, telecommunications and transport equipment, which together accounted for 69.7%, while that of the same category of imports accounted for about 61.9%. Within EU, Germany is Malaysia's most important trading partner, accounting for 21.6% of Malaysia's total trade with the Union, followed by the United Kingdom (UK) (21.1%) and Netherlands (20.6%). Total trade with these three economies amounted to RM352,780 million. As imports increased more rapidly than exports, Malaysia registered a smaller trade surplus against Germany (RM47 million), UK (RM3,470 million) and the Netherlands (RM8,779 million) .

In line with the strong recovery in the East Asian region, Malaysia's external trade with **NIE's** (excluding Singapore) of Taiwan, South Korea and Hong Kong, SAR expanded further by 24.1% to RM55,629 million in the first eight months of 2000 (January-August 1999: 10.8%). Trade with these economies constituted 12.4% of Malaysia's total trade (January-August 1999: 12.5%). Exports, which comprised mainly manufactured articles of machinery, telecommunications and transport equipment as well as mineral fuels, increased by 19.4% to RM29,109 million. Imports, constituting mainly machinery, telecommunications and transport equipment, rose even higher by 29.7% to RM26,520 million. As the level of exports were higher than the imports, Malaysia continued to maintain a relatively high trade surplus of RM2,589 million against these economies (January-August 1999: RM3,927 million). Taiwan remains the largest trading partner, accounting for 38% of Malaysia's total trade with NIE's, followed by South Korea (32.2%) and Hong Kong SAR (29.8%). In terms of trade balance, Malaysia registered a surplus position only with Hong Kong SAR (RM5,369 million) but encountered trade deficits with South Korea (RM1,129 million) and Taiwan (RM1,551 million).

Table 6.13

Trade With Japan
(January-August)

	Exports				Imports			
	RM Million		Annual Growth Rate (%)		RM Million		Annual Growth Rate (%)	
	1999	2000	1999	2000	1999	2000	1999	2000
Food, beverages, Tobacco, oils and fats	962	776	-11.6	-19.3	73	71	9.9	-2.6
Inedible crude material mineral fuels and Lubricants	4,764	8,264	-22.1	46.3	292	326	19.3	11.7
Manufactured goods, intermediate	3,349	3,585	29.8	10.6	7,582	9,539	8.1	25.8
Machinery, telecommunications and transport equipment	12,347	16,205	33.2	31.3	21,518	29,995	4.4	39.4
Manufactured goods final products	1,653	2,038	10.5	23.3	1,756	2,749	-8.9	56.6
Miscellaneous	163	217	-2.8	33.2	891	1,037	41.4	16.3
TOTAL	**23,237**	**31,085**	**12.6**	**33.8**	**32,115**	**43,717**	**5.3**	**36.1**

Source: Department of Statistics.

In tandem with improved eonomic environments, Malaysia's total trade with countries such as the **China** grew remarkably by 40.3% to RM14,830 million during the first eight months of 2000 (January-August 1999: 13.5%). Exports, which comprised mainly electrical machinery, apparatus and appliances, increased by 25.7% to RM7,015 million while imports increased even higher by 56.7% to RM7,815 million, comprising mainly machinery and transport equipment as well as food products. Consequently, Malaysia experienced a trade deficit of RM799 million with China in the first eight months of 2000 (1999: RM596 million). During the same period under review, total trade with **Australia** and **New Zealand** grew by 20.9% and 15.4%, respectively. Exports to both countries surged to RM7,085 million while imports grew to RM4,665 million, resulting in a trade surplus of RM2,420 million for Malaysia. The exports were mainly palm oil, rubber, tin, crude petroleum and sawn timber while most of the import items were dairy products, wheat and meat. Likewise, Malaysia's total trade with **South Asia** and **Africa** also improved. In both regions, Malaysia continued to enjoy trade surpluses amounting to RM5,070 million (January-August 1999: RM5,705 million) and RM1,002 million (January-August 1999: RM1,362 million), respectively.

Balance Of Payments

Malaysia's balance of payments is expected to remain favourable in 2000 with the current account position continuing to record a surplus for the third consecutive year. The surplus of the current

Table 6.14

Trade With Singapore
(January-August)

	Exports				Imports			
	RM Million		Annual Growth Rate (%)		RM Million		Annual Growth Rate (%)	
	1999	2000	1999	2000	1999	2000	1999	2000
Food, beverages, Tobacco, oils and fats	2,361	2,071	6.1	-12.3	135	163	-7.3	20.6
Inedible crude material mineral fuels and lubricants	1,570	2,683	-5.6	70.9	2,751	4,757	-16	72.9
Manufactured goods, intermediate	3,457	4,108	-2.1	18.8	2,690	3,526	4.5	31.0
Machinery, telecommunications and transport equipment	22,452	31,752	0.9	41.4	13,139	17,459	1.0	32.9
Manufactured goods Final products	2,125	2,368	6.2	11.4	1,047	1,517	6.7	44.9
Miscellaneous	749	769	0.7	2.8	1,021	1,003	34.5	-1.7
Total	**32,713**	**43,751**	**0.9**	**33.7**	**20,783**	**28,425**	**0.2**	**36.8**

Source: Department of Statistics.

account is, however, narrowing on account of a lower merchandise surplus as well as a higher deficit in the services account and transfer payments, following stronger domestic economic activity. The long-term capital account position is also expected to register a lower surplus, reflecting mainly higher repayments of external loans for both official and private long-term capital amidst lower foreign direct investments and increasing overseas investment by Malaysians. Nevertheless, the basic balance is envisaged to record a sizeable surplus that is expected to be large enough to offset a higher net outflow of short-term capital. As a result, the overall balance is likely to continue to record a surplus thereby, contributing to the further strengthening of the nation's net international reserves.

Current Account

The **merchandise account** of the balance of payments is expected to register a slightly lower surplus of RM74,329 million in 2000 (1999: RM86,535 million) mainly due to the significant increase in the rate of growth expected for merchandise imports *vis-a-vis* exports. Reflecting the better world economy and trade outlook, particularly in the East Asian region, **merchandise exports** (f.o.b. prices) are expected to continue to expand at a fairly strong rate of 14.5% to RM365,223 million (1999: 13.2%). The continued favourable export earnings will be underpinned by both higher export volumes and prices, particularly for manufactured goods as well as crude oil and LNG, while the export value of

Table 6.15

Trade With The European Union
(January-August)

	Exports				Imports			
	RM Million		Annual Growth Rate (%)		RM Million		Annual Growth Rate (%)	
	1999	2000	1999	2000	1999	2000	1999	2000
Food, beverages, Tobacco, oils and fats	2,225	1,744	-14.3	-21.6	545	632	-25.1	16.1
Inedible crude material mineral fuels and lubricants	1,273	1,671	-17.0	31.7	299	384	19.3	28.5
Manufactured goods, intermediate	2,289	2,534	-18.8	10.7	3,841	4,324	2.6	12.6
Machinery, telecommunications and transport equipment	22,042	23,422	20.3	6.3	12,106	15,167	-3.1	25.3
Manufactured goods Final products	3,585	4,024	1.7	12.2	883	1,085	7.6	22.9
Miscellaneous	193	203	10.0	4.9	456	560	17.2	22.9
Total	**31,608**	**33,602**	**8.9**	**6.3**	**18,130**	**22,154**	**-22.9**	**22.2**

Source: Department of Statistics.

agricultural commodities, especially for palm oil, is anticipated to decline on weaker commodity prices. **Merchandise imports** (f.o.b. prices), on the other hand, are envisaged to increase at a faster rate of 25.2% to RM290,894 million (1999: 9.4%), attributable to higher import volume of capital goods and intermediate goods needed to cater for greater domestic capital formation activities as well as to meet the continuing strong external demand for electrical and electronic products. Higher disposable incomes and better consumer sentiments are both expected to increase imports of consumption goods.

Consistent with the stronger than expected recovery in domestic economic activities as well as the continued significant expansion of external trade, the deficit in the **services account** is envisaged to deteriorate further to RM37,106 million in 2000 (1999: -RM32,134 million). As in previous years, higher net outflows of investment income, as well as larger net payments for freight and insurance, contribute to the deficit in the services account. **Investment income** continues to be the largest contributor to the services account deficit, accounting for 67.3% of the total services net outflow. Gross payment for investment income, comprising repatriation of profits and dividends, is envisaged to increase at a fairly strong rate of 22.7% to RM32,709 million (1999: 32.5%) reflecting the sustained export performance of foreign companies, particularly in the electronics and other export-oriented industries. At the same time, gross receipts for investment income, which

Table 6.16

Trade With The New Industrialising Economies of Asia[1]
(January-August)

	Exports				Imports			
	RM Million		Annual Growth Rate (%)		RM Million		Annual Growth Rate (%)	
	1999	2000	1999	2000	1999	2000	1999	2000
Food, beverages, Tobacco, oils and fats	1,083	1,128	18.1	4.2	160	171	5.8	6.5
Inedible crude material mineral fuels and lubricants	3,433	5,606	-8.7	63.3	329	444	14.1	34.9
Manufactured goods, intermediate	4,236	4,770	-23.7	12.6	4,638	6,367	-0.6	37.3
Machinery, telecommunications and transport equipment	14,441	16,421	46.0	13.7	14,000	17,843	4.5	27.5
Manufactured goods Final products	1,061	1,010	7.7	-4.7	879	1,200	-2.5	36.5
Miscellaneous	127	174	-15.0	36.8	447	494	24.1	10.5
Total	**24,381**	**29,109**	**14.7**	**19.4**	**20,454**	**26,520**	**4.0**	**29.7**

[1] Comprising South Korea, Taiwan and Hong Kong only.
Source: Department of Statistics.

include mainly receipts on the external assets of the Bank Negara Malaysia, as well as income from Malaysian investments abroad, are expected to continue to increase strongly by 21.1% to RM7,731 million (1999: 20.3%). As the substantial increase in receipts from Malaysian investments overseas is not likely to offset the higher repatriation of profits and dividends by foreign companies, the net investment income outflow is expected to increase further to RM24,978 million (1999: -RM20,275 million).

The **freight and insurance account** is expected to incur a bigger deficit of RM12,202 million in 2000 (1999: -RM9,438 million) reflecting higher payments abroad, following the insufficient capacity of domestic shipping and insurance industries to meet the higher demand associated with a higher volume of external trade. As such, gross payments for freight and insurance are estimated to increase significantly by 26.7% to RM18,253 million (1999: 14.2%). Nevertheless, gross earnings from the local freight and insurance industries, comprising main line shipping and air cargo operators, are envisaged to increase strongly by 21.9% to RM6,051 million in 2000 (1999: 19.3%) in line with the increasing volume of cargo shipments through Malaysia.

Net outflows on **other services,** such as payments for contract and professional charges, management and agency fees, royalty payments, franchise fees, commission and salaries and allowances to non-residents, are expected to continue to decline by

Table 6.17

Direction of Trade With Other Trading Partners
(January-August)

	Exports				Imports			
	RM Million		Annual Growth Rate (%)		RM Million		Annual Growth Rate (%)	
	1999	2000	1999	2000	1999	2000	1999	2000
ASEAN (including Singapore)	46,971	63,342	2.3	34.9	35,797	48,570	5.4	35.7
China	5,583	7,015	20.9	25.7	4,986	7,815	6.1	56.7
South Asia[1]	7,114	7,042	-3.6	-1.0	1,409	1,972	-1.3	40.0
West Asia	3,584	4,217	-9.9	17.7	1,938	4,286	43.1	121.2
Australia	4,761	6,245	22.2	31.2	3,623	3,893	11.3	7.4
New Zealand	708	840	43.3	18.6	689	772	5.4	12.0
Central & Eastern Europe	470	640	1.2	36.0	211	370	5.4	75.9
Africa	2,127	1,980	-7.5	-6.9	7,655	978	-3.2	27.8
Total	**71,317**	**91,321**	**3.3**	**28.0**	**49,420**	**68,657**	**6.7**	**38.9**

[1] Comprising principally India, Pakistan and Sri Lanka.

8.9% to RM11,309 million (1999: -RM10,388 million). This will be reflected in the 9.2% increase in payments to RM34,523 million (1999: 11.2%) following the expected increase in demand for foreign professional services and the increase in private investment activity. Receipts from exports of other services are expected to increase by 9.4% to RM23,214 million (1999: -17.2%) reflecting the increasing involvement of Malaysian entrepreneurs in the services sector, particularly in the construction and plantation sector-related industries.

The **government transactions** account is expected to continue to register a small net outflow of RM57 million in 2000 (1999: -RM47 million) partly due to the impact of measures to curtail Government overseas expenditure during the crisis. Payments, mainly comprising expenditure incurred by Malaysian embassies abroad and technical assistance provided by the Government to other developing countries, are estimated to increase moderately by 8.7% to RM430 million (1999: -30.2%). Nevertheless, the estimated payment is still lower than the average expenditure of RM513 million during 1997-1998. Total government transaction receipts are expected to increase by 6.9% to RM373 million (1999: 3.3%) as a result of higher expenditures by foreign embassies in Malaysia.

Net inflows on the **travel account,** comprising business and leisure travel as well as payments for education and pilgrimage, is envisaged to increase significantly by 46.7% to RM8,999 million (1999: RM6,135 million). Growth in travel and education receipts are expected to increase strongly by 31.2% to RM17,883 million in 2000 (1999:

Table 6.18

Current Account of The Balance of Payment
(RM Million)

	1999			2000[e]		
	+	-	Net	+	-	Net
Merchandise account (Exports & imports f.o.b)	**318,946**	**232,411**	**86,535**	**365,223**	**290,894**	**74,329**
Services account	**53,250**	**85,384**	**-32,134**	**63,111**	**100,216**	**-37,106**
Freight and insurance	4,964	14,402	-9,438	6,051	18,253	-12,202
Other transportation	6,695	4,816	1,879	7,858	5,417	2,441
Travel	13,634	7,499	6,135	17,883	8,884	8,999
Investment income	6,385	26,660	-20,275	7,731	32,709	-24,978
Government transactions	349	396	-47	373	430	-57
Other services	21,223	31,611	-10,388	23,214	34,523	-11,309
Good and Services Account	**372,196**	**317,795**	**54,401**	**428,334**	**391,109**	**37,224**
Unrequited transfers	3,148	9,647	-6,499	3,328	10,796	-7,468
Current account	**375,344**	**327,442**	**47,902**	**431,661**	**401,905**	**29,756**

[e] Estimate.

45.9%) mainly due to the increase in the number of tourist arrivals of 7.6% to 8.5 million (1999: 7.1%). This favourable performance is mainly due to the strong recovery of the East Asian region, as well as more intensive promotion of inbound travellers, and the hosting of major international conferences and sports events. Outflows on the travel account are also expected to increase strongly by 18.5% to RM8,884 million (1999: 7.1%).

In the case of **other transportation** services transactions, which include air passenger fares, port and airport disbursements, bunker and charter fees, a slightly higher net inflow of RM2,441 million is expected in 2000 (1999: RM1,879 million) as foreign shipping lines and airlines increase their frequency of calls at local seaports and airports. This is in line with the various concerted efforts by the nation to expand and modernise national transport infrastructure with the state-of-art facilities, commensurate with the hub status. As such, total receipts in other transportation services is estimated to increase significantly by 17.4% to RM7,858 million (1999: -1.3%) mainly due to improved earnings by the Malaysian airlines industry following higher volume of ticket sales. At the same time, gross outflow for other transportation is envisaged to increase by 12.5% to RM5,417 million (1999: -4.9%) partly as a result of higher airport and port charges as well as fuel expenses paid by the national carrier and shipping lines abroad.

The net outflow associated with **unrequited transfers** comprising largely of remittances by

Table 6.19

Performance of Ringgit Against Selected Currencies

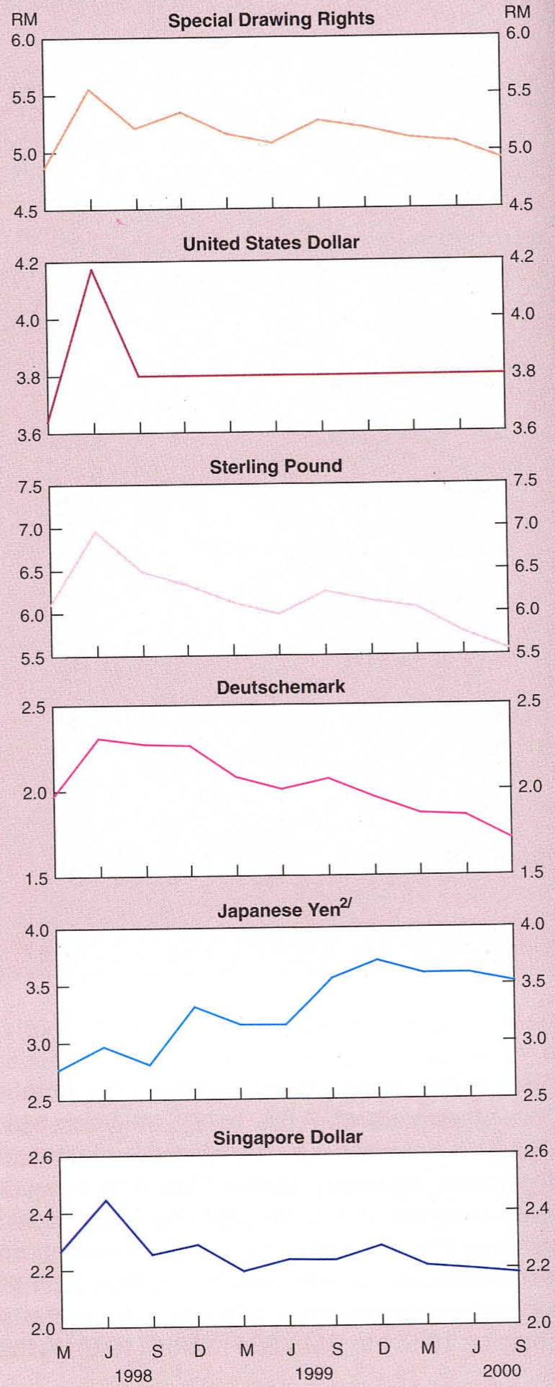
RM per foreign currency[1]	End-1999	16 October 2000	% Change
US Dollar	3.8000	3.8000	0.0
Sterling Pound	6.1389	5.5246	11.1
Euro	3.8333	3.2492	18.0
Deutschemark (100)	1.9599	1.6613	18.0
Japanese Yen (100)	3.7115	3.5250	5.3
Singapore Dollar	2.2809	2.1681	5.2
Thailand Baht (100)	10.1199	8.7709	15.4
Philippine Peso (100)	9.4823	7.8069	21.5
Indonesian Rupiah (100)	0.0542	0.0427	26.9

[1] Interbank rates at 12.00 noon in Kuala Lumpur are an average of the highest buying and lowest selling quotes.

Source: Bank Negara Malaysia.

Chart 6.10

Exchange Rates Of The Malaysian Ringgit[1/]



1/ End of March, June, September and December.
2/ RM = ¥ 100.

Appreciation Of The Malaysian Ringgit.
Depreciation Of The Malaysian Ringgit.

foreign workers is expected to continue to increase in 2000 to RM7,468 million, against a net outflow of RM6,499 million in 1999. The total amount of transfer payments is likely to increase strongly by 11.9% to RM10,796 million (1999: RM9,647 million) mainly due to higher remittances by foreign workers. Transfer receipts from abroad, on the other hand, are estimated to increase slightly by 5.7% to RM3,328 million in 2000 (1999: RM3,148 million) largely on account of Malaysians working abroad.

On aggregate, the deficit in the services account is envisaged to widen from RM32,134 million in 1999 to RM37,106 million in 2000. The deterioration in the services account, however, is not likely to offset the surplus in the merchandise account, estimated at RM74,329 million (1999: RM86,535 million). After taking into account the net transfer payments outflow of RM7,468 million (1999: -RM6,499 million) the **current account** of the balance of payments is, therefore, expected to record a lower but still sizeable surplus of RM29,756 million or 9.9% of Gross National Product (GNP) (1999: 47,902 million or 17.1% of GNP).

Capital Account

In the **capital account,** a substantial lower net inflow of RM6,683 million is expected to be registered in long-term capital compared with RM12,598 million registered in 1999. This is largely attributable to a significantly smaller net inflow of **official long-term capital** and slightly lower net inflow of private long-term capital. The smaller surplus anticipated in the official long-term capital amounting to RM2,418 million (1999: RM6,697 million), amongst others, reflects the higher repayments of external borrowings by both the Federal Government and the Non-Financial Public Enterprises (NFPEs) despite the recent reopening issue of US$500 million notes on 15 September 2000. Gross amount of repayments by the Federal Government is expected to increase sharply by 118.9% to RM4,030 million in 2000 (1999: RM1,841million) while that of NFPEs are estimated to increase by 95.9% to RM4,368 million (1999: RM2,230 million). To a certain extent, the increasing value of NFPE's investment overseas are also expected to contribute to the lower net inflow of official long-term capital.

In regard to **private long-term capital**, a smaller surplus of RM4,265 million is expected in 2000 (1999: RM5,901 million). This is partly attributable to the recent acquisitions of 30% stake in two major local parts by foreign interest. However, there is also on-going external loan repayment exercise by the private sector following continuing debt restructuring while Malaysian investments abroad are expected to remain substantial. In addition, net inflows of foreign direct investment in both the oil and non-oil sectors are likely to be lower as in other parts of the region. Based on the favourable net position in both the current account and the long-term capital account, the **basic balance** is envisaged to record a sizeable surplus of RM36,439 million (1999: RM60,500 million). After taking into account the net expected outflow of short-term private capital of RM21,323 million (1999: -RM37,750 million) as well as net outflows of RM6,960 million (1999: -RM4,931 million) due to errors and omissions, the **overall position** of the balance of payments is expected continue to record another surplus of RM8,159 million in 2000 (1999: RM17,819 million).

Foreign Exchange Market

The ringgit recorded an across-the-board appreciation against major currencies at 16th October 2000 *vis-à-vis* its position at end-1999. The ringgit appreciated by 18.0% against both the euro and deutschemark, 11.1% against the sterling pound and 5.3% against the yen as shown in *Table 6.19*. This was due primarily to the strengthening of US dollar in the international foreign exchange markets, in tandem with the strong growth of US economy. Given that the ringgit remained pegged to the US dollar at RM1: US$0.2632 (US$1: RM3.80) since 2 September 1998, the ringgit similarly appreciated against other regional currencies. The ringgit appreciated 5.2% against the Singapore dollar, 15.4% against the Thailand baht as well as 21.5% and 26.9%, respectively against the Philippine peso and Indonesian rupiah.