MALAYSIA

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In 2001, Malaysia's real Gross Domestic Product (GDP) grew by 0.4% and was affected by weak external demand and a global economic slowdown. Real GDP grew by 8.5% in 2000. According to Bank Negara, Malaysia's central bank, expansion in the Malaysian economy during 2001 was spurred by strong fiscal stimulus expenditure and firmer domestic demand.

Inflation moderated during the year to 1.4% from 1.6% recorded in 2000. The continuing moderation in the country's inflation was attributable to the relative stability of the Malaysian currency, (which continued to be pegged at one US dollar to 3.80 Malaysian ringgit), lower inflation abroad, and lower prices for most goods and products owing to excess supplies in several sectors of the economy. Unemployment in 2001 rose to 3.7% from 3.1% in 2000.

According to Bank Negara, the country's economy is currently in the early stages of recovery and is expected to strengthen in the course of the year. GDP growth for 2002 is forecast at 3.5% on the back of improved external demand and stronger private consumption and investment.

Minerals

In 2001, the minerals sector in Malaysia grew by a marginal 0.2% compared with a decline of 0.5% in 2000. The growth was contributed largely by higher natural gas production due to increased domestic and external demand. Tin output continued to decline during the year reflecting weak tin prices and exhaustion of ore reserves.

Malaysia's tin-in-concentrates production declined in 2001 by 21% to 4,972 t from 6,307 t in 2000. Tin prices on the Kuala Lumpur Tin Market (KLTM), the Malaysian physical tin market, weakened in 2001. The number of tin mines in operation at end 2001 totalled 63 units, a decline of 7 units from the end of 2000. The bulk of the country's tin production in 2001 came largely from the gravel-pump sector, which contributed some 42% of total output from 16 operating mines.

The KLTM's average tin price for 2001 was RM16.49/kg or US$4,338/t compared with RM20.47/kg or US$5,386/t in 2000. Tin prices on the KLTM were generally higher during the early part of the year, but gradually turned softer towards year end. Trading on the KLTM was in line with trading of tin metal on the London Metal Exchange (LME), which in turn reflected global base metals market performance. The highest tin price reached during the year on the KLTM was RM19.78/kg (US$5,205/t) on January 12, while the lowest price recorded was RM13.39/kg (US$3,523) on September 24. The tin market was very much impacted by the weak global economy and the September 11 terror attacks on New York City and the Pentagon in Washington DC, US.

Stocks of tin in the LME warehouses during the year continued to rise. At end 2001, LME high-grade tin stocks totalled 30,550 t compared with 12,885 t at the end of 2000, a substantial increase of 137%.

Tin stocks held by the US Defense Logistics Agency (DLA) continued to decline during the year. At the end of 2001, DLA tin stocks stood at 65,839 t compared with 72,339 t at the end of 2000, a reduction of 9%. Because of the low tin price, the DLA cancelled all sales of its stockpiled tin beginning August 7 until the end of the US fiscal year, ie September 30, 2001. The DLA was supposed to release its sales plan for fiscal year 2002, which started on October 1, 2001. The US Congress, however, had first to approve it under the Defense Authorisation Act before the DLA could proceed with the sales plan. The effect of the September 11 terrorist attacks on the US and the resultant military action could have a bearing on the level of such sales and the date of their implementation.

Malaysia's domestic consumption of tin during 2001 declined as a result of weak demand from the local tin-based products manufacturers. Tin consumed in the year 2001 totalled 4,045 t compared with 5,639 t recorded in 2000. The solder sector remained the mainstay in the local consumption of the metal in 2001 followed by the tinplate and pewter sectors.

Imports of tin-in-concentrates in 2001 for smelting by Malaysia's sole tin smelter, Malaysia Smelting Corp. (MSC), totalled 27,990 t, an increase from 19,276 t imported during the previous year. These concentrates came mainly from Australia, Peru, Vietnam and Myanmar. Malaysia exported a total of 27,269 t of refined tin metal during the year, an increase of 32% from 20,614 t exported in 2000. The total value of Malaysia's tin exports in 2001 was RM531 million compared with RM435 million in the previous year. The metal is still the country's single largest mineral export earner, in value terms.

The production of other major minerals, namely iron ore, gold, bauxite, silica-sand and coal, again showed a mixed performance during 2001. No copper was produced owing to the closure of the Mamut copper mine in Sabah, East Malaysia. It was Malaysia's only copper mine, and closed in mid-1999 because of ore exhaustion. Iron-ore output increased by 46% to 376,476 t from 258,573 t in 2000. The ores came from six small mines located in several states in Peninsular Malaysia. All of the output was consumed by the domestic cement, and iron and steel plants.

Production of gold in 2001 decreased by 2% to 3,965 kg from 4,026 kg in 2000. The bulk of the production came from the country's single largest primary gold producer, the Penjom gold mine. It is located in Kuala Lipis, Pahang, and is a joint venture between local and foreign interests. Several smaller gold mines operate in Kelantan, Terengganu and Sarawak.

Bauxite production in 2001 decreased by 48% to 64,161 t from 123,270 t in 2000. It was produced from two mines in Johore in Peninsular Malaysia and exported to Japan and the US in the form of upgraded bauxite ore.

Abundant reserves of naturally occurring silica-sand resources including ex-tin mine tailings sand deposits are found throughout Malaysia. Data from the Department of Minerals and Geoscience Malaysia show that the country has some 148.4 Mt of silica-sand deposits. Small amounts of silica are also produced from the crushing of quartz rock. Silica-sand mining is mostly undertaken in the states of Johor, Perak, Selangor and Sarawak. The bulk of the silica produced is used in the manufacture of glass products. It is also used in ceramics, foundries, water treatment, and glasswool. The output of silica-sand in 2001 totalled 201,178 t, a 17% decrease from the 2000 output of 243,784 t. Measures are currently being undertaken by the government and industry to promote the manufacture of value-added glass products utilising domestic silica-sand resources.

Malaysia's major coal resources are located in the east Malaysian states of Sarawak and Sabah, with small deposits in the states of Selangor, Perak and Perlis in Peninsular Malaysia. Total resources, as estimated by the Department of Minerals and Geoscience Malaysia, stand at 1,711 Mt of which 275 Mt are measured, 347 Mt indicated and 1,089 Mt inferred. The mine development of these resources should be sufficient to meet the local demand for coal.

Currently, coal production is undertaken mainly in Sarawak, in the Merit-Pila Coalfield, which has measured reserves of some 170 Mt of coal. Total coal output in 2001 increased by 43% to 545,845 t from 382,942 t produced in 2000. Malaysia is presently a net importer of coal for domestic requirements in power generation and cement plants. The country's major import sources are Indonesia, Australia, China and Russia.

Coal forms a strategic resource in the country's Four-Fuel Policy whereby power requirements are interdependent on four energy sources, namely oil, gas, hydro power and coal. However, the country is now embarking on the inclusion of traditional renewable energy sources such as solar, wind, and biomass as an additional energy mix to extend to a new Five-Fuel Policy.

The private sector continued to undertake mineral exploration activities in the major mining states of Pahang and Kelantan in Peninsular Malaysia, and Sabah and Sarawak in east Malaysia. The targets were base metals such as tin, gold, copper, iron, nickel, cobalt, industrial minerals and coal.

Crude Oil and Gas

In 2001, crude oil production including condensates declined by 1.9% to 668,000 bbl/d from 681,000 bbl/d in 2000. The oil is produced from 39 oil fields, half of which are located offshore in Peninsular Malaysia, 23% from offshore Sarawak and the remainder from offshore Sabah. The lower level of crude oil production in 2001 was consistent with the country's National Depletion Policy, which aims to sustain the exploitation of the nation's oil reserve. Malaysia's crude oil reserve as at January 1, 2001 was estimated at 3.39 billion barrels, ranking it 27th in the world. At the current rate of production, this level of reserves should last for another 16 years without replenishment. About 61% of the reserves are located in the offshore areas of Peninsular Malaysia, 24% in Sarawak and 15% in Sabah.

Output of natural gas increased by 3.3% to 1,650 million standard cubic feet per day (mmscfd) in 2001 from 1,598 mmscfd in 2000. About 42% of the gas production is from Peninsular Malaysia, 54% from Sarawak and 4% from Sabah. A total of 219 gas fields and 7 gas wells are in existence in the country. The increased output during the year was due to higher domestic demand particularly from the power generation and manufacturing sectors. At the same time, there was also increased external demand for LNG from Japan and Taiwan.

Malaysia is currently the world's third largest LNG supplier. The country has an estimated gas reserve of some 82.520 billion ft^3 as at January 1, 2000, ranking it 12th in the world. Reserves are sufficient for another 40 years based on the present production rate. In energy terms, it is about five times Malaysia's oil reserve. Half of the gas reserve is located in Sarawak, 9% in Sabah and the balance of 41% situated in Peninsular Malaysia. At year end, a new off-shore gas field commenced operations to cater for the projected increase in demand for gas.

Currently, 42% of Malaysia's crude oil reserve and 18% of its gas reserve have been developed. In addition to the aforesaid gas reserve, there is some 4,000 billion ft^3 of gas reserve (Malaysian share) in the offshore Malaysia-Thailand Joint Development Area.

Meanwhile, work on establishing a regional gas project, called the Trans-Asean Gas Pipeline (TAGP), linking the national networks of Southeast Asian countries is progressing despite the global economic slowdown. The network will link the 10 members of the Association of Southeast Asian Nations (Asean) and is due for completion in 2015. Completion of the 4,000 km pipeline will spur economic development within the Asean member countries, which in turn will create opportunities for gas and petrol related businesses in the region.

During the year, only one new Production Sharing Contract (PSC) was signed between PETROLIAM Nasional Bhd (Petronas), Malaysia's national oil corporation, and an international oil production company. A total of 34 exploration wells and 56 development wells were drilled in 2001. Some 438,702 line kilometres of seismic data were acquired for exploration and development purposes.

Petronas, which went global in its business undertakings in 1990, reported another record performance in its latest financial year results. According to the company, it is now beginning to reap the fruits of its international operations, the integration of various operating units, and the expansion into manufacturing and retailing. For the financial year ended March 31, 2001, Petronas recorded a net profit of RM16.5 billion (US$4.3 billion), up by 31% against RM12.6 billion recorded in the previous financial year. Petronas has ventures in more than 25 countries in both the upstream and downstream sectors of the oil and gas industries in Asia, Africa, West Africa, Europe, Australia and South America. Its overseas earnings comprise just under a third of Petronas's total revenue.

In the most recent 2001 Fortune Global 500 list, Petronas moved up to 254th spot from number 311 the previous year. In the petroleum refining industry, Petronas was ranked 20th out of 29.

For the year 2002, Malaysia's minerals sector is forecast to grow by 3.0%, as a result of higher production of crude oil and natural gas in response to higher domestic demand.

Meanwhile, tin production in 2002 is expected to remain low. However, if the renewal of new mining leases are granted by the authorities, more tin mines could be re-opened and production could increase. With the prospect of an improved global economy in the year 2002, the tin price could see some improvement, as well.

As for Malaysia's other minerals, their output performance in 2002 is expected to remain mixed.

Malaysia's Major Minerals Production (t)

	2000	2001
Bauxite	123,270	64,161
Silica-sand	243,784	201,178
Iron Ore	258,573	376,476
Tin-in-Concentrates	6,307	4,972
Coal	382,942	545,845
Gold (kg)	4,026	3,965
Crude Oil (bbl/d)	681,000	668,000
Natural Gas (million ft^3/d)	1,598	1,650

Sources: Department of Minerals and Geoscience,

Malaysia Bank Negara Malaysia Annual Report 2001