

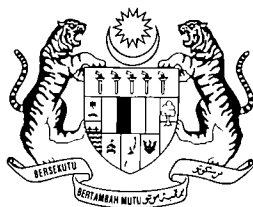


ECONOMIC REPORT 2005 / 2006

Ministry of Finance Malaysia

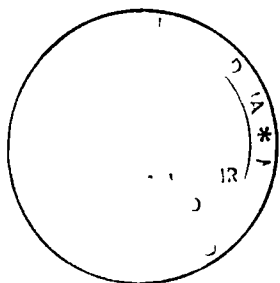






Economic Report 2005/2006

MINISTRY OF FINANCE
MALAYSIA



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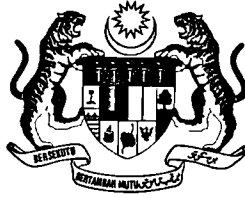
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MINISTER OF FINANCE MALAYSIA

PREFACE

The Malaysian economy has shown much resilience over the years after the Asian financial crisis in 1997/1998 and has recorded continuous, stable and steady growth. The economy has become more diversified and broad-based as a result of deliberate policy and strategic measures, which have provided the basis for more secure and stable growth. More importantly, the expansion of the economy was helmed by the private sector, whilst the Government stayed on course in its fiscal consolidation. Private investment turned positive and continued to rise for the third consecutive year since 2003, reflecting that the private sector has resumed its role in driving growth.

The Government continues to have confidence that the nation's more diversified economic structure will help Malaysia weather the slower global growth for 2005. Despite slower world growth this year, the Malaysian economy is expected to chart a commendable 5 per cent growth on the back of strong domestic demand, sustained commodity prices and supported by a healthy banking system. The current account remains in surplus for 93 consecutive months through July this year, with high international reserves and manageable external debt.

The year 2005 marks the end of the Eighth Malaysia Plan and it is expected that the creditable growth for the year will provide a strong foundation for the nation as it moves into another important phase, the Ninth Malaysia Plan 2006-2010. As we enter 2006, the external and domestic challenges will continue to test our strength and resilience. In this era of globalisation, we cannot isolate ourselves lest we be marginalised. For survival, we need to increasingly engage ourselves and to integrate into the global environment. In this respect, we have to expand our horizons and reach out to become global players, especially in areas where we have a competitive advantage.

Malaysia has excellent infrastructure facilities. It is now time to give greater emphasis to the development of knowledge, skills and values to complement the progress made in hardware and infrastructure development. It is crucial to balance material achievements with good social values if we are to achieve the goals of Vision 2020. In this context, human capital development will remain a priority and will focus on producing individuals for both the workplace and society. Malaysians will need to uphold the values of honesty, integrity, excellence and social responsibility as well as cultivate first-class mentality to match our first-class infrastructure. Malaysians must also continuously strive to be relevant, resilient and competitive, in line with the approach of Islam Hadhari.

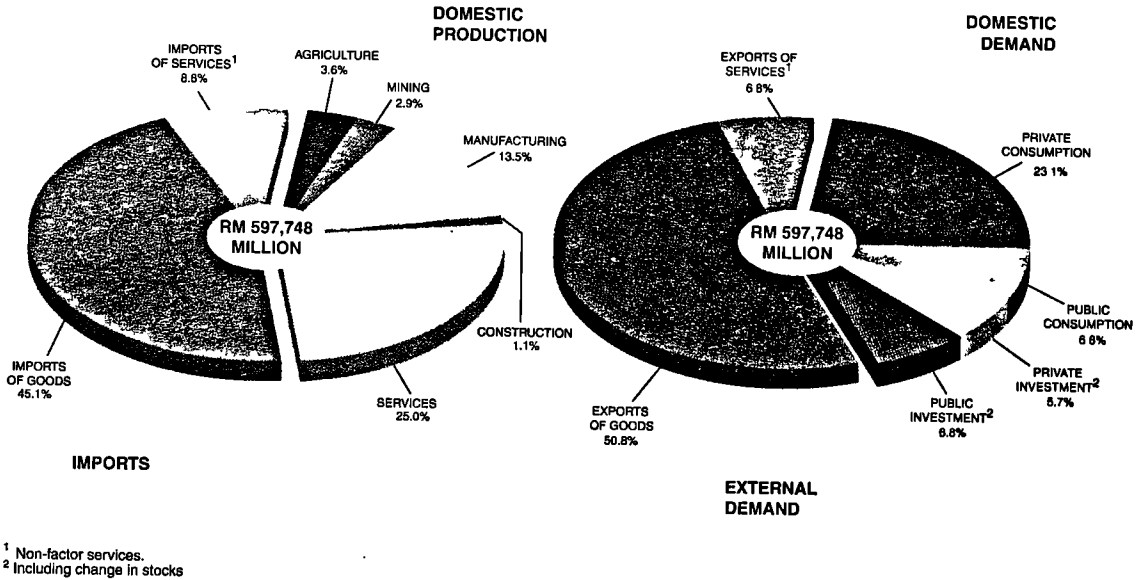
We need to spur a passion for lifelong learning, to always seek excellence and to continuously strive for better and higher standards. We must promulgate a culture of high performance. The task of keeping the nation firmly on the path of strong growth is enormous and challenging, but I am confident that we can become a truly developed nation, imbued with noble values, if we are committed and make determined efforts.



Dato' Seri Abdullah bin Haji Ahmad Badawi
Minister of Finance

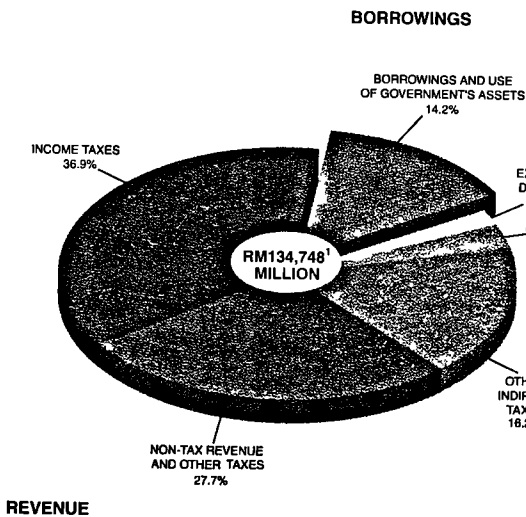
Putrajaya
30 September 2005

THE ECONOMY 2006 AT 1987 PRICES

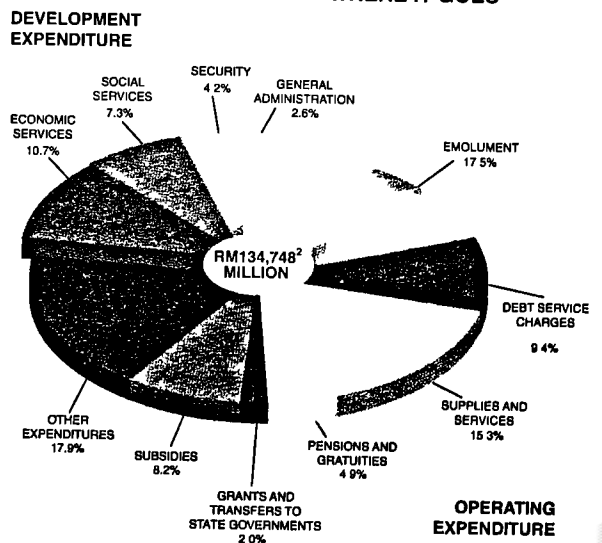


THE FEDERAL GOVERNMENT BUDGET 2006

WHERE IT COMES FROM



WHERE IT GOES



¹ Includes revenue, borrowings and use of Government's assets.
² Excludes contingency reserve.



MALAYSIA—KEY DATA AND FORECASTS

AREA (Square kilometres)							
Malaysia	Peninsular Malaysia		Sarawak		Sabah*		
330,252	131,805		124,450		73,997		
	2004		2005 ¹		2006 ²		
	million		million		million		
POPULATION:	25.58		26.13		26.64		
DOMESTIC PRODUCTION:	RM million	% growth	RM million	% growth	RM million	% growth	
Gross Domestic Product (1987 real prices)	248,954	7.1	261,395	5.0	275,774	5.5	
Agriculture, livestock, forestry and fishing	21,137	5.0	22,142	4.8	23,245	5.0	
Mining and quarrying	17,372	3.9	17,632	1.5	18,453	4.7	
Manufacturing	78,558	9.8	82,302	4.8	86,295	4.9	
Construction	7,248	-1.5	7,168	-1.1	7,380	3.0	
Services	142,849	6.8	151,144	5.8	160,297	6.1	
NATIONAL INCOME AND EXPENDITURE:							
Gross National Product (current prices)	425,060	14.1	463,546	9.1	506,015	9.2	
Consumption expenditure: Public	59,317	8.0	65,719	10.8	67,497	2.7	
Private	192,771	11.8	211,938	9.9	232,533	9.7	
Gross fixed capital formation: Public	53,424	-6.7	56,491	5.7	57,911	2.5	
Private	38,394	28.6	42,417	10.5	49,003	15.5	
Exports of goods and non-factor services	544,956	21.7	604,625	10.9	672,678	11.3	
Imports of goods and non-factor services	449,262	23.0	490,494	9.2	549,978	12.1	
Gross National Product (1987 real prices)	233,084	7.3	246,472	5.7	260,806	5.8	
Gross National Savings (current prices)	158,338	16.5	168,592	6.5	188,209	11.6	
Per capita Income (current prices) RM	16,616	11.7	17,741	6.8	18,995	7.1	
FEDERAL GOVERNMENT FINANCE:							
Revenue	99,397	7.3	105,856	6.5	115,561	9.2	
Operating expenditure	91,298	21.4	98,244	7.6	101,246	3.1	
Current account surplus/deficit	8,099	-53.4	7,612	-6.0	14,315	88.1	
Development expenditure (net)	27,518	-28.2	26,296	-4.4	32,758	24.6	
Overall deficit/surplus	-19,419		-18,684		-18,443		
% to GDP	-4.3		-3.8		-3.5		
Domestic borrowing (net)	25,650		20,700		-		
Foreign borrowing (net)	121		-3,147		-		
Change in assets	-6,352		1,131		-		