BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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ECONOMIC AND FINANCIAL DEVELOPMENTS IN MALAYSIA IN THE FIRST QUARTER OF 2018

The Malaysian economy grew by 5.4% in the first quarter of 2018

Overall growth was underpinned by continued expansion in private sector activity and strong support from net exports. From the supply side, all economic sectors expanded. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (4Q 2017: 1.0%). Headline inflation declined to 1.8% in 1Q 2018 (4Q 2017: 3.5%), reflecting the smaller contribution of domestic fuel prices due to the smaller increase in global oil prices compared to the previous quarter and a stronger ringgit exchange rate in 1Q 2018.

Financial stability sustained with financial intermediation and domestic market conditions remaining orderly

Domestic financial market conditions remained orderly despite heightened volatility arising from external developments. Domestic financial institutions demonstrated resilience with healthy asset quality, sound profitability and ample liquidity. Credit intermediation activities remained supportive of real economic activities with businesses and households maintaining sound debt servicing capacity.

Going forward, the Malaysian economy is expected to remain on a favourable growth path in 2018

Growth is expected to remain favourable in 2018, with domestic demand continuing to be the key driver of growth. Growth prospects are further

supported by continued positive spillovers from the external sector to domestic economic activity. Headline inflation is projected to average 2% – 3% in 2018, due to a smaller contribution from global cost factors and a stronger ringgit exchange rate compared to 2017. Underlying inflation, as measured by core inflation, is also expected to remain small, due to smaller cost pass-through to retail prices compared to 2017.

The Bank also wishes to feature three issues. The first – “Trade Disputes: Implications for Trade and Investments” – assesses the potential impact and policy implications from recent potential trade measures announced by the US and PR China (arising on both the global and Malaysian economy). A key policy consideration includes pursuing reforms to ensure domestic demand remains resilient to mitigate any external shocks to the economy. The second – “Global Slack as a Determinant of Inflation” – looks into the influence of the factors associated with globalisation on inflation dynamics in Asia-Pacific economies. It highlights the growing challenges faced by monetary authorities in forecasting and managing inflation when it is increasingly influenced by global factors. The third – “Improving Quality and Transparency of Services to Financial Consumers” – highlights to the public, initiatives taken by the financial industry in collaboration with the Bank to improve the quality and transparency of customer services. These initiatives include setting sector-wide customer service standards for the banking sector and conducting a Customer Satisfaction Survey to assess consumers’ actual banking experiences.

Bank Negara Malaysia
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Table 1:

GDP by Expenditure Components (at constant 2010 prices)

	Share 2017 (%)	2017			2018
		1Q	4Q	Year	1Q
		Annual growth (%)			
Aggregate Domestic Demand (excluding stocks)	92.2	7.7	6.2	6.5	4.1
Private sector	*71.1*	8.2	7.4	7.5	5.2
Consumption	*53.7*	*6.7*	*7.0*	*7.0*	*6.9*
Investment	*17.4*	*12.9*	*9.2*	*9.3*	*0.5*
Public sector	*21.0*	5.8	3.4	3.3	-0.1
Consumption	*13.0*	*7.5*	*6.8*	*5.4*	*0.4*
Investment	*8.0*	*3.2*	*-1.4*	*0.1*	*-1.0*
Net Exports	7.7	-15.3	2.3	-1.9	62.4
Exports of Goods and Services	*72.8*	*9.8*	*6.7*	*9.4*	*3.7*
Imports of Goods and Services	*65.1*	*13.0*	*7.3*	*10.9*	*-2.0*
GDP	**100.0**	**5.6**	**5.9**	**5.9**	**5.4**
GDP (q-o-q growth, seasonally adjusted)	**-**	**1.7**	**1.0**	**-**	**1.4**

Source: Department of Statistics, Malaysia

Table 2:

GDP by Economic Activity (at constant 2010 prices)

Annual growth (%)	Share 2017 (%)	2017			2018
		1Q	4Q	Year	1Q
Services	54.5	5.8	6.2	6.2	6.5
Manufacturing	23.0	5.6	5.4	6.0	5.3
Mining	8.4	1.4*	-0.3	1.0	0.1
Agriculture	8.2	8.4*	10.7	7.2	2.8
Construction	4.6	6.6*	5.9*	6.7	4.9
Real GDP	**100.0**[1]	**5.6**	**5.9**	**5.9**	**5.4**

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

Source: Department of Statistics, Malaysia