



NEWSLETTER

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CURRENT ACCOUNT BALANCE (CAB)

What is Current Account?

Current account balance is the sum of net exports of goods and services, net primary income, and net secondary income to or from the rest of the world.

- A **deficit** on the current account means that the value of imports is greater than the value of exports.
- A **surplus** on the current account means that the value of imports is less than the value of exports.

Primary income

Primary income is the net flow of profits, interest and dividends from investments in other countries and net remittance flows from migrant workers.

Secondary income

Secondary income refers to transfers recorded in the balance of payments whenever an economy provides or receives goods, services, income, or financial items without a corresponding return of an item of economic value.

How to calculate Current Account?

$$\text{CAB} = \text{Goods Acc.} + \text{Services Acc.} + \text{Primary Income} + \text{Secondary Income}$$

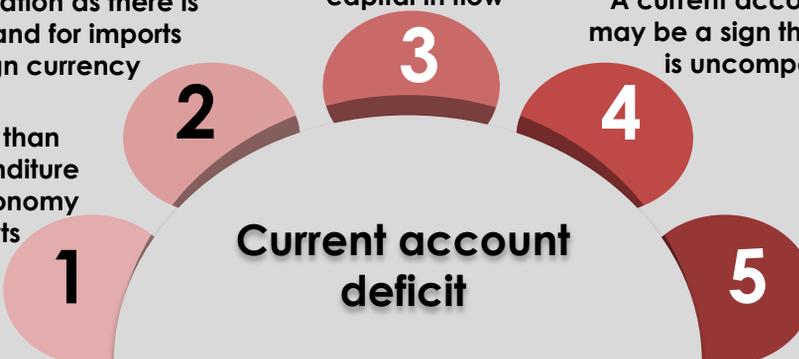
Current account deficit may cause depreciation as there is greater demand for imports and foreign currency

A current account deficit is finance by attracting capital in flow

A current account deficit may be a sign the economy is uncompetitive

The benefit of a current account deficit is that it allows higher levels of domestic consumption than otherwise possible because we are buying from abroad

Imports greater than exports, so expenditure is leaving the economy to buy imports



Effects of a current account deficit

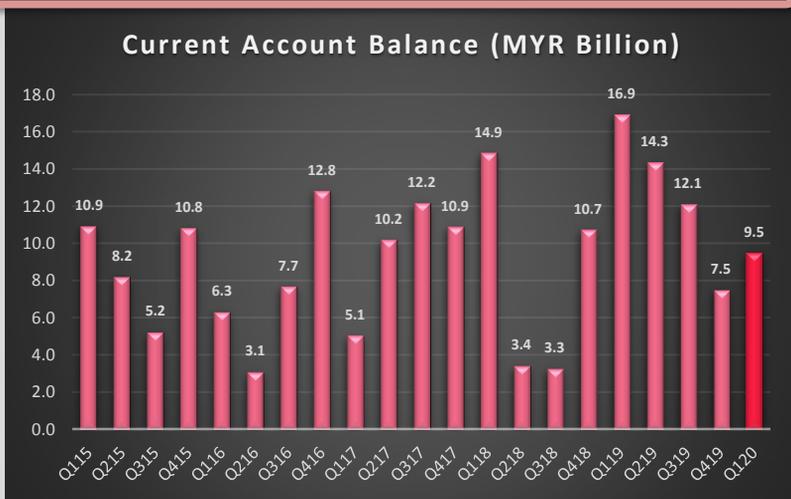
Value of imports greater than exports

1. Leakage from circular flow – Aggregate Demand diminished
2. May cause depreciation in Exchange Rate
3. Foreigners will own more domestic assets
4. Sign of uncompetitive exports
5. Enables higher levels on consumption

Current Account Balance, Q1 2015 – Q1 2020

“Malaysia’s current account balance recorded a surplus of **MYR9.5 billion in Q1 2020** as against MYR7.5 billion in the Q4 2019”

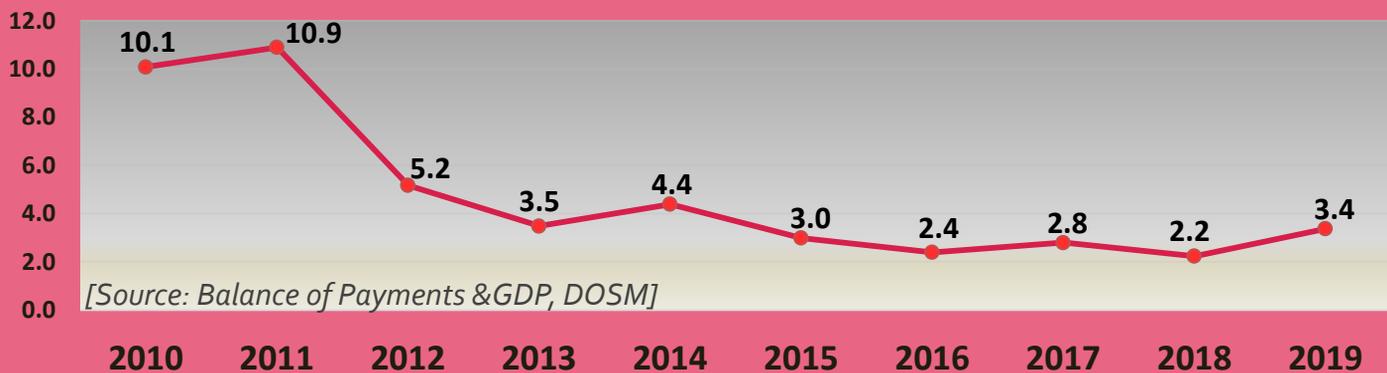
“For the year 2019, the current account surplus marked **MYR50.9 billion**”



[Source: Balance of Payments, DOSM]

Current Account Balance (% of GDP), 2010 - 2019

Current Account Balance (% of GDP)



[Source: Balance of Payments & GDP, DOSM]

Malaysia recorded a current account surplus of **3.4 per cent** of the country's Gross Domestic Product (GDP) in **2019** as compared to 2.2 per cent in 2018.

Current Account, Q1 2015 – Q1 2020

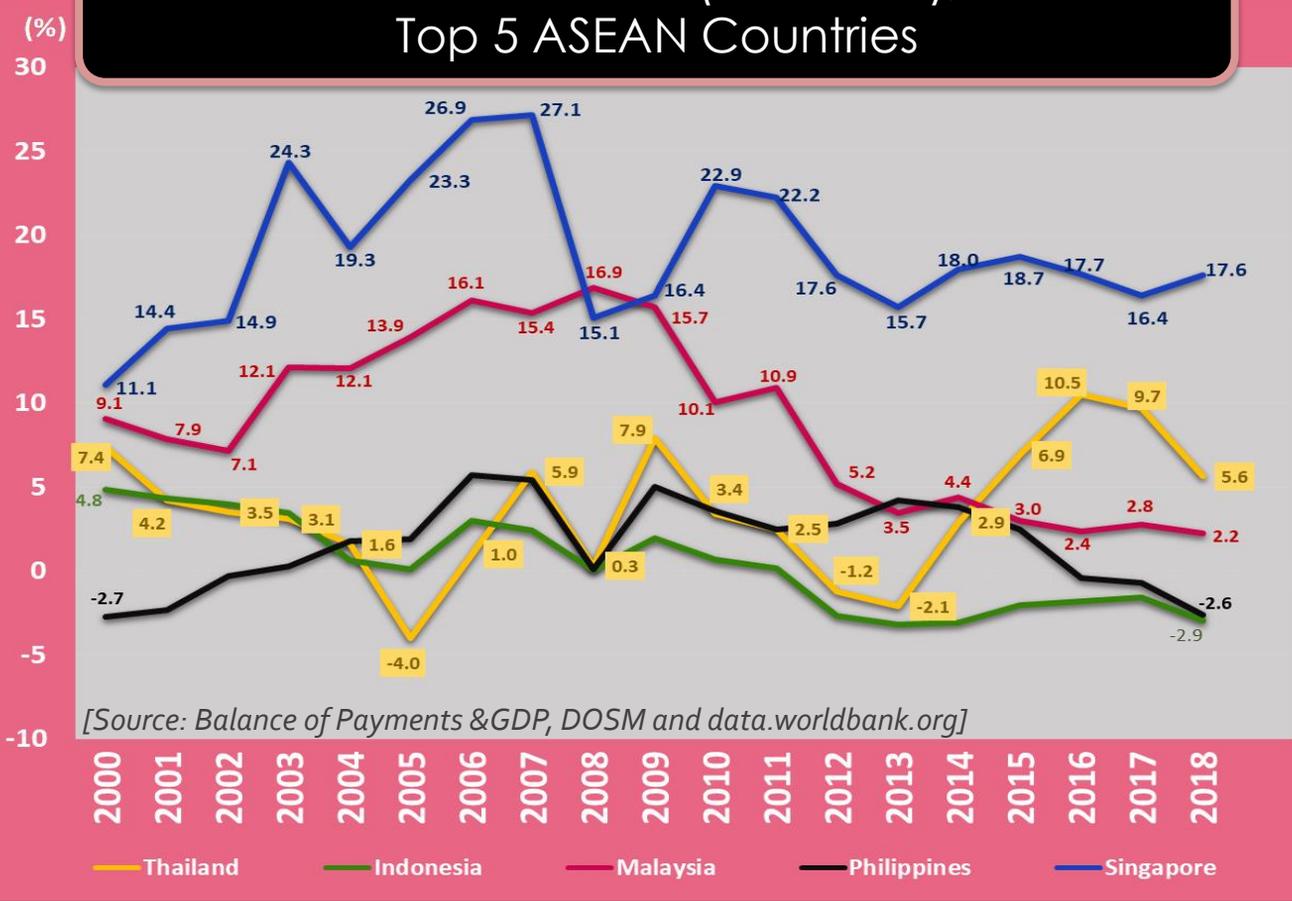


Malaysia's current account surplus fell sharply to MYR9.5 billion in the first quarter of 2020 from MYR16.9 billion in the same period of the previous year. The goods surplus dropped to MYR28.9 billion from MYR33.4 billion a year ago, while the services gap widened to MYR8.0 billion from MYR1.7 billion.

Meantime, the deficit of primary income narrowed to MYR6.0 billion from MYR9.2 billion in the prior year, and that of secondary income fell slightly to MYR5.4 billion from MYR5.6 billion.

[Source: Balance of Payments, DOSM and tradingeconomics.com]

Current Account Balance (% of GDP), 2000 - 2018 Top 5 ASEAN Countries



[Source: Balance of Payments & GDP, DOSM and data.worldbank.org]

DISCLAIMER: The article in this newsletter is the initiative of DOSM officers based on ad-hoc observation and collection of brief information in the field during the Movement Control Order. It does not meet the country's official statistics released standards. Therefore, the content of this newsletter cannot be interpreted as DOSM's official statistics.

