

Sidang Akhbar

Prestasi Ekonomi Suku Pertama Tahun 2019

Gabenor
Bank Negara Malaysia

16 Mei 2019



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DEPARTMENT OF STATISTICS MALAYSIA

Sidang akhbar akan meliputi

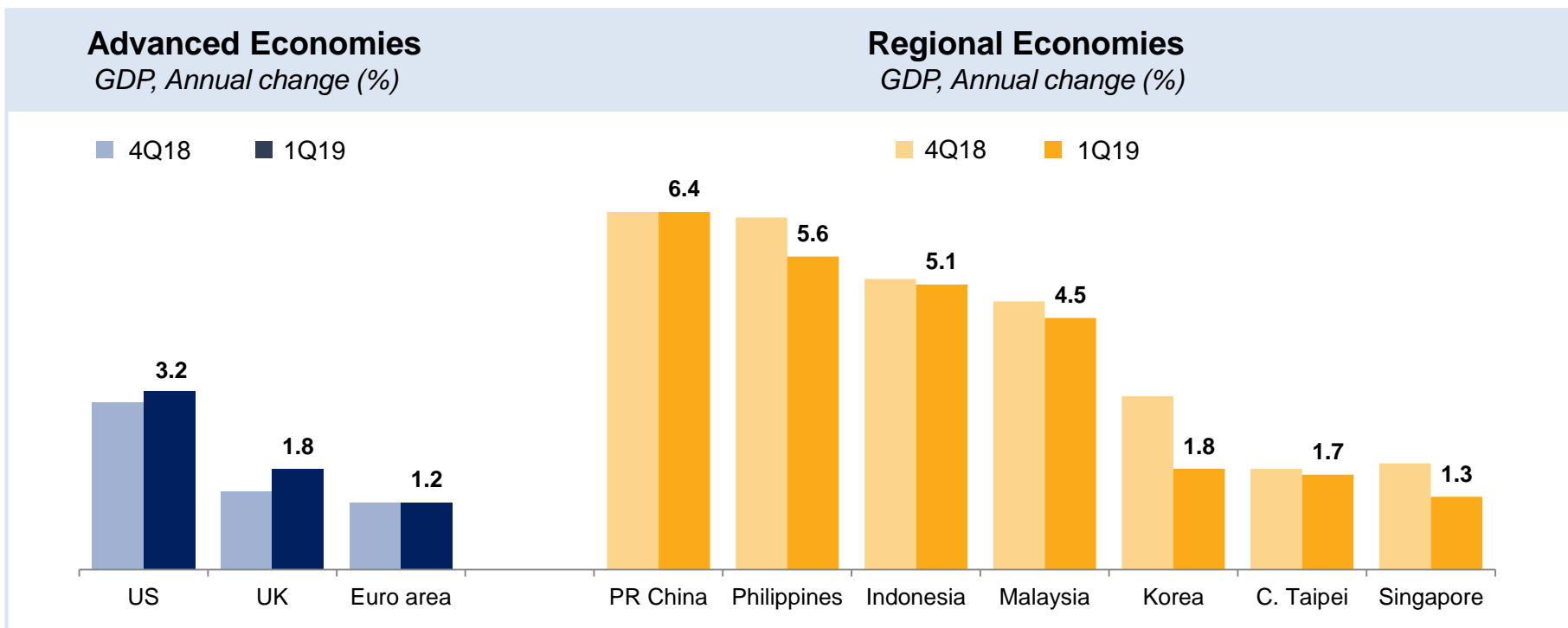


Prestasi ekonomi pada suku pertama 2019

Perkembangan monetari dan kewangan



Most economies recorded sustained or lower GDP growth in 1Q 2019



Slower domestic demand

- Slowing investments in the US, offset by temporary support from weak imports and inventory buildup
- Country-specific weaknesses in the euro area

Lower export performance

- Sustained growth in PR China due to policy support
- Export growth in most regional economies recorded contractions, weighed by weaker global demand

Source: National authorities, IMF, Haver

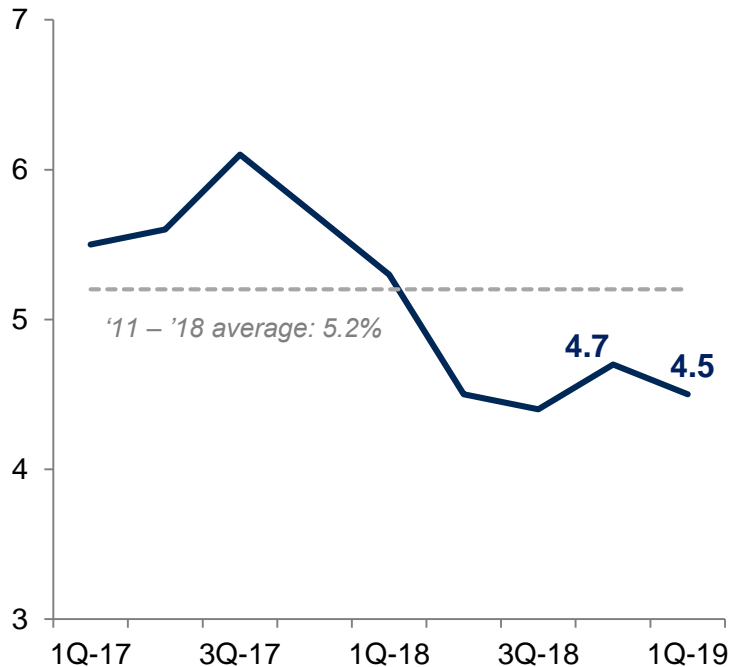


The Malaysian economy grew by 4.5% during the quarter

Growth supported by both external and domestic factors

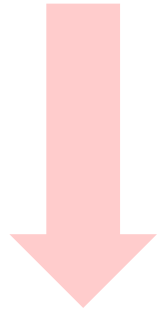
Real GDP Growth

Annual change, %



- Recovery in agriculture sectors, in particular, crude palm oil production
- High net exports

- Normalisation in household spending post-tax holiday period
- Weak investment activity
- Decline in oil and natural gas output due to unplanned shutdown of production facilities



Source: Department of Statistics, Malaysia



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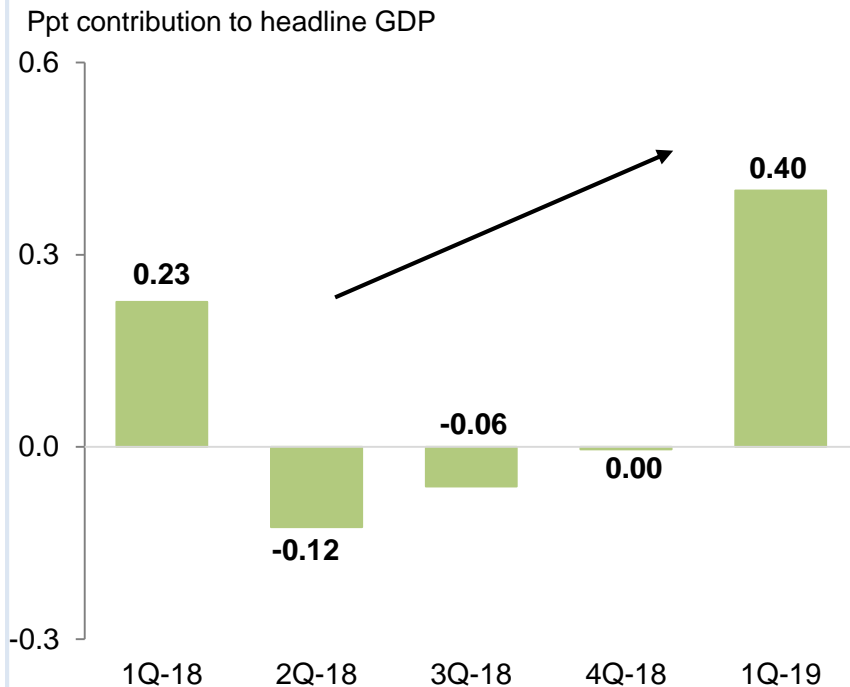


Recovery in the agriculture sector supported growth during the quarter

The agriculture sector rebounded from the supply disruption last year...

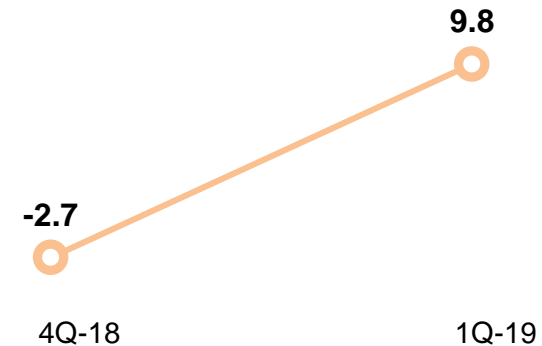
...driven by significant improvements mainly in CPO and natural rubber production

Agriculture: Contribution to GDP growth

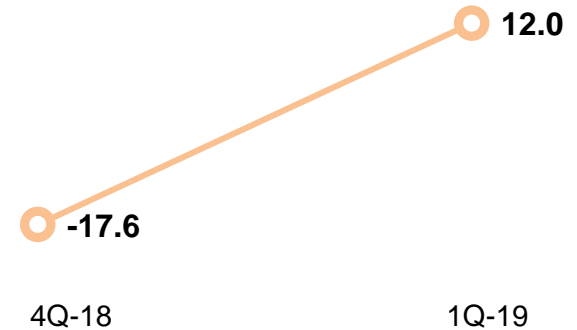


Source: Department of Statistics, Malaysia

Oil Palm Value Added (% yoy)

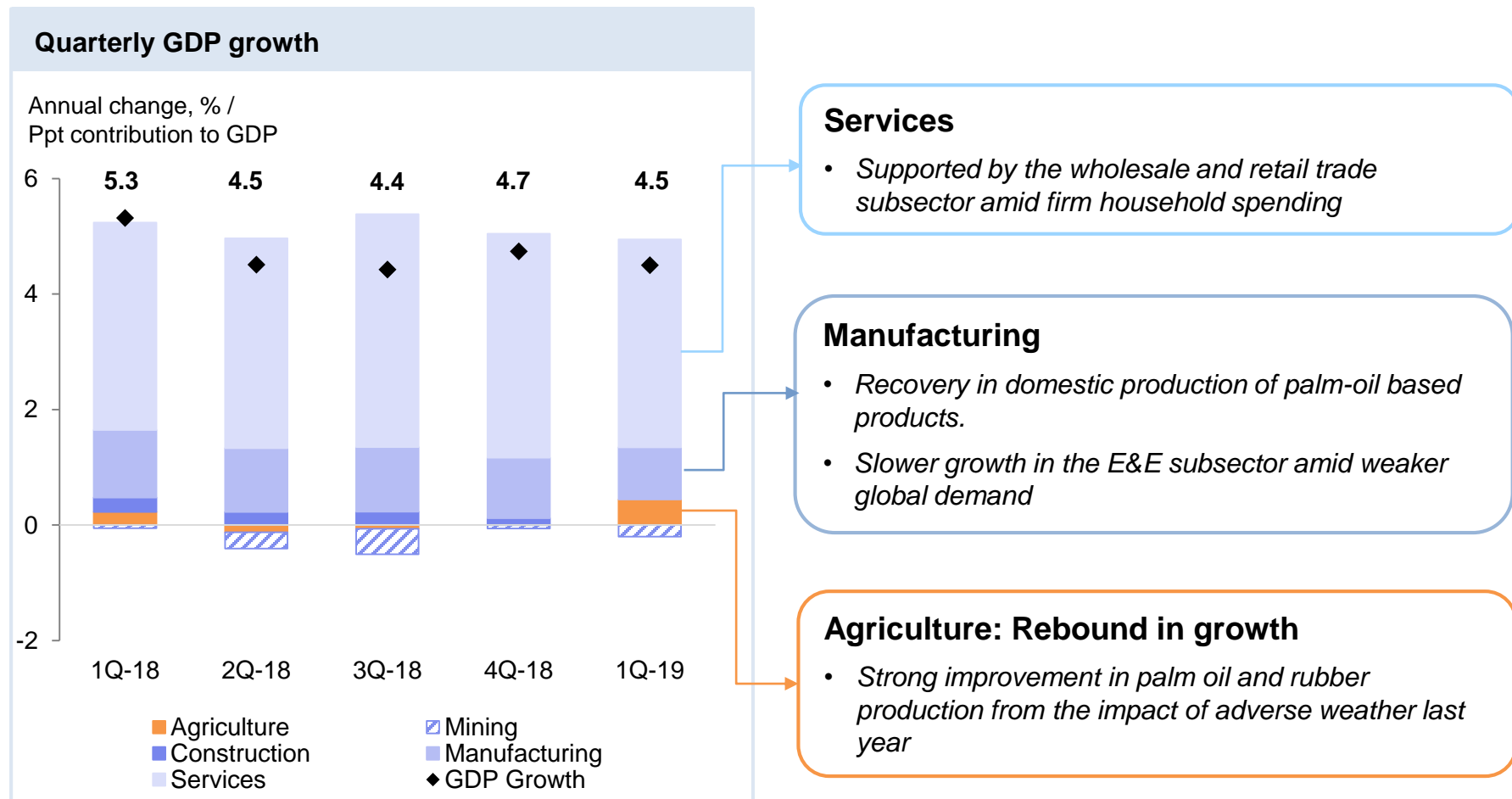


Rubber Value Added (% yoy)



The services and manufacturing sectors remained the key drivers of growth

Continued expansion in the services and manufacturing sectors

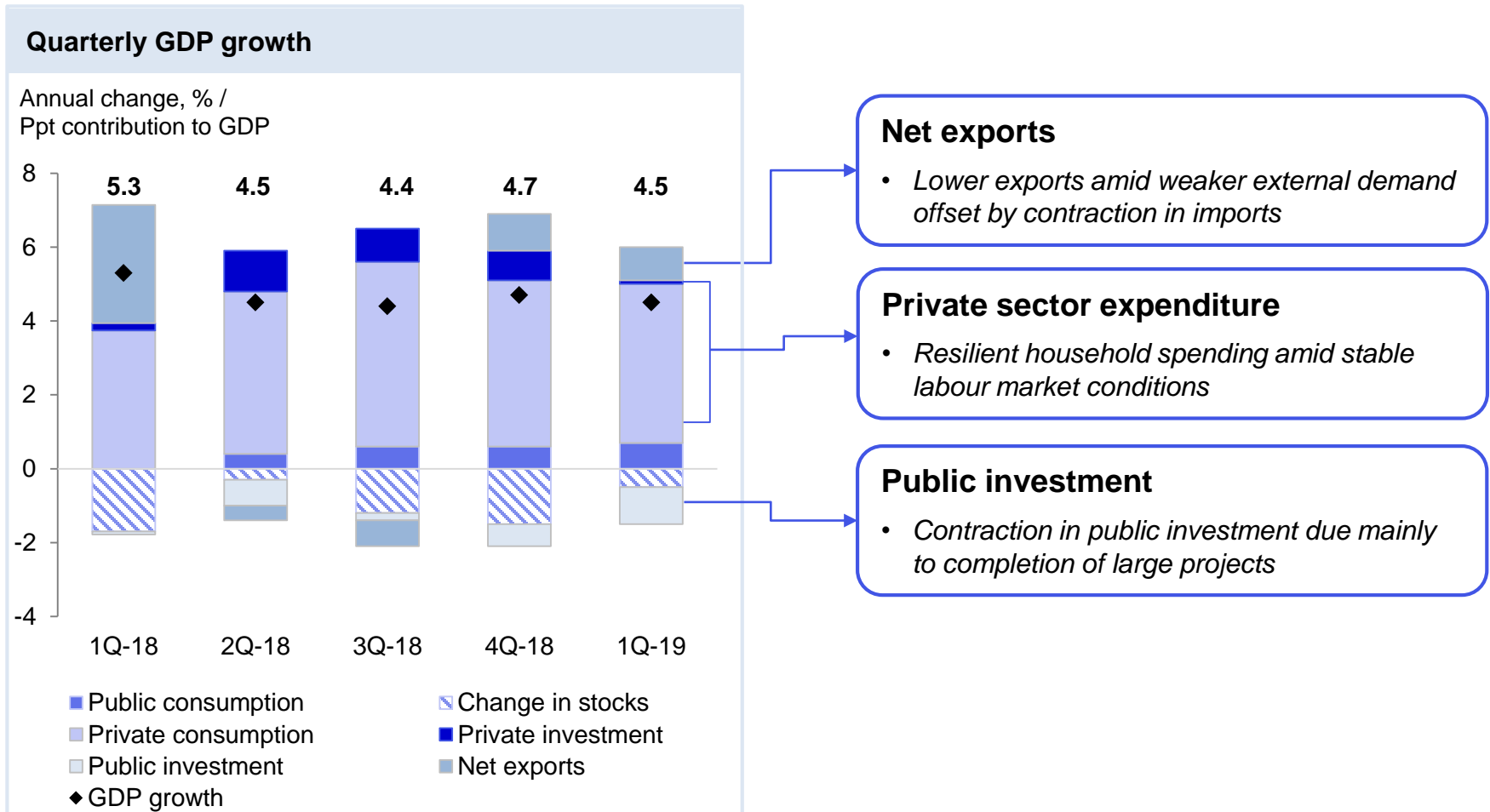


Source: Department of Statistics, Malaysia



Private sector spending was the key growth driver

Continued expansion in private sector expenditure amid support from the external sector



Source: Department of Statistics, Malaysia

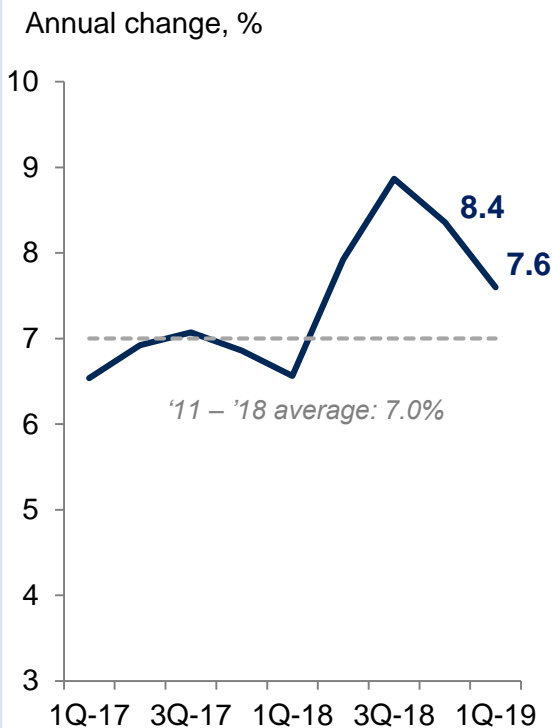


Private consumption growth normalised, but remained firm

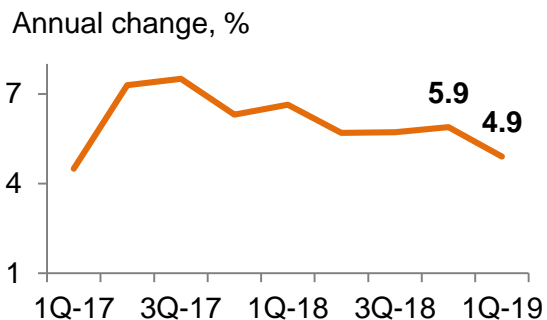
Household expenditure moderated towards the long-term trend, supported by continued income and employment growth

Going forward, consumer spending is likely to moderate but remain firm

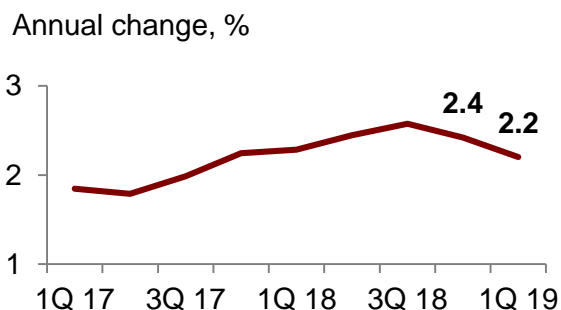
Real Private Consumption Growth



Nominal Private Sector Wage Growth*



Total Employment Growth



Favourable labour market conditions



Supportive Government policies



Absence of one-off factors (e.g. tax holiday)

* Private sector wages were derived from the salaries and wages data published in the Monthly Manufacturing Statistics and Quarterly Services Statistics by the Department of Statistics, Malaysia. They cover 63.5% of total employment.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates



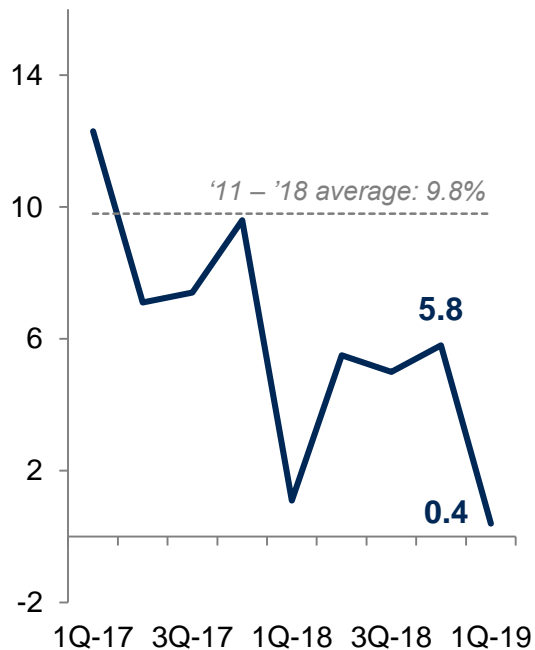
Weak private investment growth

Slower private investment growth amid moderating business sentiment

Going forward, investment activity to be supported by:

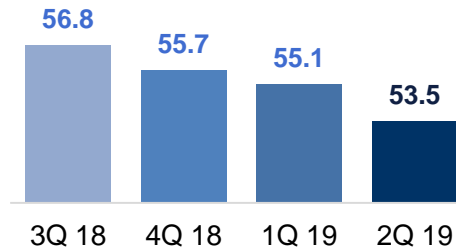
Real Private Investment Growth

Annual change, %



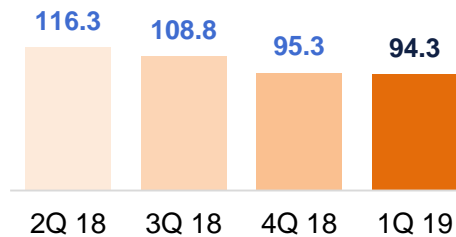
RAM Business Confidence Index (Corporates)

Optimism threshold = 50 points



MIER Business Confidence Index

Optimism threshold = 100 points



Implementation of ongoing multi-year projects



Capacity expansion in the manufacturing and services sectors

Source: Department of Statistics, Malaysia, RAM and MIER



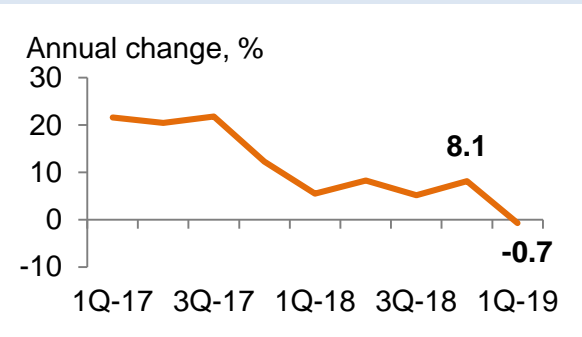
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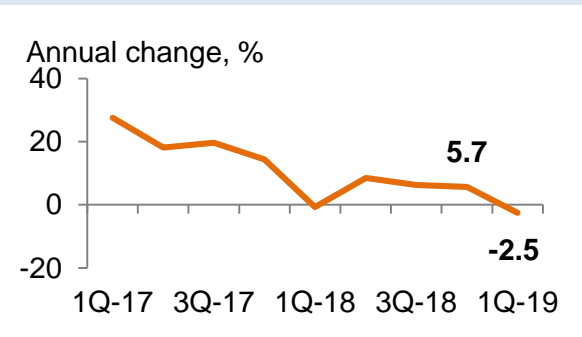
Weaker external demand affecting export and import growth

Broad-based moderation in exports and imports

Export Growth

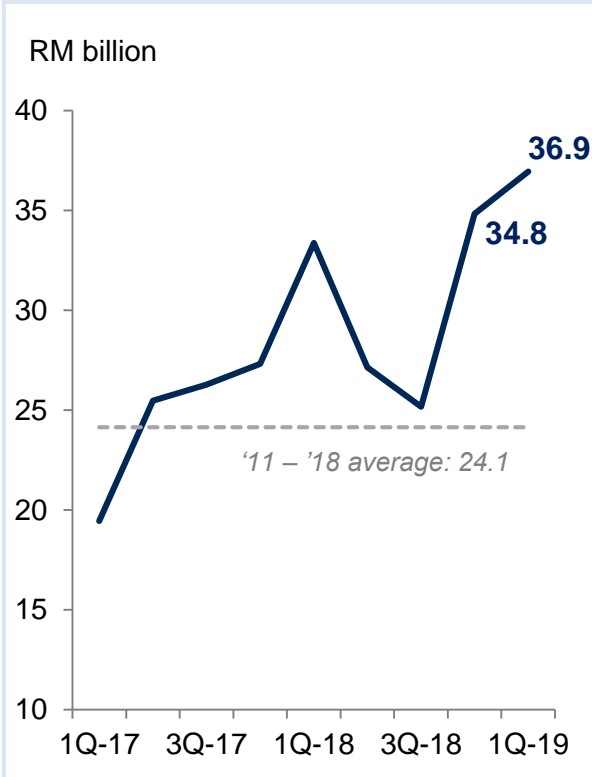


Import Growth



Trade balance widened as the moderation in imports outpaced exports

Trade Balance



Going forward, exports will be supported by



Continued, albeit moderate demand from major trade partners



Global demand for growing niche product segments (e.g. Automotive, medical)



Continued recovery in commodity production

Source: Department of Statistics, Malaysia



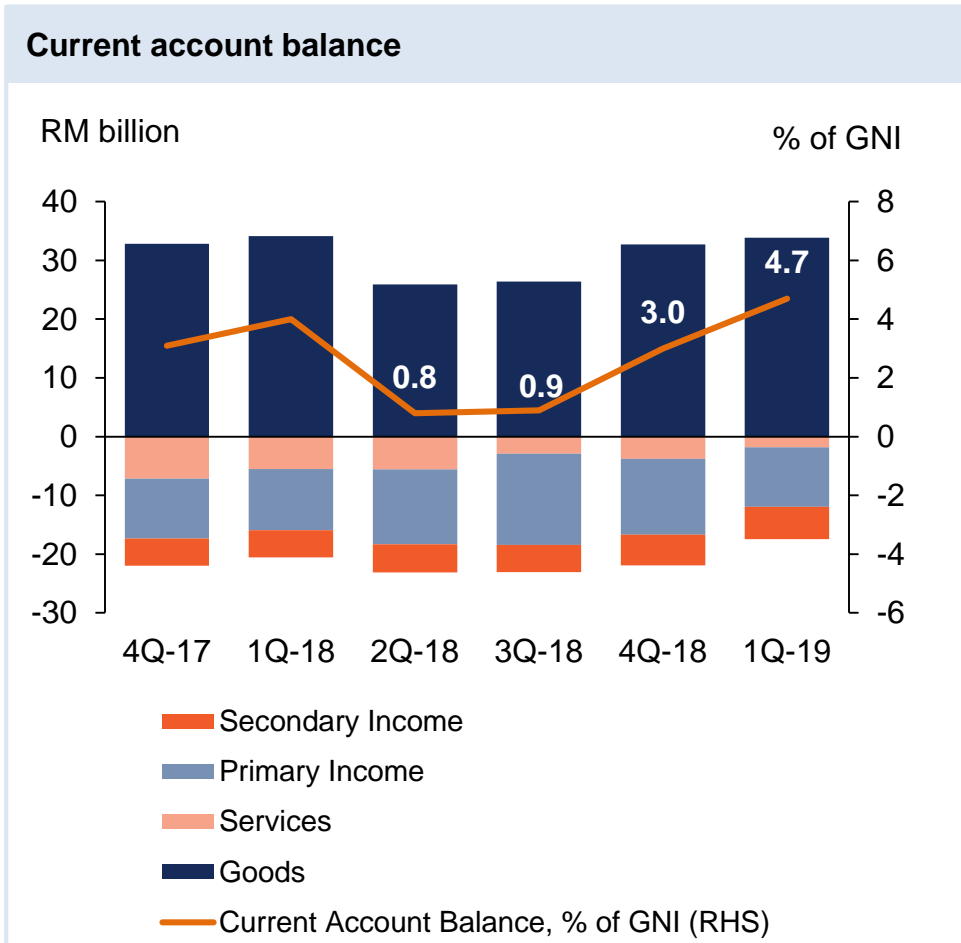
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Current account of the balance of payments registered a surplus of RM16.4 billion (equivalent to 4.7% of GNI)

Current account surplus widened



Source: Department of Statistics, Malaysia

Current account to remain in surplus



Continued goods surplus

- Demand from key trade partners to expand, albeit more moderately

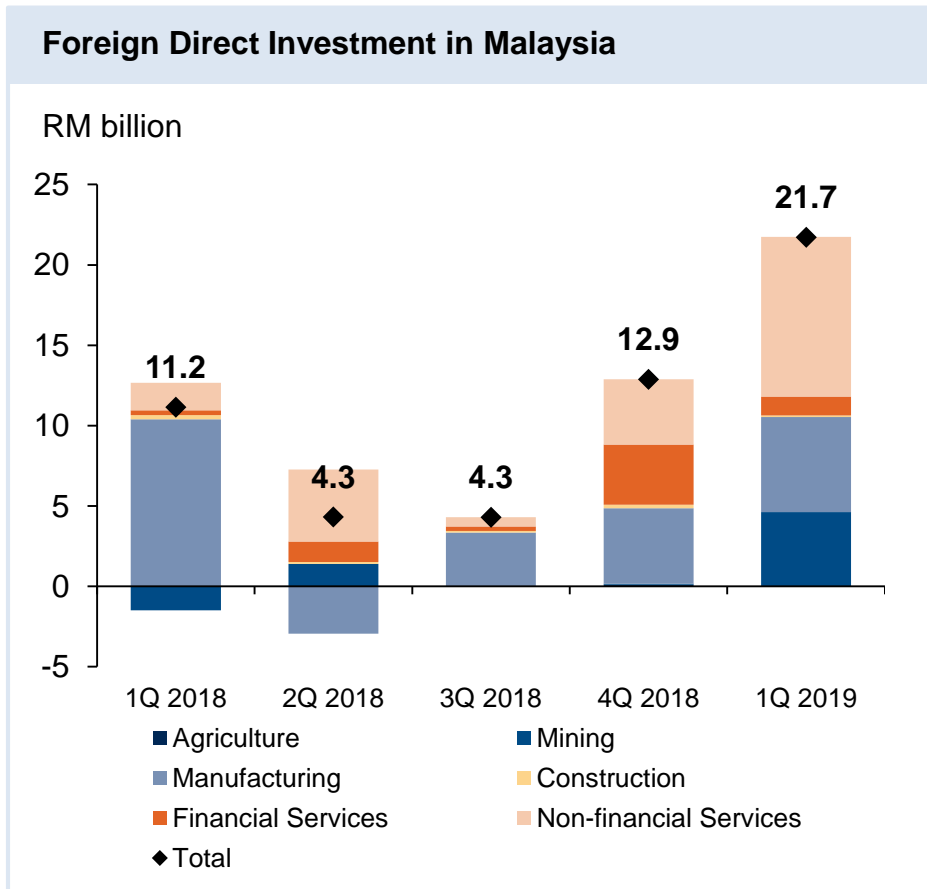


Services and income accounts to remain in deficit

- Reliance on foreign service providers
- Sizeable income accrued to foreign investors

FDI flows amounted to RM21.7 billion in 1Q 2019, and remained broad-based across sectors

1Q 2019 FDI channeled mainly into the services and manufacturing sectors



- FDI improved in 1Q 2019 (RM21.7 billion; 4Q 2018: RM12.9 billion)
- Inflows were broad-based, mainly channeled into the services and manufacturing sectors
- Advanced economies including Japan, Austria and Hong Kong SAR were the largest contributors of FDI

Note: Figures may not add up due to netting off and rounding
Sources: Department of Statistics, Malaysia and Bank Negara Malaysia

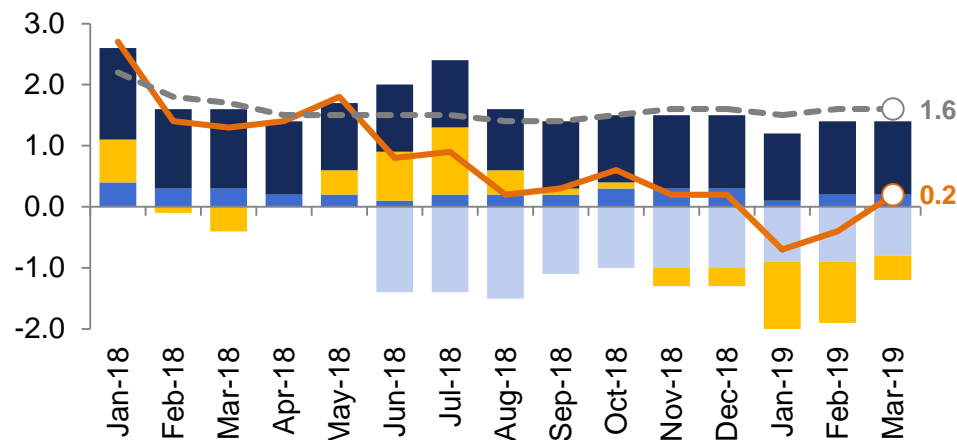
Monetary and Financial Developments



Headline inflation increased to 0.2% in March 2019

Contribution to Headline Inflation by Component

Annual change, % /
Ppt contribution to inflation



Annual change, %	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Headline inflation	1.8	1.3	0.5	0.3	-0.3

- Core inflation¹(ppt)
- Fuel (ppt)
- Net impact of consumption tax policy changes (ppt)
- Others² (ppt)
- Headline inflation (%)
- - - Core inflation¹ (%)

- The increase reflected the higher global oil price which led to an increase in domestic fuel prices
- In 2019, average headline inflation is expected to be broadly stable compared to 2018

¹Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of consumption tax policy changes.

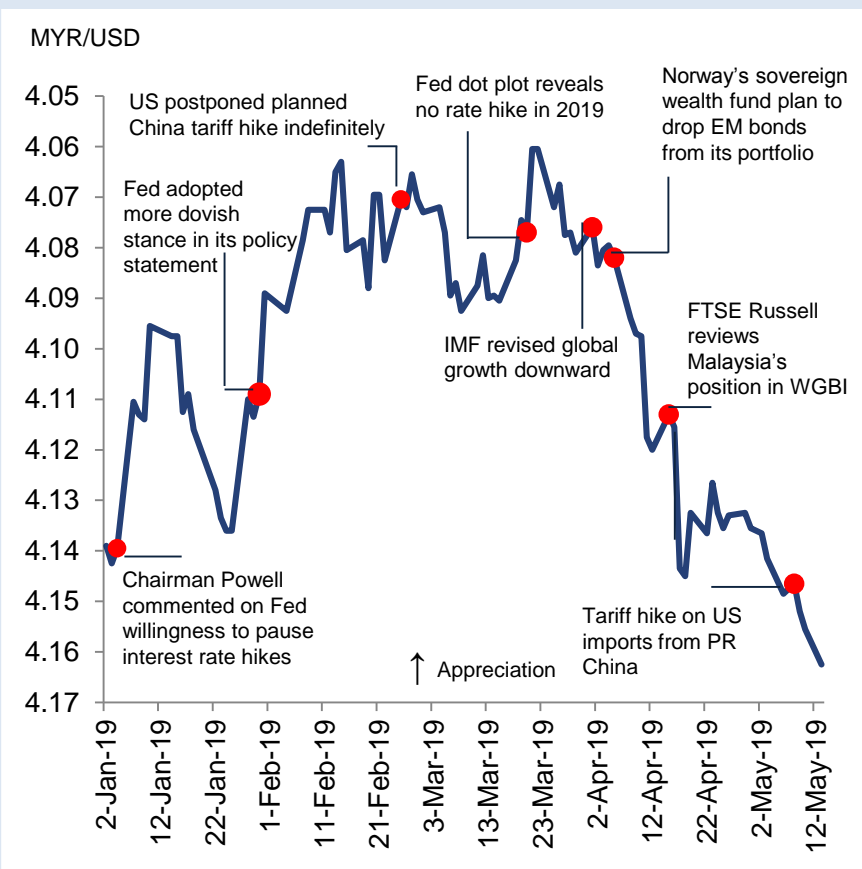
²Others include price-volatile items and other price-administered items

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

While the ringgit appreciated against the US dollar in the first quarter, external factors have weighed on the ringgit since April

Ringgit movements in 2019 have been driven mainly by external factors

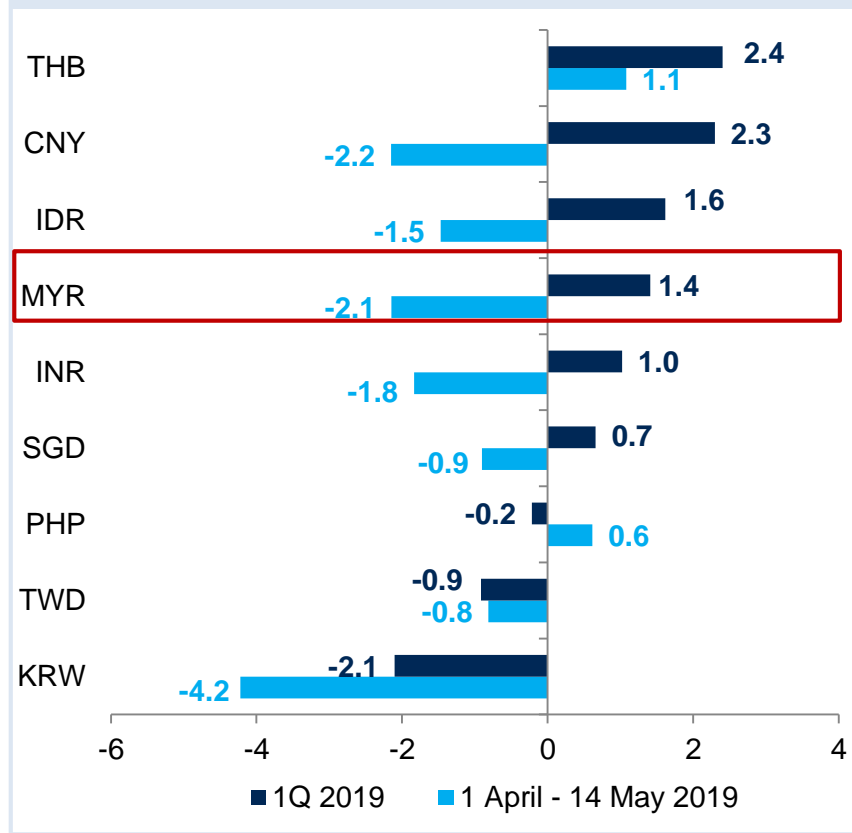
Movement of Ringgit and Global Developments



Source: Bank Negara Malaysia

Going forward, ringgit along with regional currencies will continue to be influenced by external factors

Performance of Selected Regional Currencies Against USD

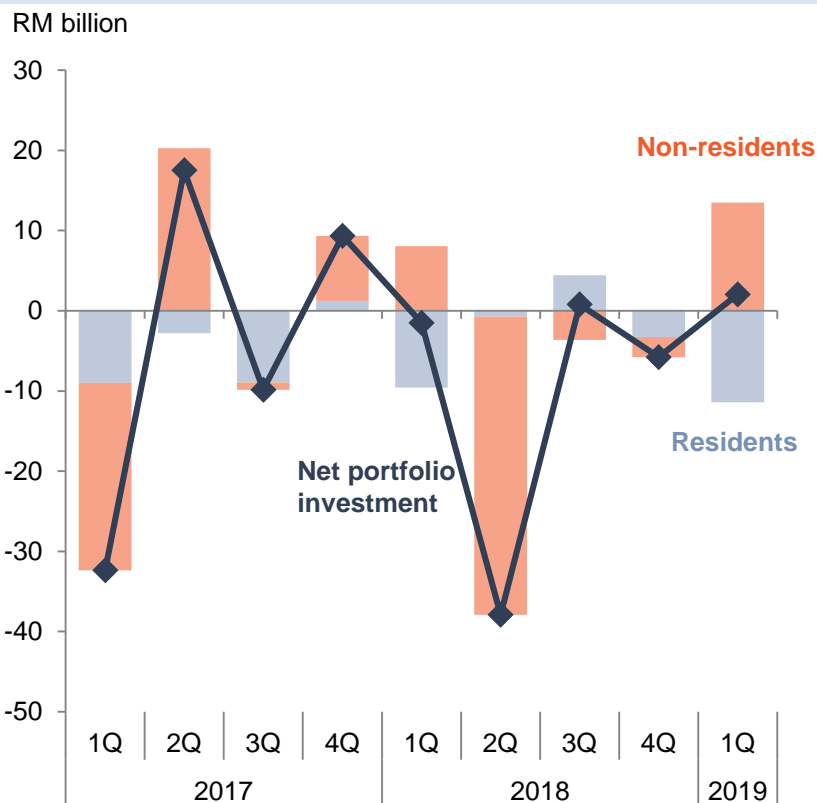


Source: Bank Negara Malaysia

Non-resident recorded inflows into Malaysian government bonds in 1Q 2019

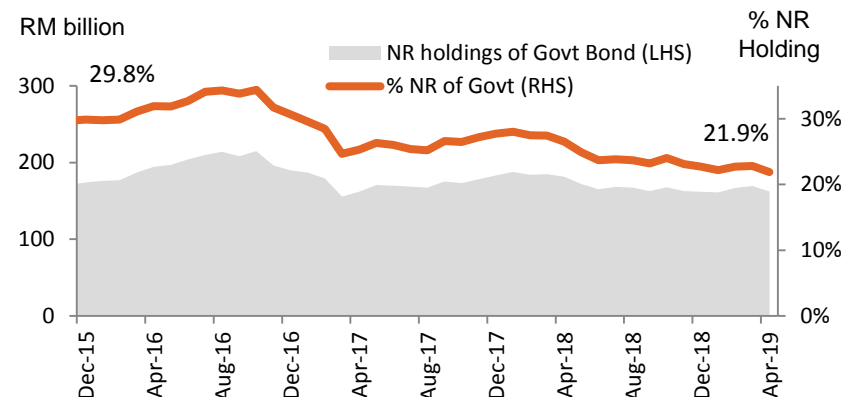
Net inflow of portfolio investments driven mainly by non-residents, as yields remained attractive

Portfolio Investments (Balance of Payments)

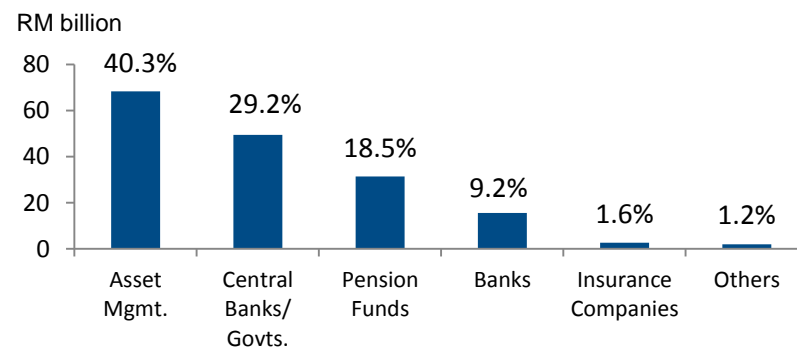


NR holdings of Malaysian Govt. bonds stood at 21.9% at end-April 2019 (1Q 2019: 22.8%) with long-term investors as key holders

Non-resident Holdings of Malaysian Government Bonds



Distribution of Non-resident Holdings of Government Bonds as at end-Mar 2019



Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Development initiatives to enhance market accessibility and liquidity

New initiatives to deepen Malaysia's financial market...

...which aims at improving market flexibility, accessibility and liquidity

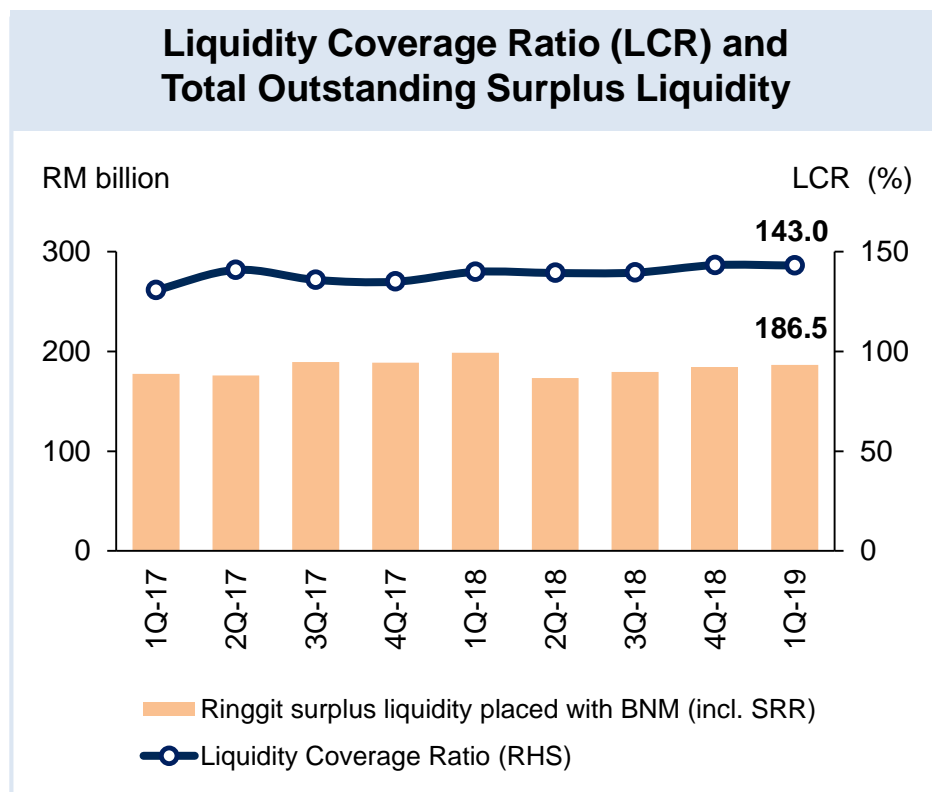
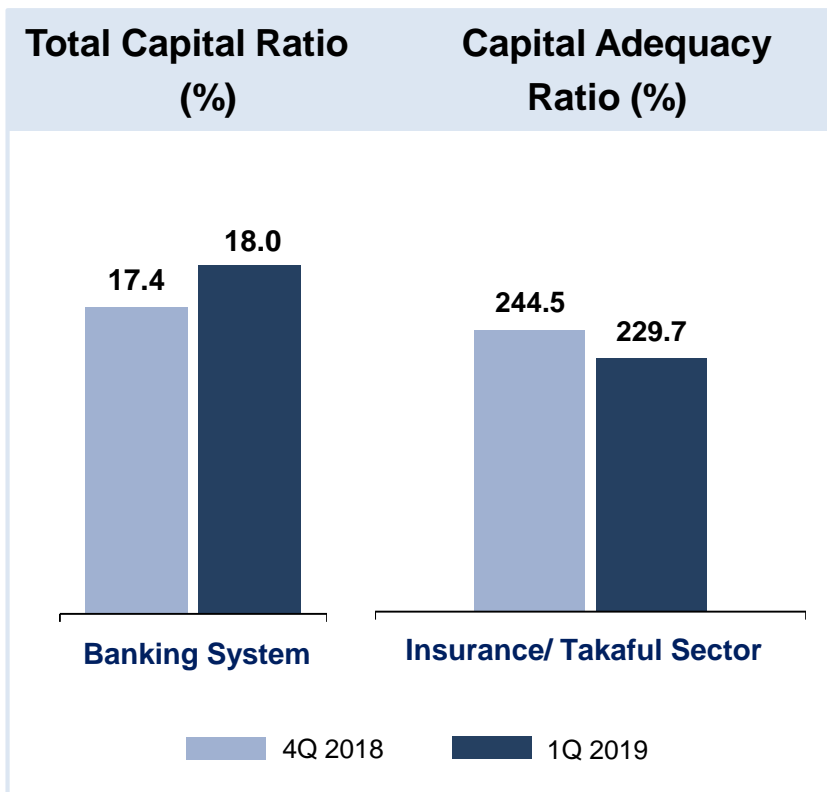


- Increase in onshore FX market volume from a current daily average volume of USD12.2 billion.
- Greater participation in the dynamic hedging programme which currently has 88 registered investors managing a total of USD30.8 billion in assets.
- Deep and liquid secondary bond market which currently records an average daily trading volume of RM5.4 billion.



Domestic financial stability continues to be supported by resilient financial institutions

Financial institutions are well-capitalised, with sufficient liquidity to support intermediation

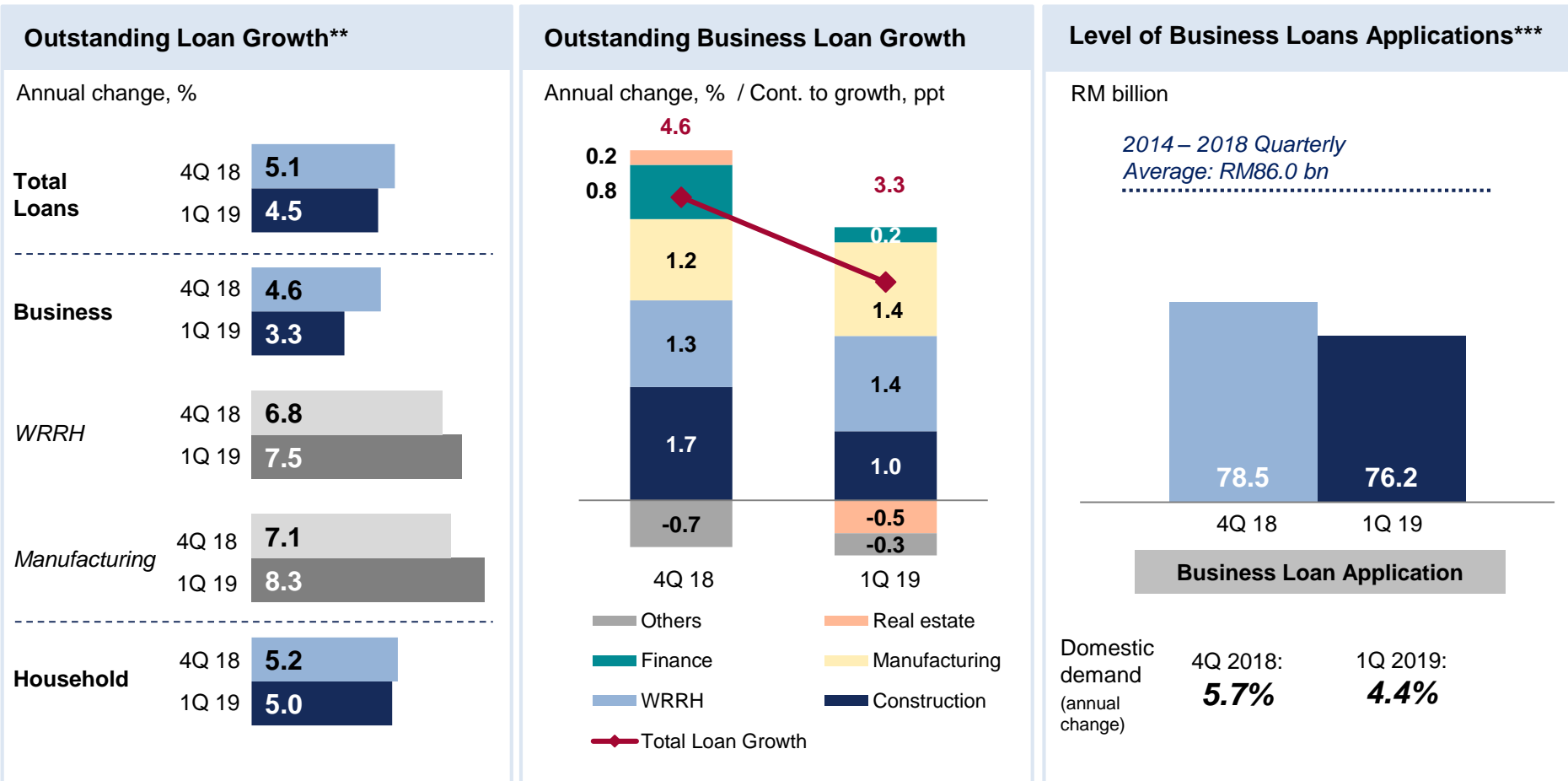


Stress tests conducted by the Bank affirm financial institutions' resilience to withstand severe shocks under adverse macroeconomic and financial conditions

Source: Bank Negara Malaysia

Continued access to financing to support economic activity

Slower loan growth mainly in the business segment reflecting lower domestic demand, but loans in the WRRH* and manufacturing sectors recorded higher growth



* WRRH – wholesale and retail trade, hotels and restaurants

*** Refers to data from banking system

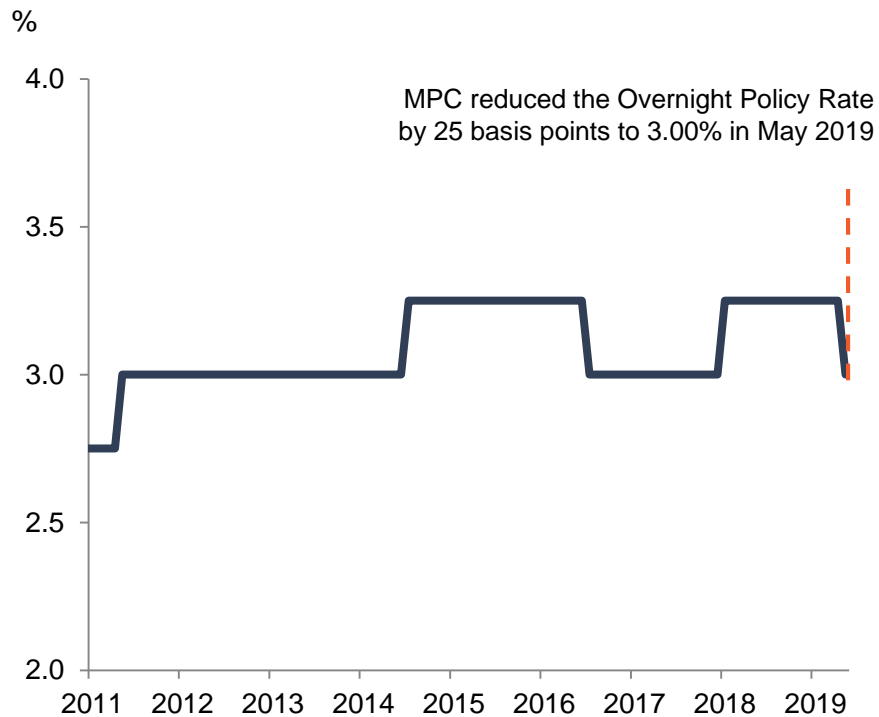
** Refers to data from banking system and DFIs

Source: Bank Negara Malaysia



Reduction in policy rate ensures monetary policy stance remains supportive of sustainable growth and price stability

Overnight Policy Rate



- Overnight Policy Rate reduced by 25 basis points in May 2019
- The OPR reduction will preserve the degree of monetary accommodativeness

Source: Bank Negara Malaysia



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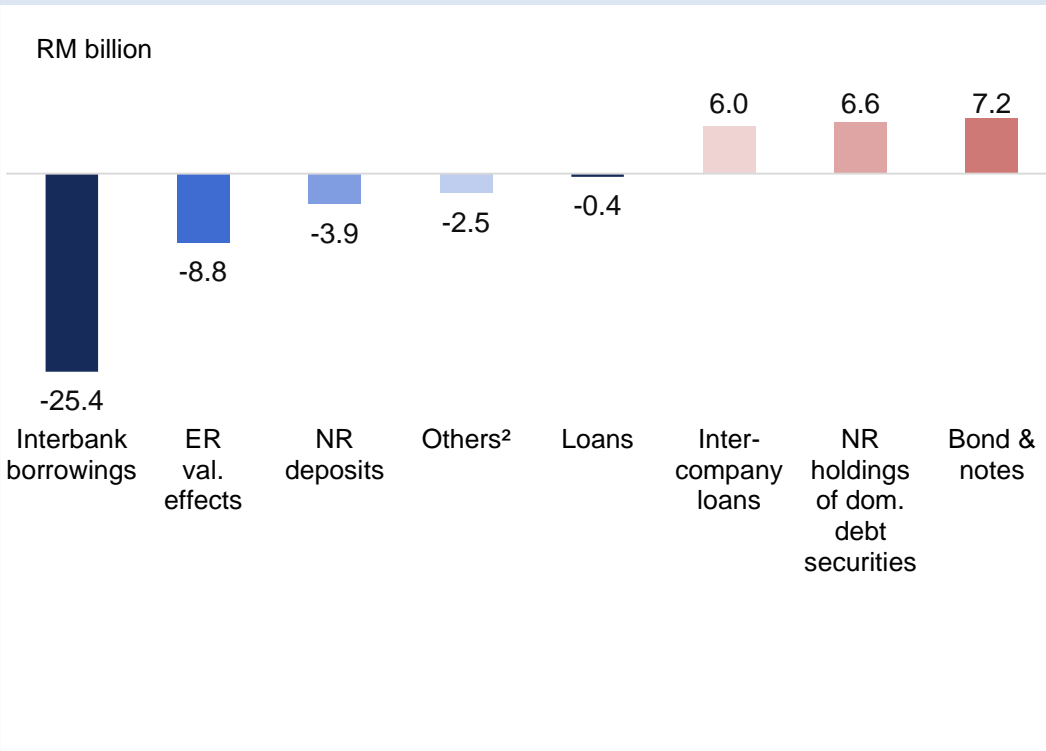


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External debt edged lower and continues to remain manageable

External debt declined further to RM903.7 billion (59.5% of GDP)

Changes in External Debt¹
1Q 2019: -RM21.2 billion



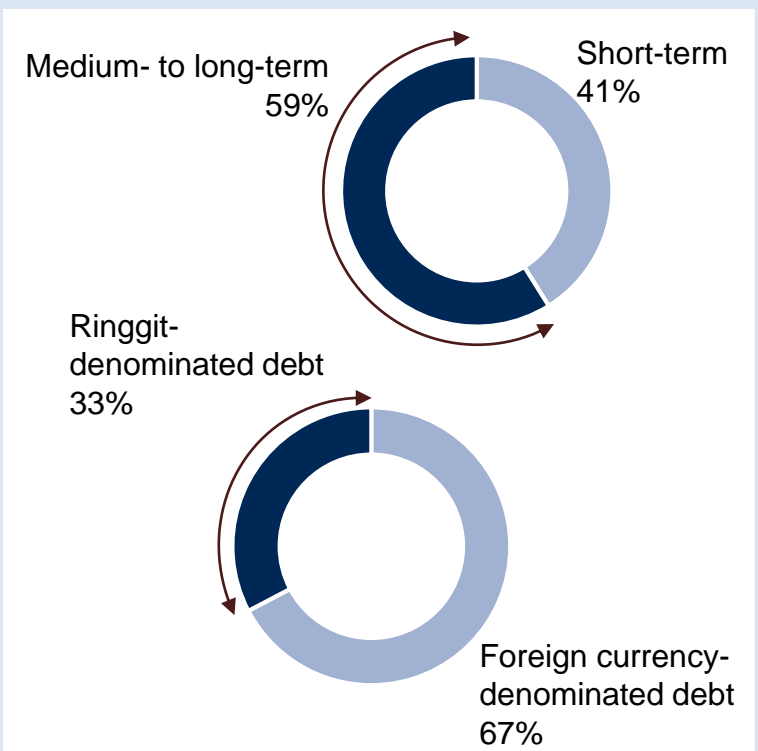
¹ Changes in individual debt instruments exclude exchange rate revaluation effects

² Comprise trade credits, IMF allocation of SDRs and other debt liabilities

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

External debt is mostly long-term, while currency exposure is manageable

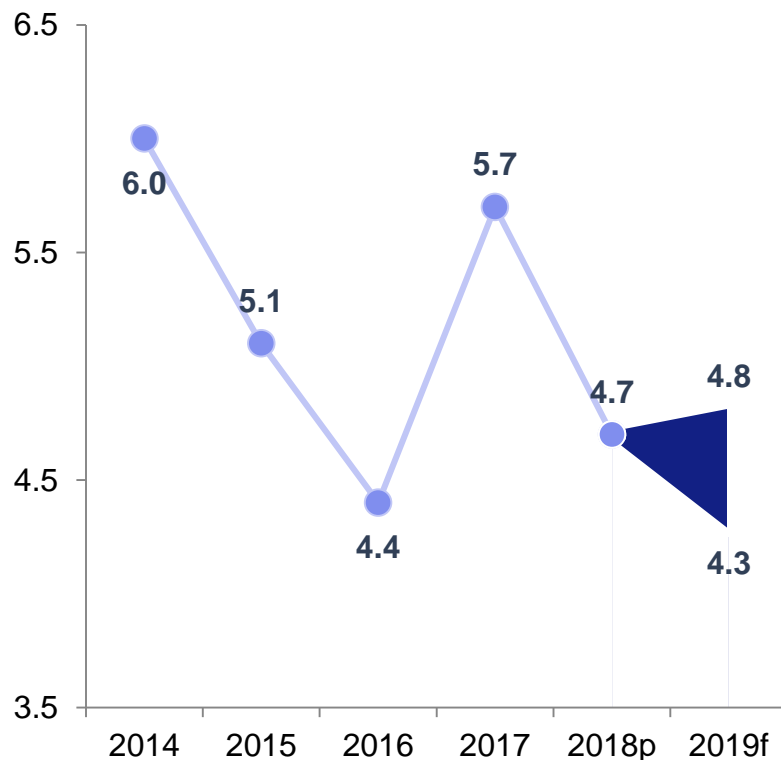
Malaysia's External Debt by Maturity and Currency



Risks to the outlook remain tilted to the downside, mainly emanating from external factors

Annual GDP Growth

Annual Change (%)



Sources: Department of Statistics, Malaysia and Bank Negara Malaysia



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Some Upside Risks

- Higher disposable income from lower inflation
- Positive outcomes from trade negotiations

Baseline

- Resilient private sector spending
- Receding supply disruption amid capacity expansions
- Continued demand from major trade partners

2019

- Sharper moderation in global demand
- Escalation of trade tensions
- Disruption in global financial markets
- Extended weakness in commodity-related sectors

High Downside Risks



Malaysia to remain on a steady growth path



Cyclical policies

- Monetary policy well-calibrated to provide support to growth
- Timely and prudent fiscal spending to ensure effectiveness and discipline
- Greater clarity on public projects to benefit the economy



Structural policies

- Preemptively tackle existing weaknesses (i.e. elevated debt levels, cost of living, overhang in the property market)
- Address long-standing issues (i.e. education, upskilling, social safety net, investment quality)
- Institutional and governance reforms

Q & A



Additional Information



The Malaysian economy grew by 4.5% in the first quarter

Annual growth of GDP components

Real GDP (Annual change, %)	Share, % (2018)	2018		2019
		1Q	4Q	1Q
Domestic demand (excluding stocks)	94.1	4.1	5.7	4.4
Private Sector	74.2	5.2	7.8	5.9
<i>Consumption</i>	57.0	6.6	8.4	7.6
<i>Investment</i>	17.3	1.1	5.8	0.4
Public Sector	19.8	-0.3	0.0	-1.4
<i>Consumption</i>	12.5	0.4	4.0	6.3
<i>Investment</i>	7.4	-1.3	-5.9	-13.2
Net exports of goods and services	7.0	58.0	15.5	10.9
<i>Exports</i>	67.6	2.4	3.1	0.1
<i>Imports</i>	60.6	-2.3	1.8	-1.4
Change in stocks (RM billion)	-1.1	-3.3	-2.0	-5.1
GDP (y-o-y)	100	5.3	4.7	4.5
GDP (q-o-q growth, seasonally adjusted)	-	1.3	1.3	1.1

Source: Department of Statistics, Malaysia



Real GDP (Annual change, %)	Share ¹ , % (2018)	2018		2019
		1Q	4Q	1Q
Services	56.7	6.5	6.9	6.4
Manufacturing	22.4	5.2	4.7	4.2
Mining and Quarrying	7.6	-0.6	-0.7	-2.1
Agriculture	7.3	3.1	-0.1	5.6
Construction	4.9	4.9	2.6	0.3
Real GDP	100.0	5.3	4.7	4.5

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

Source: Department of Statistics, Malaysia



Percentage point contribution to growth of GDP components

Real GDP (Contribution, ppt)	Share, % (2018)	2018		2019
		1Q	4Q	1Q
Domestic demand (excluding stocks)	94.1	3.8	5.2	4.1
Private Sector	74.2	3.9	5.2	4.4
<i>Consumption</i>	57.0	3.7	4.5	4.3
<i>Investment</i>	17.3	0.2	0.8	0.1
Public Sector	19.8	-0.1	0.0	-0.3
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Change in stocks (RM billion)	-1.1	-1.7	-1.5	-0.5
GDP (y-o-y)	100	5.3	4.7	4.5

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Agriculture	7.3	0.2	0.0	0.4
Construction	4.9	0.3	0.1	0.0
Real GDP	100.0	5.3	4.7	4.5
<i>Import duties</i>	1.2	0.1	-0.2	-0.3

Note: Numbers do not add up due to rounding
Source: Department of Statistics, Malaysia

Source: Department of Statistics, Malaysia



End



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