

Sectoral Performance

Overview

Real Gross Domestic Product (GDP) growth moderated significantly following weak performance of the external sector. The manufacturing sector, which had achieved double-digit growth over the last twenty-one consecutive months since May 1999, is expected to decelerate sharply to 0.2% in 2001 (2000: 21%) on account of the sharper-than-expected contraction of global demand, especially electronic products and components. Growth in the agriculture sector is expected to improve to 1.2% (2000: 0.6%), emanating largely from higher oil palm production. The mining sector, however, is expected to moderate to 0.9% (2000: 3.1%), resulting from lower output of crude oil and tin despite a significant increase in gas production.

The performance of the construction sector is expected to improve, growing by 4.9% despite a large overhang in commercial property. The better outlook is attributable to greater construction activities of low- and medium-cost houses as well as the implementation of infrastructure projects following the fiscal stimulus stance of the Government.

The services sector, as shown in *Table 4.1*, which is expected to expand by 4.4%, is envisaged to be the driving force in generating economic activities, contributing 2.3 percentage points to real GDP growth. Growth in the sector is largely expected to emanate from the financial, utilities as well as transport, storage and communications sub-sectors.

Manufacturing Sector

The manufacturing sector, which had recorded twenty-one consecutive months of double-digit growth, is operating in a challenging environment in 2001 with weakening exports and slowing domestic demand. Consequently, the sector recorded a lower output of 3.3% (January-July 2000: 28.2%). The slowdown in world economy and the sharper-than-expected decline in global demand for electronic products have severely affected the output of the manufacturing sector, especially the export-oriented industries, which contracted by 8.5% (January-July 2000: 32.8%). The sharp deceleration largely reflects the impact of lower production and exports of electronics, which constituted 28% of total manufacturing production and close to half of total manufactured exports. This had adversely affected the overall performance of the export-oriented industries despite some sectors, such as wood and rubber products, continuing to register positive growth rates.

Domestic-oriented industries, although affected by the economic slowdown, have shown more resilience in their growth performance. These industries continued to register positive growth of 3% during the first seven months of 2001. Growth, however, deteriorated significantly compared with 23.1% in the corresponding period of 2000. The construction-related industries such as non-metallic minerals (cement and ceramics) and iron and steel show more resilience this time around, while consumer products, in particular passenger cars and food products, were less affected despite mixed consumer confidence.

TABLE 4.1
Real Gross Domestic Product (GDP) by Sector
(in 1987 prices)

	Change (%)		Share of GDP (%)		Contribution to GDP Growth (percentage point)	
	2000	2001 ^e	2000	2001 ^e	2000	2001 ^e
Agriculture, forestry and fishing ¹	0.6	1.2	8.4	8.4	0.1	0.1
Mining	3.1	0.9	6.9	6.8	0.2	0.1
Manufacturing	21.0	0.2	33.4	32.8	6.3	0.1
Construction	1.0	4.9	3.3	3.4	0.0	0.2
Services	4.8	4.4	53.4	54.6	2.6	2.3
Less: imputed bank service charges	8.0	7.8	7.7	8.1	0.6	0.6
Plus: import duties	-10.9	-5.5	2.3	2.1	-0.3	-0.1
GDP	8.3	2.0	100.0	100.0	8.3	2.0
¹ Includes livestock and horticulture.						
^e Estimate.						

Export-Oriented Industries

Export-oriented industries, as shown in *Table 4.2*, were significantly affected by the slowdown in major developed economies, particularly the US, Japan, the EU and Singapore. Sharp decline in global electronics demand and greater competition from low-cost producers have also affected the performance of the industry, resulting in output declining by 8.5% (January-July 2000: 32.8%).

The output of the **electrical, electronics and machinery** sectors as a group recorded a sharp decline of 11.1% (January-July 2000: 43.5%). The decline was in tandem with the sharp contraction in global demand for electronic products and components. As output of the

industry contracted sharply, its share to total output of the manufacturing sector decreased to 38.7% (January-July 2000: 42.2%). The output of the electronics sector, recorded a sharp decline of 16.1% (January-July 2000: 48.2%) on the back of declining sales orders as demand for chips, especially those used in computers and mobile phones, continued to fall. Decreasing demand for personal computers (PCs) and telecommunications products also forced contract manufacturers to cut back on production of assembled printed circuit boards, parts for data processing machines and peripherals.

In comparison, the output of non-electronic products within the group has shown more resilience. Output of cables and wires expanded by 10.7% (January-July 2000: 33.6%). The growth

TABLE 4.2

Manufacturing Production Index
(1993=100)
(January-July)
(%)

Sectors	Change		Share	
	2000	2001	2000	2001
Export-oriented industries:	32.8	-8.5	54.8	51.7
Electrical, electronics and machinery	43.5	-11.1	42.2	38.7
Rubber products	4.0	4.4	4.3	4.6
Wood products	3.3	4.8	3.9	4.2
Textiles, wearing apparel and footwear	8.8	-5.7	3.5	3.4
Professional, scientific, measuring and controlling equipment	20.3	-18.7	0.9	0.8
Domestic-oriented industries:	23.1	3.0	45.2	48.3
Chemicals, chemical products and plastics	20.3	-4.5	18.7	18.5
Food, beverages and tobacco	20.7	6.4	9.0	10.0
Basic metal products	32.5	3.8	7.6	8.2
Transport equipment	26.4	19.3	3.5	4.3
Non-metallic mineral and glass products	23.5	11.6	3.6	4.1
Paper and paper products	18.0	2.8	1.3	1.4
Crude oil refineries	21.7	20.0	1.1	1.4
Miscellaneous products of coal and petrol	35.1	0.5	0.4	0.4
Total	28.2	-3.3	100.0	100.0

Source: Index of Industrial Production, Department of Statistics.

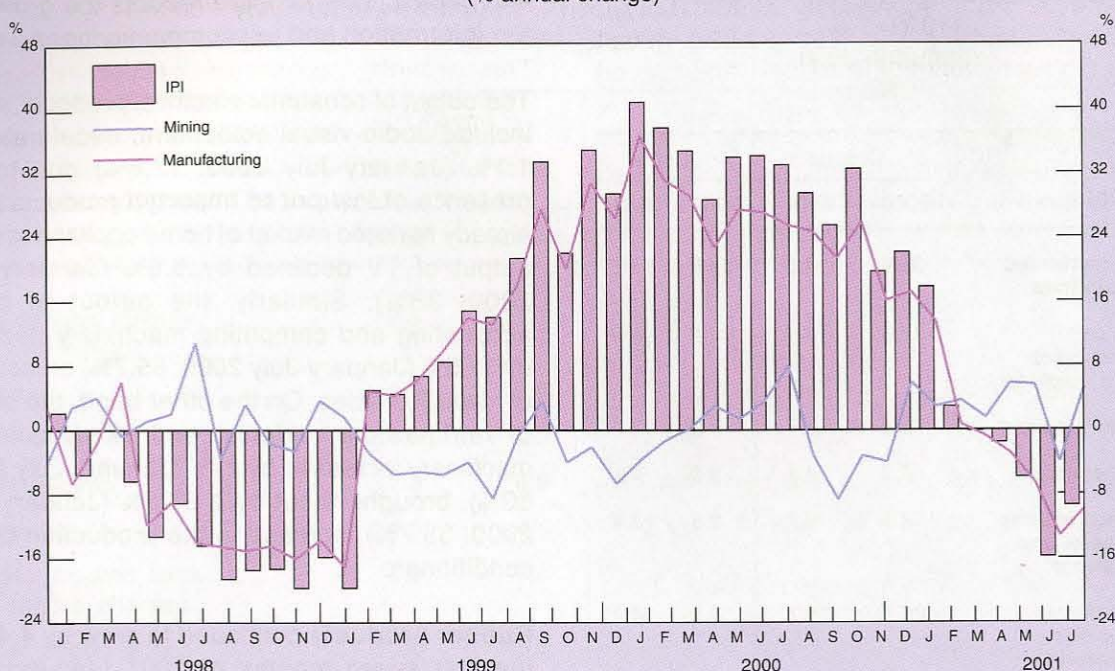
was underpinned by a 40.9% increase in production of telephone and telegraphic cables and 13.9% in the production of insulated wires and cables. The increase reflects the growth in the information and telecommunications sector.

The output of consumer electrical products, which include audio-visual equipment, decelerated to 1.1% (January-July 2000: 17.6%) due to the presence of low-priced imported products in an already matured market of home appliances while output of TV declined by 6.6% (January-July 2000: 38%). Similarly, the output of office accounting and computing machinery declined by 11.5% (January-July 2000: 65.7%) on account of lower PC sales. On the other hand, the output of refrigerators, exhaust and air-conditioning machinery increased by 21% (January-July 2000: 60%), brought about by a 33.8% (January-July 2000: 33.7%) increase in the production of air-conditioners.

Rubber products continued to grow by 4.4% in the first seven months of 2001 (January-July 2000: 4%). Rubber gloves, the main contributor to the industry, recorded an increase in production by 10.6% (January-July 2000: 3.9%) as overseas demand for rubber gloves continued to rise. The industry was able to overcome the challenges of weak export price, shortage of supply of local latex, rising operational costs and stiff competition from regional latex product producers by improving product quality, increasing productivity and efficiency, thereby, enhancing its global competitiveness. In tandem with a lower output of rubber, the production of processed latex further contracted by 5.2% (January-July 2000: -11.5%). In contrast, the output of other rubber products such as rubber compounds and articles of rubber increased by 23.1% (January-July 2000: 1.5%) on account of higher export sales.

The output of the **wood-based industry** grew by 4.8% (January-July 2000: 3.3%). The better performance was attributable to increased output of saw milling activities, which registered a strong increase of 14.3% (January-July 2000: -2.1%). The increase was underpinned by increased utilisation of local saw logs for downstream manufacturing such as fixtures and joinery for

CHART 4.1
Industrial Production Index (IPI)
(% annual change)



doors, flooring and furniture arising from lower saw logs prices as well as increased competition in the export of saw logs from regional producers.

The **textiles and apparel industry** is another export-oriented industry that had been affected by sluggish world demand. For the first seven months of 2001, output of the sector contracted by 5.7% (January-July 2000: 8.8%). The deterioration was brought about by a sharp contraction in output of apparel as well as stagnant production of textiles. In addition, production was affected by labour shortage and stiff competition from low-cost producers such as China and India. On the other hand, yarn and natural fibre registered continued growth of 0.6% (January-July 2000: 1%) and 3.8% (January-July 2000: 2.6%), respectively.

Domestic-Oriented Industries

In the light of the poor performance of the export-oriented industries, the contribution by **domestic-**

oriented industries to growth and employment in the manufacturing sector became more pronounced. Their contribution to the output of manufacturing sector have increased to 48.3% (January-July 2000: 45.2%). Likewise, employment in the domestic-oriented industries continues to expand despite the slowing economy. During the first seven months, its number of employment increased by 5.7%. The increase has offset some of the decline in the number of employment in the export-oriented industries.

The industries, as shown in *Table 4.2*, expanded by 3% (January-July 2000: 23.1%). All industry groups except chemicals, chemical products and plastic, registered positive growth. Among the industries which continued to register strong growth were petroleum refineries 20% (January-July 2000: 21.7%), transport equipment 19.3% (January-July 2000: 26.4%) and non-metallic mineral and glass products 11.6% (January-July 2000: 23.5%).

The output of **crude oil refineries** increased by 20% (January-July 2000: 21.7%). The increase was attributed to expansion in the output of kerosene 32.7% (January-July 2000: 19.8%), LPG 20.1% (January-July 2000: 22.8%), diesel 17.4% (January-July 2000: 41.6%) and fuel oil 7.4% (January-July 2000: 12.1%). While the slowdown in manufacturing activities had affected demand for petroleum products in particular fuel oil, continued growth in other sectors such as transportation, construction and commercial sectors have contributed to higher demand of petroleum products.

Production of **food, beverages and tobacco** expanded by 6.4% (January-July 2000: 20.7%). Supported by increases in the production of canned and frozen sea-food, rice milling and palm oil refineries, as shown in *Table 4.3*, output of manufactured food recorded a positive growth of 9% (January-July 2000: 16.8%). The output of tobacco products, however, declined by 3% (January-July 2000: 69%) due to bad weather

conditions in 2000 which have affected tobacco output. Mixed consumer confidence had adversely affected the output of beverages, which declined by 10.5% (January-July 2000: 11%).

The growth momentum of the **transport equipment industry** remained strong. For the first seven months of 2001, output of the sector increased by 19.3% (January-July 2000: 26.4%), led by higher output of passenger cars. Output of 1600cc and above passenger car segment recorded a remarkable growth of 164.9% (January-July 2000: 80%). The introduction of new models, affordable pricing and low interest rate as well as higher car loan facilities provided to civil servants have contributed to higher sales of passenger cars. Sales of vehicles remained strong, increasing by 12.8% in the first eight months, compared with the corresponding period of 2000. Passenger cars remained the top performer, accounting for 82.4% of the total vehicles sold. The production of related motor parts and accessories industry also recorded stronger output growth of 18.6% (January-July 2000: 27.7%).

TABLE 4.3

Production of Selected Manufactured Food
(January-July)
(%)

Selected Industries	Change	
	2000	2001
Canned and frozen fish, crustacean and similar food	10.9	14.9
Rice milling	2.2	13.8
Palm oil refineries	17.3	12.2
Sugar factories and refineries	4.5	-10.4
Dairy products	10.1	-15.3
Total	16.8	9.0

Source: Index of Industrial Production and Monthly Manufacturing Statistics, Department of Statistics.

The output of the **basic metal industry** as a group recorded a 3.8% growth (January-July 2000: 32.5%). Within the group, output of iron and steel industry increased by 6.5% (January-July 2000: 30.8%) partly attributable to the continuation and revival of public infrastructure projects. Continuous efforts by the Government to accelerate domestic demand through fiscal stimulus and accommodative monetary policy supported the growth of the industries. Output of fabricated metal products also increased by 7% on account of increases in production of tin can, wire and iron and steel drum. The non-ferrous metal industry, however, registered a lower output, following falling external demand for aluminium, copper and tin-based products.

The **non-metallic mineral industry** which includes cement, concrete and clay products had also benefitted from the Government fiscal stimulus measures. The industry as a group registered continued output growth of 11.6% (January-July 2000: 23.5%). The output of cement in particular, increased by 18.5% (January-July 2000: 15.4%) in response to increased demand from the construction industry. Other types of

building materials such as ceramic tiles, roofing tiles and earthen bricks recorded significant growth of 18.5% (January-July 2000: 16.7%), 33.8% (January-July 2000: 33%) and 21.8% (January-July 2000: 8.2%), respectively.

The slower growth in manufacturing activities had affected the performance of the **chemicals, chemical products and plastic industry**. Output of the industry declined by 4.5% (January-July 2000: 20.3%). The plastic industry in particular, declined by 13.8% (January-July 2000: 40.3%) as demand for plastic components of electronics industry remains weak. The output of chemicals and chemical products increased marginally by 2% (January-July 2000: 9.4%) on account of a 3.1% (January-July 2000: 8.3%) increase in output of industrial chemicals while the output of pharmaceutical products as well as synthetic resins contracted.

Agriculture Sector

Value added of the **agriculture sector including livestock, forestry, and fishing** is estimated to increase by 1.2% to RM17,906 million (2000: RM17,687 million). The growth of the agriculture sector, as shown in *Table 4.4*, is mainly driven by the robust 8.9% growth (2000: 2.7%) in the production of crude palm oil, coupled with higher growth of 3.1% (2000: 0.5%) in value added of other agriculture products. On the other hand, production from rubber and saw logs is expected to decline by 5.7% and 11.2%, respectively, while value added in fishing contracts by 1.9%.

Palm Oil and Palm Kernel Oil

Palm oil production in 2001, as shown in *Table 4.5*, is anticipated to increase by an estimated one million tonnes or 8.9% to reach 11.8 million tonnes. The higher output is on account of a 6.4% increase in yield to 19.5 tonnes per hectare (2000: 18.3 tonnes per hectare), and the addition of another 158,200 hectares of planted area coming into maturity, mainly from Sabah and Sarawak. With this, total matured hectarage will increase to 3.1 million hectares. The bulk of palm oil production, however, continues to come from Peninsular Malaysia (67.5%), with the rest

TABLE 4.4

Value Added in the Agriculture, Livestock, Forestry and Fishing Sector (in 1987 prices) (%)

	Change		Share to Agriculture	
	2000	2001 ^a	2000	2001 ^a
Agriculture, forestry and fishing	0.6	1.2	100.0	100.0
Oil palm	2.7	8.9	33.1	35.6
Forestry & logging	8.3	-11.2	17.5	15.3
Fishing	-0.3	-1.9	13.4	13.0
Rubber	-18.6	-5.7	6.9	6.4
Other agriculture ^a	0.5	3.1	29.1	29.6

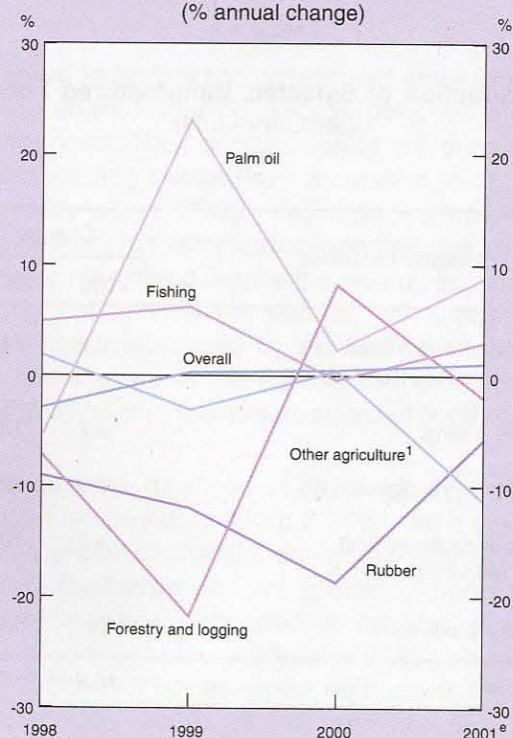
^a Estimate.

^a Including livestock, cocoa, padi and miscellaneous agriculture such as fruits, copra, vegetables, tobacco, tea, flowers, pepper and pineapples.

Source: Department of Statistics.

CHART 4.2

Value-Added for Agriculture, Forestry and Fishing Sector at 1987 Constant Price (% annual change)



^e Estimate.

¹ Including livestock.

Source: Department of Statistics.

TABLE 4.5

Oil Palm Area and Palm Oil Production

	2000	2001 ^a	Change (%)	
			2000	2001 ^a
Planted areas ('000 hectares)	3,377	3,500	1.9	3.7
Matured areas ('000 hectares)	2,942	3,100	3.0	5.4
Production ('000 tonnes)				
Crude palm oil	10,839	11,800	2.7	8.9
Palm kernel oil	1,385	1,570	3.4	13.4
Yield (tonnes/hectare)	18.3	19.5	-4.8	6.4

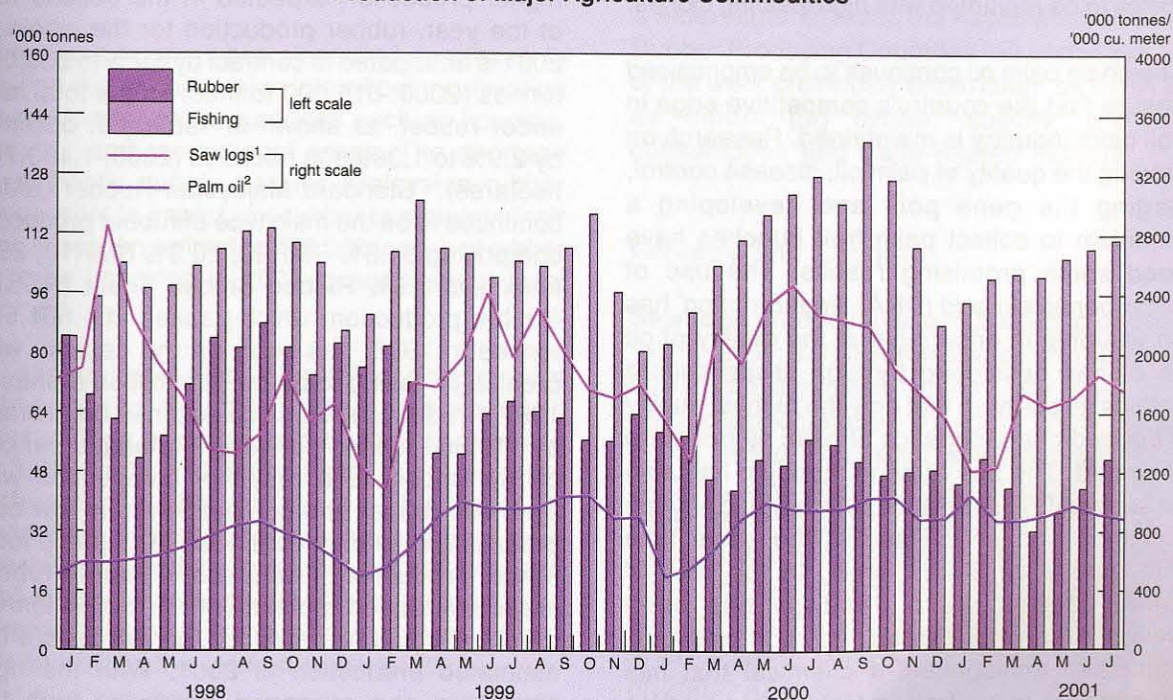
^a Estimate.

Source: Ministry of Primary Industries.

from Sabah (27.9%) and Sarawak (4.6%). The three largest states producing palm oil are Sabah, with 3.3 million tonnes (27.9%), Johor, 2.6 million tonnes (21.8%) and Pahang, 2.1 million tonnes (17.5%). In the world oils and fats market, Malaysia continues to be the largest palm oil producer, accounting for almost half of the world's production, followed by Indonesia with 32%.

Interest in oil palm growing continues unabated despite recent softening in prices. In 2001, total hectareage planted is estimated to increase by 3.7% to 3.5 million hectares (2000: 3.4 million hectares). Oil palm is largely cultivated as an estate crop, with unorganised smallholdings accounting for only 9.5% of total hectareage. In terms of ownership, the private sector is still the largest player, accounting for 59.9% of total hectareage with Government agencies such as the Federal Land Development Authority (FELDA) and FELCRA Berhad collectively accounting for the remaining 30.6%.

CHART 4.3
Production of Major Agriculture Commodities



Source: Department of Statistics, Bank Negara, Department of Fisheries and Malaysian Palm Oil Board.

The glut in the oils and fats market has led to the deterioration in crude palm oil prices from an average of RM1,451 per tonne in 1999 to RM993 per tonne in 2000. The price reached its lowest level of RM695 per tonne in February 2001, but strengthened to RM1,215 per tonne in August before declining to RM998 per tonne a month later. A two-pronged approach was taken by the Government to improve palm oil prices, through increasing competitiveness and by reducing the stock of palm oil in the market. As an effort to increase the export of palm oil, the Government has allowed one million tonnes of palm oil to be exported duty-free.

The Government also undertook measures to reduce stocks including through a replanting programme of 200,000 hectares of oil palm by the end of 2001 and using palm oil as fuel. For the replanting programme, the Government has set aside RM300 million to be given out as grants to encourage replanting. To be eligible for this programme, growers must own more than four hectares of oil palm with trees which are no longer productive. As at end of July, the Malaysian Palm Oil Board (MPOB) has approved 112,346 hectares to be replanted with high yielding clones.

Research on palm oil continues to be emphasised to ensure that the country's competitive edge in the oil palm industry is maintained. Research on improving the quality of palm oil, disease control, enlarging the gene pool and developing a mechanism to collect palm fruit bunches have yielded some promising results. The use of deoxyribonucleic acid (DNA) 'fingerprinting' has been valuable in ensuring that the quality of oil palm clones developed through tissue culture maintains its purity so that only the highest quality and desired characteristics of palm oil trees are propagated. The use of gene mapping has also been successfully developed, which would shorten the propagation period and at the same time obtain quality oil palm clones. In the field of disease control, much headway has been achieved. A plant has started operation producing *Metarhizium anisopliae*, a chemical that has been effective in controlling Rhinoceros beetles which pose a serious threat during palm oil replanting.

In order to ensure a large pool of oil palm clones that can be used to upgrade the yield and quality of Malaysia's stock of oil palm trees, germplasm materials from various countries in Africa and Papua New Guinea are being collected. In farm mechanisation, an integrated collection system has been developed, where a vehicle with carrying capacity of one metric tonnes can collect fresh fruit bunches (FFB) and download them to an eight-to-ten tonne capacity bin, which later can be hook-lifted onto a lorry for transportation to the mill. This system provides for minimum handling of FFB, consequently reducing labour. In line with the increase in palm oil production, **palm kernel oil** output is estimated to increase by 13.4% to 1.57 million tonnes in 2001 (2000: 1.39 million tonnes). In the first eight months of this year, production increased by 17.7% to about one million tonnes (January-August 2000: 0.85 million tonne).

Rubber

In the first seven months of 2001, **rubber** output registered a decline of 16% to 305,900 tonnes (January-July 2000: 364,300 tonnes). Despite higher production expected in the second half of the year, rubber production for the whole of 2001 is anticipated to contract by 5.7% to 580,000 tonnes (2000: 615,000 tonnes) as the total land under rubber, as shown in *Table 4.6*, declined by 2.9% to 1,389,300 hectares (2000: 1,430,700 hectares). Standard Malaysian Rubber (SMR) continues to be the main type of rubber produced, comprising 51.3% SMR20, 20.3% SMR10, 20% latex and 3.6% Ribbed Smoke Sheet (RSS)1. Rubber production, which peaked at 1,661,600 tonnes in 1988, has been on the decline, with production falling to below one million tonnes in 1997. Production has since declined on average by 110,000 tonnes per year. Prolonged periods of low prices as a result of competition with synthetic rubber and competition from low-cost producing countries continued to depress local rubber production. If all trees in mature rubber areas are tapped, potentially 1.1 million tonnes of rubber could be produced, almost double the estimated production in 2001. With the right conditions and concerted efforts by both the estate and the smallholding sectors, there is room for rubber production to be further increased.

TABLE 4.6

Rubber Area, Yield and Production

	2000	2001 ^e	Change (%)	
			2000	2001 ^e
Total area ('000 hectares)	1,430.7	1,389.3	-2.3	-2.9
Smallholdings	1,244.5	1,220.6	3.1	-1.9
Estate	186.2	168.7	-27.7	-9.3
Yield (kg per hectare)				
Smallholdings	850.0	900.0	-3.0	5.9
Estate	1,150	1,200	-6.2	4.3
Total production ('000 tonnes)	615.1	580.0	-20.0	-5.7
Smallholding	487.0	459.2	-16.9	-5.7
Estate	128.1	120.8	-30.0	-5.7
% of world production	8.9	7.8		

^e Estimate.

Source: Ministry of Primary Industries and Department of Statistics.

The area under rubber plantation continues to decline due to conversion into oil palm cultivation as well as for other purposes such as housing, industry and recreational areas. The shortage of domestic supply has led Malaysian rubber processors to import raw rubber to maintain their operations. An estimated 700,000 tonnes of rubber is to be imported in 2001 to supplement local production.

In consonance with increasing downstream rubber-based industrial output, the domestic consumption of rubber is projected to increase by 3.3% (2000: 419,300 tonnes), of which 86.5% were natural rubber and the rest, dry rubber. To encourage greater rubber consumption, new licences to produce tyres for aeroplanes and rubber-gloves were issued. Efforts are also being taken to encourage companies to produce rubber-based automotive components locally.

In the wake of weak rubber prices, the Government undertook various measures to revive the industry.

In order to enhance productivity, allocation was set aside for rubber growers to obtain subsidies and loans for the purchase of latest tapping equipment such as RRIMFLOW. Another initiative was the provision of price incentive to growers to produce latex and cuplump. To reduce cost of production and enhance competitiveness, smallholders are encouraged to merge into bigger holdings. Cultivating other crops or engaging in other part-time activities is also encouraged so that they can augment their income. In the field of research and development (R&D), a new product, Low Protein Latex (LOPROL), has been introduced for use in the manufacturing of hand gloves to reduce allergic problems faced by users and a new Odourless Natural Rubber (SUMAR), is being marketed.

In the international arena, with the termination of the International Natural Rubber Agreement (INRA) in October 1999, the main rubber producing countries of Indonesia, Malaysia and Thailand have been working towards the setting up a trading consortia whereby the private sector from these countries could strengthen cooperation in the marketing and pricing of their rubber. On a wider regional level, the Association of Natural Rubber Producing Countries will undertake some of the work previously undertaken by INRA such as monitoring rubber supply, promoting consumption and trade-related matters.

Forestry and Logging

Saw logs production is anticipated to decline by 11.2% (2000: 8.3%) in compliance with sustainable forest management policy. The bulk of the production continues to come from Sarawak (62%), while Peninsular Malaysia will account for 26%, and the rest from Sabah. In the first seven months of 2001, total production of saw logs declined by 19.9% compared with an increase of 14.1% during the same period last year. In tandem with the decline, sawn timber production is expected to contract by 13.8% for the whole of 2001. As such, value added of the forestry sector is expected to decline by 11.2% to RM2,746 million (2000: RM3,092 million).

Plantations and smallholdings are becoming important sources of supply for rubber wood. Demand for rubber wood is increasing from both the local and export markets. The furniture industry prefers rubber wood for its characteristics of light grain, uniform colour, strength and ease in blending. It is anticipated that rubber wood furniture export will increase by 11.1% to RM3,933 million in 2001 (2000: RM3,540 million). Among its other uses, rubber wood can be processed into medium density fibreboard (MDF), builders' carpentry and joinery, mouldings, chipboard and sawn rubber wood. The export of rubber wood in the form of MDF is expected to fetch RM726 million in 2001 or an increase of 5.3% from the previous year. In total, export of rubber wood products is expected to increase by 3.5% to RM5,246 million in 2001 (2000: RM5,071 million).

Fishing

Value added in the **fishing** sector, which comprises marine landing and aquaculture harvest, is expected to contract by 1.9% and account for 13% of the agriculture, livestock, forestry and fishing sector. Output from **marine landing**, which accounts for 82% of fishing, is expected to decline by 4.2% in 2001 while **aquaculture harvest** is expected to increase significantly by 7% arising from breeding areas increasing by 9.1% to 19,500 hectares.

Other Agriculture

Other agriculture comprises livestock, cocoa, *padi* and miscellaneous agriculture. Value added from this sector is envisaged to expand by 3.1% and contribute 29.6% towards the share of total agriculture value added in 2001.

Livestock value added is envisaged to grow by 2.8% mainly on account of higher poultry and eggs production by 9.6% and 5.6%, respectively. Similarly, the production of swine, beef, mutton and fresh milk is anticipated to increase by 2%, 8.8%, 2% and 25.8%, respectively.

TABLE 4.7
Production of Other Agriculture
(¹000 tonnes)

	Production		Change (%)	
	2000	2001 ^e	2000	2001 ^e
<i>Padi</i>	1,377.2	1,608.6	4.7	16.8
Cocoa	70.3	70.0	-16.0	-0.4
Pepper	25.0	28.5	16.3	14.0
Tobacco ¹	72.0	75.7	-9.7	5.1
Fruits ²	919.7	877.5	264.6	-4.6
Livestock ³	977.8	1,056.4	12.7	8.0

¹ Green and dry tobacco leaves.

² Consist of carambolas, papayas, durians, guavas, oranges, mangoosteens, jackfruits, watermelons and pineapples.

³ Including beef, poultry, swine and mutton.

^e Estimate.

Source: Ministry of Agriculture and Ministry of Primary Industries.

The production of **cocoa** is projected to decline marginally by 0.4% to 70,000 tonnes, far short of the grinding requirement of 150,000 tonnes. Of this, 55.7% is from smallholders, and the balance from the estate sector. Hectarage under cocoa is expected to decline by 1.6% to 76,500 hectares (2000: 77,800 hectares) on account of lower prices. As part of an effort to increase cocoa productivity from 0.5 tonnes per hectare to the targetted 1.5 tonnes per hectare, an estimated 547 hectares of existing cocoa plants will be rehabilitated this year.

Padi production, as shown in *Table 4.7*, is expected to expand by 16.8% (2000: 4.7%). Even though the *padi* plantation area is expected to record a slight decline to 699,000 hectares in 2001 (2000: 699,100 hectares), *padi* productivity in Peninsular Malaysia is expected to increase by 5.6% to 3.76 tonnes per hectare attributable to greater use of mechanisation. As *padi* consumption is expected to increase by 2.5% to 2.03 million tonnes (2000: 1.98 million tonnes),

the import bill of *padi* is expected to increase by 1.3% to RM700 million in 2001 (2000: RM691 million).

Miscellaneous agriculture products, which include fruits, copra, vegetables, tobacco, tea, flowers, pepper, pineapples and others are expected to show an expansion of 2.8% in value added for this year. For the export-oriented commodities, pepper production is expected to increase by 14.2% (2000: 16.3%) from a larger planted area of 13,500 hectares (2000: 13,100 hectares). To widen the export market, producers are encouraged to market special pepper and higher value-added export quality pepper. Production of tobacco (including dry tobacco leaves) meanwhile, is expected to increase by 5.1% (2000: -9.7%) as a result of assistance in the form of seeds, ploughing equipment and fertilizers provided by the manufacturers to assist farmers to replant after experiencing bad weather in 2000. The output of vegetables and flowers is anticipated to increase by 3.6% and 17.5%, respectively. On the other hand, fruit production, as shown in *Table 4.7*, is expected to decline by 4.6%. Pineapple for canning purposes, one of the major crops in the group, is expected to decline by 5.1%, due to declining productivity.

Mining Sector

Value added of the **mining sector**, as shown in *Table 4.7*, is projected to increase by 0.9% (2000: 3.1%). The slower growth rate is attributable to the expected cutback in crude oil production (including condensates) by 0.2%. On the other hand, natural gas production is expected to increase by 4.7% to cater for higher demand. Tin output is expected to be lower due to declining reserves and low prices.

Crude Oil

In the first eight months of 2001, the production of **crude oil** (including condensates) declined by 2.5% to 667,300 barrels per day (bpd) (January-August 2000: 684,700 bpd). Consequently, as shown in *Table 4.9*, crude oil production in 2001 is expected to be scaled back by 0.2% to 679,500 bpd (2000: 680,800 bpd) from 42 oil

TABLE 4.8

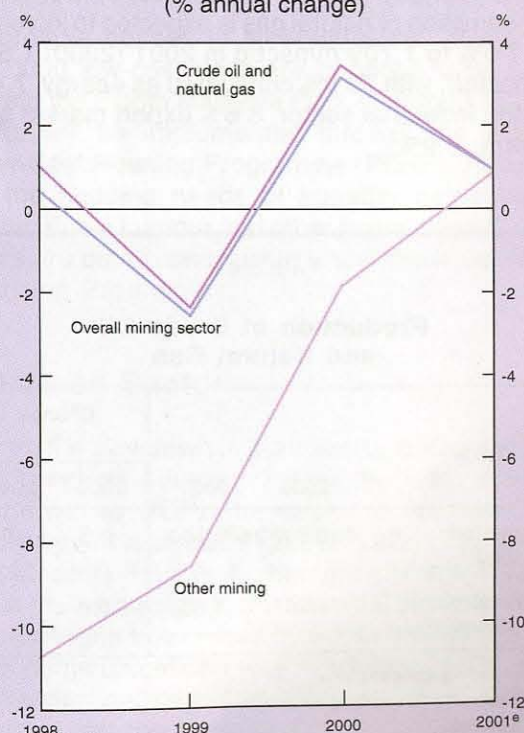
Value Added in the Mining Sector (in 1987 prices)

	RM million		Change (%)	
	2000	2001 ^e	2000	2001 ^e
Mining sector	14,416	14,552	3.1	0.9
Crude oil & natural gas	13,811	13,942	3.4	0.9
Other mining	605	610	-1.9	0.8

^e Estimate.

Source: Department of Statistics.

CHART 4.4
Value-Added for Mining Sector
at 1987 Constant Price
(% annual change)



^e Estimate.

Source: Department of Statistics.

fields (2000: 39 oil fields) in line with Petroliaam Nasional Berhad's (PETRONAS) production target. Peninsular Malaysia is expected to contribute to 59.3% of output while Sarawak, 25.8%, and Sabah, 14.9%.

Efforts to increase the nation's oil reserves include focussing on exploration activities of deep-sea oil fields and gathering three dimension (3D) seismic data onshore in Sarawak. An estimated 11 oil exploration wells and 13 development and production wells are expected to be explored in 2001 as compared to 26 oil exploration wells and 56 oil development and production wells in 2000. In the first six months of this year, four new oil fields were found (January–June 2000: five new oil fields).

Natural Gas

In the first eight months of 2001, the production of **natural gas** increased by 5.1% to 1,103,800 mmscf compared with 1,050,200 mmscf in the same period of 2000. For the whole of 2001, in anticipation of higher demand, its production is expected to record an increase of 4.7% to 4,586 mmscf per day (2000: 4,367 mmscf/d). Domestic consumption of natural gas is expected to increase by 7.6% to 1,709 mmscf/d in 2001 (2000: 1,589 mmscf/d), with 79.9% consumed as energy, 7.4% by the industrial sector, 8.8% export market and others, 3.9%.

TABLE 4.9

Production of Crude Oil and Natural Gas

			Change (%)	
	2000	2001 ^a	2000	2001 ^a
Crude oil (bpd) ¹	680,800	679,500	-1.5	-0.2
Natural gas (mmscf/d) ²	4,367	4,586	10.8	4.7

¹ Including condensates.

² Excluding flaring and reinjection.

^a Estimate.

Source: Petroliaam Nasional Berhad.

Tin

For 2001, output of **tin** is expected to decrease by 11.2% (2000: 6,307 tonnes), as shown in *Table 4.10*. The continuing downward trend in production is on account of depleting tin reserves and generally depressed tin prices. The domestic consumption of tin is expected to decrease by 6% to 5,300 tonnes (2000: 5,639 tonnes), of which more than half is used in solder production and the balance in pewter, tinsplate and others.

TABLE 4.10

Production, Number of Mines and Employment in the Tin Mining Industry (as at end of June)

	2000	2001 ^a	Change (%)	
			2000	2001 ^a
Production (tonnes) ^a	6,307	5,600	-13.6	-11.2
Number of mines	37	44	-14.0	18.9
Dredges	2	2	100.0	0.0
Gravel pumps	23	24	-14.8	4.3
Open cast	11	17	13.3	54.5
Workers employed	1,299	1,274	-30.8	-1.9

^a Estimate.

^a January–December.

Source: Ministry of Primary Industries.

Construction Sector

Growth in the **construction sector** is expected to improve by 4.9% (2000: 1%) with the expansion in fiscal spending providing the main stimulus. Sales in the residential property sector are also expected to pick up as purchasers take advantage of the stamp duty exemption on sales and purchase agreement and transfer and loan agreements for properties completed before the end of 2001.

During the year, 97,673 units of **residential houses** of various types were approved by the Ministry of Housing and Local Government to be built. Out of these, 37.3% constitute medium-cost houses, 16.4% low cost houses, while the remainder, higher-end houses. The number of units launched continued to increase by 22.2% as compared to the same period in 2001. The largest number of units launched was for terrace houses which accounted for 43.5% of the total.

The pace of property launch was, however, not matched by the take-up rates. During the second quarter of 2001, 70% of 14,412 units launched in Selangor were sold. Sales in other parts of the country, however, were low especially in Penang, Negeri Sembilan, Kedah, Pahang and Sarawak, ranging from 35% to 46%. To speed up sales, the Real Estate and Housing Developers Association has launched another Home Ownership Campaign beginning July 2001 up to the end of the year.

In terms of financing, loans for the purchase of residential properties from the banking system increased by 18% at end-July 2001 compared to the same period last year while loans given out by the Housing Loan Division of the Treasury also showed a similar trend. Purchase of properties monitored by the Foreign Investment Committee likewise showed a favourable trend, with purchases of properties by foreigners increasing by 30.5% to RM394 million compared to RM302 million last year in line with the new guidelines on relaxation of property ownership for locals and foreigners.

The price of residential properties has generally been stable. The Malaysian House Price Index (IHRM), which tracks the movement in prices of residential landed properties, apartments and condominiums, showed that the price of houses has stabilised, increasing by 0.9% (2000: 14.3%). The highest price increases were for residential properties in Seremban-Sepang and Ipoh-Kinta with price increases of 5.2% and 2.5%, respectively.

With respect to newly completed **purpose-built offices**, as of June 2001, vacant space increased by 2.8% (end June 2000: 2.46 million sq.m.). Occupancy rates in Kuala Lumpur increased slightly during the second half to 77.1% compared to 76.6% in the previous quarter. The occupancy

rate in Johor Bahru, however, declined to 64.6% during the same period.

With regard to the **commercial property** sector, while the take-up rate improved slightly from 73.7% at end-December 2000 to 74.4% at end-June 2001, the property overhang for shopping complexes remains large, with 1.4 million sq.m. Transactions in industrial property declined by 22.6% in unit terms and 52.1% in value terms during the first half of 2001 compared to the second half of 2000, reflecting largely the slowdown in the manufacturing sector.

In the case of **hotels**, the occupancy rate of five-star hotels improved to 63.2% during the second quarter of 2001 (second quarter 2000: 57.4%) while that of three-star hotels increased from 46.7% to 50.2%. The higher occupancy rate is attributable to higher tourist arrivals particularly during the first eight months of this year. Up to August, a total of 9.5 million tourists visited Malaysia, an increase of 44.1% (2000: 40.4%).

The Government continued to place priority in the construction of **low- and medium-cost houses** in line with the objective of providing affordable houses to all Malaysians. A total of 192,000 low-cost units are targeted to be built during the Eighth Malaysia Plan, of which 175,000 units will be implemented through the Public Low-Cost Housing Programme (PLHP). To cater to the housing needs of squatter settlements within Kuala Lumpur and other major cities, 5,936 units are being constructed under the Integrated Housing Programme.

Services Sector

Given the slowdown in the manufacturing sector, the **services sector** provides the main source of growth to GDP. The sector is estimated to grow by 4.4% in 2001 (2000: 4.8%). The main contributors to this higher growth are mainly from the expansion in the financial sector, which is envisaged to increase by 5.1%, transportation and communications, 6.4%, utilities, 4.8% and government services, 7.1%. With these expansions, the share of the services sector to real GDP is expected to increase to 54.6% (2000: 53.4%).

TABLE 4.11

Services Sector Performance
(in 1987 prices)
(%)

	Change		Share of GDP	
	2000	2001*	2000	2001*
Electricity, gas and water	7.5	4.8	3.8	3.9
Transport, storage and communications	7.3	6.4	8.0	8.3
Wholesale and retail trade, hotel and restaurants	5.8	2.1	14.8	14.8
Finance, insurance, real estate and business services	5.1	5.1	12.5	12.9
Government services	1.4	7.1	6.9	7.2
Other services	1.5	3.0	7.5	7.6
Total	4.8	4.4	53.4	54.6

* Estimate.

Source: Department of Statistics.

The **transport, storage and communications** sub-sector, as shown in *Table 4.11*, is expected to record a slower growth of 6.4% in 2001 (2000: 7.3%). The lower growth is mainly attributed to the lower level of import and export activities which are expected to reduce the demand for services related to the handling and haulage of cargo. The volume of cargo handled through the eight major ports such as Port Klang, Penang Port, Kuantan Port and Tanjong Pelepas Port is expected to moderate to 5.9% (2000: 11.4%).

Meanwhile, Malaysia Airlines (MAS) reported a downward trend in cargo handling which declined by 17% in the first six months of 2001 (January-June 2000: 46%). Domestic passengers carried by MAS, however, increased by 5.6% to 5.3 million in the first seven months (January-July 2000: 14.7%, 5 million), mainly attributable to the promotion of domestic tourism, in particular *Cuti-Cuti Malaysia* package. In the case of rail transportation, Keretapi Tanah Melayu Berhad (KTMB) passenger revenue increased by 8.1%

in the first six months, attributable to higher number of passengers carried through the commuter service from 9.3 million passengers in the first six months of 2000 to 9.8 million passengers in the first six months of 2001. Traffic volume on Malaysian highways continued to expand, registering an increase of 9.8% to 396 million vehicles (January-July 2000: 360 million vehicles).

Demand for telecommunications services continued to remain favourable with the number of internet service subscribers increasing by 21% to 1.5 million at end of June 2001 compared to 1.2 million subscribers at end of 2000. Fixed lines operated by Telekom Malaysia Berhad increased, with business subscribers expanding by 3.8% to 1.2 million subscribers while residential subscribers increased by 2.7% to 3.4 million subscribers. Telekom is expanding its international network services with the installation of Asia Pacific Cable Network 2, which is expected to be completed by October 2001. The number of mobile phone subscribers, meanwhile, increased to 6.8 million subscribers compared to 5.1 million subscribers at end of 2000.

Growth in the **wholesale and retail trade, hotel and restaurant** sub-sector, which grew by 5.8% in 2000 is expected to register a slower growth of 2.1% in 2001 in line with the overall slowing down of the economy. Lower incomes and slower production activities of the manufacturing sector are expected to affect domestic sales turnover of the wholesale and retail trade. Services related to hotels and restaurants are expected to experience a more moderate performance with the average rate of hotel occupancy remaining at 53% in the first six months of 2001 despite higher tourist arrivals.

The growth in the **finance, insurance, real estate and business services** sub-sector is expected to remain at 5.1% (2000: 5.1%). Until July 2001, outstanding loans in the banking system increased by 6.4% to RM468,131 million (January-July 2000: RM440,057 million), while deposits increased by 4.5% to RM474,265 million (January-July 2000: RM453,842 million). The insurance industry continued its robust growth in the first half of 2001. New business premium of life insurance increased significantly by 185% to RM3,463 million

(January-June 2000: RM1,215 million) while new sums insured grew by 10% to RM66,150 million. The performance of general insurance, however, grew moderately with gross direct premium increasing by 9.3%.

Value added derived from services provided by **electricity, gas and water** suppliers is expected to continue to expand in 2001, albeit at a slower pace of 4.8%, compared with 7.5% in 2000, mainly due to the softening in industrial and business activities. In the first six months, electricity consumption by the commercial sector increased by 7.1% (2000: 10.8%), while the

industrial sector registered an increase of 2.6% (2000: 17.5%). The volume of water supplied to customers is expected to decrease to 9,840 million litres per day.

The **Government services** sub-sector is expected to grow strongly by 7.1% (2000: 1.4%). The fiscal stimulus provided by the Government is expected to result in higher government services especially through the expansion of education, health and social services. Hence, the contribution of the sector to GDP growth is expected to increase to 0.5 percentage point (2000: 0.1 percentage point).