

DEVELOPMENTS IN THE MALAYSIAN ECONOMY

Growth remained favourable in the fourth quarter

Despite the challenging global economic and financial conditions, the Malaysian economy continued to expand in the fourth quarter of 2011, growing by 5.2% (3Q 11: 5.8%). Growth in domestic demand remained favourable, supported by both private and public sector spending.

Domestic demand remained supportive

Domestic demand expanded by 10.5% in the fourth quarter (3Q 11: 9.0%). Growth was sustained by a continued expansion in both household and business spending as well as public sector expenditure.

	2010		2011		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Aggregate Domestic Demand (excluding stocks)	5.9	6.3	9.0	10.5	8.2
Consumption	4.8	5.2	9.9	11.1	8.9
Private sector	6.4	6.5	7.3	7.1	6.9
Public sector	0.1	0.5	21.7	23.6	16.8
Gross Fixed Capital Formation	10.0	9.8	6.1	8.5	6.0
Net Exports	-19.2	-25.7	18.1	-25.7	-14.4
Exports of Goods and Services	1.7	9.9	4.2	4.9	3.7
Imports of Goods and Services	3.5	15.1	3.2	7.0	5.4
GDP	4.8	7.2	5.8	5.2	5.1

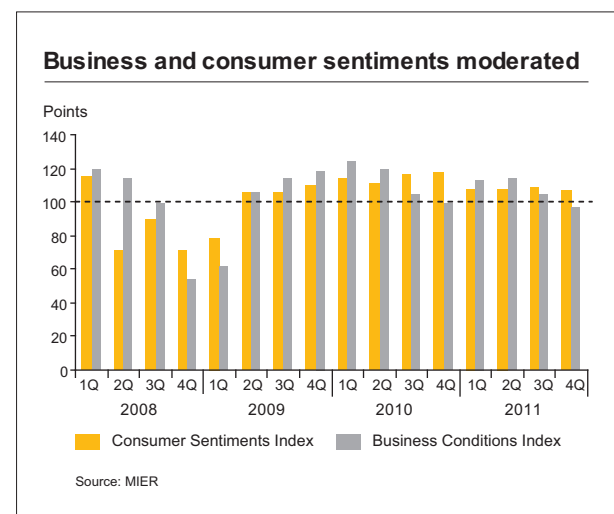
Source: Department of Statistics, Malaysia

Private consumption grew at a pace of 7.1% (3Q 11: 7.3%), supported by favourable income growth and robust labour market conditions. The payment of the half-month bonuses to civil servants, combined with the firm rural household incomes due to elevated commodity prices, provided strong support to consumer spending during the quarter. In addition, the year-end sales promotions in conjunction with the festive period and long school holidays also spurred firm growth in consumption expenditure. Major consumption indicators such imports of consumption goods, bank lending to households and credit card spending continued to show strong positive trends. Consumer confidence also remained positive, as reflected by the

4Q MIER Consumer Sentiments Index (106.3 points; 3Q 11: 108.7 points).

Public consumption grew by 23.6% (3Q 11: 21.7%) due mainly to higher expenditure on emoluments and supplies and services.

Gross fixed capital formation expanded by 8.5% during the quarter (3Q 11: 6.1%), supported by the continued increase in capital expenditure by the private sector and the non-financial public enterprises (NFPEs). Capital spending by the private sector expanded further, although uncertainties in the global economic environment affected capacity expansion activity in the export-oriented industries. This was reflected in the decline of several private investment indicators including the sales of E&E machinery and the number of new local companies registered, while business sentiments dipped below the 100-point benchmark level (4Q 11: 96.9 points; 3Q 11: 104.5 points). Nonetheless, other major indicators pointed to continued expansion in private sector capital expenditure, as imports of capital goods, sales of commercial vehicles and loans disbursed to businesses recorded positive growth. Public sector investment was supported by the continued expansion in capital expenditure by the NFPEs, which were channelled mainly into the oil and gas and transportation sectors, as the Federal Government development expenditure was lower during the quarter. The Federal Government development expenditure was mostly channelled into the transportation, and trade and industry sectors.



Moderate growth in major economic sectors

On the supply side, activity in the services sector moderated in the fourth quarter, while the manufacturing sector expanded at a similar pace to the previous quarter. This trend reflected the weaker external environment amid strong performance in domestic-oriented activity. The agriculture sector continued to record robust growth, supported by strong output of key crops, while mining output continued to improve. The construction sector grew at a stronger pace, following the ongoing implementation of major infrastructure projects.

The **services sector** continued to expand in the fourth quarter of 2011, albeit at a more moderate pace (6.4%, 3Q 11: 7.0%). This reflected mainly slower capital market-related activity, which more than offset the sustained strong growth in the consumption-driven sub-sectors. The **wholesale and retail trade** sub-sector grew by 7.2% (3Q 11: 9.0%), driven primarily by the retail segment as private consumption remained firm. The **finance and insurance** sub-sector expanded by 6.4% (3Q 11: 4.6%) supported by expansion in bank lending as well as higher growth in insurance premiums. Growth in the **real estate and business services** sub-sector was lower (2.3%, 3Q 11: 6.8%), as

capital market-related activity slowed during the quarter.

The manufacturing sector expanded by 5.2% (3Q 11: 5.3%), supported by robust growth in the **domestic-oriented industries**. Performance of the domestic-oriented industries was driven mainly by the consumer-related cluster. This was reflected in both the higher production of transport equipment amid receding global automotive supply chain pressures, and stronger output in the food and beverages segment. The construction-related cluster also continued to expand. **Export-oriented industries**, however, expanded at a slower pace. Output in the E&E cluster remained weak, given the weaker global

GDP by Economic Activity (at constant 2000 prices)

	2010		2011		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Agriculture	-3.9	2.1	8.2	6.9	5.6
Mining	-1.2	0.2	-6.1	-3.3	-5.7
Manufacturing	6.2	11.4	5.3	5.2	4.5
Construction	5.6	5.1	3.0	6.4	3.5
Services	6.1	6.8	7.0	6.4	6.8
Real GDP (Annual Change)	4.8	7.2	5.8	5.2	5.1
Real GDP (Preceding Change)	1.7	7.2	3.8	1.2	5.1

Source: Department of Statistics, Malaysia

Performance of the Services Sector (value added at constant 2000 prices)

	Share 2010 (%)	2010		2011		
		4Q	Year	3Q	4Q	Year
		Annual change (%)				
Intermediate Services	43.7	6.0	7.2	6.0	5.9	6.2
Finance & insurance	20.3	3.7	6.4	4.6	6.4	5.9
Real estate & business services	9.5	8.7	7.8	6.8	2.3	6.3
Transport & storage	6.6	5.2	6.9	6.1	6.2	5.3
Communication	7.4	9.8	8.5	8.7	8.8	7.6
Final Services	56.3	6.3	6.5	7.9	6.8	7.3
Wholesale & retail trade	23.6	8.3	8.0	9.0	7.2	7.6
Accommodation & restaurant	4.2	3.7	5.0	5.4	5.7	5.2
Utilities	5.2	4.2	8.2	4.6	3.8	3.0
Government services	13.0	6.1	5.8	10.7	9.6	11.6
Other services	10.2	3.9	4.0	4.3	3.8	4.1
Total Services	100.0	6.1	6.8	7.0	6.4	6.8

Source: Department of Statistics, Malaysia

Selected Quarterly Indicators in the Services Sector

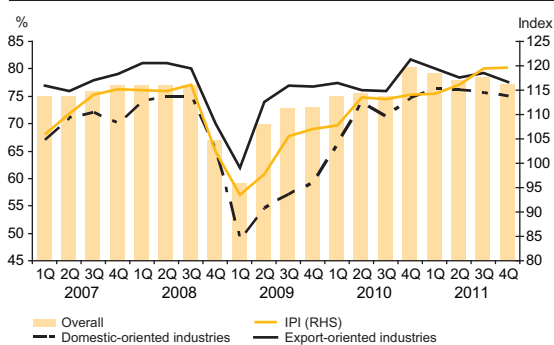
	2010		2011			
	3Q	4Q	1Q	2Q	3Q	4Q
	Index					
MIER Consumer Sentiments Index	115.8	117.2	108.2	107.9	108.7	106.3
MIER Retail Trade Index	140.0	132.0	99.1	120.8	150.0	92.6
MIER Tourism Market Index	118.8	124.6	113.1	125.4	115.2	126.0
	Annual change (%)					
Tourist arrivals	6.0	1.2	-3.9	-5.2	-17.9	n.a.
Total passenger traffic at all airports	10.0	6.3	11.8	13.4	10.8	n.a.
Total consumption credit outstanding	10.7	9.8	9.5	8.7	8.5	9.6
Loans outstanding to the wholesale & retail trade, hotels & restaurants	7.3	7.5	7.2	6.8	9.6	11.5
Imports of consumption goods	2.8	6.9	5.8	17.5	26.5	25.4
Total sales of motor vehicles	3.7	9.3	7.5	-9.7	0.6	-1.5
Container cargo handled (Port Klang and PTP)	10.9	9.6	14.4	9.6	9.8	11.5

Source: Various sources

demand for PC and parts and semiconductors. Nevertheless production in the primary-related cluster was sustained, supported by strong performances in the chemicals and chemical products and off-estate processing segments.

Overall, the capacity utilisation rate in the manufacturing sector was sustained (77%; 3Q 11: 78%). Export- and domestic-oriented industries operated at 78% and 75% of total capacity respectively during the quarter (3Q 11: 79% and 76% respectively).

Capacity utilisation rate in the manufacturing sector*



* Beginning 2009, the capacity utilisation rate in the manufacturing sector has been rebased from value-add in year 2004 to value-add in year 2006

Source: Bank Negara Malaysia & Department of Statistics, Malaysia

Performance of the Manufacturing Sector

	2010		2011		
	4Q	Year	3Q	4Q	Year
	Annual Change (%)				
Value Added (RM million at 2000 prices)	6.2	11.4	5.3	5.2	4.5
Overall Manufacturing Production ¹	6.6	11.1	5.4	5.3	4.7
Export-oriented industries	4.6	9.7	4.0	2.7	3.3
Electronics and electrical products cluster	0.1	17.4	-0.5	-3.7	-3.8
Of which:					
Electronics	-16.5	3.1	-3.9	-11.5	-12.0
Electrical products	34.8	47.8	4.0	6.5	8.4
Primary-related cluster	7.2	5.7	6.5	6.2	7.5
Of which:					
Chemicals and chemical products	4.7	11.5	9.7	14.0	8.8
Petroleum products	16.3	-2.4	1.7	-1.1	6.2
Rubber products	12.7	20.8	15.5	6.1	13.0
Off-estate processing	-14.1	-2.3	9.9	18.8	10.0
Domestic-oriented industries	13.6	15.6	10.3	13.7	9.2
Construction-related cluster	22.2	18.9	19.1	14.7	18.2
Of which:					
Construction-related products	20.4	21.9	13.1	12.7	14.1
Fabricated metal products	24.7	15.0	27.5	17.4	23.8
Consumer-related cluster	7.6	13.4	3.9	12.9	2.5
Of which:					
Transport equipment	20.8	29.7	1.0	15.0	-1.0
Food, beverage & tobacco products	9.3	8.8	4.9	9.5	5.8

¹ Industrial Production Index (2005=100)

Source: Department of Statistics, Malaysia

Value-added growth of the **agriculture sector** remained strong at 6.9% (3Q 11: 8.2%), due mainly to the continued strong production of crude palm oil. The **mining sector** recorded a smaller contraction of 3.3% (3Q 11: -6.1%), reflecting a slower decline in crude oil production and a turnaround in the production of natural gas, amid higher LNG demand from Japan. This is due to the closure of nuclear reactors following the natural disasters in March.

Performance of the Agriculture Sector

	2010		2011		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Value Added (at constant 2000 prices)	-3.9	2.1	8.2	6.9	5.6
Industrial Crops	-10.2	-2.3	10.4	8.5	5.3
Food Crops	4.5	7.4	5.8	5.3	5.8
Production					
<i>Of which:</i>					
Crude palm oil	-9.5	-2.9	12.8	16.2	11.3
Rubber	6.1	9.6	15.8	-8.0 ¹	7.3 ²
Fish	2.4	2.7	2.7	0.8 ¹	1.0 ²
Livestock	-2.2	2.4	5.9	-6.6 ¹	0.5 ²

¹ Oct - Nov 2011

² Jan - Nov 2011

Source: Malaysian Palm Oil Board (MPOB)
Malaysian Rubber Board (MRB)
Fisheries Department, Malaysia
Department of Veterinary Services, Malaysia
Department of Statistics, Malaysia

The **construction sector** expanded by 6.4% during the quarter (3Q 11: 3.0%), driven by the residential and civil engineering sub-sectors. Growth in the residential segment improved amid higher construction activity, especially in the Klang Valley. Higher investment following the continued progress in the construction of major infrastructure projects such as the Seremban-Gemas electrified double-tracking project, the Second Penang Bridge and the Sabah Oil and Gas Terminal, boosted the civil engineering sub-sector. Growth in the non-residential sub-sector continued to be underpinned by the ongoing construction of commercial properties.

Indicators for the Construction Sector

	2010		2011		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
New sales and advertising permits	13.0	16.0	6.0	22.4	16.1
Housing approvals	31.7	23.6	54.1	29.8	32.2
Production ¹ of construction-related materials	22.2	18.9	19.1	14.7	18.2
Loans approved for construction	49.7	53.6	-20.5	64.0	25.7
Imports of construction materials and mineral products	23.1	27.5	24.4	9.6	14.0

¹ Industrial Production Index (2005=100)

Source: Ministry of Housing and Local Government, Department of Statistics, Malaysia and Bank Negara Malaysia.

Performance of the Mining Sector

	2010		2011		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Value Added (at constant 2000 prices)	-1.2	0.2	-6.1	-3.3	-5.7
Production					
<i>Of which:</i>					
Crude oil and condensates	-4.4	-3.1	-9.9	-5.9	-10.2
Natural gas	0.2	2.1	-1.5	1.3	0.4

Source: PETRONAS
Department of Statistics, Malaysia

Inflation moderated in the fourth quarter

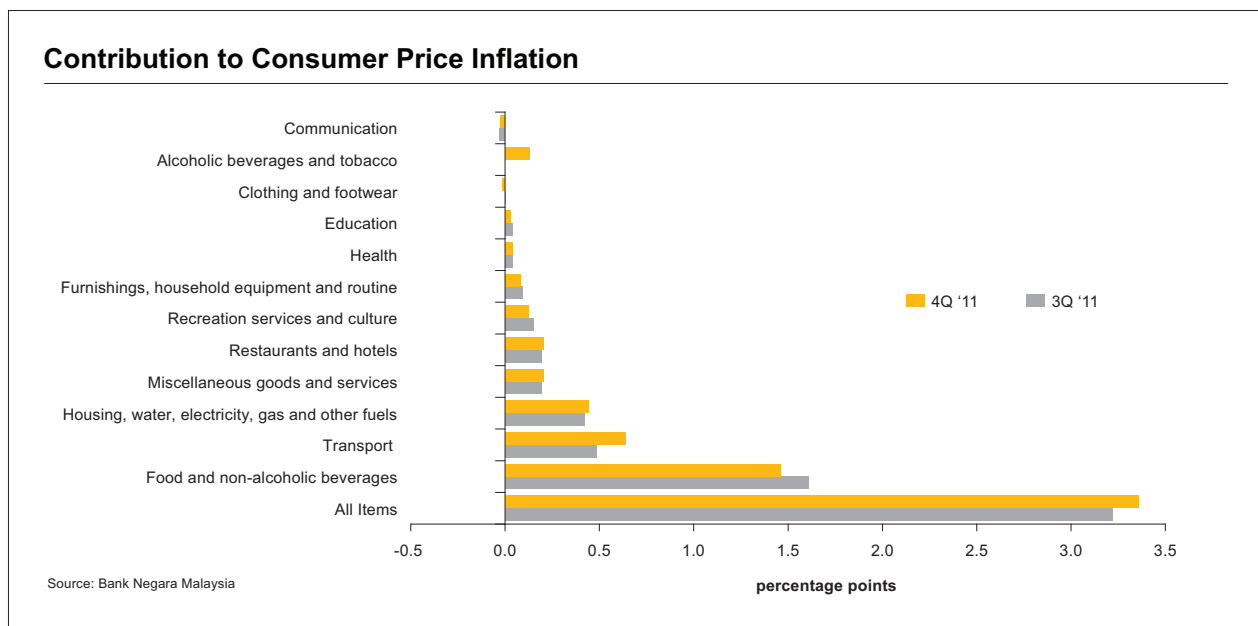
The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), declined to 3.2% in the fourth quarter (3Q 11: 3.4%). Inflation in the *transport* category was lower at 3.2% (3Q 11: 4.3%) as the impact from the one-off adjustment to the prices of RON95 petrol, diesel and LPG in December 2010 wore off.

Inflation in the *food and non-alcoholic beverages* category rose to 5.3% during the quarter (3Q 11: 4.8%). Higher food prices were mainly due to higher prices in the *fish and seafood* subcategory, which rose by 7.7% (3Q 11: 6.7%), caused by supply shortages following adverse weather conditions

domestically. The *meat* category also recorded higher inflation of 8.5% in the fourth quarter (3Q 11: 8.2%).

The increase in prices in the quarter, however, was partially mitigated by declining prices in the *communication* category.

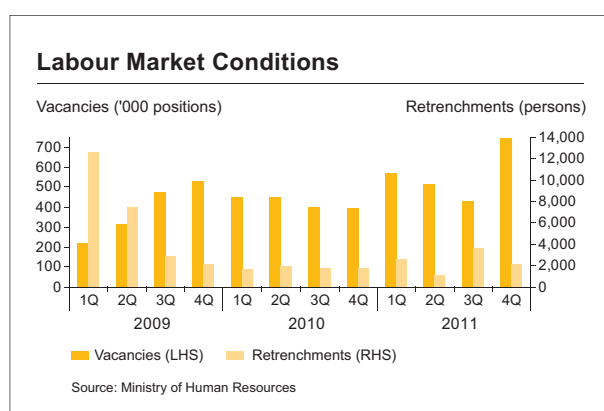
The Producer Price Index (PPI) increased at a slower rate of 7.5% on an annual basis during the fourth quarter (3Q 11: 10.9%). In terms of composition, prices in both the commodity-related components and non-commodity-related components recorded lower growth at 18.3% (3Q 11: 29.6%) and 2.1% (3Q 11: 2.3%) respectively. Prices of the local components of the PPI had a slower increase of 9.7% (3Q 11: 14.9%) while prices of the imported components of the PPI rose by 2.4% (3Q 11: 2.3%).



Favourable labour market conditions

Overall labour market conditions remained favourable with the unemployment rate remaining at 3.1% during the first two months of the quarter (3Q 11: 3.1%). Retrenchments decreased to 2,119 persons (3Q 11: 3,605 persons) attributable mainly to lower layoffs in the manufacturing sector. Retrenchments in the sector dropped from 2,499 persons in the third quarter, due to one-off closures of several companies in August, to 944 persons in the fourth quarter.

Labour demand during the quarter remained strong, as evidenced by the higher number of job vacancies posted in the JobsMalaysia Portal (745,205 positions; 3Q 11: 431,437 positions). The increase from the previous quarter mostly reflected the higher number of job openings in the services and agriculture sectors. Real wages in the manufacturing sector expanded at a faster pace compared to the preceding quarter (5.3%; 3Q 11: 3.9%).



External sector continued to remain strong

Overall balance of payments continued to remain strong, recording a surplus of RM6.3 billion in the fourth quarter (3Q 11: RM10.9 billion), as the current account surplus remained strong and the financial account turned around to register a net inflow position. Errors and omissions (E&O) including quarterly reserves adjustments for foreign exchange revaluation loss amounted to an outflow of RM15.9 billion. Excluding

Balance of Payments

	2010		2011		
	4Q	Year	3Q	4Q	Year
	RM billion				
Current Account	23.8	88.1	26.6	22.0	97.9
(% of GNI)	11.9	11.9	12.5	10.1	11.8
Goods	32.3	134.7	38.2	36.9	149.4
Services	0.9	1.7	-2.4	-4.0	-8.4
Income	-4.0	-26.5	-3.8	-5.6	-22.0
Current transfers	-5.5	-21.8	-5.3	-5.3	-21.1
Financial Account	1.2	-19.8	-23.3	0.2	15.5
Direct investment abroad	-8.9	-42.9	-12.9	-14.4	-45.3
Foreign direct investment	10.7	29.3	5.2	6.5	32.9
Portfolio investment	3.5	48.5	-23.4	-2.7	30.3
Financial derivatives	0.1	-0.7	-0.3	-0.3	-0.1
Other investment	-4.3	-54.0	8.2	11.2	-2.4
- Official sector	-0.2	0.2	-0.5	-0.1	-1.3
- Private sector	-4.2	-54.2	8.7	11.2	-1.1
Errors & omissions	-7.0	-70.7	7.6	-15.9	-18.5
Overall Balance	17.9	-2.6	10.9	6.3	94.8

Source: Department of Statistics Malaysia

this revaluation loss, the net E&O is smaller and reflects the errors and omission of data compilation.

The **current account** surplus narrowed in the fourth quarter, but remained large at RM22 billion, equivalent to 10.1% of GNI. The lower surplus reflected the lower goods surplus, higher trade deficits and larger income outflows. The goods surplus was slightly lower at RM36.9 billion as gross exports expanded at a more moderate pace (9.8%; 3Q 11: 11.4%), while imports growth was sustained (7.6%; 3Q 11: 7.4%).

Trade Account

	2010		2011		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Gross Exports	3.3	15.6	11.4	9.8	8.7
Manufactured	-0.3	12.3	4.9	2.1	2.0
E&E	-8.0	9.7	-4.0	-5.0	-5.4
Non-E&E	10.2	15.4	15.8	10.2	10.7
Commodities	15.8	28.9	28.6	29.0	26.5
Agriculture	31.9	28.3	44.9	18.9	32.6
Minerals	5.7	29.3	17.8	36.9	22.3
Gross Imports	10.2	21.7	7.4	7.6	8.6
Capital goods	9.0	12.2	5.5	8.4	9.8
Intermediate goods	10.6	23.0	3.7	2.3	5.3
Consumption goods	6.9	9.7	26.5	25.4	19.0
Trade balance (RM billion)	25.5	110.0	30.1	31.1	120.3

Source: MATRADE and Department of Statistics, Malaysia

Malaysia: Direction of Exports

	2010		2011			2010		2011		
	4Q	Year	3Q	4Q	Year	4Q	Year	3Q	4Q	Year
	Annual change (%)					Share of total exports (%)				
United States	-11.0	0.2	-3.6	-3.5	-5.5	9.1	9.5	8.4	8.0	8.3
European Union (EU)	0.3	14.3	6.3	3.9	4.7	10.8	10.8	10.3	10.2	10.4
Selected ASEAN countries ¹	1.9	13.8	10.1	5.6	5.4	25.3	25.1	23.8	24.3	24.3
North East Asia	1.4	19.6	14.6	9.6	8.9	24.2	24.6	25.3	24.2	24.6
<i>People's Republic of China</i>	-0.5	18.9	27.1	15.3	13.9	12.3	12.5	14.2	12.9	13.1
<i>Hong Kong SAR</i>	-0.7	11.3	-2.2	-7.3	-3.6	5.0	5.1	4.5	4.2	4.5
<i>Chinese Taipei</i>	30.6	39.2	4.3	14.5	12.4	3.3	3.2	3.2	3.4	3.3
<i>Korea</i>	-8.3	19.8	5.0	9.0	6.1	3.7	3.8	3.4	3.6	3.7
West Asia	11.0	4.0	11.9	6.5	12.1	3.7	3.5	3.4	3.5	3.6
India	20.2	21.0	36.0	33.7	34.6	3.3	3.3	4.3	4.0	4.1
Total exports	3.3	15.6	11.4	9.8	8.7	100.0	100.0	100.0	100.0	100.0

¹Singapore, Thailand, Indonesia, Philippines, Brunei Darussalam and Vietnam

Source: Department of Statistics, Malaysia

The **export** performance in the fourth quarter was supported mainly by the sustained strong growth in exports of commodities and non-E&E manufactured products. Commodity exports continued to be driven by elevated commodity prices and higher demand. Sustained growth in exports of non-E&E products was attributable mainly to higher demand for chemicals and chemical products, machinery appliances and parts, manufactures of metal, and iron and steel products. However, the weaker global economy had dampened the demand for E&E products, particularly computers and computer-related products.

The sustained **import** growth in the fourth quarter reflected an expansion in capital imports and more moderate growth in intermediate and consumption imports. The stronger growth in capital imports was due mainly to higher imports of machinery for capacity expansion. Consumption imports increased at a more moderate pace, driven by imports of food and beverages, transport equipment and consumer durables. Intermediate imports grew at a more moderate pace, supported by sustained activity in the manufacturing sector, particularly non-E&E industries.

In the fourth quarter, the deficit in the **services account** widened to RM4 billion due mainly to higher net payments for imports of other services, including payments for royalties and license fees, professional and technical fees, and communication and construction services. A larger outflow in the income account of RM5.6 billion was largely attributable to higher

investment income accruing to foreign direct investors.

The **financial account** turned around from a net outflow position to record a small net inflow of RM0.2 billion in the fourth quarter (3Q 11: -RM23.3 billion), due to the significantly smaller net outflows of portfolio funds and higher net inflow of other investments.

Portfolio investment recorded a smaller net outflow of RM2.7 billion during the quarter (3Q 11: -RM23.4 billion), largely reflecting foreign liquidation of debt securities amidst continued volatility and deleveraging in the global financial markets. Nevertheless, the significantly smaller outflows indicated a slight improvement of market sentiments in the fourth quarter, as evidenced by a net inflow of foreign funds into the equity market.

FDI recorded a higher net inflow of RM6.5 billion (3Q 11: +RM5.2 billion), supported by higher retained earnings of the multinational companies (MNCs) in Malaysia as well as higher inflows of equity capital. FDI inflows were broad-based during the quarter, the bulk of which were undertaken by companies in the manufacturing sector, particularly the E&E and petrochemical sub-sectors. The oil and gas sector, the wholesale and retail trade, and the finance and insurance sub-sectors were recipients of sizeable investments during the quarter. Of significance, net FDI in 2011 increased to RM32.9 billion from RM29.3 billion in 2010, indicating continued improvement of FDI flows into Malaysia, despite the more challenging global economic conditions, especially in the second half of the year.

Direct investment abroad (DIA) by Malaysian companies increased further to -RM14.4 billion in the fourth quarter (3Q 11: -RM12.9 billion). The larger net DIA reflected higher outflows of equity capital and larger earnings retained abroad for reinvestment purposes. These investments were mainly channelled into the mining and manufacturing sectors, as well as the finance and insurance, and hospitality sub-sectors.

Net inflow of **other investments** amounted to RM11.2 billion (3Q 11: +RM8.2 billion) in the fourth quarter, on account of higher inflows into the private sector, particularly in the banking sector. Of significance, these inflows reflected the liquidation of foreign assets by the Malaysian banking sector, a trend observed since the third quarter, in line with the escalation of the European debt crisis in the second half of the year. The official sector recorded a small net outflow due to external loan repayments.

Lower external debt

Malaysia's **total external debt** declined to RM257.2 billion or USD80.4 billion as at end-December 2011 (end-Sept: RM263.3 billion or USD81.8 billion). This is equivalent to 31% of GNI, and remains small as a share of total debt² (12.7%).

The **medium- and long-term external debt** decreased to RM153.3 billion (end-

Sept: RM157.8 billion), reflecting in part the net repayment of external borrowing and a strengthening of the ringgit against selected major currencies during the quarter. There were net repayments by both private and public sectors. The net repayment by the public sector largely reflected repayments by NFPEs which outweighed a small net drawdown by the Federal Government.

As at end-December 2011, **short-term external debt** had declined to RM103.9 billion (USD32.5 billion) from RM105.5 billion at end-Sept 2011, mainly due to the repayment of inter-bank borrowings. Short-term external debt accounted for 40.4% of total external debt while international reserves were able to cover 4.1 times the short-term external debt.

External Debt Outstanding

	2010	2011	
	end-Dec	end-Sep	end-Dec ^o
	RM billion		
Medium- and long-term debt	147.7	157.8	153.3
Public sector	83.3	83.8	83.1
Private sector	64.3	74.0	70.3
Short-term debt ¹	79.4	105.5	103.9
Total external debt	227.1	263.3	257.2
USD billion equivalent	72.8	81.8	80.4
External debt/GNI (%)	30.7	31.7	31.0
Reserves/Short-term external debt (times)	4.1	4.0	4.1 ²

¹ Excludes currency and deposits held by non-residents with resident banking institutions

² Based on international reserves as at 31 January 2012

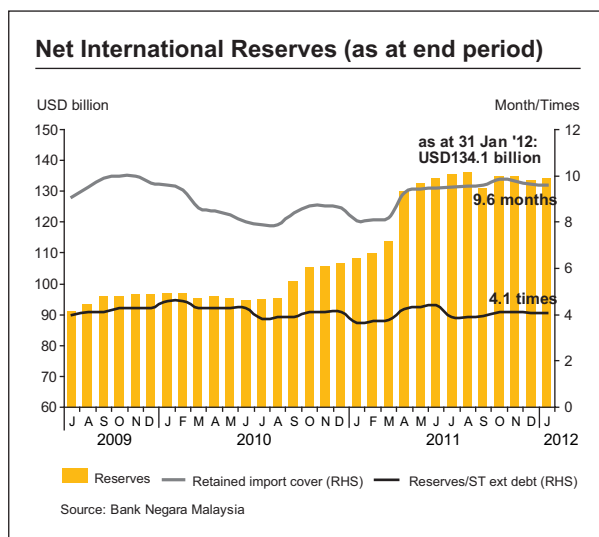
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Source: Ministry of Finance, Malaysia and Bank Negara Malaysia

² Total debt comprises domestic and external debt. Domestic debt comprises loans by banking system, private debt securities and federal government debt.

International reserves remained high

The international reserves of Bank Negara Malaysia amounted to RM423.4 billion (equivalent to USD133.6 billion) as at 31 December 2011. The reserves level as at 31 December 2011 has taken into account the quarterly adjustment of the foreign exchange revaluation loss, following the strengthening of the ringgit against some major currencies during the quarter. As at 31 January 2012, the reserves position amounted to RM424.8 billion (equivalent to USD134.1 billion), sufficient to finance 9.6 months of retained imports and is 4.1 times the short-term external debt.



Lower fiscal deficit of 5% of GDP in 2011 compared to the previous year

In the fourth quarter, the Federal Government incurred a higher total expenditure, amounting to RM73.6 billion. The higher operating expenditure was mainly on account of the payment of subsidies, and grants and transfers to statutory bodies. The development expenditure was mainly channelled into the transportation, and trade and industry sectors. For the year as a whole, the Federal Government recorded a lower fiscal deficit of 5% of GDP (2010: 5.6% of GDP), supported by stronger revenue performance during the year. As at end-Dec 2011, total outstanding debt of the Federal Government amounted to RM456.1 billion or 53.5% of GDP.

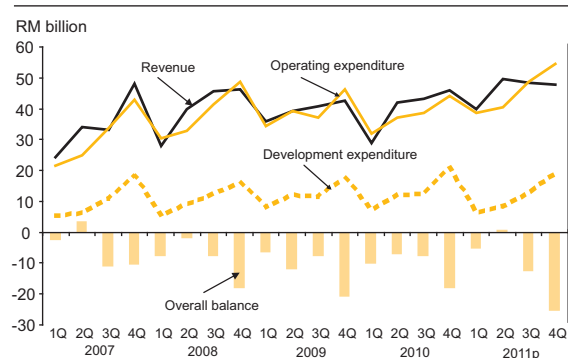
Federal Government Finance

	2010		2011 ^P		
	4Q	Year	3Q	4Q	Year
RM billion					
Revenue	45.8	159.7	48.3	47.7	185.4
% growth	7.6	0.6	12.1	4.0	16.1
Operating expenditure	44.1	151.6	48.8	54.5	182.6
% growth	-4.6	-3.5	26.6	23.6	20.4
Current account	1.7	8.0	-0.5	-6.9	2.8
% of GDP	0.8	1.0	-0.2	-3.1	0.3
Gross development expenditure	20.8	52.8	12.6	19.1	46.4
% growth	18.6	6.6	0.3	-8.4	-12.1
Overall balance	-18.2	-43.3	-12.8	-25.4	-42.5
% of GDP	-8.9	-5.6	-5.9	-11.4	-5.0
Memo item:					
Total gross expenditure	64.9	204.4	61.4	73.6	229.0
% growth	1.8	-1.0	20.1	13.4	12.0
Total Federal Government debt (as at end-period)	407.1	407.1	440.8	456.1	456.1
% of GDP	53.1	53.1	51.7	53.5	53.5
Domestic debt	390.4	390.4	422.8	438.0	438.0
% of GDP	51.0	51.0	49.6	51.4	51.4
External debt	16.7	16.7	18.1	18.1	18.1
% of GDP	2.2	2.2	2.1	2.1	2.1

^P Preliminary

Source: Ministry of Finance

Federal Government Finance



^P Preliminary

Source: Ministry of Finance