PERFORMANCE OF SERVICES SECTOR

Percentage Share of GDP at Constant 2010 Prices, for year 2014

GDP RM 1,012.6 billion

- Agriculture: 11.1%
- Mining & Quarrying: 9.2%
- Construction: 9.0%
- Services: 23.0%
- Import Duties: 4.3%

Annual Percentage Change for Total Services and Private Services at Constant 2010 Prices

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>SERVICES</td>
<td>7.0%</td>
<td>6.5%</td>
<td>6.0%</td>
<td>6.6%</td>
</tr>
<tr>
<td>PRIVATE SERVICES</td>
<td>6.3%</td>
<td>6.0%</td>
<td>5.7%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Annual Growth YoY (%)
CONTRIBUTION OF SERVICES SUB-SECTORS

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>Share to GDP</th>
<th>Share to Sector</th>
<th>Share to Private Services</th>
<th>Growth YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2014</td>
<td>Q215</td>
<td>Q215</td>
</tr>
<tr>
<td>SERVICES</td>
<td>53.5</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Electricity and Gas</td>
<td>2.1</td>
<td>3.9</td>
<td>3.9</td>
<td>4.7</td>
</tr>
<tr>
<td>Water, sewerage and waste management</td>
<td>0.5</td>
<td>1.0</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>6.3</td>
<td>11.7</td>
<td>12.3</td>
<td>14.7</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>6.2</td>
<td>11.5</td>
<td>11.2</td>
<td>13.3</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>2.0</td>
<td>3.6</td>
<td>3.3</td>
<td>4.0</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>2.1</td>
<td>3.9</td>
<td>4.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Accommodation</td>
<td>0.6</td>
<td>1.2</td>
<td>1.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Transportation and Storage</td>
<td>3.5</td>
<td>6.5</td>
<td>6.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Information and Communication</td>
<td>5.5</td>
<td>10.2</td>
<td>10.9</td>
<td>13.0</td>
</tr>
<tr>
<td>Finance</td>
<td>5.5</td>
<td>10.3</td>
<td>9.9</td>
<td>11.8</td>
</tr>
<tr>
<td>Insurance</td>
<td>1.8</td>
<td>3.4</td>
<td>3.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Real Estate and Business Services</td>
<td>4.2</td>
<td>7.9</td>
<td>8.2</td>
<td>9.8</td>
</tr>
<tr>
<td>Other Services</td>
<td>4.4</td>
<td>8.2</td>
<td>8.4</td>
<td>10.0</td>
</tr>
<tr>
<td>Government Services</td>
<td>8.8</td>
<td>16.5</td>
<td>16.1</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: Contribution of Services Sector at Constant 2010 Prices.

FINANCE & INSURANCE

Finance & Insurance Composition
Share For Year 2014

Insurance RM18.5 B (25%)
Finance RM55.5 B (75%)
Value Added RM 74 Billion

Finance & Insurance Performance
Annual Percentage Change 2011 - 2014

YEAR 2014

Contribution of Finance & Insurance to Total GDP is 7.3% and 13.7% to the total services sector

Percentage to Services Sector 13.7%
Percentage to Total GDP 7.3%
### FINANCE & INSURANCE: DEFINITION

This category includes all units engaged in activities of obtaining and redistributing funds, in the form of deposits by Central banks and other monetary institutions, insurance and pension funding and other activities auxiliary to financial intermediation.

### FINANCE:

#### Data Sources & Methodologies

<table>
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<tr>
<th>Annual</th>
<th>Quarterly</th>
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</thead>
<tbody>
<tr>
<td><strong>Data Sources</strong></td>
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<tr>
<td>• Central Bank of Malaysia</td>
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<tr>
<td>• Financial Statement From Companies</td>
<td>• Other Indicators : BLR, ALR</td>
</tr>
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<td>• Other Indicators : BLR, ALR</td>
<td>• Deflator : CPI</td>
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<td><strong>Methodology</strong></td>
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</tr>
<tr>
<td>• Double Deflation</td>
<td>• Extrapolation Output as mover</td>
</tr>
</tbody>
</table>
**FINANCE : OUTPUT**

- Finance
  - Market
    - Monetary Intermediation
  - Non-Market
    - Other Financial Intermediation
    - Central Bank

**FINANCE : OUTPUT**

- Output for Banking
  - Explicit Charges
    - Fee Income
    - Rental Income
    - Other Income
  - Implicit Charges
    - FISIM
      - Associated with loans and deposits

FISIM – Financial Intermediaries Indirectly Measured
**Output for Finance (Market)**

\[ \text{Service charges and other receipt from services} + \text{FISIM} \]

Explicit Charges @ Fee Base

**FISIM** - Value of services integrated in the computation of interest on deposit and loans.

- Compute FISIM on Loans and Deposits using Reference Rate Method

**Reference Rate**
- Rate between bank interest rate on deposits and loans
  \[ \frac{\text{Interest on deposits} + \text{Interest on loans}}{\text{Stocks of loans} + \text{deposits}} \]

  - **Fisim on loans**
    \[ \text{Interest rates on loans} - \text{reference rate} \times \text{Stock of loans.} \]
  - **Fisim on deposits**
    \[ \text{Reference rate} - \text{Interest rates paid on deposits} \times \text{Stock of deposits.} \]

  - **Implicit service charges (FISIM)**
    \[ \text{Fisim on loans} + \text{Fisim on deposits.} \]
**FINANCE: FISIM**

- **Allocation of FISIM**
  - A full allocation the use of FISIM across the relevant sectors & industries.
  - To identify the purchase of these services explicitly

**FISIM**

**Intermediate Use**
- Financial Corporation
- Non-Financial Corporation

**Final Use**
- Households
- Government
- Exports

---

**FINANCE & INSURANCE**

**FINANCE IN CONSTANT PRICE**
In deriving the constant prices, double deflation method is used to eliminates the price effect from both output and intermediate consumption.

**OUTPUT**
- Implicit OUTPUT
  - General Prices (Total CPI)
- Explicit OUTPUT
  - CPI of Financial Services
  - CPI Rental

**INTERMEDIATE CONSUMPTION**
- CPI Rental
- PPI Utilities
- SPPI for Information & Telecommunication
- Other related price indexes

**CONCEPTUAL TREATMENT ON FISIM**
In SNA 1993 and 2008, FISIM is to be allocated among the sectors that consume FISIM either as **final consumption** or **intermediate consumption**

**METHOD OF ALLOCATION**
- **Bank deposits** by customer type and **bank loans** by sector

FISIM on loans: Allocated using loan by sector (+ treatment for OOD)
FISIM on deposit: Allocated using deposit by customer type (+ treatment for business)
INSURANCE

Insurance & Pension Funding
- Life Insurance
- Non-Life Insurance
- Pension funding
- Insurance Broking and agency services
- Insurance Adjusting services

Act Auxiliary to Insurance
- FIRE
- MAT
- MOTOR
- Medical & Health
- Personal Accident

Data Sources
- Central Bank of Malaysia
- Financial Statement From Companies

Methodology
- Double Deflation

Data Sources
- Central Bank of Malaysia

Methodology
- Extrapolation Output as mover
Output of Insurance

- **Premium**
- **Investment Income** (consist of income from the Investment Account, islamic money market, income from financing, gross dividend, rent and others minus investment expenses)
- **Claims**

**SNA 2008**: Output of insurance companies (insurance service charges) =

- Premium contribution + Premium supplements – (Adjusted claims incurred)
- Life = Premium earned + Premium supplements – benefits due - increases (+) decreases) in life insurance technical reserves
CALCULATION OF INSURANCE (Malaysia)

Output of Insurance sub-sector as recommended in SNA 2008:

\[
\text{Output} = \text{Premium contribution} + \text{Premium supplements} - (\text{Adjusted claims incurred})
\]

However, our output estimation is still based on SNA 1993 since Malaysia seldom faces huge disaster and calamity:

\[
\text{Output} = \text{Premium income} + \text{Net Investment Income} - \text{Claims Paid}
\]

INSURANCE

In deriving the constant prices, double deflation method is used to eliminates the price effect from both output and intermediate consumption.

\begin{itemize}
  \item \text{INSURANCE IN CONSTANT PRICE}
  \item \text{OUTPUT}
    \begin{itemize}
      \item \text{PREMIUM, PREMIUM SUPPLEMENT}
        \begin{itemize}
          \item CPI Insurance (i.e for Life, motor vehicles, Fire)
          \item Other related indexes (investment)
        \end{itemize}
      \item \text{Claims, Benefit paid}
        \begin{itemize}
          \item CPI Insurance Services (technical reserves)
          \item CPI Insurance (i.e for Life, motor vehicles)
        \end{itemize}
    \end{itemize}
  \item \text{INTERMEDIATE CONSUMPTION}
    \begin{itemize}
      \item CPI Rental
      \item PPI Utilities
      \item SPPI for Information & Telecommunication
      \item Other related price indexes
    \end{itemize}
\end{itemize}
• Appropriate deflator in financial activities is needed to derive a constant price. (i.e Producer Price Index for Banking Services)
• Limitation in allocating FISIM on deposit by economic activity since data on deposit only available by type of customer (e.g. government, business and household).
• In the absence of comprehensive data set on interest paid / receive by economic activity, data on loans and deposits by sectors are used as an indicator to allocate the FISIM by economic activities.
• IFRS – adaptation of the new standard of financial reporting affected the compilation of financial sector.
• Compilation FISIM with ROW still under study
• Life Insurance Technical Reserve – not available by quarterly basis