



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

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### **ECONOMIC AND FINANCIAL DEVELOPMENTS IN MALAYSIA IN THE SECOND QUARTER OF 2019**

#### **The Malaysian economy grew by 4.9% in the second quarter of 2019**

The economy recorded a stronger growth of 4.9% in the second quarter (1Q 2019: 4.5%), supported by higher household spending and private investment. On the supply side, the mining sector rebounded, driven mainly by the recovery in natural gas output. Growth in the manufacturing sector improved marginally, supported by better performance of the domestic-oriented industries. Services sector continued to expand amid sustained growth in the wholesale and retail trade subsector. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0%.

For the quarter, headline inflation averaged higher mainly reflecting the lapse in the impact of the Goods and Services Tax (GST) zerorisation that was implemented in June 2018. Core inflation, excluding the impact of consumption tax policy changes, was unchanged at 1.6%.

#### **Exchange rate developments**

In the second quarter, the ringgit depreciated by 1.5% against the US dollar driven mainly by non-resident portfolio outflows as investor sentiments remained subdued amid softening global growth outlook and escalations in global trade tensions. These uncertainties remained elevated and continued to dampen investors' risk-appetite towards regional financial markets, including Malaysia. From 1 July to 15 August, the ringgit depreciated by 1.2% against the US dollar. For the year to date, the ringgit has depreciated by 1.3% against the

US dollar, in line with most regional currencies. Going forward, the confluence of global factors will continue to have bearing on the movements of regional currencies, including the ringgit.

### **Financing conditions**

Overall financing conditions are consistent with the current pace of economic expansion, with demand for financing showing some signs of improvement given higher loan applications during the quarter. Steady loan disbursements across segments, including for SMEs and purchase of houses, continued to support economic activity.

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

Growth is expected to remain supported by private sector activity. The external sector is likely to continue to be affected by slower global growth amid ongoing trade tensions. Overall, the baseline projection is for the Malaysian economy to grow between 4.3% - 4.8% for the year.

Headline inflation in the second half of 2019 is expected to average higher compared to the first half following the lapse in the impact of consumption tax policy changes. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.

**Bank Negara Malaysia**

**16 August 2019**

Table 1

**GDP by Expenditure Components (at constant 2015 prices)**

	Share 2018 (%)	2018		2019		
		2Q	1H	1Q	2Q	1H
		Annual growth (%)				
Aggregate Domestic Demand (excluding stocks)	94.1	5.5	4.8	4.4	4.6	4.5
Private sector	74.2	7.3	6.3	5.9	6.2	6.1
<i>Consumption</i>	57.0	7.9	7.2	7.6	7.8	7.7
<i>Investment</i>	17.3	5.5	3.4	0.4	1.8	1.2
Public sector	19.8	-1.6	-0.9	-1.4	-2.8	-2.1
<i>Consumption</i>	12.5	3.1	1.8	6.3	0.3	3.2
<i>Investment</i>	7.4	-9.9	-5.4	-13.2	-9.0	-11.3
Net Exports	7.0	-6.0	22.7	10.9	22.9	16.0
<i>Exports of Goods and Services</i>	67.6	2.6	2.5	0.1	0.1	0.1
<i>Imports of Goods and Services</i>	60.6	3.6	0.6	-1.4	-2.1	-1.8
<b>GDP</b>	<b>100.0</b>	<b>4.5</b>	<b>4.9</b>	<b>4.5</b>	<b>4.9</b>	<b>4.7</b>
<b>GDP (q-o-q growth, seasonally adjusted)</b>	<b>-</b>	<b>0.6</b>	<b>-</b>	<b>1.1</b>	<b>1.0</b>	<b>-</b>

Source: Department of Statistics, Malaysia

Table 2

**GDP by Economic Activity (at constant 2015 prices)**

Annual growth (%)	Share 2018 (%)	2018		2019		
		2Q	1H	1Q	2Q	1H
Services	56.7	6.5	6.5	6.4	6.1	6.3
Manufacturing	22.4	4.9	5.0	4.2	4.3	4.2
Mining	7.6	-3.4	-2.0	-2.1	2.9	0.3
Agriculture	7.3	-1.7	0.7	5.6	4.2	4.9
Construction	4.9	4.8	4.9	0.3	0.5	0.4
<b>Real GDP</b>	<b>100.0<sup>1</sup></b>	<b>4.5</b>	<b>4.9</b>	<b>4.5</b>	<b>4.9</b>	<b>4.7</b>

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

Source: Department of Statistics, Malaysia