



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

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### **Economic and Financial Developments in Malaysia in the First Quarter of 2019**

#### **The Malaysian economy grew by 4.5% in the first quarter of 2019**

Private sector activity remained the key driver of growth, supported mainly by firm private consumption growth during the quarter. On the supply side, major sectors continued to expand, with the exception of the mining sector due to the decline in oil and natural gas production arising from unplanned closure of production facilities. The rebound in the agriculture sector (1Q 2019: 5.6%; 4Q 2018: -0.1%) on account of strong recovery in oil palm yields provided an additional lift to growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1%.

For the quarter, headline inflation averaged at -0.3% (4Q 2018: 0.3%). Headline inflation turned negative in January and February (-0.7% and -0.4%, respectively) due to lower domestic fuel prices. However, headline inflation turned positive in March (0.2%) as the increasing trend in global oil prices led to higher domestic fuel prices. Core inflation, excluding the impact of consumption tax policy changes, was unchanged at 1.6%.

#### **Rebasing of the Malaysian Gross Domestic Product (GDP) from Base Year 2010 to 2015 Prices**

With effect from first quarter of 2019, Malaysia's GDP in constant terms is rebased to 2015 prices from 2010 prices. The rebasing exercise by the Department of Statistics, Malaysia (DOSM) reflects the enhancement of data sources and coverage, as well as methodological improvements, in line with international standards for statistical compilations.

## **Exchange rate developments**

In the first quarter, ringgit appreciated by 1.4% against the US dollar, driven mainly by non-resident portfolio inflows which amounted to RM13.5 billion. However, since April, ringgit has depreciated by 2.2% against the US dollar (as at 15 May), in line with most regional currencies. The recent depreciation pressure reflected cautious investor sentiments in global financial markets amid the weakening global growth outlook as well as uncertainties surrounding geopolitical and global trade developments.

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

Private sector demand is expected to remain the anchor of growth amid lower public sector spending. The external sector is likely to grow marginally in tandem with modest global demand. Overall, the baseline projection is for the Malaysian economy to grow between 4.3% - 4.8% for the year.

In 2019, headline inflation is expected to average between 0.7% - 1.7%. Core inflation is expected to be stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.

**Bank Negara Malaysia**  
**16 May 2019**

**Table 1:****GDP by Expenditure Components (at constant 2015 prices)**

|  | Share<br>2018<br>(%) | 2018              |            |            | 2019       |
|--|----------------------|-------------------|------------|------------|------------|
|  |                      | 1Q                | 4Q         | Year       | 1Q         |
|  |                      | Annual growth (%) |            |            |            |
| Aggregate Domestic Demand (excluding stocks)   | 94.1                 | 4.1               | 5.7        | 5.5        | 4.4        |
| Private sector                                 | 74.2                 | 5.2               | 7.8        | 7.1        | 5.9        |
| <i>Consumption</i>                             | 57.0                 | 6.6               | 8.4        | 8.0        | 7.6        |
| <i>Investment</i>                              | 17.3                 | 1.1               | 5.8        | 4.3        | 0.4        |
| Public sector                                  | 19.8                 | -0.3              | 0.0        | 0.1        | -1.4       |
| <i>Consumption</i>                             | 12.5                 | 0.4               | 4.0        | 3.3        | 6.3        |
| <i>Investment</i>                              | 7.4                  | -1.3              | -5.9       | -5.0       | -13.2      |
| Net Exports                                    | 7.0                  | 58.0              | 15.5       | 11.4       | 10.9       |
| <i>Exports of Goods and Services</i>           | 67.6                 | 2.4               | 3.1        | 2.2        | 0.1        |
| <i>Imports of Goods and Services</i>           | 60.6                 | -2.3              | 1.8        | 1.3        | -1.4       |
| <b>GDP</b>                                     | <b>100.0</b>         | <b>5.3</b>        | <b>4.7</b> | <b>4.7</b> | <b>4.5</b> |
| <b>GDP (q-o-q growth, seasonally adjusted)</b> | <b>-</b>             | <b>1.3</b>        | <b>1.3</b> | <b>-</b>   | <b>1.1</b> |

Source: Department of Statistics, Malaysia

**Table 2:****GDP by Economic Activity (at constant 2015 prices)**

| Annual growth (%) | Share<br>2018<br>(%)     | 2018       |            |            | 2019       |
|-------------------|--------------------------|------------|------------|------------|------------|
|                   |                          | 1Q         | 4Q         | Year       | 1Q         |
|                   |                          |            |            |            |            |
| Services          | 56.7                     | 6.5        | 6.9        | 6.8        | 6.4        |
| Manufacturing     | 22.4                     | 5.2        | 4.7        | 5.0        | 4.2        |
| Mining            | 7.6                      | -0.6       | -0.7       | -2.6       | -2.1       |
| Agriculture       | 7.3                      | 3.1        | -0.1       | 0.1        | 5.6        |
| Construction      | 4.9                      | 4.9        | 2.6        | 4.2        | 0.3        |
| <b>Real GDP</b>   | <b>100.0<sup>1</sup></b> | <b>5.3</b> | <b>4.7</b> | <b>4.7</b> | <b>4.5</b> |

<sup>1</sup> Numbers do not add up due to rounding and exclusion of import duties component

Source: Department of Statistics, Malaysia