



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 08/18/05

**EMBARGO: Not for publication or
broadcast before 1200 hours on
Friday, 17 August 2018**

ECONOMIC AND FINANCIAL DEVELOPMENTS IN MALAYSIA IN THE SECOND QUARTER OF 2018

Supply disruptions resulted in slower economic growth of 4.5% in the second quarter of 2018

Private sector activity continued to be the primary driver of growth as both private consumption and investment expanded strongly during the quarter. On the supply side, growth was affected by commodity-specific shocks. Growth in the mining sector contracted due mainly to unplanned supply outages, while the agriculture sector was affected by production constraints and adverse weather conditions. Nevertheless, major economic sectors, notably the services and manufacturing sectors, remained supportive of growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.3% (1Q 2018: 1.4%).

Headline inflation declined to 1.3% in 2Q 2018 (1Q 2018: 1.8%), mainly reflecting the zerorisation of the GST rate. The impact from the GST zerorisation, however, was offset by higher transport inflation. Nevertheless, the fixing of RON95 fuel price since 22 March 2018 helped to contain further increase in fuel inflation during the quarter.

Going forward, the Malaysian economy is expected to remain on a steady growth path

Growth is expected to be sustained, supported mainly by private sector activity. Positive labour market conditions and capacity expansion will continue to support robust private consumption and investment respectively.

While headline inflation is projected to moderate, the extent of the moderation would depend on the pass-through from changes in the consumption tax policy. Underlying inflation, which excludes the impact of changes in the consumption tax policy, is expected to remain relatively stable in the coming quarters supported by sustained private sector spending. Malaysia's macroeconomic fundamentals remain strong, and thus provides the country with the requisite buffers to effectively manage potential shocks to the economy.

The Bank is also featuring two articles. The first – “Divergence of Economic Performance and Public Sentiments” – assesses the disconnect between strong economic performance and the pessimistic outlook among some Malaysians. The second – “Transforming Mobile Phones into E-Wallets in Malaysia” – highlights the Bank's progress in accelerating Malaysia's migration to e-payments, with a focus on key developments relating to mobile payments and its potential to transform Malaysia's payments landscape.

Bank Negara Malaysia
17 August 2018

Table 1:**GDP by Expenditure Components (at constant 2010 prices)**

	Share 2017 (%)	2017		2018		
		2Q	1H	1Q	2Q	1H
		Annual growth (%)				
Aggregate Domestic Demand (excluding stocks)	92.2	5.7	6.7	4.1	5.6	4.9
Private sector	71.1	7.2	7.7	5.2	7.5	6.4
<i>Consumption</i>	53.7	7.1	6.9	6.9	8.0	7.4
<i>Investment</i>	17.4	7.4	10.0	0.5	6.1	3.4
Public sector	21.0	0.2	2.9	-0.1	-1.4	-0.7
<i>Consumption</i>	13.0	3.3	5.3	0.4	3.1	1.8
<i>Investment</i>	8.0	-5.0	-0.9	-1.0	-9.8	-5.2
Net Exports	7.7	1.9	-6.9	62.4	1.7	29.9
<i>Exports of Goods and Services</i>	72.8	9.4	9.6	3.7	2.0	2.9
<i>Imports of Goods and Services</i>	65.1	10.4	11.7	-2.0	2.1	0.0
GDP	100.0	5.8	5.7	5.4	4.5	4.9
GDP (q-o-q growth, seasonally adjusted)	-	1.3	-	1.4	0.3	-

Source: Department of Statistics, Malaysia

Table 2:**GDP by Economic Activity (at constant 2010 prices)**

Annual growth (%)	Share 2017 (%)	2017		2018		
		2Q	1H	1Q	2Q	1H
Services	54.5	6.3	6.1	6.5	6.5	6.5
Manufacturing	23.0	6.0	5.8	5.3	4.9	5.1
Mining	8.4	0.1	0.7	0.1	-2.2	-1.0
Agriculture	8.2	5.9	7.1	2.8	-2.5	0.1
Construction	4.6	8.3	7.4	4.9	4.7	4.8
Real GDP	100.0¹	5.8	5.7	5.4	4.5	4.9

¹ Numbers do not add up due to rounding and exclusion of import duties component

Source: Department of Statistics, Malaysia