



MINISTRY OF ECONOMY
DEPARTMENT OF STATISTICS MALAYSIA

The Balance of Payments

**Balance of Payments Statistics Division,
Department of Statistics Malaysia**

Presented to:
**Foreign Policy Strategy Agency of the Ministry of
Foreign Affairs of the Republic of Indonesia**

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StatsMalaysia
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❖ Malaysia's Balance of Payments Statistics and Uses



❖ Definition, Concept and Methodology



❖ Current Account: Goods & Services



❖ Current Account: Primary & Secondary Income



❖ Financial Account

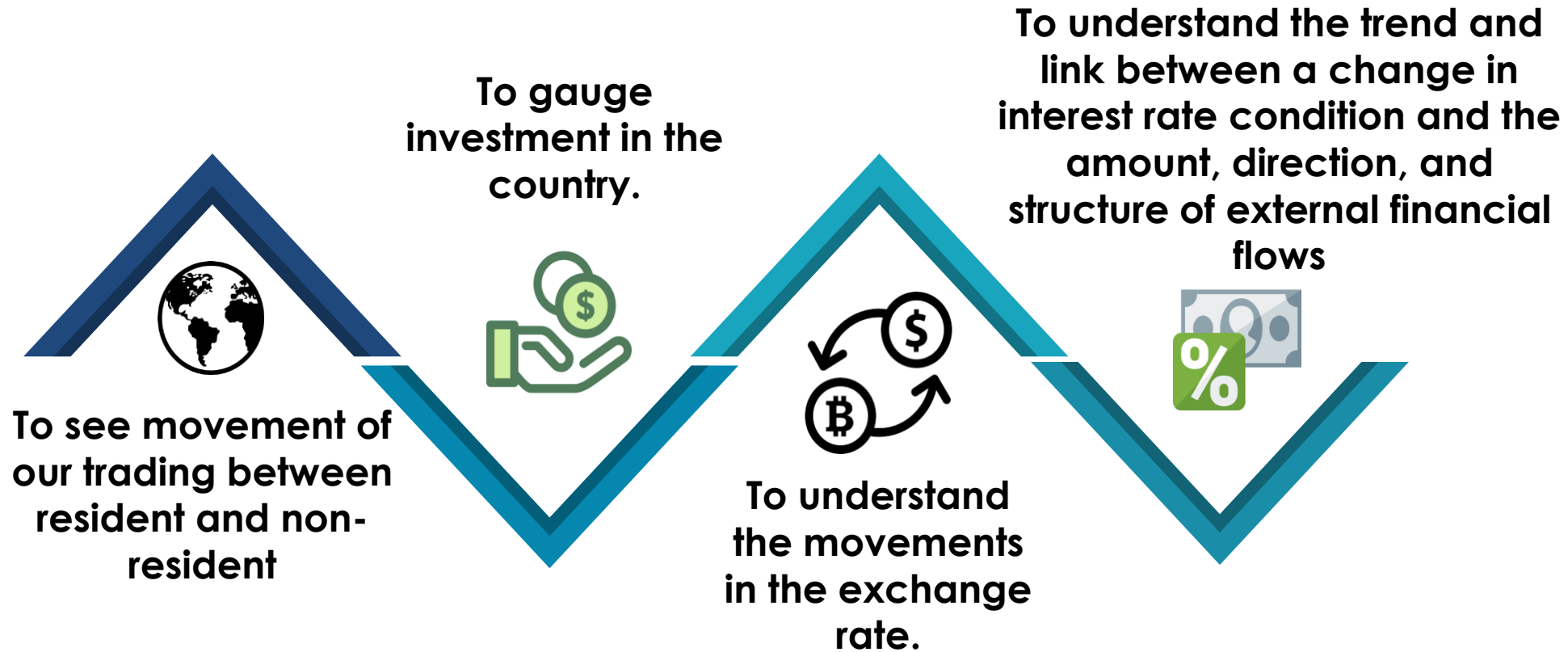


Malaysia's Balance of Payments Statistics and Uses



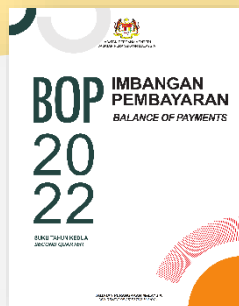


USE OF BALANCE OF PAYMENTS (BOP)

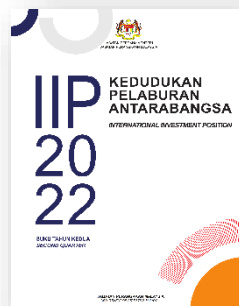




QUARTERLY



Balance of Payments Statistics (BOP)

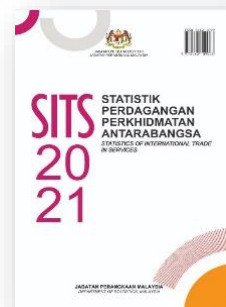


International Investment Position Statistics (IIP)



Inter-relation between BOP and SITS

- SITS is one of the sub-account under Current Account.
- SITS publication is an extension of BOP publication with further breakdown on major component of services as well as their trading partner country.



Statistics of International Trade in Services (SITS)



Foreign Direct Investment in Malaysia Statistics (FDI)



Foreign Affiliates in Malaysia Statistics (Inward FATS)

ANNUAL

Malaysia Direct Investment Abroad Statistics (DIA)



Malaysia's Affiliates Abroad Statistics (Outward FATS)



BOP & IIP - abide by SDDS IMF

Definition, Concept and Methodology



BALANCE OF PAYMENTS

Statistics that measure the international economic transactions between Malaysia and the rest of the world in terms of transactions in current, capital and financial accounts.

The balance of payments is a statistical statement in double entry format;

01

that summarizes transactions

02

in goods, services, primary and secondary income, capital account, and financial items

03

between residents and nonresidents

04

during a specific time period

DOUBLE-ENTRY ACCOUNTING

- Internationally accepted accounting principle of recording two equal entries for each transactions.
- Credit (CR.)—exports of goods and services, income receivable, reduction in assets, or increase in liabilities
- Debit (DR.)—imports of goods and services, income payable, increase in assets, or reduction in liabilities

CONCEPT OF RESIDENCE

RESIDENT



- ✓ Economic connections of a unit to an economic territory

- ❖ Not based on nationality, legal criteria, or currency used

- ✓ Expressed as an economic unit's *center of predominant economic interest*



Enterprises

is engaged in a significant amount of production and plans to do so over an indefinite or long period of time (Center of economic interest)
e.g. Foreign MNCs operate in Malaysia



Households & Individuals

Intention to be present for a period of 1 year or more

Malaysian Resident:

- a. Foreign workers (> 1 year in Malaysia)
- b. Malaysian working in Singapore who commute daily

Non-Resident (Foreign):

- Diplomatic representatives
- Military personal
- Students
- Medical patients
- Ship's crew
- Seasonal/Cross-worker
- Refugees, guest workers, expatriate experts
- International Bodies



- Economic connections of a units to an **economics category**
- Not based on nationality, legal criteria, or currency used
- Expressed as an **economic unit's center of predominant economic interest**
- Flexible, one year rule

Concepts of residence

- Principal residence – **presence or the intention to be present for a period of one year or more**
- Exceptions: students , medical patients, border workers, commuters, guest workers, etc

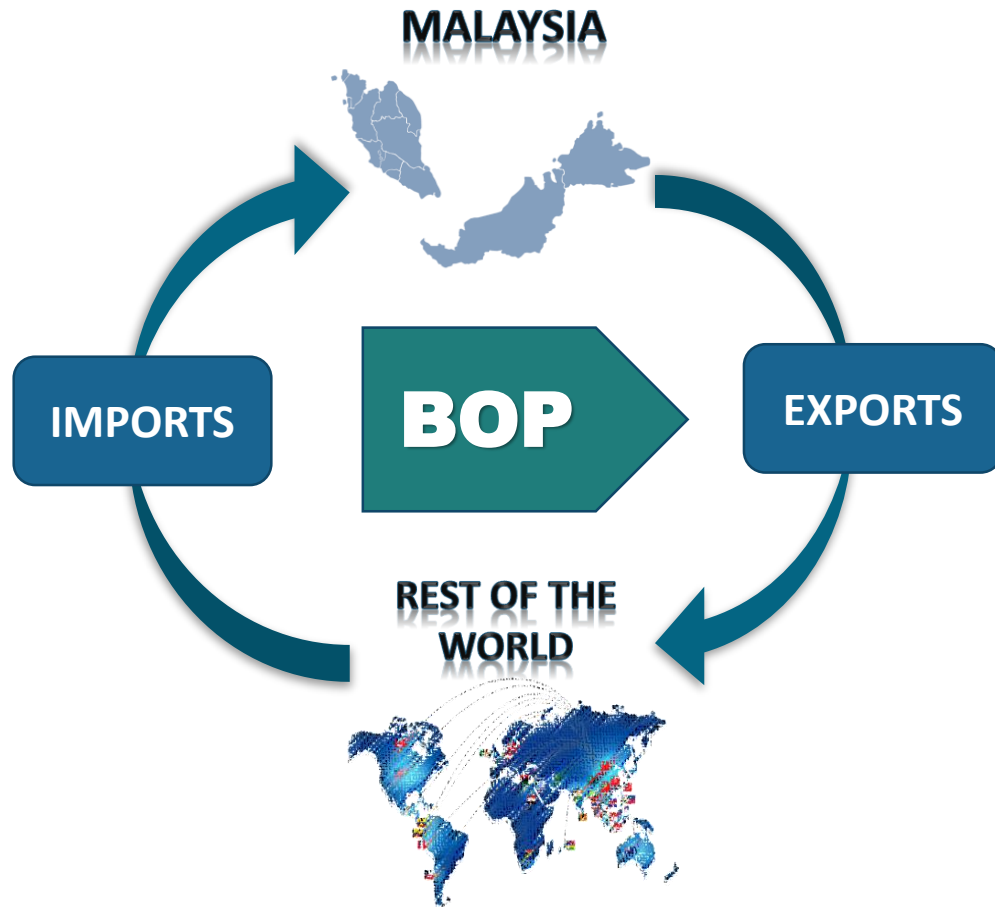
Households and individuals

- Residence **where the enterprises is engaged in a significant amount of production and plans to do so over and indefinite or long period of time**
- **Special cases:** operators of mobile equipment
- **Also:** special purpose entities, processing zones, offshore banking zones, site offices for large construction projects

Enterprises



BOP FRAMEWORK



01 CURRENT ACCOUNT

- 1 Goods
- 2 Services
- 3 Primary Income
- 4 Secondary Income

02 CAPITAL ACCOUNT

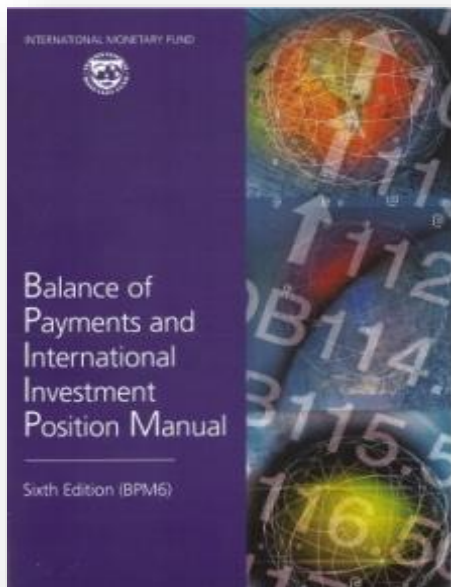
- 1 Acquisitions/ disposals of non produced non financial assets
- 2 Capital Transfers

03 FINANCIAL ACCOUNT

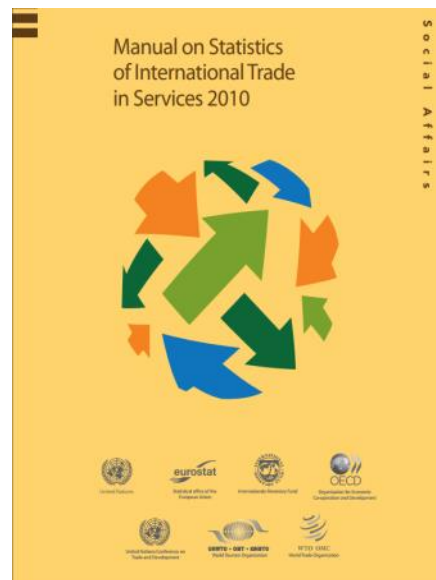
- | | | |
|------------------------|---|------------------------------------|
| 1 Direct Investment | ➔ | 01 Direct Investment Abroad (DIA) |
| 2 Portfolio Investment | | 02 Foreign Direct Investment (FDI) |
| 3 Other Investment | | |
| 4 Financial Derivative | | |

04 RESERVE ASSET

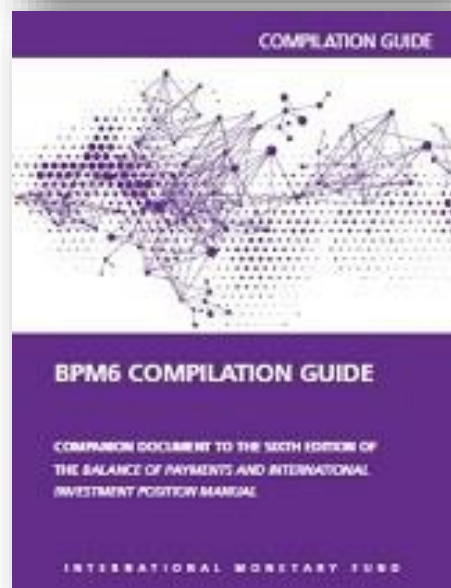
ERRORS AND OMISSIONS



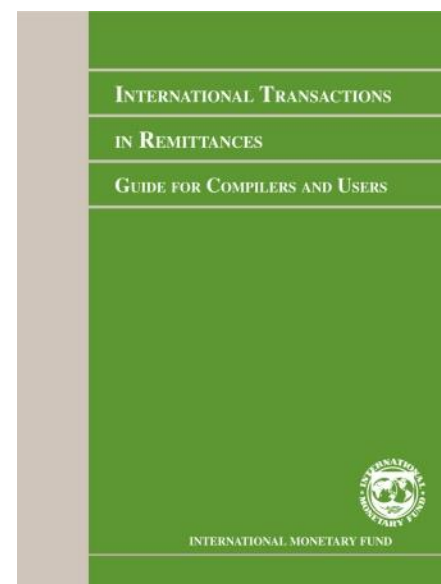
Balance of Payments and International Investment Position Manual Sixth Edition (BPM6)



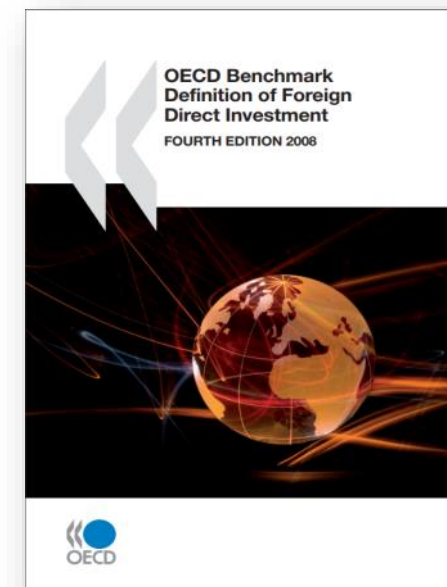
Manual on Statistics of International Trade in Services 2010 (MSITS)



BPM6 Compilation Guide



International Transactions in Remittances Guide



OECD Benchmark Definition of Foreign Direct Investment



MAIN DATA SOURCES



CURRENT ACCOUNT

- External trade statistics
- International Trade in Services Survey
- International Transaction Reporting System
- Administrative Data
- Other economic indicators



FINANCIAL AND CAPITAL ACCOUNT

- Joint-survey IIP - DOSM & BNM
- International Transaction Reporting System
- Administrative Data
- Other economic indicators



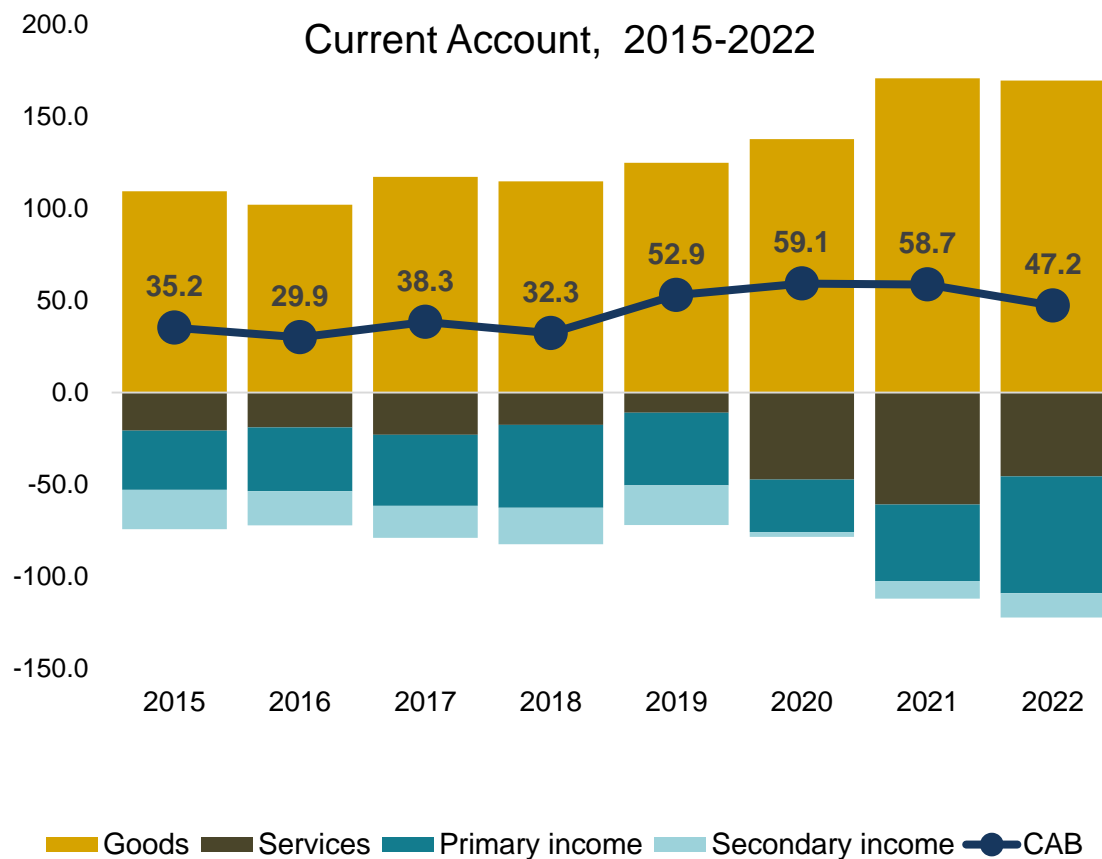
Indicator for compilation of BOP

- ✓ Gross Domestic Products
- ✓ Foreign Exchange
- ✓ Commodity Prices Crude Oil
- ✓ Commodity Prices LNG
- ✓ Commodity Prices Palm Oil
- ✓ Commodity Prices Rubber
- ✓ Equity Market FBMKLCI
- ✓ Consumer Price Index
- ✓ Producer Price Index
- ✓ Services Producer Price Index (SPPI)
- ✓ Volume Index of Services
- ✓ Revenue (Current prices)
- ✓ Volume Index- Industrial Production Index
- ✓ Value of Sales - Manufacturing Industries
- ✓ Exports Volume Index
- ✓ Import Volume Index
- ✓ Goods (ETS)
- ✓ Transport
- ✓ Tourism data
- ✓ Money Supply (M1, M2, M3)
- ✓ Approved Investment MIDA
- ✓ Others

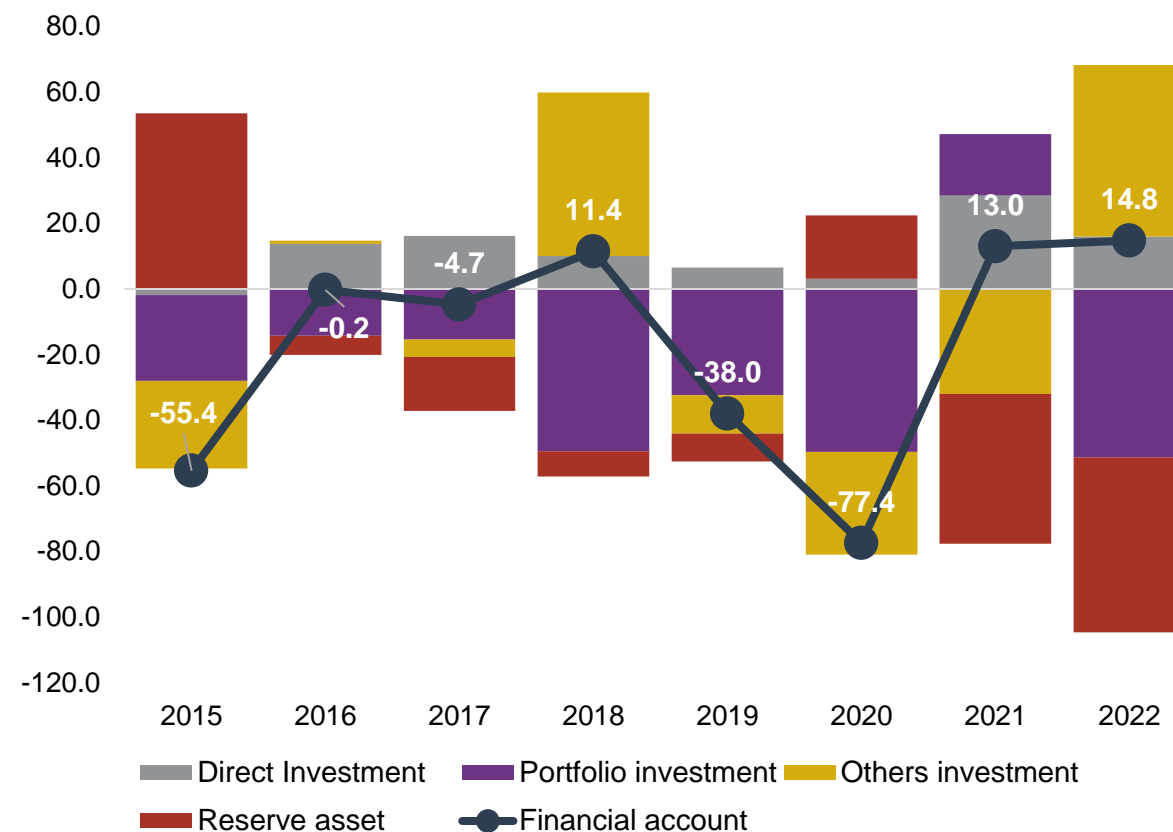
BALANCE OF PAYMENTS - at a glance



“In 2022, Current Account Balance recorded a **surplus of RM47.2 billion** mainly contributed by net exports of Goods”



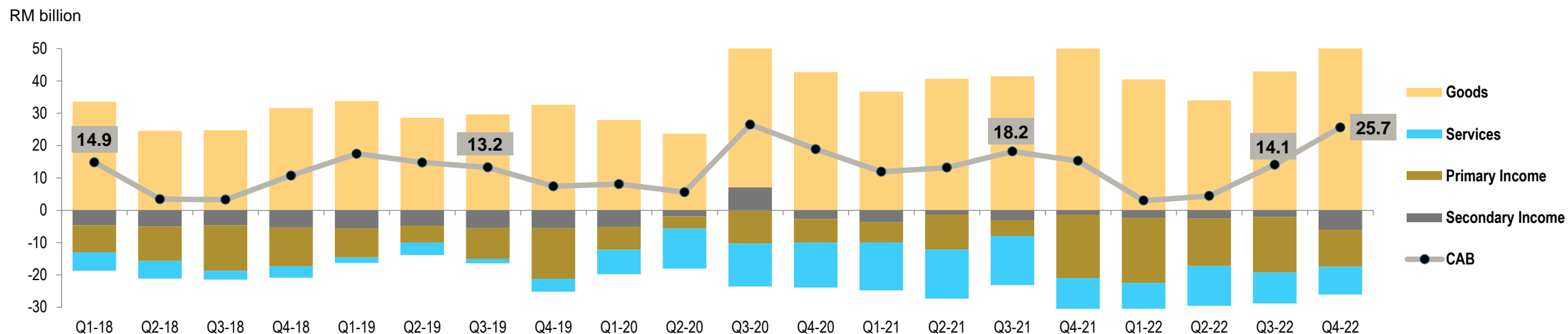
Financial Account, 2015-2022



“Financial account recorded a **net outflow of RM14.8 billion** in 2022 mainly owing to net outflow in Other Investment and Direct Investment”



BALANCE OF PAYMENTS - at a glance cont'd.



Component	2021	2022	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
<i>RM billion</i>							
CURRENT ACCOUNT	58.7	47.2	15.3	3.0	4.4	14.1	25.7
Goods	170.6	169.3	51.8	40.5	34.0	43.0	51.7
Services	-60.7	-45.4	-15.4	-15.0	-12.3	-9.6	-8.6
Goods & Services	109.8	123.9	36.3	25.6	21.8	33.4	43.2
Primary Income	-41.6	-63.6	-19.6	-20.1	-14.7	-17.2	-11.5
Secondary Income	-9.6	-13.1	-1.4	-2.5	-2.6	-2.1	-6.0
CAPITAL ACCOUNT	-0.6	-0.5	-0.3	-0.1	-0.1	-0.2	-0.1

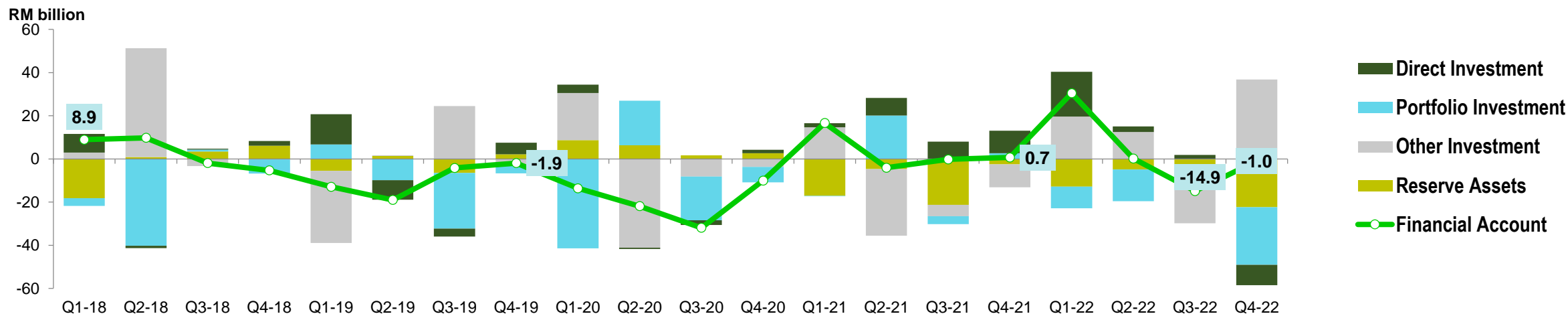
Note: * Less than RM50 million

Highlights





BALANCE OF PAYMENTS - at a glance cont'd.



Component	2021	2022	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
<i>RM billion</i>							
FINANCIAL ACCOUNT	13.0	14.8	0.7	30.4	0.2	-14.9	-1.0
Direct Investment	28.5	16.0	10.5	20.8	2.6	2.0	-9.4
Portfolio Investment	18.8	-51.3	2.6	-10.1	-14.7	0.1	-26.7
Financial Derivative	-2.3	-2.2	-1.8	0.2	-0.2	-0.4	-1.7
Other Investment	-32.0	52.3	-10.6	19.6	12.5	-16.6	36.8
RESERVE ASSETS	-45.7	-53.3	-2.6	-12.8	-4.9	-13.2	-22.4
ERRORS & OMISSIONS	-25.5	-8.3	-13.1	-20.6	0.3	14.1	-2.1

Note: * Less than RM50 million

Highlights

“Financial account recorded a **net outflow** of **RM1.0 billion** mainly owing to net outflow in **Portfolio Investment** and **Direct Investment**”

Current Account

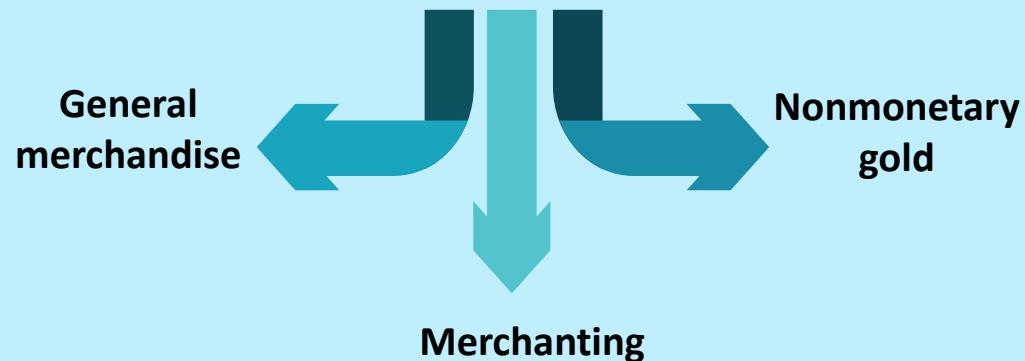




Goods

- ✓ Covers exports and Imports of goods which **economic ownership is change** between resident and non resident.
- ✓ Both exports and imports are valued at f.o.b

Goods Components in BPM6



GENERAL MERCHANDISE

SPECIAL CASES...

a) **GOODS FOR PROCESSING**

"Because there is no change of ownership of goods between a resident and nonresident, or because the goods have no value, the following cases are **excluded** from general merchandise:

...(f) Goods for assembly, packing, labeling, or processing by an entity that does not own the goods concerned.."

Malaysia as **PROCESSOR**

INWARD PROCESSING

- Goods received from abroad for processing (GFP imports) and sent back to the owner (GFP export)
- Fees received consider MS credit (exports)



Malaysia as **PRINCIPAL**

OUTWARD PROCESSING

- Goods sent abroad for processing (GFP exports) and return to Malaysia (GFP imports)
- Fees paid consider MS debit (imports)



Goods temporarily exported or imported without a change of ownership.

b) **GOODS FOR STORAGE**

Exclusion from goods

- *Goods for processing*
- *Goods for Storage*
- *Transit trade*
- *Migrants' personal effects*
- *Goods consigned to embassies, military bases etc. from their home authorities, and vice versa*
- *Returned goods*



GOODS – GENERAL MERCHANDISE



c) **TRANSIT**

Goods in transit are admitted under special customs procedures that allow the goods to pass through the territory. They are excluded from the general merchandise of the territory of transit.

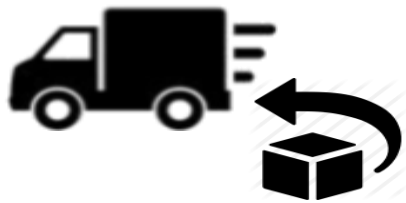
d) **MIGRANT EFFECTS**

The personal property that accompanies people changing residence is not classified as a transaction because there is no change in ownership.



e) **RETURNED GOODS**

The goods were not accepted, or a change of ownership occurred but the parties later agreed to annul the change of ownership.





f) **HIGH VALUE OF CAPITAL GOODS**

The production may take several months or years to complete. The transaction should be recorded at the time that economic ownership is conveyed from the seller to the buyer.

g) **ILLEGAL GOODS**

items that are deemed illegal. Legality of items differs between each system, but is generally constant depending on jurisdiction and security level.





ECONOMIC TERRITORY VS. STATISTICAL AND CUSTOMS TERRITORY



Economic Territory (Residence)

- Area under the effective [economic control of a single government](#)
- **Included**: special zones (e.g., free trade zones, offshore financial centers), even though different regulatory and tax regimes may apply
- **Excluded**: embassies, foreign military bases

Statistical Territory

- Territory of a country with respect to which [trade data](#) are being compiled, that is goods which enter or leave the statistical territory.
- May differ from the economic territory in data coverage

Customs Territory

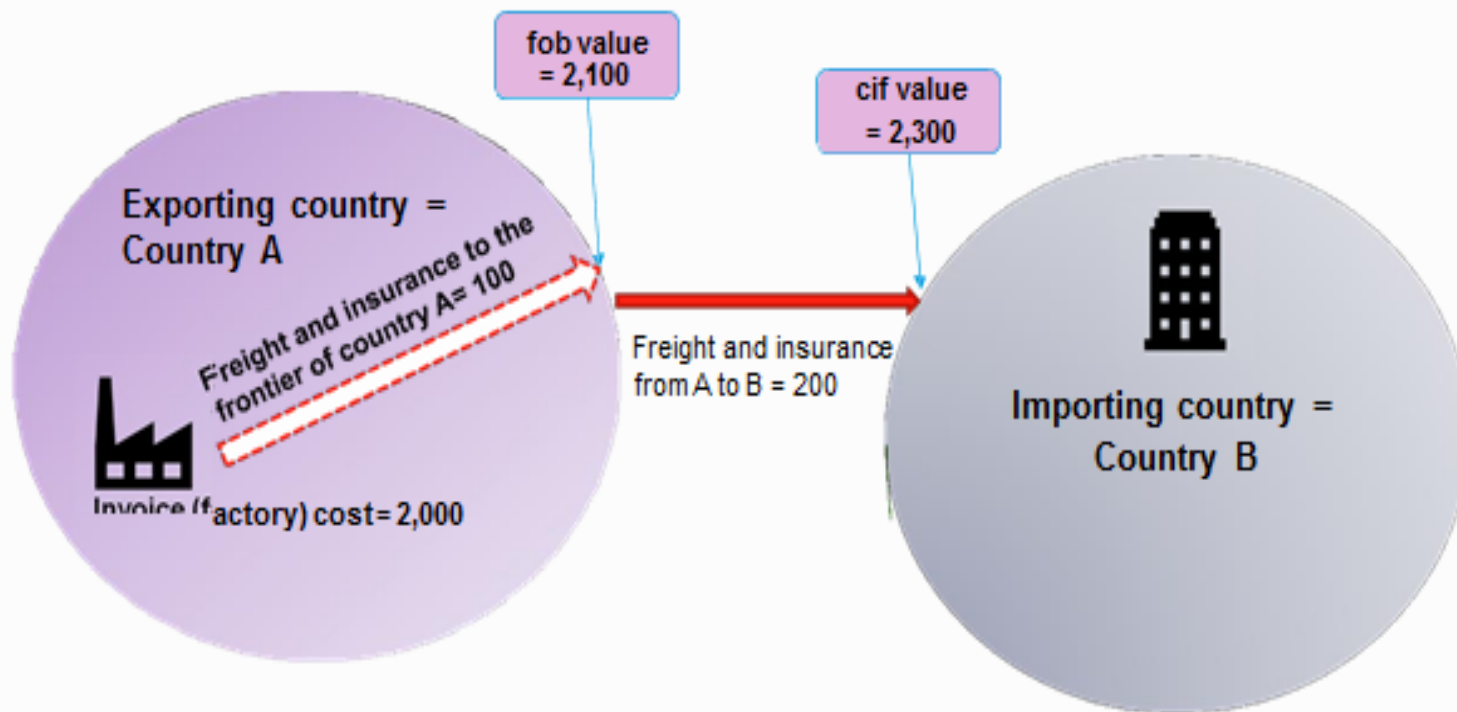
- Territory in which the [customs law](#) of a country applies, but...

For [Customs Unions](#), cross-country flows of goods need of additional non-customs information

[Free trade zones or other special zones](#) may have different laws & tax policies, but national totals still needed, inclusions for bilateral comparisons



VALUATION

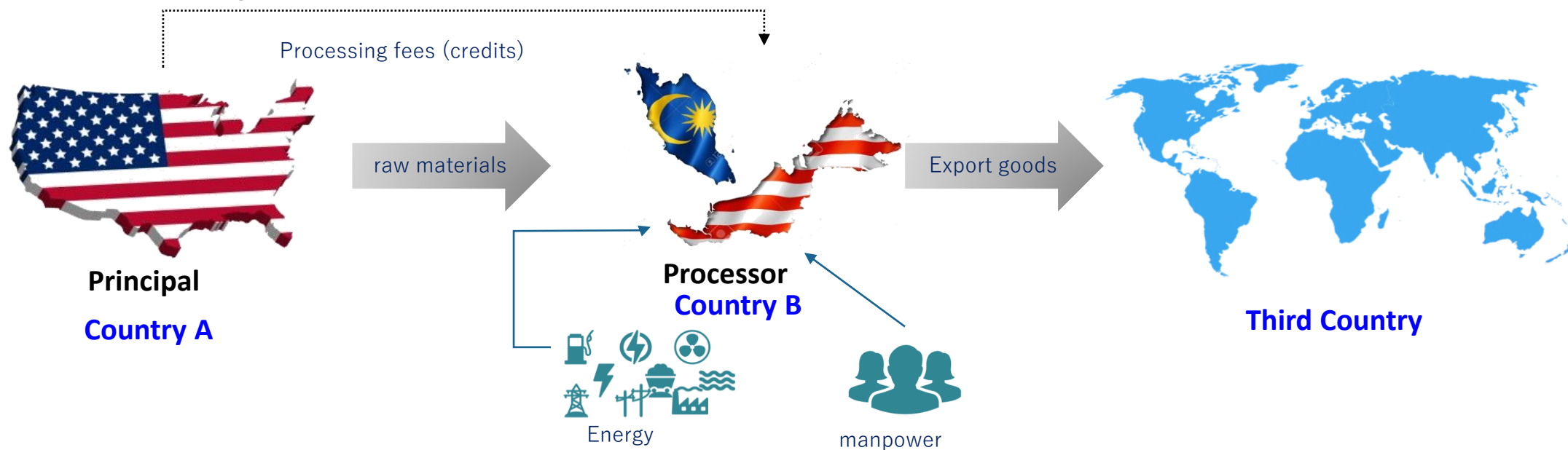


ACTIVITY	VALUE
Value of commodities at place of production in the exporting country A (factory gate price)	2,000
Cost of transportation to border of country A (domestic services provided by resident of country A)	100
Cost of transportation from border of country A to border of country B (services provided by resident of country C)	200
Value of commodities at place of delivery at border of country B (CIF value)	2,300
FOB Value	2,100

The **FOB valuation** point means:

- Export taxes are treated as payable by the exporter
- Import duties and other taxes of the importing economy are payable by the importer

GFP in Malaysia e.g Inwards Processing



Malaysia as PRINCIPAL OUTWARD PROCESSING

- Goods sent abroad (export) for processing and return to Malaysia (import)
- Fees paid consider MS debit (import)

Malaysia as PROCESSOR INWARD PROCESSING

- Goods received from abroad (import) for processing and sent back to the owner (export)
- Fees received consider MS credit (export)



GOODS FOR PROCESSING



part of activity involves in goods for processing



Include

- oil refining
- liquefaction of natural gas
- assembly of clothing and electronics, cars
- labeling
- packing

Exclude

- assembly of prefabricated constructions = construction services); and
- labelling and packing incidental to transport = transport services.



Merchanting: Definition and Coverage

Merchanting - purchase of goods by a resident from a nonresident combined with the subsequent resale of the **same goods** to another nonresident **without** the goods being present in the compiling economy

The **same goods** are those exported with no substantial transformation from the state in which they were previously imported

Arrangements for:

- Wholesaling and retailing
- Commodity dealing
- management and financing of global manufacturing processes

physical possession of the goods by the owner is unnecessary for the process to occur

Summary of conceptual differences SNA / BPM6 vs. IMTS



	BOP - SNA / BPM6	TRADE - IMTS
Principle of recording	Change of ownership	Cross border movement of goods
Definition of territory	Economic territory	Customs territory
Time of recording	When the change of ownership occurs	When goods enter/leave the customs territory
Valuation	FOB / invoice price	Different measures... <i>WTO Customs Valuation Agreement</i> ; FOB, CIF, etc

Notes:

BPM- Balance of Payments Statistics

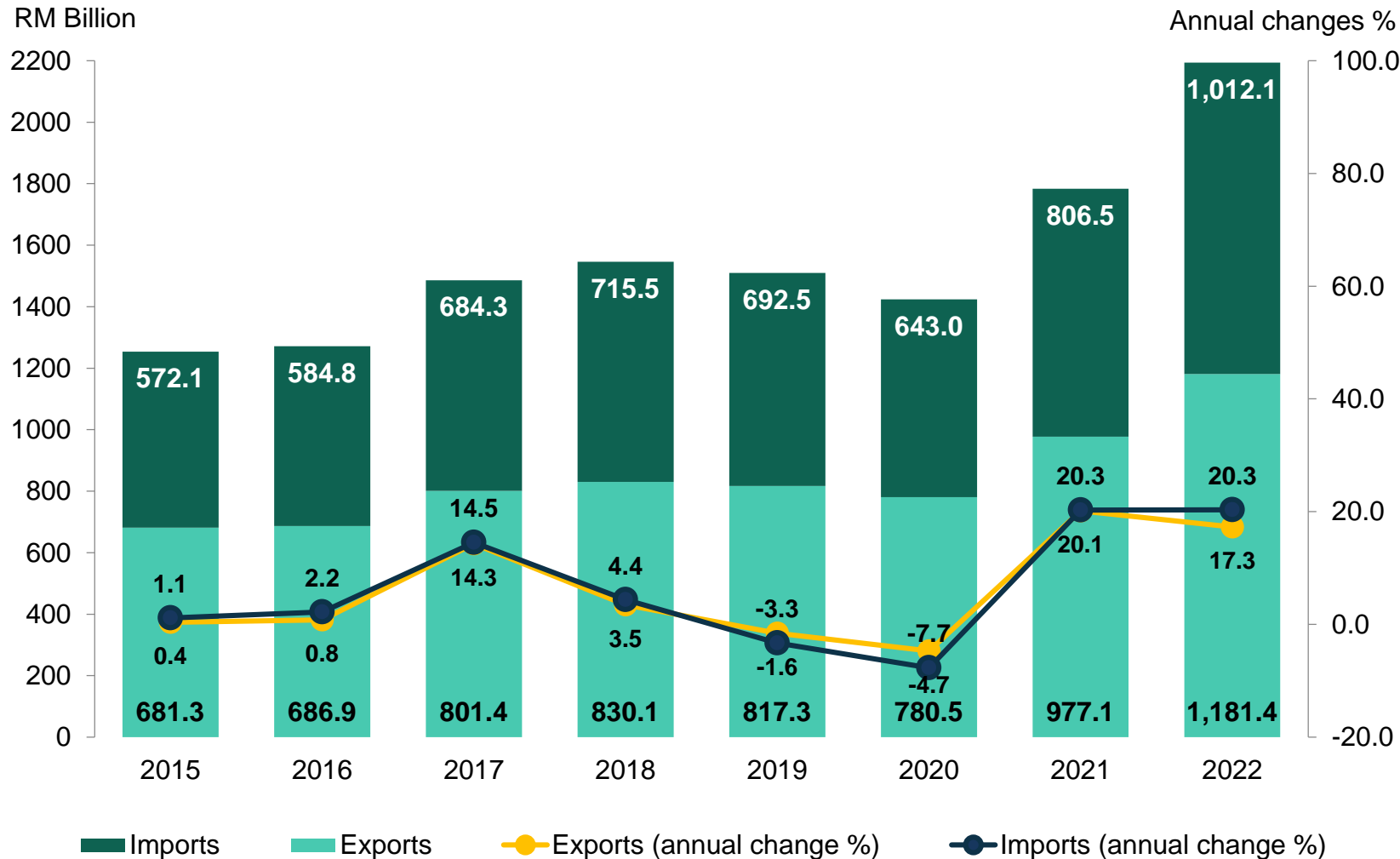
IMTS- International Merchandise Trade Statistics

FOB- Free on Board

CIF- Cost, insurance, and freight



Exports, Imports and Net of Trade in Services, 2015-2022



“In 2022, Goods account recorded a surplus of **RM169.3 billion**”



GOODS



MAJOR EXPORT PRODUCTS



E&E products



Petroleum products



Palm oil & palm
oil based products

MAJOR IMPORT PRODUCTS



E&E products



Petroleum products



Chemicals &
Chemical products

Major export markets



1

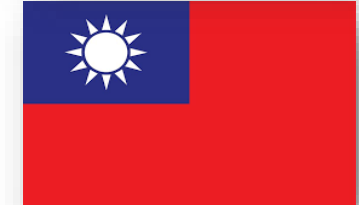


2



3

Major import sources





Services are the result of a production activity that changes the conditions of the consuming units, or facilitates the exchange of **products** or financial assets.

Services are not generally separate items over which ownership rights can be established and cannot generally be separated from their production.

MSITS: covers trade in services between residents and non- residents, but also Foreign Affiliates Trade in Services (FATS) and Modes of Supply (MOS)



Extended Balance of Payments Services Classification (EBOPS)



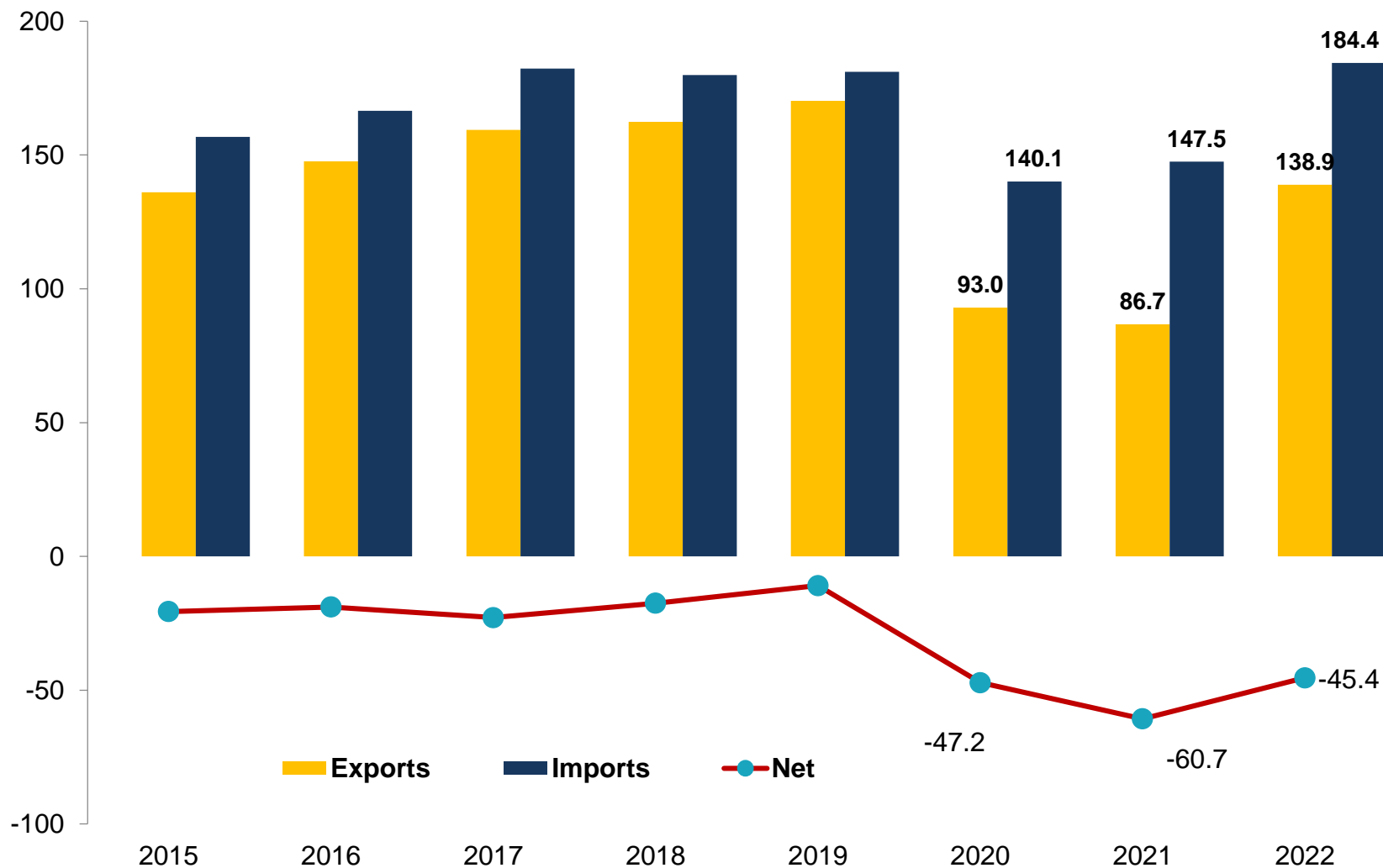
EBOPS- product-based classification of services that consistent with *BPM6*, but including more detail to services
Components

1. **Manufacturing Services on Physical Inputs Owned by Others**
2. **Maintenance and Repair Services**
3. **Transport**
 - 3.1 Sea Transport
 - 3.1.1 Freight
 - 3.1.2 Passenger and others
 - 3.2 Air Transport
 - 3.2.1 Freight
 - 3.2.2 Passenger and others
 - 3.3 Other Transport
 - 3.3.1 Postal and Courier Services
 - 3.3.2 Others
4. **Travel**
 - 4.1 Business
 - 4.2 Personal
 - 4.2.1 Health-related
 - 4.2.2 Education-related
 - 4.2.3 Others
5. **Construction**

6. **Insurance and Pension Services**
7. **Financial Services**
8. **Charges for the Use of Intellectual Property**
9. **Telecommunication, Computer & Information Services**
 - 9.1 Telecommunications
 - 9.2 Computer
 - 9.3 Information
10. **Other Business Services**
 - 10.1 Research and Development Services
 - 10.2 Professional and Management Consulting Services
 - 10.2.1 Legal
 - 10.2.2 Accounting
 - 10.2.3 Business and Management Consulting
 - 10.3 Technical, Trade-Related and Other Business Services
 - 10.3.1 Architectural, Engineering and Other Technical
 - 10.3.2 Operating Leasing
 - 10.3.3 Trade-Related and Other Business Services
11. **Personal, Cultural and Recreational Services**
12. **Government Goods and Services n.i.e.**



Exports, Imports and Net of Trade in Services, 2015-2022

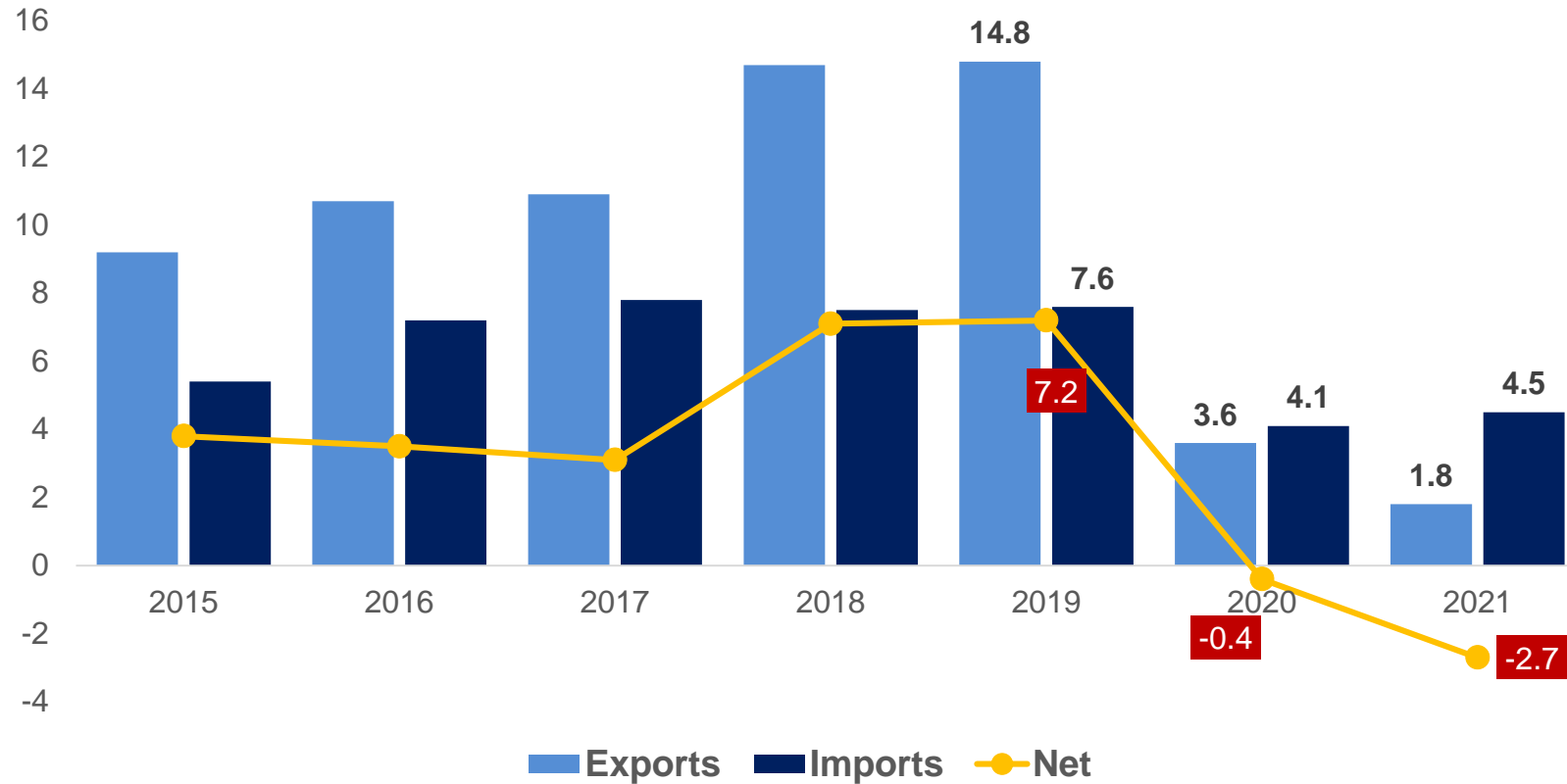


“ In 2022, exports of services recorded **RM 138.9 billion**, while imports registered **RM184.4 billion** ”



Trade in Services with Indonesia, 2015-2021

RM Billion



MAJOR EXPORT COMPONENTS

Other Business Services

Telecommunication, Computer and Information

Construction

MAJOR IMPORT COMPONENTS

Transport

Travel

Other Business Services

PRIMARY & SECONDARY ACCOUNT





PRIMARY INCOME ACCOUNT



Primary Income Account

Covers to type of transaction namely compensation of employee and investment income between residents and non-residents.

Return that accrues to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources to other institutional units - BPM6

- ❖ Compensation of Employees
- ❖ Investment Income
- ❖ Other Primary Income (new category)

➔ **Investment income:** linked to the financial instrument (DI, PI, OI or Reserve assets)

PRIMARY INCOME ACCOUNT : Compensation Employee



Remuneration in return for the labor input to the production process contributed by an individual in an employer-employee relationship with the enterprise – BPM6

Compensation of Employee includes:

- ✓ Wages and salaries in cash or in kind;
- ✓ Employers' social contribution; and
- ✓ Taxes paid to nonresident government

Which earned by resident workers working abroad or paid to non-resident workers working in Malaysia.

Data Sources – Central Bank of Malaysia



PRIMARY INCOME ACCOUNT :

Investment Income



Definition

Income accruing to an investor from the ownership of a financial asset

Included

- Dividends
- Reinvested earnings
- Interest

Recording


Investment income should be recorded on an accrual basis


Investment Income- classification

- Direct Investment
- Portfolio Investment
- Other Investment
- Reserves (new)

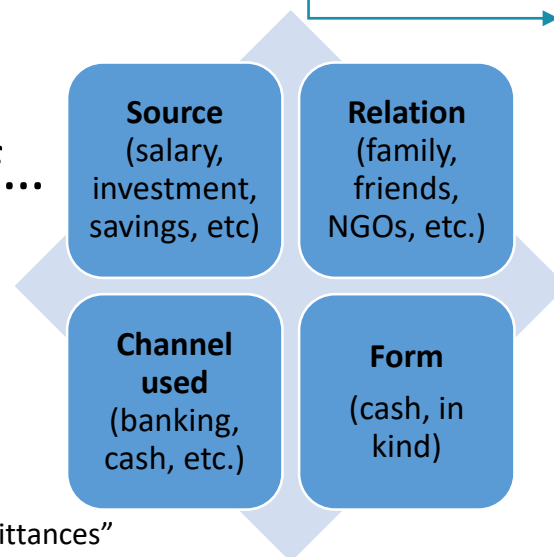
Structure

Structure is consistent with corresponding financial flows (financial account) and positions (IIP).

 Secondary income **shows current transfers between residents and nonresidents.**

 A transfer is an **entry** that corresponds to the provision of a good, service, financial asset or other non-produced asset by an institutional unit to another institutional unit where there is no corresponding return of an item of economic value. (BPM 6; paragraph 12.7)

All transfers irrespective of...



What is Current transfers?

- all transfers that are not capital transfers
- all current transfers in cash or in kind made or received by resident households to or from nonresident households (without quid pro quo)
- Cash transfer – payment of currency or transferable deposit
- Transfer In kind – either transfer of ownership of a good or asset, other than cash, or provision of a service

Why defined as transfer?

- The international accounting system requires each party to a transaction record double entries.
- So, when economic value is provided without corresponding return of an item of economic value, the corresponding entry is made as **transfer**.



SECONDARY INCOME ACCOUNT (cont')



CREDIT

General government

Grants, Aid & Donations and Unclaimed Monies
Compensation/defaults
Current Taxes on Income, Wealth, etc.
Miscellaneous current transfers

Private sectors

Workers' remittances
Miscellaneous current transfers*

DEBIT

General government

Pensions paid abroad
Taxes, fines & fees
Compensation/defaults
Contribution to world bodies (Grants/aids)
Technical aids by Government
Miscellaneous current transfers

Private sectors

Workers' remittances
Miscellaneous current transfers*

Notes : Miscellaneous current transfers*

Grants and Gifts, Legacies, Compensations and Prizes, Net premiums/claims on non-life Insurance & etc

FINANCIAL ACCOUNT

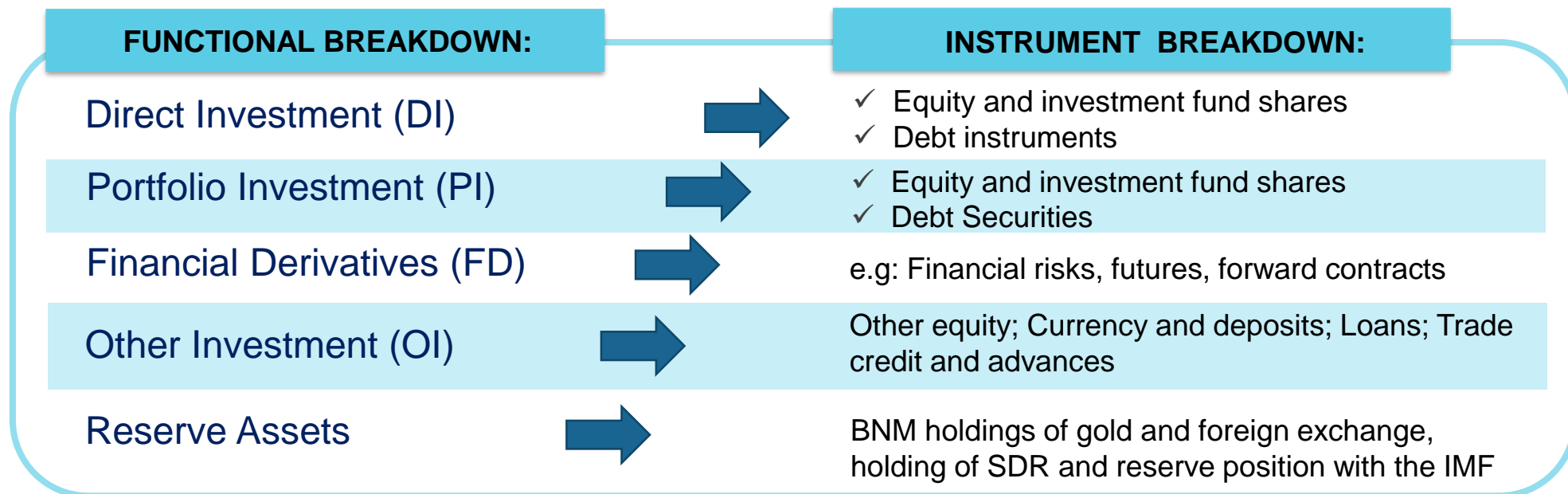




DEFINITION

Transactions that involve financial assets and liabilities and that take place between residents and nonresidents

FA CLASSIFICATION



In the financial accounts:

- Entries can be corresponding entries to goods, services, income, capital account, or other financial accounts entries.
- Alternatively, a transaction may involve two financial account entries.



FINANCIAL ACCOUNT	ASSETS	LIABILITIES
Direct Investment		
Equity and Investment Fund Shares		
Debt Instruments		
Portfolio Investment		
Equity and Investment Fund Shares		
Debt Securities		
Financial Derivatives		
Other Investment		
Other equity		
Currency and deposits		
Loans		
Insurance and pension		
Trade credit and advances		
Other account receivable/payable		
RESERVE ASSETS		



Three (3) broad categories of **financial instruments** are used to classify **financial assets** and liabilities:

- ❑ Equity and investment fund shares;
- ❑ Debt instruments; and
- ❑ Other financial assets/liabilities.



Equity and investment fund shares

- Equity
- Investment fund shares/units

Debt instruments

- Special Drawing Rights
- Currency and deposits
- Debt securities
- Loans
- Insurance, pension, and standardized guarantee schemes
- Trade credit and advances
- Other accounts payable/receivable –other

Other financial assets and liabilities

- ❖ Monetary gold
- ❖ Financial derivatives and employee stock options



Retained Earnings of Investment Funds

- Investment income attributable to the owners of investment shares comprises both dividends payable and **retained earnings**
- **Retained earnings of investment funds** shares below 10% are separately shown under portfolio income and **accrue on the outstanding position**
- This is a change from *BPM5*, where reinvested earnings were for direct investment only
 - Holding gains and losses are never considered as income transactions (recorded as other flows)



Equity and Investment Fund Shares

- **Equity** comprises all instruments and records that acknowledge claims on the residual value of a corporation or quasicorporation, after the claims of all creditors have been met. Equity is treated as a liability of the issuing institutional unit.
- **Investment funds** are collective investment undertakings through which investors pool funds for investment in financial and/or nonfinancial assets. These funds raise funds by issuing shares (or units/participations). Investment funds include money market funds (MMF) and non-MMF.



Debt Instruments

- **Debt instruments** are those instruments that require the payment of principal and/or interest at some point(s) in the future
- Debt instruments comprises :
 - \$ Special Drawing Rights
 - \$ Currency and deposits
 - \$ Debt securities
 - \$ Loans
 - \$ Insurance technical reserves and provision for calls under standardized guarantees
 - \$ Other accounts receivable/payable



Special Drawing Rights (SDRs)

- **SDRs** are international reserve assets. They represent unconditional rights to obtain foreign exchange or other reserve assets from other IMF members
- SDRs are held only by the monetary authorities of IMF members and a limited number of international financial institutions that are authorized holders (ex., The Arab Monetary Fund)
- Holdings of SDRs by an IMF member are recorded as an asset, **while the allocation of SDRs is recorded as the incurrence of a liability of the member receiving them** (change from BPM5)
- The holdings and allocations should be shown gross, rather than netted



Currency and Deposits

- **Currency** consists of notes and coins that are of fixed nominal values and are issued or authorized by central banks or governments
- **Deposits** include all claims that are on the central bank, deposit-taking corporations other than the central bank, and, in some cases, other institutional units
- Three categories of deposits can be distinguished:
 - transferable deposits
 - interbank deposits
 - other deposits



Debt Securities

- **Debt securities** are negotiable instruments serving as evidence of a debt
- They include bills, bonds, certificates of deposit, commercial paper, debentures, asset-backed securities, and similar instruments normally traded in the financial markets
- Debt securities include some specific instruments such as asset backed securities, index-linked securities



Loan

- **Loans** are financial assets that
 - i. are created when a creditor lends funds directly to a debtor; and
 - ii. are evidenced by documents that are not negotiable
- Loans that have become debt securities are excluded from loans (evidence of secondary market trading, and frequent quotations of the instrument)
- Loans include some specific transactions:
 - Securities repurchase agreement and gold swaps
 - Financial leases



Other Accounts Receivable/Payable

This category comprises two components:

- **Trade credit and advances** comprises
 - i. trade credit extended directly by the suppliers of goods and services to their customers; and
 - ii. advances for work that is in progress (or is yet to be undertaken) and prepayment by customers for goods and services not yet provided
- The **other** category includes:
 - liabilities for taxes, purchase and sale of securities, wages and salaries, dividends, and social contributions **that have accrued but not yet paid**
 - **prepayments** of those items



DIRECT INVESTMENT

- Cross-border investment associated with a resident in one economy having **control** (>50% of equity) or a **significant degree of influence** (10-50% of equity) on the management of an enterprise that is resident in another economy.
- **Para 6.12 (a) BPM6 page 101:** identified **immediate direct investment** relationships arise when a direct investor directly owns equity that entitles it to **10 per cent or more** of the voting power in the direct investment enterprise.
- **10 percent of Equity ownership**

COMPONENTS

- 01 Equity**
(value of the shares issued by a company)
- 02 Reinvested Earnings**
(income generated from equity used to reinvest)
- 03 Debt instruments**
(e.g: Debt Securities (bonds/notes/money market instruments), Trade Credit, Loans, Insurance & pension, Currency & deposits, Other account receivable/payable)



CONCEPT & DEFINITION

Direct Investor

- Is the entity or group of related entities that is able to exercise control or influence over another entity resident in another economy

Direct Investment Enterprise (DIE)

- Is the entity subject to control or influence

In some cases, an entity may be both a direct investor and a DIE

DIEs can be either **directly** or **indirectly** owned by the direct investor, and comprise:

Branches

(100 % ownership)

the direct investor is able to exercise **control**

Subsidiaries

(Over 50% ownership)

the direct investor is able to exercise **control**

Associates

(10-50% ownership)

the direct investor is able to exercise a **significant degree of influence**, but not control



Direct Investment : Definition & Concept



TRANSACTION (FLOWS)

Credit refers to **inflow**

Debit refers to **outflow**

Assets: outflow
Liabilities: inflow

PRESENTATION BASIS OF DIRECT INVESTMENT

ASSETS / LIABILITIES BASIS (BPM6)

DI statistics are compiled according the investment relates to an assets or a liabilities for the country compiling statistics

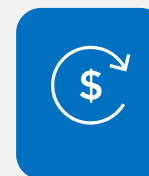
Q215 ^p	Components/Year & Quarter
2,273	FINANCIAL ACCOUNT
-3,941	1. Direct investment
-17,812	1.1 Assets
13,871	1.2 Liabilities

Q215 ^p	Components/Year & Quarter
	Direct Investment According to Directional Principle
-3,941	Direct investment
-16,429	Abroad
12,488	In Malaysia

DIRECTIONAL PRINCIPLE

DI statistics are compiled according to the direction of the investment for the reporting economy- either DIA or FDI

TYPES OF DIRECT INVESTMENT



FLOWS

Total investment during particular period and recorded under Financial Accounts in Balance of Payments Statistics



STOCK

Refers to the position of investments as at end of period, and involved transaction and non-transaction investment



INCOME

Refers to return of the investment in the form of dividends, interests and reinvested earnings

DIRECTIONAL BASIS (BPM5)

DIRECT INVESTMENT ABROAD (DIA)

Refers to investment of Malaysian parent company that owns **at least 10 per cent of equity** in subsidiaries abroad

CLAIMS/ASSETS ON AFFILIATE

(investment by Direct Investor (reporting country) in Direct investor Enterprise (abroad))



LIABILITIES TO AFFILIATE

(investment by affiliate in abroad to reporting country)



DIA

FOREIGN DIRECT INVESTMENT (FDI)

Refers to investment from **foreign direct investors** that owns **at least 10 per cent of equity** in Malaysia's Company

LIABILITIES TO DIRECT INVESTOR

(investment by Direct Investor (reporting country) in Direct investor Enterprise (M'sia))



CLAIMS/ASSETS ON DIRECT INVESTOR

(investment by affiliate in M'sia to reporting country)



FDI

AFFILIATE refers to a company whose parent acquire a minority stake in the ownership of the company.

ASSETS and LIABILITIES BASIS (BPM6)

- Based on record in the balanced sheet
- Assets and liabilities consists of Residents and Non-Residents

ASSETS

1.

Claims/Assets on Affiliate by Residents*

2.

Claims/Assets on Direct Investor by Non-residents

* Higher investment by Residents

LIABILITIES

1.

Liabilities to Affiliate by Non-residents**

2.

Liabilities to Direct Investor by Residents

** Higher investment by Non-Residents



PORTFOLIO INVESTMENT

- ✓ Cross-border transactions and positions involving **debt or equity securities**, other than those included in direct investment or reserve assets
- ✓ Equity securities included in portfolio investment cover listed and unlisted shares when **the investor owns less than 10%** of the total equity in a unit

COMPONENTS

01 Equity Securities

02 Investment Fund Shares

Issued by investment funds and unit trusts to raise funds

03 Debt Securities

e.g.: Debt Securities - bonds/ notes/ money market instruments



OTHER INVESTMENT

- Comprises all transactions/positions not included under direct investment, portfolio investment, financial derivatives, and reserve assets
- Transaction between resident with nonrelated parties of non resident
- Functional category - is a residual category in the financial account and IIP
- Comprises :
 - ✓ currency and deposits
 - ✓ loans
 - ✓ insurance, pension, and standardized guarantee schemes
 - ✓ trade credit and advances
 - ✓ other accounts receivable/payable



FINANCIAL DERIVATIVES

- A derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial asset.
- Derivatives can be used to either mitigate risk (hedging) or assume risk with the expectation of commensurate reward (speculation)
- Futures contracts, forward contracts, options, swaps, and warrants are commonly used derivatives



RESERVE ASSETS

- Reserve assets are those external assets that are readily available to;
and
- Controlled by monetary authorities

Components:

BOP: Reserve assets

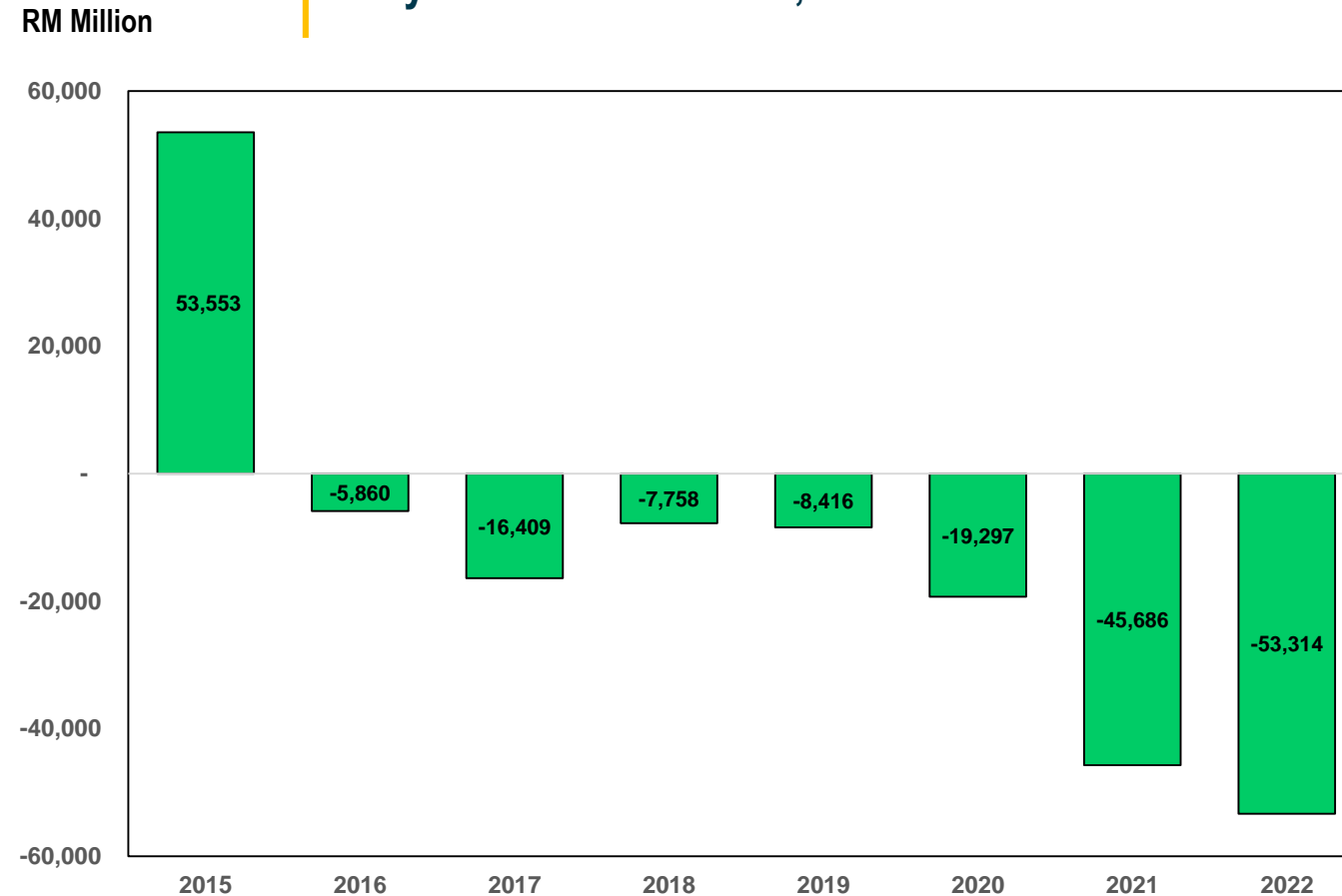
1. Monetary gold
 - ✓ Gold bullion
 - ✓ Unallocated gold accounts
2. Special drawing rights
3. Reserve position in the IMF



MALAYSIA'S RESERVE ASSETS, 2015-2022



Malaysia's Reserve Asset, 2015 - 2022



Malaysia Reserve Assets recorded a higher **net outflow of RM53.3 billion** in 2022 from RM45.7 billion in previous year.

FOREIGN DIRECT INVESTMENT (FDI)





WHAT IS FOREIGN DIRECT INVESTMENT (FDI)?

(i) Investment from **foreign direct investment** (abroad) in **Malaysia's companies**

(ii) In the form of **financial instruments**

(iii) FDI **components:**

➤ **Financial instrument**

01 Equity & Investment fund shares
(consists of equity capital and reinvestment of earnings)

02 Debt instruments
(e.g: Debt Securities, Trade Credit, Loans, Insurance & pension, Currency & deposits, Other account receivable/ payable)

"... Foreign direct investment reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power... "

FDI FLOW

- ✓ Refer to acquisition and disposal of financial instrument (Equity & Investment fund shares)
- ✓ During a reference period

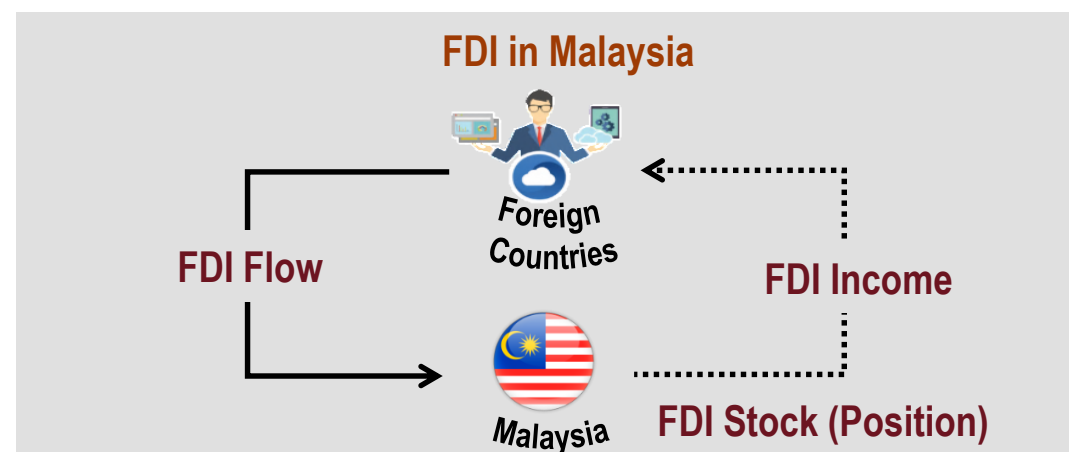
STOCK OF FDI

- ✓ Total stock of FDI in Malaysia as at end of reference period.
- ✓ Also known as **FDI Position**
- ✓ **Derived** from **Opening stock**, **financial transaction FDI** and **Non-Transactional Items** (non-transaction as price changes, exchange rate changes and other changes)

RETURN OF FDI

INVESTMENT INCOME OF FDI

- ✓ Returns on **Equity & investment shares** and **debt instruments** from FDI companies
- ✓ Comprises of:
 - Dividends** – Distribution of profit to direct investor (FDI)
 - Reinvestment of earnings** – Earnings that are not distributed as dividends/ reinvested back,
 - Interests** – Income payable/ receivable arising from debt instrument, debt securities etc.



Negative Sign – FDI Flows

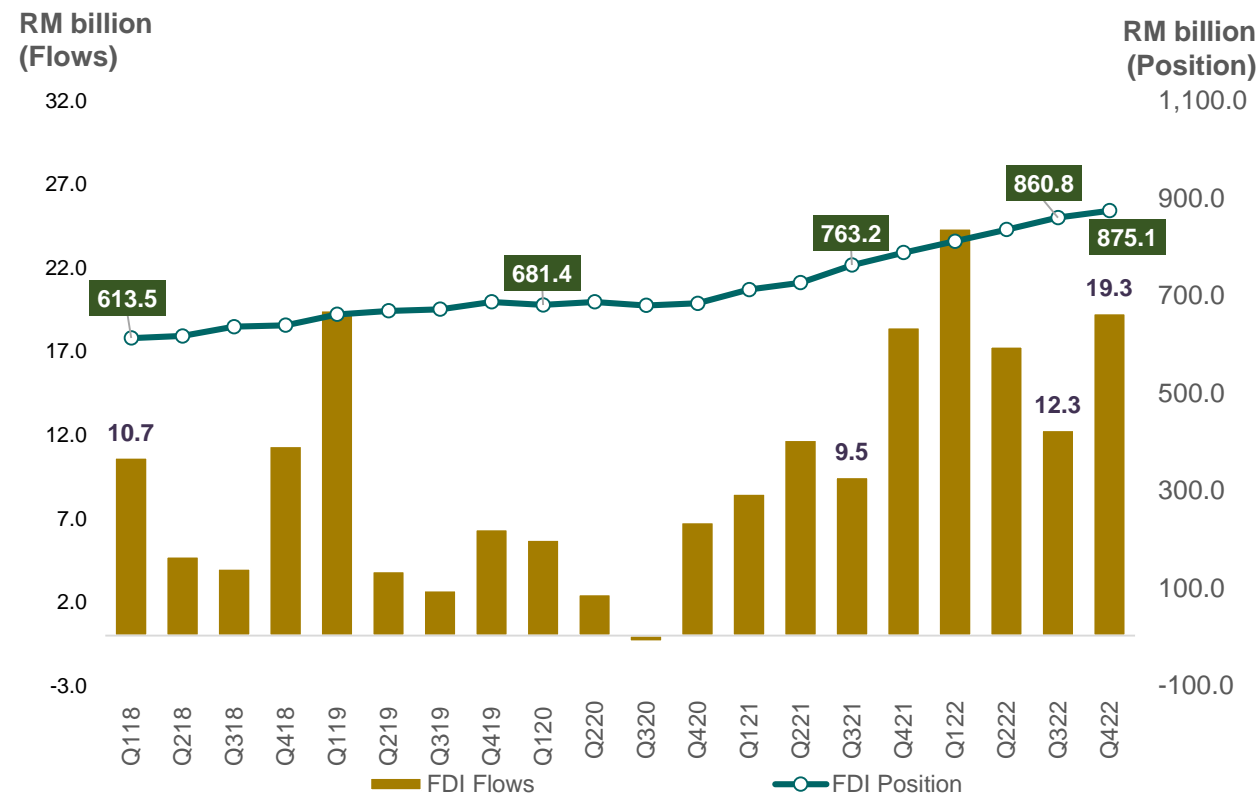


Reason net FDI -ve

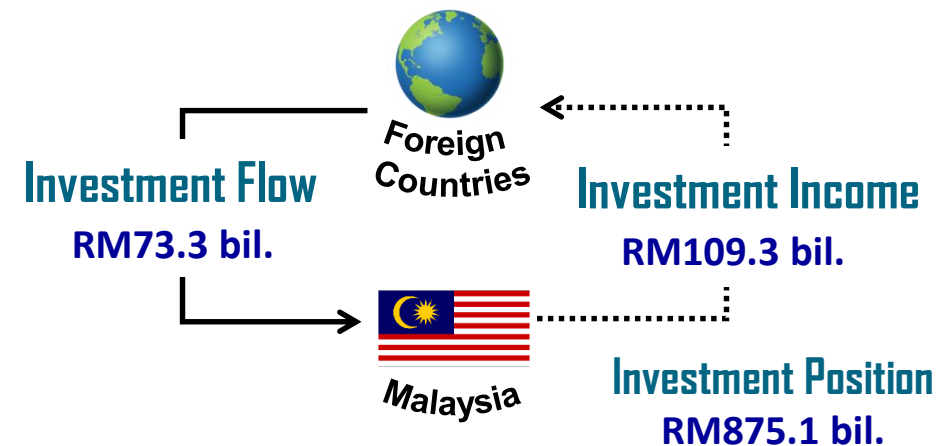
1. Repayment of inter-company loans/trade credit exceed the withdrawal.
2. FDI companies in Malaysia incurred loses.
(net reinvestment of earnings - negative value)
3. Repatriate of dividends more than current profit (net reinvestment of earnings - negative value)
4. Equity divestment to parent



MALAYSIA'S FDI PERFORMANCE 2022p



Foreign Direct Investment (FDI)



	RM billion						
FDI	2021	2022	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
Flow	48.1	73.3	18.5	24.4	17.3	12.3	19.3
IIP	788.8	875.1	788.8	812.1	836.2	860.8	875.1
Income	101.0	109.3	47.0	25.8	29.7	29.7	24.1

FDI flows registered at **RM73.3 billion** in 2022 (2021: RM48.1 billion), while **FDI position** at **RM875.1 billion** (2021: RM788.8 billion)

DIRECT INVESTMENT ABROAD (DIA)





DIRECT INVESTMENT ABROAD (DIA)



(i)

Refers to **investment of Malaysian parent company** that owned at least 10 per cent of equity in **subsidiaries abroad**.



WHAT IS DIRECT INVESTMENT ABROAD (DIA)?

(ii)

In the form of **financial instruments**

(iii)

FDI **components:**

➤ **Financial instrument**

01

Equity & Investment fund shares

(consists of equity capital and reinvestment of earnings)

02

Debt instruments

(e.g: Debt Securities, Trade Credit, Loans, Insurance & pension, Currency & deposits, Other account receivable/payable)



Positive Sign – DIA Flows



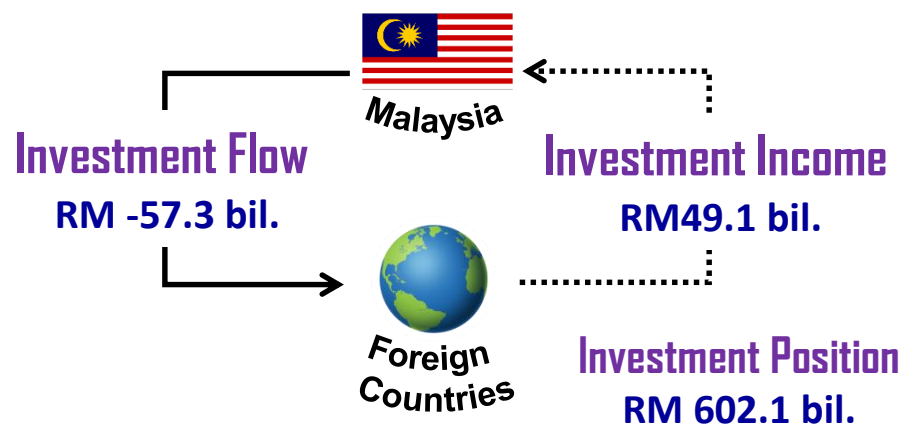
Reason net DIA +ve

1. Repayment of inter-company loans/trade credit exceed the extension.
2. Malaysia owned subsidiaries in overseas incurred loss. (net reinvestment of earnings - positive value).
3. Repatriate of dividends to parent in Malaysia more than subsidiary current profit (net reinvestment of earnings - positive value)
4. Equity divestment form abroad

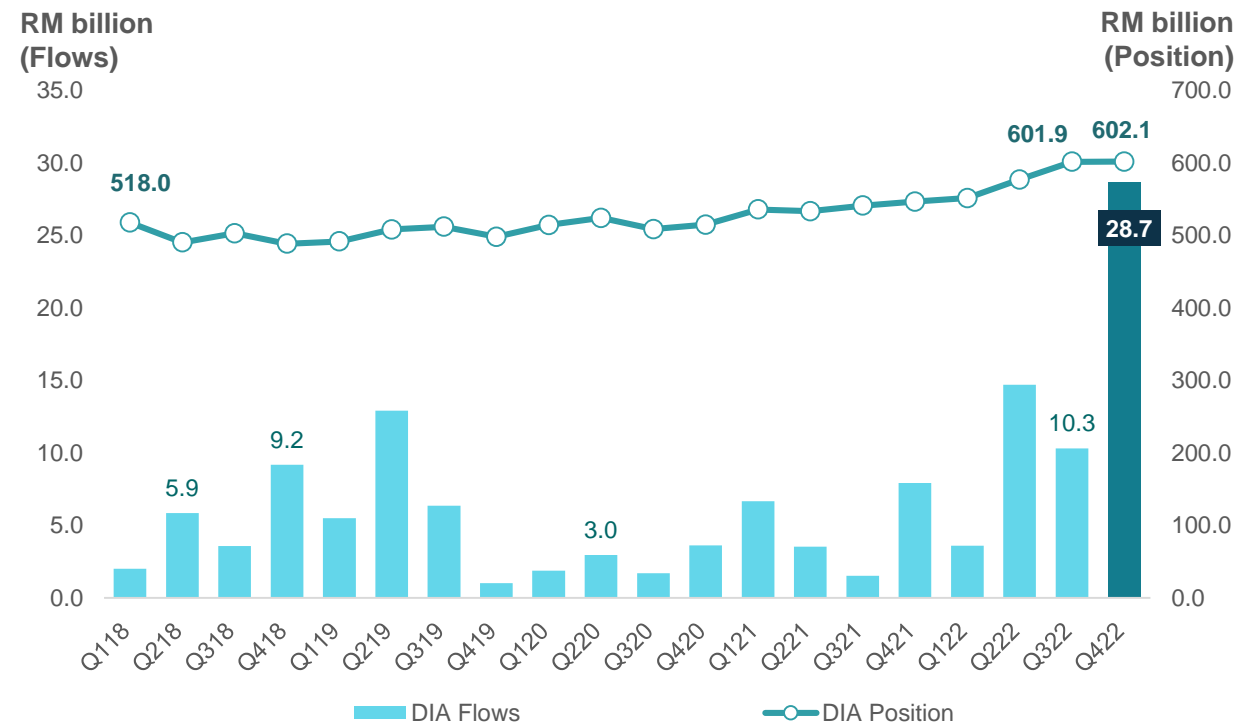
MALAYSIA's DIA PERFORMANCE 2022p



Direct Investment Abroad (DIA)



	RM billion						
DIA	2021	2022	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
Flow	-19.7	-57.3	-7.9	-3.6	-14.7	-10.3	-28.7
IIP	547.0	602.1	547.0	551.7	577.4	601.9	602.1
Income	59.3	49.1	28.9	7.4	14.3	12.2	15.1



DIA flows recorded a higher **net outflow of RM57.3 billion** in 2022 from RM19.7 billion in previous year, while **accumulated** DIA registered at **RM602.1 billion** (2021: RM547.0 billion)

INTERNATIONAL INVESTMENT POSITION (IIP)



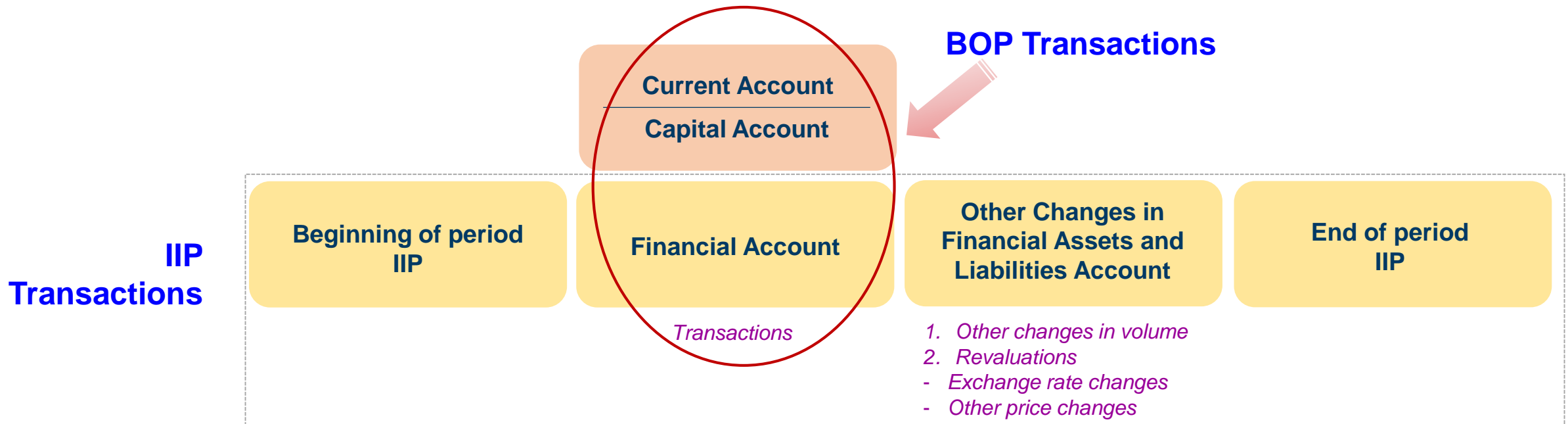


International Investment Position (IIP)

A statistical statement that shows **stock of external financial assets and liabilities** at **one point in time** (usually at the end of year)

Net IIP

Difference between external financial assets and external liabilities.





Why is it Important?

- Assess economic relations with the rest of the world
- Monitor developments in external relations between countries
- Monitor external debt
- Indicator of external debt sustainability
- Indicator of financial stability
- Facilitates international comparison of countries' IIP
- Explain the economic reality

IIP Conceptual

The difference between an economy's external financial assets and liabilities is the economy's **net IIP**, which may be positive or negative

- **Negative Net IIP figure**

A foreign nations own more of the domestic nation's assets than the domestic nation does of foreign assets, thus making it a **debtor nation**

- **Positive Net IIP figure**

The domestic nation's ownership of foreign assets is greater than foreign nation's ownership of that domestic nation's assets, thus making it a **creditor nation**



Integrated IIP statement						
	Beginning of period IIP	Financial Account Transactions	Other changes in financial assets and liabilities account			End of period IIP
			Other Changes in volume	Exchange Rate Changes	Other Price Changes	
ASSETS						
Direct Investment						
Portfolio investment						
Financial derivatives and ESOs						
Other investment						
Reserve assets						
LIABILITIES						
Direct Investment						
Portfolio investment						
Financial derivatives and ESOs						
Other investment						



IIP : MALAYSIA (END DECEMBER 2022)



Highlights

(RM billion)	Opening	Net transaction	Price Changes	Exchange Rate Changes	Other Adjustment	Closing	diff
A. ASSETS	2,254.7	35.8	24.3	-71.3	-16.8	2,226.7	-28.0
1. Direct Investment	726.1	24.8	1.4	-22.7	-11.2	718.4	-7.7
2. Portfolio Investment	573.9	15.0	16.2	-13.8	-0.22	591.1	17.1
3. Financial Derivatives	31.5	-0.4	-0.8	-1.3	0.3	29.3	-2.3
4. Other Investment	431.2	-26.0	-0.0	-14.9	-5.7	384.7	-46.5
5. Reserves Assets	491.9	22.5	7.5	-18.6	0.0	503.2	11.4
B. LIABILITIES	2,178.4	12.4	13.2	-42.5	2.2	2,163.6	-14.7
1. Direct Investment	985.0	15.4	4.3	-15.4	2.2	991.5	6.5
2. Portfolio Investment	661.5	-11.7	12.9	-8.7	-0.2	653.8	-7.7
3. Financial Derivatives	34.6	-2.1	-4.0	-1.3	0.0	27.2	-7.4
4. Other Investment	497.3	10.8	0.0	-17.0	0.1	491.2	-6.2
C. NET IIP	76.3	23.5	11.1	-28.9	-19.0	63.0	-13.3
1. Direct Investment	-258.9	9.4	-2.8	-7.4	-13.4	-273.1	-14.2
2. Portfolio Investment	-87.6	26.7	3.3	-5.1	-0.0	-62.7	24.8
3. Financial Derivatives	-3.0	1.7	3.2	-0.0	0.3	2.1	5.1
4. Other Investment	-66.1	-36.8	-0.0	2.2	-5.8	-106.5	-40.4
5. Reserves Assets	491.9	22.5	7.5	-18.6	0.0	503.2	11.4

“ As at end of 2022,
Malaysia's IIP
Recorded lower net assets of
RM 63.0 billion ”

"STATISTICS BLOOM IN HARMONY"

Doesn't matter far or near
Strength in numbers
we don't live in fear

Birds of feather flock together
Statistics our form of adour
We, will always live it up

So let us live in solidarity
And in the world arena we'll
succeed
It is statistics that will come to be
The reason we will bloom in
harmony

Everybody undivided
Data's where our hearts reside in
There will always be a bind

Just like fire that ignites
That's how brightly lit our dreams are
We'll reach higher than the stars

Sending love to one another
Leaving no one in a slumber
We will stand with unity

Mustering our courage while
Embracing our disparities
We'll achieve our victory

One dream with unity
One love with harmony



"STATISTICS BLOOM
IN HARMONY"
VIDEO

<https://bit.ly/StatisticsBloomInHarmony>

THANK YOU



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