



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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

The Malaysian economy grew by 4.7% in the fourth quarter of 2018

Private sector activity remained the main driver of growth, while a rebound in exports of goods and services contributed towards the positive growth of net exports. On the supply side, major sectors continued to expand. The services sector was supported by continued strength in consumer spending, particularly in the retail segment. Growth in the manufacturing sector remained driven by the electronics and electrical (E&E) and consumer-related clusters. Commodities-related sectors continued to recover from production disruptions experienced since the second quarter, with higher growth in the mining and agricultural sectors.

Headline inflation declined to 0.3% (3Q 2018: 0.5%), mainly due to transport inflation turning negative. The combined outcome of the zerorisation of the Goods and Services Tax (GST) and the implementation of the Sales and Services Tax (SST) continued to exert an overall downward impact to headline inflation during the quarter.

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

Private sector demand is expected to remain the main driver of growth amid continuing fiscal rationalisation while the external sector is likely to soften with moderating global demand.

Going forward, headline inflation is expected to average moderately higher. The impact of the consumption tax policy on headline inflation in 2019 will start to lapse towards the end of the year. Underlying inflation, which excludes the impact of the changes in consumption tax policy, is expected to be broadly stable in 2019 in the absence of strong demand pressure.

Bank Negara Malaysia

14 February 2019

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Table 1

GDP by Expenditure Components (at constant 2010 prices)

	Share 2018 (%)	2017		2018		
		4Q	Year	3Q	4Q	Year
		Annual growth (%)				
Aggregate Domestic Demand (excluding stocks)	92.9	6.2	6.5	6.9	5.6	5.6
Private sector	72.8	7.4	7.5	8.5	7.7	7.2
<i>Consumption</i>	55.5	7.0	7.0	9.0	8.5	8.1
<i>Investment</i>	17.4	9.2	9.3	6.9	4.4	4.5
Public sector	20.1	3.4	3.3	1.1	0.4	0.1
<i>Consumption</i>	12.8	6.8	5.4	5.2	4.0	3.3
<i>Investment</i>	7.3	-1.4	0.1	-5.5	-4.9	-5.2
Net Exports	8.4	2.3	-1.9	-7.5	9.9	13.4
<i>Exports of Goods and Services</i>	70.6	6.7	9.4	-0.8	1.3	1.5
<i>Imports of Goods and Services</i>	62.2	7.3	10.9	0.1	0.2	0.1
GDP	100.0	5.9	5.9	4.4	4.7	4.7
GDP (q-o-q growth, seasonally adjusted)	-	1.0	-	1.6	1.4	-

Source: Department of Statistics, Malaysia

Table 2

GDP by Economic Activity (at constant 2010 prices)

Annual growth (%)	Share 2018 (%)	2017	2018			
		4Q	1Q	2Q	3Q	4Q
		Annual change (%)				
Services	55.5	6.2	6.5	6.5	7.2	6.9
Manufacturing	23.0	5.4	5.3	4.9	5.0	4.7
Mining	7.9	-0.3	0.1	-2.2	-4.6	0.5
Agriculture	7.8	10.7	2.8	-2.5	-1.4	-0.4
Construction	4.5	5.9	4.9	4.7	4.6	2.6
Real GDP	100.0¹	5.9	5.4	4.5	4.4	4.7

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

Source: Department of Statistics, Malaysia