

MALAYSIA

Voorburg Group Meeting on Services Statistics

1. In line with the trend toward an increasing importance in the services sector, Malaysia's services industry has grown from a contribution of 40.7% of GDP in 1990 to 52.1% in 1998. This includes the contribution of government services at 10.8% and 7.3% respectively. Being a developing country, it is expected that the services sector will continue to play an increasingly major role not least of which is due to the following frequently cited developments:
 - ◆ increased liberalization and globalization, leading to greater trade in international services.
 - ◆ changes to the pattern and standard of living, which in turn leads to an increase in the demand for and consumption of the products of the services industries.
 - ◆ technological changes and transfers in the information and telecommunication industries which are essentially services oriented industries.
 - ◆ the growth of the knowledge industries and the Government's objective of making Malaysia a centre of higher education for the region.
2. Most importantly (and this is highlighted in Malaysia's 7th Five Year Plan 1996 - 2000) the Government has taken as a challenge to "develop a modern, dynamic, and outward-oriented services sector to enable it to become not only a major catalyst for growth, but also a potential for export of services in international trade". It is for the last reason that I am here for the meeting for the first time, if not to contribute to your discussions, then to learn from you.
3. With respect to the main agenda, Malaysian compilation of producer prices is focused on the production of indices of local production and for imports. These are then aggregated to derive an index for goods in the domestic economy. The information for the compilation of the indices is collected via a monthly survey which at present covers only the goods producing sector of the economy. We are aware of the need to cover the services sector as well but this only will be considered when other priorities have been catered for.
4. While inflation is not of major concern in Malaysia, it may be necessary to have further insights into the earlier detection and sources of inflationary tendencies and in this respect more detailed indices would need to be made available at earlier stages of the production process.
5. Development plans for the PPI in Malaysia would include the inclusion of the services sector, and the provision of more detailed indices in the production process. The current series would also need to be rebased (1989 is the current base year).

6. In the area of the international trade in services, Malaysia has just begun to collect data on the basis of the 5th Edition of the IMF BOP Manual and hopes to publish them commencing this year. In this connection, the opportunity has been taken to include questions on services in a questionnaire as part of the wider objective of gathering information on international investment on the new basis. The data on services transactions, collected so far for the first quarter of 1999 indicate a value which is significantly less than that compared to the ITRS of the Central Bank. It would appear that there are problems in the frame coverage and response to the new questionnaire.