THE IMPLICATIONS OF THE FINANCIAL CRISIS FOR
MALAYSIAN ECONOMY

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ABSTRACT

Malaysia had been blessed by rapid economic growth for the past 10 years prior to 1997. In fact, the success of the Malaysian economy had caught the eyes of developed and developing countries to study how Malaysia managed to achieve such growth. However, when the currency speculators attacked the Thai bath in July, 1997, things started to change. That was the beginning point to the 'nightmare' that the Malaysian economy was about to suffer. Later, more and more firms had to cease operations due to financial difficulties. The unemployment rate and interest rate were increasing. The Malaysian government came up with some measures to counter against those problems as well as to minimize the chances of Malaysian ringgit being exploited by the currency speculators. IMF tried to offer a 'lending hand' to Malaysia as it successfully did to Thailand and Indonesia. However, Malaysia refused to accept the offer as the intention of IMF was not genuine and could cause more hardship to the Malaysian economy in general. To the surprise of everyone, Malaysia decided to stick to its own policies on capital and exchange controls. This study attempts to analyze the implications of the financial crisis for Malaysian economy.


| CONTENTS |
|-----------------|--------|
| **CHAPTER 1**   | **INTRODUCTION** |
| 1.1  | Introduction To The Economic Crises In Malaysia |
| 1.2  | Objective Of The Study |
| 1.3  | Scope Of This Study |
| 1.4  | Methodology |
| 1.5  | Result Of The Study |
| 1.6  | Problem Statement |
| 1.7  | Limitation Of The Study |
| 1.8  | Structure And Organization Of The Study |
|       | **Page** |
|       | 1 |
|       | 2 |
|       | 3 |
|       | 3 |
|       | 4 |
|       | 4 |
|       | 5 |
|       | 6 |

<table>
<thead>
<tr>
<th><strong>CHAPTER 2</strong></th>
<th><strong>LITERATURE REVIEWS AND BACKGROUND TO THE STUDY</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Review Of The Existing Literatures</td>
</tr>
<tr>
<td>2.2</td>
<td>How The Currency Crisis Started</td>
</tr>
<tr>
<td>2.3</td>
<td>Comparison With The Previous Malaysian Economic Crises</td>
</tr>
<tr>
<td>2.4</td>
<td>Differences With The Latin American Economic Crisis</td>
</tr>
<tr>
<td>2.5</td>
<td>Economic Situation In Malaysia Prior To The Crisis</td>
</tr>
<tr>
<td>2.6</td>
<td>Strengths And Weaknesses</td>
</tr>
<tr>
<td></td>
<td><strong>Page</strong></td>
</tr>
<tr>
<td></td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>22</td>
</tr>
</tbody>
</table>
CHAPTER 3  CAUSES FOR CONCERN

3.1 Introduction 24

3.2 Causes For Concern 24

3.2.1 Slowdown In Foreign Direct Investment 25
3.2.2 Dependence On Foreign Labour 27
3.2.3 Economic Growth Above Potential Output 29
3.2.4 Loss Of Efficiency In The Economy 29
3.2.5 Build-up Private External Debt 30
3.2.6 Rising Current Account Deficit 31
3.2.7 Exchange Rate Appreciation And Growing Imports 32
3.2.8 High Loan Exposure Fuelled Asset Price Inflation 32
3.2.9 Cronyism 34
3.2.10 Surge Of Portfolio Investment Inflows 35
3.2.11 Slow Technology Progress 36
3.2.12 Less Priority And Investment On Research And
    Development 36
3.2.13 Speculation And Contagion 37
3.2.14 Confidence Undermining 38
3.2.15 Diversion Of Resources From Real To Speculative
    Sectors 39
3.2.16 Capital And Industrial Inefficiency 39
3.2.17 Lack Of Transparency 40
3.2.18 Wrong Business Decision Makings 41
CHAPTER 4 IMPACTS OF THE CRISIS ON THE
MALAYSIAN ECONOMY

4.1 Introduction

4.2 Impacts To The Malaysian Ringgit

4.3 Aggregate Demand

4.4 Construction

4.5 Manufacturing

4.6 Health

4.7 Education

4.8 Equity Market

4.9 Financial Sector

4.10 Inflation

4.11 Employment And Wages

4.12 Employment And Retrenchment

4.13 Consumption

4.14 Debt Burden

4.15 Poverty

4.16 Property Market

4.17 Trade Balance

4.18 Imported Inputs

4.19 Conclusion
CHAPTER 5  RESPONSES TO THE CRISIS

5.1 Introduction 62
5.2 Early Responses 62
5.3 Regional Co-operation 65
5.4 National Economic Action Council 65
   5.4.1 Provide Fiscal Stimulus For The Depressed Economy 69
   5.4.2 Easing The Monetary Stance 70
   5.4.3 Reform And Structure The Financial And Corporate Sectors 71
5.5 Stabilization Of Malaysian Ringgit 73
5.6 Liberalization 75
5.7 Corporate Governance 76
5.8 Policy Response 77
5.9 Restoring Investor Confidence 80
5.10 Other Suggestions 82
   5.10.1 Malaysian Incorporated 82
   5.10.2 Privatization 83
5.11 Conclusion 84
CHAPTER 6  ANALYSIS ON THE POLICIES TO RESTORE THE MALAYSIAN ECONOMY

6.1 Evaluations Of The Malaysian Responses To The Crisis  85
6.2 Malaysian Recovery Approach Differed From The Strategy Suggested By IMF  86
6.3 Wrong Steps Taken During The Initial Stage Of The Crisis  89
   6.3.1 Untimely Merger Programme For Finance  89
   6.3.2 Increase In Interest Rate  90
   6.3.3 Tiering Of Commercial Banks  90
   6.3.4 Revision Of NPLs From 6 Months To 3 Months  90
   6.3.5 Cut In Government Expenditure  91
   6.3.6 Reduction In BNM Staff Affecting Bank Supervision  91
6.4 Malaysian Capital And Exchange Control  92
   6.4.1 Impacts Of The Capital And Exchange Controls  93
   6.4.2 Favourable Arguments On The Impacts Of The Capital And Exchange Controls  95
   6.4.3 Unfavourable Arguments On The Impacts Of The Capital And Exchange Controls  98
6.5 Conclusion  104
CHAPTER 7  RECOVERY OF THE MALAYSIAN ECONOMY

7.1 Introduction  106
7.2 External Sectors  106
7.3 Foreign Direct Investments  107
7.4 Survey Done By Federation Of Malaysian Manufacturers  107
7.5 Car Industry  108
7.6 Interest Rate  108
7.7 Inflation Rate  108
7.8 Industrial Production  109
7.9 Kuala Lumpur Composite Index  109
7.10 Consumer Aggregate Demand  110
7.11 Financial And Corporate Sector Restructuring  110
7.12 Factors Influencing The Economy Recovery Pace  111
7.13 Conclusion  113

CHAPTER 8  CONCLUSION

8.1 Findings  114
8.2 Conclusions  117
<table>
<thead>
<tr>
<th>Table 4.1</th>
<th>NPs From December 1997 To December 1998</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 4.2</td>
<td>Base-lending Interest Rates From May 1997 To October 1998</td>
<td>51</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Consumer Price Index, 1994-1999</td>
<td>53</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Malaysian Employment By Sector, 1994-1998</td>
<td>55</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Retrenchment By Sector In 1998</td>
<td>57</td>
</tr>
</tbody>
</table>
Appendix 1  Malaysia Ringgit Exchange Rates With US Dollar And Japanese Yen From January 1997 To March 2000


Appendix 3  Malaysia: Growth, Inflation And Unemployment Rates, 1984 –1999 (Per Cent)

Appendix 4  Malaysia: Key Macroeconomic Variables, 1999-2000 (Per Cent)

Appendix 5  Six Objectives Set By NEAC

Appendix 6  9 Challenges Of The Vision 2020

Appendix 7  Malaysia: Pre-crisis Situation