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ECONOMIC AND FINANCIAL DEVELOPMENTS IN MALAYSIA IN THE THIRD QUARTER OF 2017

The Malaysian economy grew at a faster pace of 6.2% in the third quarter of 2017

Growth continued to be driven by domestic demand, particularly private sector spending. From the supply side, the improvement was broadly-based across all sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.8% (2Q 2017: 1.3%). Headline inflation moderated to 3.8% due mainly to lower transport inflation.

Domestic financial stability was preserved

Overall volatility in the domestic financial markets remained low amid improved domestic sentiments. Asset quality and profitability of domestic financial institutions remained healthy. Businesses and households continued to demonstrate sound debt servicing capacity. Liquidity was sufficient to support financial intermediation and meet real economic activity needs with eligible borrowers having continued access to financing.

Going forward, the Malaysian economy is expected to register higher growth in 2017

Given the continued strong performance in the third quarter, the Malaysian economy is on course to register growth that is close to the upper range of the official projection of 5.2 – 5.7% in 2017. Domestic demand is expected to support this expansion. On the external front, exports will continue to benefit from the favourable global demand conditions. Headline inflation is expected to average at the upper end of the forecast range of 3 – 4% for 2017 as a whole.

The Bank also wishes to feature two issues. The first – “Rethinking Investment Incentives” – underscores the importance of re-examining the existing incentives framework to ensure Malaysia continues to attract quality investments with greater economic spillovers going forward. The second – “Imbalances in the Property Market” – highlights trends in supply-demand imbalances in the residential and commercial property market, which if left unaddressed, could pose risks to the wider economy.

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Table 1

GDP by Expenditure Components (at constant 2010 prices)

	Share 2016 (%)	2016		2017		
		3Q	4Q	1Q	2Q	3Q
		Annual growth (%)				
Aggregate Domestic Demand (excluding stocks)	91.6	4.5	3.2	7.7	5.7	6.6
Private sector	*70.1*	5.9	5.9	8.2	7.2	7.3
Consumption	*53.2*	*6.3*	*6.1*	*6.6*	*7.1*	*7.2*
Investment	*16.9*	*4.8*	*4.9*	*12.9*	*7.4*	*7.9*
Public sector	21.5	-0.3	-2.6	5.8	0.2	4.1
Consumption	*13.1*	*2.1*	*-4.2*	*7.5*	*3.3*	*4.2*
Investment	*8.5*	*-3.8*	*-0.4*	*3.2*	*-5.0*	*4.1*
Net Exports	8.4	8.2	6.4	-14.5	1.4	1.7
Exports of Goods and Services	*70.4*	*-0.6*	*2.2*	*9.8*	*9.6*	*11.8*
Imports of Goods and Services	*62.1*	*-1.8*	*1.6*	*12.9*	*10.7*	*13.4*
GDP	**100.0**	**4.3**	**4.5**	**5.6**	**5.8**	**6.2**
GDP (q-o-q growth, seasonally adjusted)	**-**	**1.4**	**1.3**	**1.8**	**1.3**	**1.8**

Source: Department of Statistics, Malaysia

Table 2

GDP by Economic Activity (at constant 2010 prices)

Annual growth (%)	Share 2016 (%)	2016		2017		
		3Q	4Q	1Q	2Q	3Q
Services	54.3	6.2	5.5	5.8	6.3	6.6
Manufacturing	23.0	4.3	4.7	5.6	6.0	7.0
Mining	8.8	2.9	5.0	1.6	0.2	3.1
Agriculture	8.1	-6.1	-2.5	8.3	5.9	4.1
Construction	4.5	7.9	5.1	6.5	8.3	6.1
Real GDP	**100.0**[1]	**4.3**	**4.5**	**5.6**	**5.8**	**6.2**

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

Source: Department of Statistics, Malaysia