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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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PRELIMINARY MEMORANDUM ON  
MALAYSIA'S ECOCOMIC POSITION  
AND DEVELOPMENT PROBLEMS

September 25, 1965

Far East Department

CURRENCY EQUIVALENTS

Currency Unit	=	Malayan dollar
1 Malayan dollar	=	U.S. \$0.327
1 U.S. \$	=	M\$3.06
M\$1 million	=	U.S. \$327,000

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## Summary and Conclusions

i. During the past several years the volume of total output in Malaysia has been increasing at 6% a year, but due to a decline in export prices real incomes have risen by less than 5% annually. Apart from some autonomous growth in the manufacturing and related sectors, the bulk of the recent growth in real income can be traced to the spurt in public investment expenditures, which caused a growth in the investment rate from 12-13% in 1959/60 to 18% in 1965.

ii. This growth in investment expenditures, which took place mainly in the public sector, led the investment rate to exceed the average savings rate. This has been reflected in a growing external deficit, the financing of which will require capital inflow from abroad for years to come. Because of the financial constraints, which are now being felt, the rate of growth of government spending will have to fall off, and it is unlikely that real income growth will exceed the 4.5% average of recent years. Since the bulk of investment is in assets with long gestation periods, the impact of the present heavy investment rate is unlikely to be felt until the early 1970's.

iii. The Government is now preparing a new Malaysian development plan for 1966/70. Although the precise magnitudes are not yet known, it seems fairly evident that, on financial and administrative grounds, the total for the five-year period will not be able to exceed M\$4.0 billion, including about M\$500 million for defense or 30% more than the estimated level during 1961/65. Given the slow-down in real income growth expected, it will probably be possible to finance no more than 40% of the total amount from domestic sources. Another 10% might be forthcoming in the form of external grants. In addition, given Malaysia's low external debt and high level of reserves, it should be possible to finance the balance by a combination of about M\$1,000 million in foreign borrowing and an equal draw-down in reserves.

## CHAPTER 1

### Recent Political and Economic Developments

#### Institutional Background

1. Singapore, Sarawak and Sabah merged politically with the Federation of Malaya in September 1963. The central government of Malaysia, which was in effect the former government of Malaya, assumed responsibility for defense and internal security and a few common services such as posts and telecommunications, but on the whole the new States retained considerable autonomy. In particular, Singapore retained effective control over finance and government spending. However, the components of Malaysia have long had strong ties - a common currency, similar institutions as a result of the colonial heritage, vigorous Chinese business communities, and common dependence on Singapore as the major entrepot centre - so merger made little immediate difference to economic conditions. <sup>1/</sup> Some harmonization of taxes took place, but outside the field of finance there was very little cooperation or coordination between governments on economic policies throughout the two-year life of the former Malaysia. In particular, a common market - agreement on which had been a precondition to Singapore's entry into Malaysia - was not created, and in the important fields of industrial policy and economic planning no effective cooperation existed. In fact additional barriers to internal trade in manufactured goods were erected during 1964-65 to protect local manufacturing interests.

2. Mounting internal political and communal tensions led to the separation of Singapore from Malaysia on August 9, 1965 and the proclamation of Singapore as an independent country. Because only loose economic ties had been created, separation caused virtually no disruption to either economy apart from the temporary imposition of trade controls by Singapore on goods of Malaysian origin. In the long run, however, the growth of both the present Malaysia and Singapore may be expected to suffer moderately because of hesitation on the part of private domestic and foreign investors, caused by political uncertainties and the probable removal of remaining hopes for an effective common market. However, it should be noted that the economic growth of Malaysia and Singapore in recent years has been achieved in the absence of effective economic merger, with the exception of industrial investment which took place in anticipation of the creation of a common market. Further economic growth may be expected, as long as Singapore and Malaysia continue to cooperate and to maintain an attractive investment climate; the use by both parties of protection for growing industries, however, bound to increase.

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<sup>1/</sup> Merger, however, induced Indonesian "confrontation" which adversely affected Singapore's trade and gave rise to a sharp growth in military spending.

Recent Trends in Output and Incomes

3. The Malaysian<sup>1/</sup> economy has shown a rate of growth in real income of over 5% a year since 1958, and has displayed remarkable resilience in maintaining a growth of over 4% a year since 1960 despite a 20% adverse movement in the terms of trade caused mainly by the fall in the rubber price from its 1960 peak. In volume terms, total output has grown steadily at about 6% a year since 1958. Domestic export volume has been rising at a rate of around 6.5% up to 1964: export value likewise rose by almost the same amount between 1958 and 1964, but all this value increase took place in the 1958-60 period; since then the volume increases have been offset by price declines, and the slow growth which resumed in 1963 has not yet enabled exports to recover to their 1960 peak.

4. All regions of Malaysia shared this growth in GNP except Sarawak, where GNP appears to have stagnated since 1960, reflecting the fall in rubber prices and the paucity of alternative sources of income growth. Sabah, on the other hand, has benefited substantially from the timber boom and could probably have achieved more rapid growth were it not for an acute labor shortage. All components of Malaysia are vulnerable to export fluctuations, and over-all in the 1961-64 period about 46% of GNP originated in the export sector. This proportion was gradually declining, however, and one of the major achievements of the economy in recent years has been to maintain economic growth despite stagnant exports.

5. The over-all trends in current incomes and exports can be seen in the following table:

	(M\$ million)						
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
1. GNP in current market prices	5430	6030	6650	6660	7010	7440	7910
2. Gross exports	2475	3180	3640	3250	3275	3360	3440
3. Domestic exports as % of GNP	46	53	55	49	47	45	43
4. Rate of growth of GNP (%)	-	11	10	0	5.3	6.1	6.3
5. Rate of growth of export value (%)	-	28	14	-11	0.8	2.5	2.4

<sup>1/</sup> "Malaysia", henceforth in this paper, refers to the States of Malaya, plus Sarawak and Sabah.

6. Between 1959 and 1964 the volume of rubber production went up by less than 3% a year, as large acreages were being taken out of production temporarily for replanting. With the price decline, the total value of rubber output in 1964 was substantially lower than in 1959. However, there has been considerable expansion of output and incomes in agricultural activities other than rubber. The most important have been rice, palm oil, fish, livestock products and timber. For Malaysia, as a whole, real output of this group (agriculture other than rubber) has gone up at an average rate of 8% annually since 1959 (see Table 5). There has also been an encouraging growth in manufacturing - over 10% annually (excluding rubber processing), which shows that a start has been made in the process of import substitution. However, this sector still constitutes less than 7% of GNP. By far the most dramatic expansion in the past five years has come from the construction industry, which expanded by around 20% annually in real terms, reflecting the sizeable expansion of investment which has taken place since 1959-60. The recent growth of government services at around 9% annually also reflects, in part, the expansion of public development efforts, as well as a considerable increase in defense expenditures.

#### Public Development Efforts

7. Total investment in Malaysia has approximately doubled since 1959, bringing the total to 18% of GNP by 1964, as compared with 12% in 1959. Private capital formation rose by 50% in this period, while public investment nearly tripled. The latter expansion is a product of the high priority the government has assigned to economic development ever since the late 1950's when the communist insurrection on the territory of Malaysia had been overcome. Total public development expenditure, including transfers to the private sector, rose from M\$244 million in 1960 to M\$646 million in 1964.

8. About half of these expenditures in the past five years has been devoted to expansion of transportation, power, water supplies and other infrastructure facilities. But a substantial amount (about 17%) has gone into directly productive investments in agriculture, and a more moderate amount (5%) for support of private industrial development.

9. In agriculture, the rubber replanting program represents a continuation and expansion of the campaign started in the early 1950's to replace old rubber trees with high-yielding varieties, and more recently, with oil palms. This has involved public financial support for both estates and smallholders. New planting of both rubber and oil palm has also been undertaken on an expanded scale on the government's land settlement projects. As a result of these programs and continued private investment, over three-quarters of the estate area and over half the smallholders' area is now planted in high-yielding varieties. This will result, in the next six years, in an acceleration of output growth to around 6.5% annually in the case of rubber and nearly 14% in the case of palm oil (which, will, however, remain much less important than rubber).

10. Expanded investment in irrigation and drainage has helped to stimulate other agricultural growth, mainly rice, and several projects now underway will lead to further increases in the future. Other public programs

have contributed to the expanded output of fish, livestock products and pineapple. Beyond these, however, efforts to achieve a further diversification of agriculture have been quite modest, mainly because of staff shortages and an inadequate research base.

11. Rapid progress was made during the past five years in the expansion of transportation facilities, power and water supplies. To a large extent these investments formed part of a coordinated effort by the authorities to increase production and employment in the rural areas. Much of the investment in road construction consisted of roads providing market access to underdeveloped rural areas. At the same time improvements were made in such areas in the provision of agricultural extension services, and in power, telecommunications, health and general education facilities. These comprehensive rural development efforts, executed with great elan by government officials at all levels, has contributed much in laying the foundation for a more productive rural economy. The increase in agricultural and other economic activity around development schemes that have been in operation for a number of years gives the impression that most of these efforts have been justified from an economic point of view, although some parts of the rural road projects probably could not stand up to a screening on economic justification.

12. Encouragement of industrial development has been provided mainly through tax holidays and tariff protection, but also on a modest scale, in the provision of industrial estates and some financial help through a private development bank. However, in general, past efforts to promote industry have not been as intensive as the potential of this sector appears to warrant. This situation may now be changing, as there is a growing awareness of the need to reduce the economy's dependence on rubber exports.

13. The performance in implementing the various public sector programs has been impressive. Indeed, the ability and urge to execute projects have outstripped the facilities for a thorough project evaluation - a problem which has also led to a bottleneck in the preparation of projects for foreign financing. Despite this problem, however, the performance of the governments in planning and executing public sector projects has been generally good, and compares favorably with other countries in the region. While there is some public capital expenditure on projects of questionable economic priority, there appears to be less than in many other countries. By and large the development efforts in Malaysia have been reasonably well conceived and the record of execution has been unusually good.

#### Trends in National Expenditure and the Balance of Payments

14. Since 1959, personal consumption has risen at nearly the same rate as GNP - about 5.4%, or around 2% per capita, in current prices. In real terms, the increase has been only slightly lower, since domestic prices have been quite stable. This, together with the sharp rise in investment, has contributed to a steady growth of import demand, which has led to a sharp drop in the country's export surplus - from 10% of GNP to less than 1% at present. The table below, which shows over-all expenditure trends for the States of Malaya, is roughly representative of Malaysia as a whole:

States of Malaya - Expenditure on GNP

(M\$ million, current prices)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	Growth 1959-64 % p.a.
Private Consumption	3375	3632	3818	4012	4230	4375	5.4
Public Consumption <u>1/</u>	<u>774</u>	<u>791</u>	<u>851</u>	<u>914</u>	<u>1060</u>	<u>1150</u>	<u>8.0</u>
Total Consumption	4149	4423	4669	4926	5290	5525	6.0
Private fixed capital formation	436	567	583	633	622	645	8.0
Public fixed capital <u>2/</u> formation	<u>144</u>	<u>188</u>	<u>323</u>	<u>497</u>	<u>528</u>	<u>541</u>	<u>33.0</u>
Total fixed capital	580	755	906	1130	1150	1186	16.0
Gross National Expenditure <u>3/</u>	4669	5298	5655	6134	6541	6920	8.0
Current foreign balance <u>1/</u>	<u>+637</u>	<u>+568</u>	<u>+235</u>	<u>+62</u>	<u>+39</u>	<u>+96</u>	<u>-</u>
Gross National Product	5306	5866	5890	6196	6590	7016	5.8

1/ Before private transfers abroad.

2/ Excludes financial transfers to the private sector.

3/ Includes stock changes.

15. After taking account of current private transfers abroad, averaging about M\$200 million annually, Malaysia's current account balance has changed from a surplus averaging M\$400 million in 1959 and 1960 to a deficit of around M\$200<sup>million</sup> in 1964. Net capital inflow - mainly private foreign investment - has continued to be substantial throughout the period, but was not sufficient in 1963 and 1964 to prevent a moderate draw down in the large foreign exchange reserves which had accumulated over the past previous decade. At the end of 1964, total Malaysian exchange reserves net of sinking funds are estimated at about M\$2.3 billion, as against a peak of nearly M\$2.5 billion at the end of 1962. The former amount corresponds to nearly 80% of 1964 imports.

Public Finance

16. The public finance problem has also begun to grow significantly in recent years. Government revenues have kept approximately in step with GNP growth since 1960, remaining at around 21% of the total. However, current outlays have gone up much faster, so that there has been a substantial decline

in total public savings in the period - from around M\$460 million in 1960 to M\$250 in 1964 and 1965. With public capital development expenditures rising as indicated earlier, the over-all position of the public sector has shifted from a surplus of M\$200 million in 1960 to a deficit of M\$400 million in 1964 and perhaps M\$550 million in 1965. (The rise in 1965 is due mainly to capital defense outlays). Net foreign borrowing has averaged only about M\$60 million in recent years and domestic borrowing (other than from the Provident Funds, which are treated as current receipts) about M\$80 million. Grant assistance rose from less than M\$30 million in 1962-63 to M\$66 million in 1964 and perhaps M\$100 million in 1965. Thus there remained a large gap in both of the last two years - in the order of M\$250-300 million which had to be met by a draw down in the government's domestic and foreign assets.

Growth Problems and Prospects

17. In spite of strongly increased development efforts in recent years, the Malaysian economy is still faced with a number of basic problems. The most important of these arises from the dependence of the economy on external market developments of two commodities, rubber and tin. Although diversification of production has led to some improvement, around 70% of exports and 30% of GNP still directly depend on rubber and tin. The short-run swings in world market prices of both products are large and hard to predict. In the past they have caused wide variations in the year to year movement of real incomes. In the future the economy will remain very vulnerable to short-run price changes of this nature. More important, it is to be expected that both prices for tin and natural rubber will fall towards a permanently lower position in the next several years. Barring major and at present unexpected changes in synthetic rubber technology, it seems likely that natural rubber will be able to maintain a substantial share of the total rubber market of the future, but at a price some 20% below the current level of M\$0.67 per lb. At this price level, investment in high yielding rubber would still yield a reasonable return, and consequently the Government intends to continue its replanting and new planting programs. A corollary of this development is that the dependence of the economy on rubber in the next several years will decline to only a modest extent.

18. Indeed, in volume terms, growth in rubber output at 6.5% is likely to exceed the overall rate of output growth for the economy in the next five years. Since investment clearly cannot be expanded at anything like the rate of the past five years growth, in construction activity will slow down considerably. Mining also will level off or fall because of limitations on known deposits. Expansion of timber production will also likely to be much slower. In the case of manufacturing, some slow down in the growth rate also seems likely in the absence of a common market with Singapore. On balance, a growth of real output at 5.5% annually seems likely between 1964 and 1970. Given the drop expected in rubber and tin prices, real income growth is not likely to be more than 4.5% - or about the same as the rate achieved since 1960. Export earnings are not expected to grow at all, with the expected fall in the value of tin offsetting moderate increases in other exports.

19. In the light of these growth prospects, the fast natural increase in population (3% a year) constitutes another serious problem, especially because of the related problem of underemployment in rural areas and unemployment in urban areas, especially in the 16-24 age group. Information on trends is inadequate, but it appears that the problem has had approximately the same dimensions since 1957. The rapid increase in expenditures over the past five years appears to have contained the employment problem but not solved it, and it is highly improbable that sufficient employment opportunities can be created in the near future to solve this problem. Because of the financial restraints, emphasis will have to be limited to programs of training, relocation, etc. to relieve specific structural or regional problems.

20. Other special problems are also pressing; inadequate housing in urban areas, pockets of poverty in rural areas, and the need to improve the competitive ability and economic opportunities of the more seriously disadvantaged indigenous people. It must be emphasized that a steady long-run expansion of the social services will be possible only if adequate resources are created in advance for this purpose through direction of the major part of investment to productive purposes. Where social investments are made, the emphasis should whenever possible be on creating conditions for social and cultural change, without which economic growth will be hindered. Malaysia is moving into a situation in which both foreign resources and capital are becoming more scarce. Public capital expenditures and policies towards private investment should reflect this, and emphasize adequate returns from capital as well as the particular benefits to the economy of achieving import substitution or export growth.

21. The Government's past development efforts have, in general, been designed to cope with these problems, and it is known that the new Plan will aim at achieving further progress along these lines. However, as noted, the Plan is still under preparation, and it is too soon to attempt an assessment of its content. But it is not too soon to comment on the financial problems posed by a plan the size now known to be under consideration.

Chapter 3

The Financing Problem

22. We understand that the total size of the Plan for 1966-70 has been tentatively set at about M\$3.5 billion, excluding defense. This would amount to around 7.5% of projected GNP in the period, and compares with an estimated actual amount of about M\$2,900 (also excluding defense) in 1961-65. The latter corresponded to nearly 8% of GNP.

23. It is clear that the domestic financial resources of the public sector during the next five years will be insufficient to finance this amount of development expenditure. As noted, public sector current savings have declined rather sharply in the past, and it will not be an easy task to keep them from falling further in the future. Revenue is at present at a comparatively high level in Malaysia - 19.5% of GNP and 21.3% after including social security taxes. Given the prospects for declining net incomes in the rubber and tin industries on which revenue is heavily dependent, it is evident that the scope for increases in revenue is limited. Additional taxes, especially on imported commodities, and rate revisions in existing taxes may bring an increase in total revenues, provided revenue collection is improved. The scope for additional taxation is however limited by the danger of impinging on private sector savings and private investment, which are essential to maintaining a healthy rate of growth. On balance, it would seem that an increase by 1970 to 21% of GNP (or 23% including social security taxes) appears an ambitious although not impossible objective.

24. On the current expenditure side, it is important that the 10% annual growth in recent years be curtailed, if public savings are not to disappear altogether. Education, security, radio and TV, and administrative expenditures, debt service, and the current costs of agencies with large capital programs have all grown at a rapid rate. Existing commitments in education and defense make an early curtailment difficult, but it is considered that the growth rate can be cut to 8% by 1966 and 6% by 1968.

25. Assuming continued sound financial policies, a considerable surplus should accrue from the operation of public enterprises. In addition to this, continued growth is to be expected in funds collected under the Government's social security scheme. Altogether this leads to the expectation of a total current surplus of the public sector during the next five years of M\$ 1,430 million. Taking account of a likely military build-up of M\$500 million during the period, this would leave an overall public sector deficit during this period of M\$2,570 million.

26. Opportunities for financing this deficit by borrowing in the domestic market are limited because of institutional limitations, which it will take time to overcome and because of the need to reserve most available banking funds for credit to the private sector. The most that could be expected from this source during the next five years is about M\$200 million, net of repayments. This will leave M\$2,370 million to be financed by external sources - grants, loans and use of the public sector's accumulated foreign assets.

27. Certainly some use of foreign assets in the next five years would be warranted to help sustain the pace of development. However, it would hardly seem prudent to use more than M\$1,000 million of the present M\$2,300 million in this time period. This would bring the level down to the equivalent of about four or five months imports by 1970, and this would appear to be the minimum cushion necessary in view of the continued uncertainties in the balance of payments outlook. Thus there would still be a gap in the range of about M\$1,400 million to be financed by foreign grants and loans.

28. At present, the prospects are for a decline in the level of grant financing from the 1965 level of \$105 million which was provided mainly to help finance the defense build up. However, while military grants may taper off, the possibility of a continuation of grants for Borneo development together with other grants from Colombo Plan countries seems to justify expecting around M\$80 million a year in this form of aid. Foreign borrowing in private markets has probably only limited potential. Market loans of £5 million and US\$25 million have been successfully raised in the past two years, but the scope for future market borrowing is unclear. As far as borrowing from official sources is concerned, the administrative capacity of the public sector to generate projects for foreign financing has to date been severely limited, and utilization of such funds has been comparatively small. However, given an adequate effort by the government to improve its techniques of project identification and preparation, it should be feasible to borrow around M\$1,000 million on a project basis over the Plan period. Assuming that lenders were willing to finance up to 60% or 65% of the total cost of a given project or program this would imply that nearly half of the development program of M\$3,500 million would have to be of a type eligible for external finance. While posing a serious challenge it might be feasible for the Government to meet this target. This problem could of course be reduced, if some program financing were available.

29. This prospective financing pattern is summarized below:-

Public Sector Finance, 1964-1970

(M\$ million)	Actual	Est.	1966	1967	1968	1969	1970	Total
	1964	1965						1966-70
Current revenue (existing rates)	1457	1596	1705	1760	1820	1875	1950	9110
+ new revenue	-	-	40	60	80	100	120	400
- Current expenditure	1385	1550	1675	1790	1900	2010	2135	9510
= Current surplus	72	46	70	30	0	-35	-65	-10
+ Surplus of public authorities	36	49	60	75	85	105	110	435
+ Social security funds	142	155	170	185	195	210	235	995
= Total annual resources	250	250	300	290	280	280	280	1430
less, capital expend. (incl. defense)	646	800	750	775	800	825	850	4000
= Overall surplus or deficit	-396	-550	-450	-485	-520	-555	-570	2570
<u>Financed by:</u>								
Local borrowing (net)	86	65	40	30	40	40	50	200
Foreign borrowing (gross)	31	130	130	200	250	300	300	1180
less repayments	-15	-19	-26	-31	-43	-50	-60	-210
Foreign borrowing (net)	16	111	104	169	207	250	240	970
Grants	66	105	80	80	80	80	80	400
Use of assets, etc.	228	270	226	206	193	175	200	1000

30. The balance of payments position is difficult to estimate precisely in the absence of adequate data. It is clear, however, that a deficit on current account of increasing magnitude is likely to emerge as imports are likely to continue to grow, even if a considerable volume of import substitution is achieved. Net investment income payments to abroad are also likely to rise as reserves are drawn down and as the stock of public and private foreign investment increases. On a regional basis, only Sabah is likely to maintain a trade surplus. Sarawak in particular is likely to continue to incur a large trade deficit.

31. Overall, it appears likely that the growing deficit on goods and services will cumulate to around M\$ 2,200 over the period, or roughly 4-5% of average GNP. After allowing for continued private remittances abroad and some public transfers the overall deficit on current account may cumulate to M\$ 3,500 million, part of which will be offset, as discussed above, by grants totalling perhaps M\$ 400 million. Private capital inflows, net, are projected to be slightly lower than in the past at M\$ 1,100 million because of the investment uncertainties and the impact of the overseas profits tax on remittances by British companies. Net public borrowing plus assets use, totalling M\$ 2,000 million, would balance the capital account, and be consistent with the public sector assumptions indicated above.

32. Malaysia's present external debt is quite modest - around M\$750 million, or less than 10% of the gross national product. This includes about M\$240 million undisbursed. Service on this debt will reach a peak in 1969, of about M\$75 million or about 2% of projected exports. Therefore, there seems to be ample scope for additional foreign borrowing over the next five years. New gross foreign borrowings of M\$1,000 million (in addition to utilization of the undisbursed \$240 million) by 1970 would raise total debt service by that year to about M\$150 million or 1.5% of projected GNP and 4% of projected exports.

Statistical Appendix

Table No.

1. Land Use and Area 1962/3
2. Estimated Population by age-group and by race, end - 1963
3. States of Malaya - Rubber Statistics 1953-64
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5. Output indices - Agriculture, Forestry and Fisheries
6. States of Malaya - Gross Domestic Product by Industrial Origin, 1959-64, in current prices
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12. Gold and Foreign Exchange Reserves
13. Malaysia - Total Public Development Expenditure, 1960-1964

Table 1

MALAYSIA - Land Use and Area 1962-1963  
(Sq. miles)

	<u>States of Malaya</u>	<u>Sabah</u>	<u>Sarawak</u>	<u>Total Malaysia</u>
Rubber .....	6,250	362	570	7,182
Rice .....	1,540	143	440	2,123
Coconut .....	800	142	86	1,028
Oil Palm .....	275	10	--	285
Pepper .....	--	--	11	11
Sago .....	--	6	140	143
Fruits .....	310	9	16	365
Shifting Agriculture .....	--	1,000*	8,450+	9,450
Other crops and fallow land .....	600	68	169	837
Forest Reserves .....	13,350	9,980*	11,550	34,880
All other land .....	27,545	18,568	26,818	72,034
Total .....	50,700	29,388	48,250	128,338

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\* Rough estimate

+ Excluding hill padi

Source: Information from Agricultural Departments of the various regions.

Table 2

MALAYSIA - Estimate Population by Age-group and by Race, end-1963

	<u>States of Malaya</u>		<u>Sarawak</u>		<u>Sabah</u>		<u>Malaysia</u>		<u>Total</u>	
	No.	%	No.	%	No.	%	No.	%	No.	%
<b>A. AGE-GROUP</b>										
0-4 .....	1,326	17.3	151	18.7	95	18.9	1,572			17.5
5-9 .....	1,173	15.3	133	16.4	79	15.9	1,385			15.4
10-14 .....	988	12.9	84	10.4	48	9.6	1,120			12.5
15-19 .....	741	9.7	72	8.8	41	8.3	854			9.5
20-29 .....	1,127	14.7	115	14.2	84	16.8	1,236			13.8
30-39 .....	813	10.6	96	11.8	65	13.0	974			10.9
40-49 .....	651	8.5	72	8.9	44	8.9	767			8.6
50-59 .....	467	6.1	46	5.7	24	4.8	537			6.0
60 and over .....	374	4.9	41	5.1	19	3.8	434			4.8
TOTAL .....	7,660	100.0	810	100.0	499	100.0	8,969			100.0
<b>B. RACE</b>										
Malays 1/ .....	3,837	50.1	142	17.5	32 2/	6.4	4,011			44.7
Chinese .....	2,841	37.1	255	31.5	117	23.5	3,213			35.8
Indians and Pakistanis ..	843	11.0	--	--	--	--	847			9.4
Sea Dayak .....	--	--	254	31.4	--	--	254			2.8
Kadazan .....	--	--	--	--	160	32.0	160			1.8
Other indigenous .....	4	--	150	18.5	177	35.5	331			3.7
Other non-indigenous ....	135	1.8	9	1.1	13	2.6	157			1.8
TOTAL (all races) ....	7,660	100.0	810	100.0	499	100.0	8,969			100.0
Percentage Distribution .....	85.4		9.0		5.6		100.0			

1/ Includes Indonesians

2/ Mainly Indonesians

Source: Adaptation of official Projections based on latest census in each region.  
Net migration is excluded.

Table 3

STATES OF MALAYA - Rubber Statistics 1953-1964

<u>Year</u>	<u>Planted Acreage</u>		<u>Production</u>			<u>Yield per Tapped Acre - Estates (pounds)</u>
	<u>Estates</u> (000 acres)	<u>Small- holdings</u>	<u>Total</u>	<u>Estates</u>	<u>Small- holdings</u>	
1953	2,041	1,614	574.4	341.8	232.6	470
1954	2,028	12,629	586.5	345.5	241.0	480
1955	2,025	1,650	638.7	352.5	286.2	490
1956	2,017	1,686	626.0	351.6	274.4	496
1957	2,020	1,710	637.5	368.6	268.9	535
1958	1,989	1,766	662.9	390.1	272.8	586
1959	1,950	1,839	697.8	408.0	289.8	641
1960	1,942	1,892	708.4	414.1	294.3	676
1961	1,945	1,968	736.7	429.5	307.2	719
1962	1,933	2,064	751.6	439.2	312.4	745
1963	1,925	2,145	784.7	455.5	329.2	780
1964	1,918	2,235	819.1	471.7	347.4	822

  

<u>Year</u>	<u>Exports</u> (000 long tons)	<u>Imports</u> (000 long tons)	<u>Average Singapore Price R.S.S.#1</u> (Malayan cents per lb.)	<u>Export Unit Values</u> (Malayan \$ per ton)
1954	612.1	27.1	67.3	1,476
1955	659.5	33.3	114.2	2,402
1956	649.4	43.7	96.8	2,122
1957	655.1	37.9	88.8	1,991
1958	690.2	56.1	80.2	1,735
1959	782.9	53.3	101.6	2,199
1960	766.8	70.7	108.1	2,385
1961	790.6	64.9	83.5	1,824
1962	791.0	67.3	78.2	1,729
1963	841.5	53.2	72.4	1,633
1964	847.8	40.6	68.1	1,538

Source: Department of Statistics, States of Malaya.

Note: Production of Rubber in the States of Malaya accounts for about 92% of total Malaysian production. Comparable Malaysian data are not yet prepared.

Table 4

STATES OF MALAYA - Tin Statistics 1953-1964

A. Production and Trade (thousand long tons)

<u>Year</u>	<u>Production</u> <sup>1/</sup>	<u>Imports</u> <sup>1/</sup>	<u>Exports</u>		
			<u>Concentrates</u> <sup>1/</sup>	<u>Metal</u>	<u>Total</u>
1953	56.3	6.0	27.1	35.1	62.2
1954	60.7	8.2	31.5	37.3	68.8
1955	61.2	10.8	33.9	37.9	71.9
1956	62.3	10.9	20.6	52.4	73.0
1957	59.3	13.9	19.4	50.4	69.8
1958	38.5	7.9	6.3	38.5	44.8
1959	37.5	8.7	.7	44.1	44.8
1960	52.0	20.7	.3	76.3	76.6
1961	56.0	16.6	.4	74.2	74.6
1962	58.6	25.0	.5	81.3	81.3
1963	59.9	20.1	.5	84.6	85.1
1964	60.0	10.3	.5	71.2	71.7

<sup>1/</sup> Tin content of concentrates.

B. Tin Prices

	<u>London-Cash</u> (£/long ton)	<u>New York-prompt</u> (US cents/lb.)	<u>Singapore-ex-works</u> (M\$ per picul)
1953	731.7	95.8	363.9
1954	719.4	91.8	353.6
1955	740.1	94.7	365.5
1956	787.7	101.2	387.0
1957	754.8	96.2	373.2
1958	734.9	95.1	369.3
1959	785.4	102.0	396.9
1960	796.6	101.4	393.8
1961	888.6	113.3	447.7
1962	896.5	114.6	447.8
1963	909.7	116.6	455.4
1964 January	1,041.0	134.0	523.3
June	1,183.0	149.0	583.2
December	1,317.0	163.1	647.5
1965 June	1,420.0	--	--

Source: Department of Statistics, States of Malaya.

Note: All domestic tin production is in the States of Malaya, and virtually all the entrepot trade in tin is via Malayan ports and smelters.

Table 5

MALAYSIA - Production Volume Indices and Annual Rates of Growth,  
Agriculture Forestry and Fisheries  
(1959=100)

	<u>Weights</u> (Percent)	<u>Indices</u>			<u>Annual Rates of Growth</u>	
		<u>1964</u>	<u>1965</u>	<u>1970</u>	<u>1964</u> Over 1959	<u>1970</u> Over 1965
Rubber .....	58.5	114	121	164	2.7	6.5
Forest Products .....	8.2	191	196	229	13.8	3.2
Rice .....	7.4	135	140	177	6.2	4.8
Livestock Products .....	7.0	166	175	229	10.7	5.5
Coconut Products .....	4.7	101	102	109	0.2	1.3
Fish .....	4.2	157	167	224	9.4	6.0
Palm Oil and Kernels .....	1.9	168	188	358	10.9	13.7
Other Agricultural Products	10.1	123	128	148	4.2	2.9
Combined Index .....	100.0	128	135	177	5.1	5.6
Combined Index without Rubber	41.5	147	154	195	8.0	4.8
Export Commodities .....	69.8	125	133	177	4.6	5.9
Domestic Commodities .....	30.2	136	142	177	6.3	4.5

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Source: Mission estimate.

Table 6

STATES OF MALAYA - Estimated Industrial Origin of Gross Domestic Product 1959-1964  
(M\$ millions, current prices)

	1959	1960	Actual			Preliminary
			1961	1962	1963	1964
Agriculture .....	n.o.a.	2,158	1,984	1,963	2,008	1,991
of which: Rubber .....	"	1,233	1,062	1,030	1,020	982
Rubber processing .....	"	182	136	132	130	130
Forestry .....	"	84	78	77	83	90
Fishing .....	"	91	106	127	136	148
Other .....	"	568	602	597	639	641
Mining and Quarrying .....	"	306	381	391	430	536
Manufacturing 1/ .....	"	263	282	321	360	409
Building and Construction .....	"	158	191	240	300	370
Electricity, water & sanitary services .	"	70	78	86	98	110
Transport, storage and communications ..	"	189	190	198	202	210
Wholesale and retail trade .....	"	805	845	884	930	990
Banking, insurance and real estate .....	"	71	76	86	96	105
Ownership of dwellings .....	"	245	255	264	277	289
Services a) private .....	"	309	344	362	386	416
b) government- education .....	"	164	177	206	227	241
- health .....	"	62	67	75	80	86
Public administration and defence, and government services n.i.e. ....	"	400	400	416	454	521
<u>GDP at factor cost</u> .....	4,760	5,200	5,270	5,492	5,838	6,274
+ indirect taxes (net) .....	756	914	808	840	895	901
<u>GDP at market prices</u> .....	5,516	6,114	6,078	6,332	6,733	7,175
+ net factor incomes from abroad ....	- 211	- 248	- 188	- 136	- 143	- 159
<u>GNP at market prices</u> .....	5,305	5,866	5,890	6,196	6,590	7,016

1/ Excludes all rubber processing

Source: Based on data supplied by Department of Statistics, States of Malaya.

Table 7

STATES OF MALAYA - Gross Domestic Product by Industry of Origin (1957-1964)  
(M\$ millions, constant 1960 prices)

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
1. Agriculture, Forestry, Hunting and Fishing...	1,759	1,822	1,870	1,976	2,059	2,102	2,196	2,261
(a) Rubber planting....	1,110	1,155	1,215	1,233	1,286	1,307	1,369	1,401
(b) Other.....	649	667	655	743	773	795	827	860
2. Mining and Quarrying....	288	203	218	306	338	351	410	375
3. Manufacturing..... )	500	515	544	445	468	496	528	547
4. Construction..... )				158	198	275	300	340
5. Electricity, Water and Sanitary Services.....	63	53	54	70	79	90	100	110
6. Transportation, Storage and Communication.....	147	149	168	189	204	212	216	225
7. Wholesale and Retail Trade.....	653	646	688	805	859	902	947	995
8. Banking Insurance and Real Estate.....	51	54	62	71	79	87	96	105
9. Ownership of Dwellings..	223	234	238	245	253	264	277	289
10. Services.....	499	527	557	639	606	671	752	796
11. Public Administration and Defense.....	325	325	332	349	371	383	412	450
GDP at factor cost....	4,508	4,528	4,731	5,200	5,514	5,833	6,234	6,500

Source: Department of Statistics, State of Malaya.

Table 8

STATES OF MALAYA - Principal Exports 1959-64  
(M\$ millions)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Rubber (includes re- exports .....	1,722	1,829	1,442	1,368	1,374	1,303
Tin metal (primary ...	295	506	550	616	638	723
Tin ore <u>1/</u> .....	4	2	3	4	4	6
Iron ore .....	100	140	164	166	176	163
Oil-palm products ....	61	71	68	72	76	88
Copra .....	13	35	19	9	13	3
Coconut oil .....	30	24	28	22	22	12
Timber .....	33	55	42	48	65	87
Pineapple products <u>2/</u>	24	28	29	31	33	37
Other .....	194	237	281	290	304	359
TOTAL .....	2,476	2,927	2,626	2,626	2,705	2,781

1/ Tin-in-concentrates.

2/ Fresh fruit and canned products.

Source: Department of Statistics, States of Malaya.

Table 9

STATES OF MALAYA - Principal Imports, 1959-64  
(M\$ millions)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u> <u>1/</u>
1. Food .....	510	558	562	563	657	676
2. Beverages and tobacco .....	80	82	88	72	61	58
3. Crude materials (except fuel).....	210	339	283	340	292	228
4. Mineral fuels, etc.	129	149	143	151	153	167
5. Chemicals .....	120	143	159	153	168	177
6. Machinery and transport equipment ...	243	330	389	482	512	519
7. Manufactured goods. (not elsewhere specified) .....	393	489	540	613	621	617
8. Other .....	54	61	64	73	71	63
TOTAL .....	1,739	2,151	2,228	2,447	2,534	2,505

1/ Excludes Ships, Aircraft and Military Weapons imported by Government.

Source: Department of Statistics, States of Malaya.

Table 10

STATES OF MALAYA - Balance of Payments Estimates <sup>1/</sup>1958-1964  
(M\$ million)

<u>Current Account</u>	<u>1958</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964<sup>4/</sup></u>
1. Merchandise exports (f.o.b.).....	1885	2927	2626	2626	2705	2781
2. Merchandise imports (c.i.f.).....	1657	2151	2230	2447	2534	2605
3. Trade balance .....	+228	+776	+396	+179	+171	+176
4. Investment income from abroad (net).....	-138	-268	-212	-159	-170	-191
5. Other services.....	+108	+54	+47	+42	+47	+11
6. Current balance on goods and services.....	+198	+562	+231	+62	+48	-4
7. Current international transfers	-209	-204	-203	-215	-234	-336
a) official.....	6	8	-2	-12	-23	-131 <sup>2/</sup>
b) private .....	-215	-212	-201	-203	-201	-205
8. Balance on current account.....	-11	+350	+28	-153	-176	-340
<u>Capital Account</u>						
9. Net inflow of long-term capital						
a) public <sup>3/</sup> .....	-8	32	28	51	61	46
b) private.....	70	130	155	250	220	(275)
10. Private short-term capital <sup>5/</sup> .....	n.a.	-80	-66	-65	-78	(-75)
11. Change in foreign assets (- increase).....	13	-340	-61	+3	+74	(+80)
12. Errors and omissions .....	-64	-94	-56	-86	-151	+14
13. Balance on capital account.....	+11	-350	-28	+153	+176	+340

Source: Department of Statistics, States of Malaya.

<sup>1/</sup> Subject to revision.

<sup>2/</sup> Accounted for mainly by transfers to the new States of Malaysia.

<sup>3/</sup> As derived from government accounts.

<sup>4/</sup> Preliminary.

<sup>5/</sup> Mainly loans from Malayan to Singapore banks.

Table 11

MALAYSIA - Consolidated Public Sector Finance (1960-1965)  
(M\$ millions)

Summary Accounts by the Central and State Governments and Public Authorities

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u> <sup>1/</sup>	<u>1965</u> <sup>2/</sup>
Current revenue ...	1304	1356	1418	1500	1457	1596
Current expenditure <sup>3/</sup> .....	<u>973</u>	<u>1033</u>	<u>1120</u>	<u>1253</u>	<u>1385</u>	<u>1550</u>
Current surplus .....	331	323	298	247	72	46
Public Authorities Surplus ..	31	33	33	33	36	49
Increase in provident fund assets .....	<u>98</u>	<u>109</u>	<u>117</u>	<u>132</u>	<u>142</u>	<u>155</u>
Total Current Resources ..	460	465	448	412	250	250
Capital expenditure of governments <sup>3/</sup> .....	216	356	539	598	575	692
Capital expenditure of public authorities .....	<u>28</u>	<u>45</u>	<u>63</u>	<u>55</u>	<u>71</u>	<u>115</u>
Total capital expenditure ..	<u>244</u>	<u>401</u>	<u>602</u>	<u>653</u>	<u>646</u>	<u>807</u>
Overall deficit or surplus ..	<u>+216</u>	<u>+64</u>	<u>-154</u>	<u>-241</u>	<u>-396</u>	<u>0557</u>
Financed by:						
Domestic borrowing (net)...	98	39	43	104	86	65
Foreign borrowing (gross) ..	73	46	69	103	31	130
Less repayments .....	<u>-21</u>	<u>-18</u>	<u>-18</u>	<u>-12</u>	<u>-15</u>	<u>-19</u>
Foreign borrowing (net)....	52	28	51	91	16	111
Use of assets (increase-) ..	-320	-114	+55	+98	+232	+276
Grants .....	51	45	28	26	66	105
Other sources; errors + Omissions .....	-97	-62	-23	-78	-4	-

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1/ Preliminary  
2/ Latest estimate  
3/ Includes part of defense expenditure

Table 12

MALAYSIA - Gross Gold and Foreign Exchange Reserves, 1953 and 1959-1964  
(mid-market values in M\$ millions as at December 31st)

	1953	1959	1960	1961	1962	1963	mid- 1964	Dec. 1964 <sup>1/</sup>
1. <u>Central Government and States of Malaya</u>								
1(a) <u>Central Government</u> .....	429	607	916	1,095	1,074	1,034	979	-
(excluding sinking funds).....	(344)	(476)	(767)	(911)	(845)	(763)	(964)	-
1(b) <u>Bank Negara Malaysia</u> .....	0	113	143	114	155	150	218	-
1(c) <u>Currency Board</u> <sup>2/</sup> .....	603	907	933	951	1,047	1,078	1,080	-
1(d) <u>IMF Gold Tranche</u> .....	0	0	0	0	10	22	23	-
1(e) <u>Government Agencies</u> <sup>3/</sup> .....	included in 1(a)	90	91	83	90	88	87	-
1(f) <u>Commercial Banks</u> .....	175 (est.)	150	167	126	133	133	159	-
1(g) <u>Other Private Agencies</u> <sup>4/</sup> .....	n.a.	26	27	29	34	31	32	-
SUBTOTAL.....	1,207	1,893	2,276	2,397	2,544	2,537	2,577	n.a.
2. <u>State of Sarawak</u>								
2(a) <u>State Government</u> <sup>5/</sup> .....	66	60	90	89	82	51	48	-
2(b) <u>Commercial Banks</u> .....	n.a.	24	26	20	18	20	18	-
SUBTOTAL.....	66	84	116	109	100	71	66	n.a.
3. <u>State of Sabah</u>								
3(a) <u>State Government</u> .....	11	12	21	32	38	48	53	-
3(b) <u>Commercial Banks</u> .....	n.a.	17	31	30	14	8	9	-
SUBTOTAL.....	11	29	51	62	52	56	62	-
<b>TOTAL MALAYSIA</b> .....	1,284	2,006	2,443	2,568	2,696	2,664	2,705	2,626
(excluding sinking funds) <sup>6/</sup> ..	1,199	1,875	2,294	2,384	2,467	2,393	2,420	(2,325)

<sup>1/</sup> Preliminary

<sup>2/</sup> Malaysia's share of the exchange assets of the Currency Board, which is estimated at 73% on the basis of currency circulation.

<sup>3/</sup>

(Table 12 continued)

- 3/ Comprising Post Office Savings Bank  
Employees Provident Fund  
Malayan Rubber Fund Board  
S. Indian Labour Fund Board  
Malaysian Railways  
National Electricity Board  
Penang Port Commission
- 4/ Comprising the four principal private provident funds only. Insurance companies, and other enterprises and individuals, are known to own substantial foreign assets: their magnitude is unknown, but for Malaysia as a whole is now likely to exceed M\$ 300 million.
- 5/ Including Post Office Savings Bank
- 6/ But including sinking funds of the Borneo States' governments.

Source: based on Staff study prepared in Bank Negara Malaysia.

Note: Details may not add to totals due to rounding.

Table 13

MALAYSIA - Total Public Development Expenditure, 1960-1964  
(including transfers to the private sector)

	<u>M% million</u>	<u>% of total</u>
Rubber replanting	136	5
Land development	208	8
Drainage and irrigation	100	4
Other agriculture	21	1
Roads	381	15
Other transport	149	6
Electric power	360	15
Communications	103	4
Water and sewerage	233	9
Industry	115	5
Housing	78	3
Health and education	290	12
FWD equipment	113	4
Administration and others	222	9
<u>TOTAL</u>	<u>2,509</u>	<u>100</u>