

**THE EXPERIENCE OF MALAYSIA:
THE IMPLEMENTATION OF 1993 SNA**

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1. **Background**

National Accounts Statistics of Malaysia were first compiled and published in 1947 by Bureau of Statistics Malaya by using the production and expenditure approaches at current price. In 1950s, the Department of Statistics, formerly known as Bureau of Statistics Malaya continued the compilation of the annual National Accounts Statistics. From 1970 onwards the National Accounts Statistics were published simultaneously in current and constant prices.

Malaysia began to subscribe to the International Monetary Fund's (IMF) Special Data Dissemination Standards (SDDS) program in 1999. Under this program, the Department of Statistics, Malaysia (DOSM) was offered technical assistance to assess and if necessary, to further improve on the methodologies used in the estimation procedures of both the annual and quarterly series. The technical assistance program was concluded in early 1999 and DOSM commenced releasing the quarterly series from the first quarter 1999 with 1987 as its base year.

In the first quarter of 2007, the Gross Domestic Product (GDP) of Malaysia has been rebased to 2000 base year. The compilation of the National Accounts Statistics in expenditure and production approaches conforms to the concepts and methodology prescribed by the United Nations Statistical Office, referred to as System of National Accounts 1993 (1993 SNA).

Nevertheless, the 1993 SNA had been implemented in the compilation of **the distribution and use of income and capital accounts (DUIACA)** earlier in 1999. These statistics are compiled in current prices. Data for reference years 1987 and 1993 were initiated using the Input-Output Study of 1987 as the benchmark year. Subsequently, the estimates for the years 1995, 1996, 1997, 1999, 2000, 2001, 2002, 2003 and 2004 had been compiled.

2. The Implementation of 1993 SNA in Malaysia

2.1 The exercise of rebasing GDP had given an opportunity to DOSM to improve the concept's practices recommended by the 1993 SNA to ensure the GDP estimates produced are in accordance with the international standard other than re-evaluate the GDP to base year value.

2.2 DOSM had taken an initiative from the rebasing exercise to allocate **Financial Intermediation Services Indirectly Measured (FISIM)** as recommended by the 1993 SNA. Method of allocation was based on the option given in the 1993 SNA by using financial assets & liabilities data as indicators. In the case of Malaysia, data on stock of loans by sector and deposits by sector of depositors are widely used.

2.3 Prior to allocations as recommended by the 1993 SNA, FISIM from financial intermediation activity is calculated by using reference rate

method. Through this method, FISIM output produced by financial intermediaries, which consists of FISIM generated from lending and deposits activities, can be measured. Allocation of FISIM as intermediate consumption and final consumption by sector was based on FISIM on loans to the sectors of borrowers and FISIM on deposits accepted from sectors of lenders. However, the allocation of FISIM to economic activities has yet to implement.

2.4 The 1993 SNA treats all expenditure on the military goods that can be used by the public and the military for production purposes as **Gross Fixed Capital Formation**. This includes roads, airfields, docks, hospitals, building or structures. On the other hand, military weapons or vehicles and equipment whose sole purpose is to release or deliver such weapons, are not to be treated as gross fixed capital formation but as intermediate consumption. Changes of this conceptual treatment had been taken into account in the rebasing of 2000 based GDP and it reduces output and government final consumption, but increases the gross fixed capital formation with the same value.

2.5 In the 1968 SNA, only successful mineral explorations are treated as gross fixed capital formation. However, the 1993 SNA treats expenditure on mineral exploration whether it is successful or not as gross fixed capital formation. The former concept had been practiced earlier

where expenditures on unsuccessful mineral exploration are treated as intermediate consumption. After the latest rebasing exercise, DOSM had fully complied with 1993 SNA.

2.6 Compilation of GDP using year 2000 as base year is also supported by the improvement in new data sources and better coverage. The Economic Census conducted for reference year 2000, for the first time used Malaysia Standard Industry Classification (MSIC) 2000 based on International Standard Industrial Classification (ISIC) Rev 3, as a basis for industry coverage. With the new and more detailed data, estimation can be made with higher accuracy.

2.7 MSIC 2000 is fully in use as a base of GDP compilation by economic activity. Producer Price Index and Industrial Production Index were rebased to 2000 using 2000 Input-Output table weighted structure. Meanwhile, Consumer Price Index (CPI) had been rebased to the year 2000 based on Household Expenditure Survey 1998/1999. The availability of data and indices, which are rebased to 2000, enabled GDP to give accurate explanation of weights of goods and services produced during the base year. Rebasing of GDP has also implemented the Classification of individual consumption by purpose (COICOP) in the compilation of household final consumption expenditure.

3. Issues of Implementation 1993 SNA

3.1 Full sequence of accounts to each institutional sector had not been yet entirely compiled. So far the first few sequence account comprises production accounts, generation of income accounts, and allocation of primary income accounts, secondary distribution of income accounts, use of disposable income accounts and capital accounts had been compiled for DUIACA. Financial accounts, balance sheets and rest of the world account have yet to be explored.

3.2 In the 1993 SNA, valuables such as precious stones, antiques, art objects and historical monuments are included in gross fixed capital formation. Previously it was excluded as stated by 1968 SNA. The new treatment would increase gross fixed capital formation by households sector and reduce their final consumption. This adjustment had not been implemented in Malaysia's National Account currently due to the data limitation.

3.3 Effort had been done to take into account the informal sector while compiling the Final National Accounts (FNA) 2000 and GDP based 2000. However lack of coverage of the informal sector and the non-observed economy in general would result in underestimate/overestimate on levels and trends of GDP, and thus causes imbalances in the internal

consistency of economic transactions and would ultimately pose a real challenge to the credibility of national account estimates.

3.4 Towards addressing the issue in more concrete, DOSM had identified and gathered some information on the informal activities. In August 2006, a pilot survey was launched for this sector. The information gathered from the survey would be used in the compilation of GDP. This attempt covered those associated with street vendors; shops opened during festival seasons and night market operators.

3.5 The 1993 SNA makes it clear that the illegal productive activity or transaction should be included in the system. Comprehensive coverage of illegal activities, in principle is essential in order not to introduce errors and imbalances in the accounts. However some of data based on raids conducted by authority e.g. smuggling had been taken into account in our compilation but these values are insignificant.

3.6 In Malaysia, real growth is estimated by using “fixed-based” constant price series. The 1993 SNA recommends annual chain indices to be used to estimate constant prices. Although this is an approach that should be addresses, without the availability of frequent updated weight, the chain indices has yet to be implemented.

3.7 Estimates of consumption of fixed capital are currently not available. This estimate is needed to derive net value added for the Production approach and also to derive net savings for the Capital Account. Currently the depreciation is being used as a proxy.

4. Developments

There are some new products and enhancement in National Accounts statistics being developed to fulfill the requirement from central planners and international users. There are: -

4.1 GDP by Income Approach

The first outcome will be on annual basis and scheduled to produce by year 2009.

4.2 Tourism Satellite Accounts (TSA)

The ten recommended tables are now being assessed and analysed before implemented in planning and program of this industry.

4.3 Regional GDP

In Malaysia, we are in the midst of compiling State GDP. There are 14 states in Malaysia and this task will be completed by end of 2008 with the time series from year 2004 till 2006. It is to be noted, since 1967 state GDP for the east coast region which is situated in Borneo Island had been compiled. This is to observe the different

economic structure in both states which are apart from other states in Peninsular Malaysia.

4.4 FNA and Input-Output Table 2005

The FNA and I/O Table of 2005 will be concurrently produced by Mac 2009, using Economic Census of 2005 as benchmark.

4.5 Capital Stock

Capital stock has been estimated and planned to be published in 2009 with the time-series of 1955-2004.

4.6 Social Accounting Matrix (SAM)

Some process of constructing SAM has been initiated with Household Expenditure Survey and Household Income Survey data. With the availability of FNA and IO Tables, the work is expected to be completed in the end of 2009.

5. **Conclusion**

The National Accounts in Malaysia is in the process of further strengthening its compilation to cater the needs of the central planning agency. Towards this effort, a lot of dialogues and discussions had been carried out with various data providers namely government agencies, private sectors and so forth. Simultaneously, the strengthening of surveys for better frequency and encompassed the new emerging industries is being developed, so as to produce better coverage and estimations.

The National Accounts in Malaysia has always been referred by the South East Asian counterparts especially Thailand and Indonesia. The visit and attachment are indirectly recognition to DOSM in National Accounts statistics. With the plan of having program on ASEAN HELP ASEAN, it is hoped that DOSM are able to provide expertise to some other countries and could forge knowledge and niche areas of others.

The participation in Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) is anticipated to further widen our knowledge and experience from other member countries especially those in similar areas.