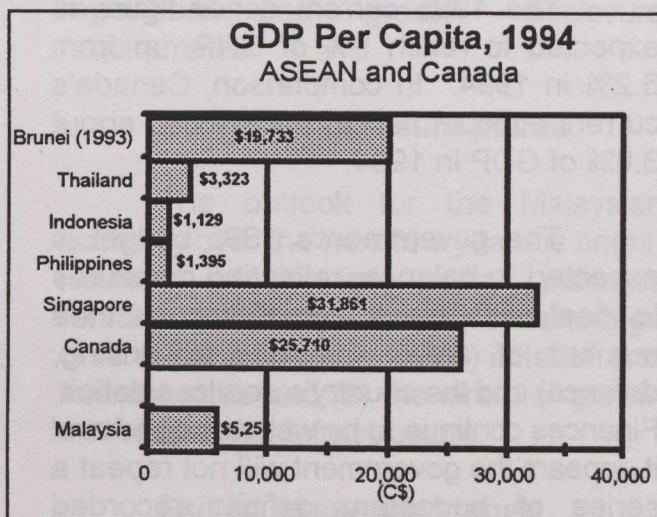
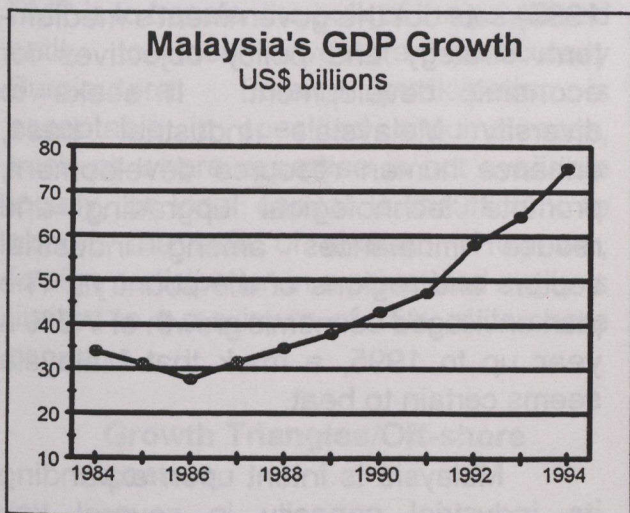




MALAYSIA: ECONOMIC UPDATE

The Malaysian economy grew at 8.7% in 1994, continuing its strong GDP growth rates of the late 1980s (between 8% and 10% per annum). These rates have meant that Malaysian gross domestic product (GDP) per capita grew from approximately C\$1416 in 1983 to C\$5258 in 1994—Canada's GDP per capita stood at C\$25 710 in 1994. Growth continues to be supported by strong national savings, which have averaged 31% of GNP over a five-year period, and a rising tide of foreign capital; the Kuala Lumpur stock market has been among the world's best performers since 1987.



After a torrid 8.7% growth pace in 1994, the first half of 1995 saw GDP expansion accelerate to 9.6%, well above the forecast growth of 8.4%. A major engine for growth is infrastructure investment which soared 38% in 1994 and continues at full throttle. Projects include the US\$6 billion Bakun dam in Sarawak, the US\$8 billion new administrative centre, the US\$4 billion Kuala Lumpur airport, the bridge to Singapore, new facilities for the 1998 Commonwealth games and several urban-transit projects.

A major success has been to keep inflation restrained, despite the tight labour

market conditions (unemployment has fallen below 3%, essentially equivalent to full employment, and labour is being imported from around the region). However, wage growth is robust (10% p.a. in manufacturing) and consumer price inflation is forecast to accelerate. These fears have not been borne out as yet as the inflation rate has stayed in the 3.5% range so far this year. This moderate price growth reflects a combination of falling import tariffs and monetary restraint (mostly through banking regulatory controls).