

# 2

## Recent Economic Developments in Malaysia

Vigorous economic growth, industrial diversification, political stability and the market orientation of the Malaysian government's economic policies all combine to make Malaysia an attractive investment destination and a valuable economic and trading partner for Canada.

In the early 1980's the Malaysian economy grew at an average annual rate of close to 6 percent before falling to -1 percent during the worldwide recession experienced in 1985. The recovery of commodity prices, a strong domestic demand and increased foreign investment enabled the Malaysian economy to bounce back with GDP growth surging to approximately 5 percent in 1987, and between 8-10 percent in each of the following four years. (The Economic Growth Table (I) in the Preface provides a

comparative picture of Malaysia's economic growth performance over 3 years in relation to other countries.)

Accompanying this rapid economic growth has been a slowing of export performance mixed with accelerated purchases of foreign capital and luxury goods. With imports growing at a faster pace (28 percent) than exports (18 percent), Malaysia experienced an overall trade deficit of U.S. \$2.7 billion in 1991 and inflation stood at 4.4 percent. Monetary officials have acted decisively, tightening lending requirements and intervening in money markets, but the main driving force behind the inflation is a labour shortage. With unemployment at 5.6 percent, Malaysia stands closer to full employment than at any other time in its history.

**TABLE IV**

**ASEAN ECONOMIES AT A GLANCE**

(IN \$US) 1991

	POP (M)	POP. GROWTH	GDP GROWTH	GNP PER CAPITA	EXPORTS (B)	FOREIGN DEBT(B)	INFLATION CPI	CURRENT ACCT(M)
BRUNEI	.3	2.8%	4.5%	\$18,000	\$2.2	0	2.3%	\$500
INDONESIA	183.0	1.8%	6.2%	\$605	\$28.9	\$67.9	9.2%	-\$2,400
MALAYSIA	18.2	2.3%	8.8%	\$2,465	\$34.7	\$19.5	4.4%	-\$1,672
PHILIPPINES	63.6	2.3%	0%	\$725	\$8.9	\$30.4	18.7%	-\$2,700
SINGAPORE	2.7	1.1%	6.7%	\$12,285	\$62.5	0	3.4%	\$2,350
THAILAND	57.3	1.4%	7.9%	\$1,605	\$28.4	\$25.9	6.0%	-\$7,953
ASEAN	325.1				\$165.6			
CANADA	26.9	.8%	-0.2%	\$21,750	\$127.8	\$149	4.4%	-\$18,718

**NOTE:**

M = Millions

B = Billions

CPI = Consumer Price Index

GDP = value of all goods and services produced in a country in one year

GNP per capita = GDP + or - surplus or deficit in trade / population

Current Account = surplus or deficit in trade

Source: Asia Week Magazine

IMF Direction of Trade

IMF International Financial Statistics Monthly

World Bank