

03/03/2000

Reserves show economy making good progress: PM

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MALAYSIA'S financial reserves, boosted by a record RM72.3 billion trade surplus in 1999, show that the economy is making good progress, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

He said when the nation's trade balance records a surplus, where exports earn more than what is spent on imports, the surplus is deposited with Bank Negara and becomes part of Malaysia's national reserves.

"Our national reserves are real, not based on debt. We got a very big surplus last year of RM72.3 billion. That has contributed to the increase in our national reserves," Dr Mahathir said.

The Prime Minister, speaking at a press conference after the opening of Kankeiren's Asean Management Seminar in Kuala Lumpur yesterday, was asked to comment on Bank Negara's increasing reserves.

As at end-January 2000, Malaysia's international reserves increased by RM7.6 billion to RM124.9 billion (US\$32.9 billion) due to strong trade and portfolio capital inflows. This is sufficient to finance about 6.4 months of retained imports and 5.6 times short-term debt.

The huge trade surplus in 1999 resulted in a surplus of RM47.4 billion in the current account of the balance of payments.

"In our system, when a company receives export earnings it must deposit the money with the central bank, and Bank Negara will give (the equivalent in) local currency to the company.

"If the company needs to buy from overseas and needs to use foreign currencies, they can change their ringgit with the central bank for the foreign currency," Dr Mahathir said.

Malaysia's trade balance was in surplus by RM4.5 billion in January 2000, up 4.5 per cent from January 1999. It was a consecutive monthly surplus for over two years.

When asked if the January surplus, being much lower than December 1999's surplus of RM8.3 billion, is a cause for concern, the Prime Minister said:

"We are not worried about that. It is still a surplus. Trade surpluses in any given month is not a constant. Sometimes there is more, sometimes less. Sometimes there is a deficit."

Economists believe Malaysia will record a trade surplus again for the whole of this year, albeit a smaller one of between RM50 billion and RM60 billion. It would be achieved on the back of continued robust exports, but imports of intermediate and consumption goods would also increase, they said.

According to the Statistics Department, total exports and imports for January 2000 amounted to RM25.5 billion and RM21.0 billion, respectively, up from RM21.8 billion and RM17.5 billion registered in the same month of 1999.

Asked for his views on the higher import bill, Dr Mahathir said as the economy picks up, it is to be expected that imports of intermediate and capital goods will rise.

"The intermediate goods will go into the production of final goods which are then exported. So any increase in the amount of imports actually means there will be an increase in the amount of exports. We need to import capital goods as well as intermediate goods in order to be able to produce for export," he added.

For January 2000, imports of intermediate goods grew by 20.4 per cent to RM15.6 billion and capital goods by 25 per cent to RM2.9 billion.

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