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ECONOMIC AND FINANCIAL DEVELOPMENTS IN MALAYSIA IN THE FOURTH QUARTER OF 2019

The Malaysian economy grew by 3.6% in the fourth quarter of 2019

The Malaysian economy was driven by higher private sector spending (7.4%; 3Q 2019: 5.4%) in the fourth quarter of 2019. Private consumption grew strongly by 8.1% (3Q 2019: 7.0%), while private investment registered a higher growth of 4.2% (3Q 2019: 0.3%). However, growth was affected by supply disruptions in the commodities sector. Consequently, the Malaysian economy expanded by 3.6% in the fourth quarter of 2019. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.6% (3Q 2019: 0.9%). For 2019 as a whole, the economy expanded by 4.3% (2018: 4.7%).

During the quarter, headline inflation averaged lower mainly reflecting the lapse in the impact from Sales and Services Tax (SST) implementation. Core inflation, excluding the impact of consumption tax policy changes, was stable at 1.4%.

Exchange rate developments

The ringgit appreciated by 2.3% against the US dollar in the fourth quarter, supported mainly by the resumption in non-resident portfolio inflows. This was due to improved investor sentiments following positive developments on global trade negotiations. Synchronised policy rate cuts by several major central banks also contributed to the improvement in global investor risk appetite during the quarter. As a result, for 2019 as a whole, the ringgit recorded an appreciation of 1.1% against the US dollar, in line with the trend of regional currencies. The performance of ringgit in 2020 will continue to be influenced by external developments. While the Phase One trade deal between the US and PR China contributed to an improved outlook on global trade, investor sentiments are also affected by concerns over the recent coronavirus outbreak. As a result, the ringgit depreciated by 1.3% against the US dollar this year up to 10 February, amid weaker sentiments in global financial markets.

Financing conditions

Net financing expanded by 4.7% on an annual basis, supported by sustained growth in outstanding loans. Growth in outstanding business loans improved, while outstanding household loans grew at a stable pace. Demand for both business and household loans sustained its momentum from improvements since the second quarter. However, growth of outstanding corporate bonds moderated slightly amid higher redemptions.

The Malaysian economy is expected to remain supported by private sector activity in 2020

Going into 2020, growth, particularly in the first quarter of the year, will be affected by the coronavirus outbreak. The overall impact of the virus on the Malaysian economy will, however, depend on the duration and spread of the outbreak as well as policy responses by authorities. For the year as a whole, growth will be supported by household spending, the realisation of approved private investment projects in recent periods, and higher public sector capital spending. Nevertheless, there are downside risks to growth. These include uncertainties in external conditions arising from the ongoing coronavirus outbreak, the various trade negotiations and geopolitical risks, as well as domestic factors, including weakness in the commodities sector and delays in project implementation. Thus, two-way capital flows and exchange rate volatility should be expected.

Headline inflation in 2020 is projected to average higher than in 2019, but remain modest. The trajectory of headline inflation will be dependent on global oil and commodity price developments and the timing of the lifting of the domestic retail fuel price ceilings. Underlying inflation is expected to be broadly stable, reflecting the continued expansion in economic activity and the absence of strong demand pressures.

Bank Negara Malaysia
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Table 1

GDP by Expenditure Components (at constant 2015 prices)

	Share 2019 (%)	2018		2019		
		4Q	Year	3Q	4Q	Year
		Annual growth (%)				
Aggregate Domestic Demand (excluding stocks)	94.1	5.7	5.5	3.5	4.9	4.3
Private sector	75.6	7.8	7.1	5.4	7.4	6.2
Consumption	*58.8*	*8.4*	*8.0*	*7.0*	*8.1*	*7.6*
Investment	*16.8*	*5.8*	*4.3*	*0.3*	*4.2*	*1.5*
Public sector	18.5	0.0	0.1	-4.6	-2.2	-2.7
Consumption	*12.2*	*4.0*	*3.3*	*1.0*	*1.3*	*2.0*
Investment	*6.3*	*-5.9*	*-5.0*	*-14.1*	*-7.7*	*-10.8*
Net Exports	7.3	15.5	11.4	15.9	-9.8	8.9
Exports of Goods and Services	*64.0*	*3.1*	*2.2*	*-1.4*	*-3.1*	*-1.1*
Imports of Goods and Services	*56.7*	*1.8*	*1.3*	*-3.3*	*-2.3*	*-2.3*
GDP	**100.0**	**4.7**	**4.7**	**4.4**	**3.6**	**4.3**
GDP (q-o-q growth, seasonally adjusted)	**-**	**1.3**	**-**	**0.9**	**0.6**	**-**

Source: Department of Statistics, Malaysia

Table 2

GDP by Economic Activity (at constant 2015 prices)

	Share 2019 (%)	2018		2019			
		3Q	4Q	1Q	2Q	3Q	4Q
		Annual growth (%)					
Services	57.7	7.3	6.9	6.4	6.1	5.9	6.1
Manufacturing	22.3	5.0	4.7	4.2	4.3	3.6	3.0
Mining	7.1	-5.7	-0.7	-2.1	2.9	-4.3	-2.5
Agriculture	7.1	-0.8	-0.1	5.6	4.2	3.7	-5.7
Construction	4.7	4.7	2.6	0.3	0.5	-1.5	1.0
Real GDP	**100.0[1]**	**4.4**	**4.7**	**4.5**	**4.9**	**4.4**	**3.6**

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

Source: Department of Statistics, Malaysia