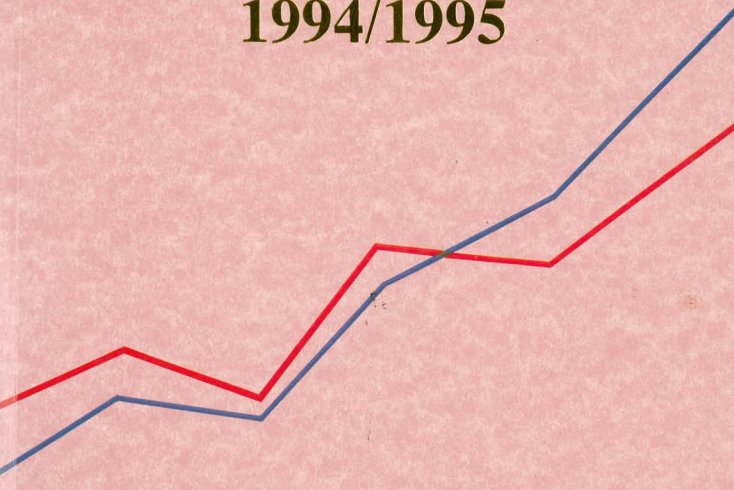


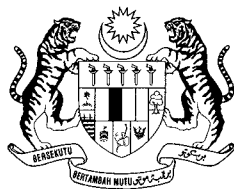


Economic Report

1994/1995



Ministry of Finance
Malaysia



MINISTER OF FINANCE, MALAYSIA

PREFACE

The Malaysian economy continues to be robust and vibrant, with real Gross Domestic Product increasing by 8.5% in 1994. With this achievement, we will have recorded economic growth exceeding 8% for the past seven consecutive years since 1988.

This buoyant growth was spearheaded by the strong performance of exports, particularly of manufactured products. Domestic investment, both public and private, continues to remain high. The Malaysian economy has also almost reached a situation of full employment. This is an achievement we can all be proud of. However, this rapid growth poses a new challenge, as manifested in rising wages, that can jeopardise the competitiveness of our products in the international market as well as the attractiveness of Malaysia as a centre for foreign investment. As such, we have to ensure that our productivity gains continue to exceed wage increases.

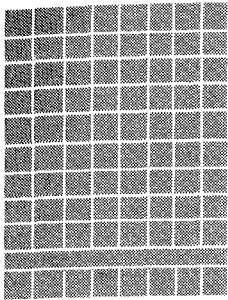
A balanced budget represents another milestone in the history of the Malaysian economy. As in 1993, we will record yet another balanced budget this year. Fiscal discipline must remain an important element in the management of our economy and a balanced budget will be the yardstick for measuring the effectiveness of this discipline.

The prospects for the Malaysian economy remain bright in 1995. We are confident that we can sustain economic growth at 8.5% whilst reducing inflation to a lower level. Nonetheless, we need to prepare ourselves to face new and more difficult challenges. The competition for foreign investment and the penetration of international markets will be more intense. The tight labour market situation will have to be overcome with greater emphasis being given to capital and technology intensive industries which economise the use of labour.

This year's Economic Report, the 23rd edition published by the Ministry of Finance, contains major economic indicators which reflect our performance in managing the economy and addressing current challenges. As in previous years, we have strived to provide more comprehensive information by relating economic achievement with indicators of social development. We believe that the ultimate measure of economic success is the achievement of a higher living standard and improved well-being of the rakyat

ANWAR IBRAHIM

KUALA LUMPUR,
28 October 1994



Contents

	<i>Page</i>
1. THE MALAYSIAN ECONOMY IN 1994 AND PROSPECTS FOR 1995	17
The Malaysian Economy in 1994	17
Sectoral Performance	17
Domestic Expenditure	18
External Demand	20
Balance of Payments	21
Public Sector Financial Position	21
National Resource Position	21
Liquidity and Interest Rates	22
Consumer Prices	23
Employment	23
Prospects for 1995	23
Sectoral Performance	23
Domestic Demand	24
External Demand	25
Balance of Payments	25
Public Sector Financial Position	25
National Resource Position	26
Consumer Prices	26
Employment	26
Conclusion	26
2. MANAGEMENT OF THE MALAYSIAN ECONOMY IN 1994	27
Overview	27
Sustaining Strong Growth	27
Increasing Linkages between Industries	28
Combating Inflation	29
Overcoming Labour and Skill Shortages	32
Reducing the Services Deficit	33
Maintaining Fiscal Prudence	34
Nurturing a Caring Society	35
Conclusion	36
3. INTERNATIONAL ECONOMIC SURVEY	37
Overview	37
World Trade	37

	<i>Page</i>
Capital Flows	38
Developments in Trade and Economic Cooperation	40
<i>Feature Article 1: Post Uruguay Round : Opportunities, Challenges and Future Agenda for Developing Countries</i>	41
Economic Situation of Industrial Countries	46
Economic Situation of Developing Countries	50
The East Asian Economies	52
The ASEAN Economies	53
Prospects for 1995	56
Issues in the Global Economy	58
 4. SECTORAL PERFORMANCE	 61
Gross Domestic Product	61
Manufacturing Sector	62
Electrical and Electronic Products and Machinery	65
Textiles and Apparel	66
Wood and Wood Products	67
Rubber-Based Products	69
Food, Beverages and Tobacco	69
Petroleum and Gas Products	70
Chemicals, Petrochemicals and Plastic Products	72
Non-Metallic Mineral Products	73
Iron and Steel and Metal Products	74
Transport Equipment	75
<i>Feature Article 2: Towards the Development of High-Tech Industries in Malaysia</i>	76
Agriculture Sector	81
Palm Oil and Palm Kernel Oil	81
Timber	82
Rubber	83
Other Agriculture, Livestock and Fishery	84
Mining Sector	85
Crude Oil and Gas	85
Tin	86
Other Minerals	87
Construction Sector	87
Services Sector	89
<i>Feature Article 3: The Power Sector in Malaysia - Towards Meeting the National Requirements</i>	93
 5. PUBLIC SECTOR FINANCIAL PERFORMANCE	 97
1994 Performance	97
Overview	97
Federal Government	98

	<i>Page</i>
Revenue	98
Operating Expenditure	101
Development Expenditure	103
Financing	106
State Governments	107
Non-Financial Public Enterprises	108
National Debt	109
1995 Outlook	112
Overview	112
Federal Government	113
Revenue	113
Operating Allocation	114
Development Allocation	115
6. PRIVATE SECTOR PERFORMANCE	117
Overview	117
Private Sector Earnings	117
Consumption Expenditure	119
Capital Outlay	120
Sources of Financing	126
Private Sector Resource Position	128
7. EXTERNAL TRADE, BALANCE OF PAYMENTS AND FOREIGN EXCHANGE	129
Export Performance	129
Exports of Manufactured Goods	129
Electrical and Electronic Products and Machinery	131
Textiles, Apparel and Footwear	133
Wood Products	134
Rubber Products	135
Food, Beverages and Tobacco	135
Petroleum Products	136
Chemicals, Petrochemicals and Plastics	136
Non-Metallic Mineral Products	136
Iron and Steel and Metal Products	137
Transport Equipment	137
Other Manufactured Goods	138
Major Primary Commodity Exports	138
Palm Oil and Palm Kernel Oil	138
Timber	140
Rubber	141
Other Agriculture Commodities	142
Crude Oil and Liquefied Natural Gas	142
Tin	143

	<i>Page</i>
Import Performance	144
Investment Goods	144
Intermediate Goods	145
Consumption Goods	146
Direction of Trade	147
<i>Feature Article 4: Changing Trade Pattern</i>	154
Balance of Payments	161
Current Account	161
Capital Account	162
Foreign Exchange Market	163
<i>Feature Article 5: The Use of EDI in Facilitating Trade and its Implementation in Malaysia</i>	165
8. PRICES, EMPLOYMENT AND WAGES	167
Prices	167
Employment	171
Wages	174
<i>Feature Article 6: Employees Provident Fund and Its Role in Socio-Economic Development</i>	176
9. DEVELOPMENTS IN THE FINANCIAL SYSTEM	181
Monetary Policy	181
Money Supply	182
Bank Liquidity and Money Market	184
Commercial Banks	187
Finance Companies	191
Merchant Banks	192
Development Finance Institutions	193
Other Financial Institutions	195
National Savings Bank	195
Provident and Pension Funds	197
Insurance Companies	199
Capital Market	201
The Kuala Lumpur Stock Exchange	203
The Kuala Lumpur Commodity Exchange	206
10. SOCIAL TRENDS	209
CALENDAR OF IMPORTANT ECONOMIC EVENTS 1994	217
INVESTORS' GUIDE	221
STATISTICAL TABLES	i
ACRONYMS AND ABBREVIATIONS	lxxi
INDEX	lxxvii
ORGANISATION CHART OF THE MINISTRY OF FINANCE	