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LUMPY ITEMS WEIGHS HEAVILY ON MALAYSIA'S BOP

News focus

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KUALA LUMPUR, Aug 21 (Bernama) -- Cranes and other building equipment, which symbolically are a measure of a nation's vibrant economic growth, especially in the construction sector, are eating into Malaysia's balance of payments (BOP). Somehow their ubiquitous presence are sending strong signals to "heavy spenders" to put their brakes on importing these "heavyweights".

While the mounting imports of these "lumpy" items reflect the hive of activity in the building sector, too many of these foreign-made machinery are a cause for concern.

According to the Statistics Department, lumpy items are categorised under machinery and transport equipment like ships, boats and floating structures and aircraft and associated equipment and parts.

With the possibility of another balance of payment deficit, analysts say over-zealous importers of heavy machinery may have to review and reposition their operations as the forthcoming 1998 Budget may see the imposition of higher taxes on these imports.

Under the country's long period of economic boom, contractors were keen to import such items, especially new ones, without seriously examining the issue of using secondhand but still functional construction machinery available in the country.

When times are good, caution is usually thrown to the winds, one of the analysts said.

For this year, import duties of five and 20 percent were levied on heavy machinery imports like bulldozers, excavators and pile drivers. Last year, the government imposed a 20 percent import duty on bulldozers, angledozers, graders, levellers, pile drivers and pile extractors, coal or rock cutters, and tunnelling machinery.

Duties of five percent were slapped on scrapers, road rollers, tamping machines and shovel machinery with a 360-degree revolving superstructure while front-end shovel loaders and other mechanical shovels, excavators and shovel loaders were slapped with a 10 percent duty.

In essence, the analysts said such actions meant reminding the industries concerned to rely on available resources in the country and refrain from getting imported products which had become dearer through increased taxes.

Prime Minister Datuk Seri Dr Mahathir Mohamad again recently warned traders that the forthcoming 1998 Budget may see a cut in heavy machinery imports, and cited cranes, bulldozers and excavators as contributing significantly to the country's balance of payments deficit.

"At the moment we want traders to voluntarily stop importing the machinery but if they don't, we are thinking of putting restrictions on the import," he said in Kuching on Tuesday.

"In Kuching alone, you can see yards full of these things and yet they are still buying and if we keep on with our bad habit, the deficit will never go away," Dr Mahathir said.

And that was not the first time that Dr Mahathir had voiced his concern about such imports. He also made a similar reminder last year and this subsequently saw the 1997 Budget having more levies slapped on such items.

Last week, Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim said the 1998 Budget to be tabled on Oct 17 would seriously look at measures to curb Malaysia's imports and focus on expanding exports.

The government, he had said, would take into account any monetary measures including the use of taxes to increase exports and reduce imports.

His deputy, Datuk Dr Affifuddin Omar, also mentioned the possibility of "blacklisting" contractors bent on using imported building materials although locally-produced ones were available.

According to figures from the Statistics Department, Malaysia's external trade deficit totalled RM617.974 billion in 1996, with exports of RM196.691 billion and imports of RM197.309 billion.

Last year, the largest contributor to the increased imports were machinery and transport equipment and this group was also the largest import component, accounting for 60 percent or RM118.4 billion. Lumpy imports comprising ships, boats and floating structures and aircraft and associated equipment and parts totalled RM5.8 billion.

For the first six months of this year, Malaysia's trade deficit widened to RM2.7 billion from a deficit of RM687.8 million the same period last year. In June alone, the deficit was RM2.8 billion compared to a surplus of RM156.2 million in May.

The deficit in June was caused by the purchase of ships and tankers, including a liquefied natural gas carrier) and commercial, aircraft, collectively amounting to RM2.2 billion or 11.4 percent of total imports.

Increased imports in transport equipment (namely aircraft and ships and tankers including accessories) and office data processing equipment of RM1.4 billion and RM1.1 billion respectively partly contributed to the trade deficit during the first six months of this year.

Compared with the same period in 1996, imports of capital goods increased by RM3.5 billion (19.9 percent) while the imports of intermediate and consumption goods increased by RM0.7 billion (up 1.2 percent) and RM0.3 billion (up 4.7 percent) respectively.

Lumpy imports during the first half of this year were valued at RM4.9 billion against RM3.8 billion in 1996.

For the first five months this year, imports were valued at RM81.8 billion. Of the total, intermediate goods accounting for RM54 billion or the lion's share of 66 percent, while capital goods contributed RM15.8 billion or 19.3 percent.

For the first four months of this year, imports decreased 0.3 percent or RM175.8 million to RM64.7 billion from RM64.9 billion in last year's first quarter, with machinery and transport equipment accounting for RM38.1 billion or 58.9 percent of the total value of imports.

Lumpy imports during that period totalled RM2 billion from RM2.7 billion previously, representing a large decline of 23 percent or RM611.3 million from January to April 1996.

For January to March this year, imports of machinery and transport equipment represented 58.4 percent or RM27.4 billion of total imports with lumpy imports totalling RM1.12 billion.

For the first two months of this year, of the RM30.010 billion imports, lumpy imports totalled RM750.6 million, a 45.9 percent drop or RM636 million in the same period last year.

In January this year, of the RM16.9 billion imports, 58.1 percent comprised machinery and transport equipment. Under machinery and transport equipment, increase in imports of major components were seen for aircraft and associated equipment and parts (RM199.0 million or 90.6 percent). --

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