BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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

The Malaysian economy expanded by 5.8% in the second quarter of 2017

Growth remained supported by domestic demand, particularly private sector spending. From the supply side, the improvement was driven by a broad-based expansion across all major sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.3% (1Q 2017: 1.8%). Headline inflation declined to 4.0% due mainly to lower domestic fuel prices.

Domestic financial stability was supported by strong institutions and orderly market conditions

In line with global trends, overall volatility in the domestic financial markets was low amid improved sentiments. Domestic financial institutions continued to demonstrate sound overall asset quality and profitability. Domestic funding conditions also remained favourable and supportive of financing needs of businesses and households. Eligible borrowers continue to have access to financing to purchase houses but the oversupply in the office space and shopping complex segments continued to depress occupancy rates.

Going forward, the Malaysian economy is expected to grow at above 4.8% in 2017

Given the strong growth in the first half of 2017 at 5.7%, the Malaysian economy is expected to expand by more than 4.8% in 2017. Domestic demand is projected to underpin this expansion. On the external front, exports are expected to benefit from the stronger-than-expected improvement in global

growth. Headline inflation is expected to moderate further in the second half of 2017, reflecting the waning effect of global cost factors. For 2017 as a whole, it is expected to average within the forecast range of 3.0% – 4.0%.

The Bank also wishes to feature two issues. The first – “Outcomes of the Reference Rate Framework: Moving Towards More Efficient and Transparent Practices” – highlights the three outcomes that drive the implementation of the framework. The second – “Liberalisation of Motor Insurance Business: Rewarding Good Risk Management” – highlights how equitable pricing for consumers purchasing motor insurance can be achieved under the new operating environment.

Bank Negara Malaysia
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Table 1:

GDP by Expenditure Components (at constant 2010 prices)

	Share 2016 (%)	2016		2017		
		2Q	1H	1Q	2Q	1H
		Annual growth (%)				
Aggregate Domestic Demand (excluding stocks)	91.6	6.1	4.7	7.7	5.7	6.7
Private sector	*70.1*	6.0	5.2	8.2	7.2	7.7
Consumption	*53.2*	*6.2*	*5.7*	*6.6*	*7.1*	*6.9*
Investment	*16.9*	*5.6*	*3.9*	*12.9*	*7.4*	*10.0*
Public sector	21.5	6.3	3.0	5.8	0.2	2.9
Consumption	*13.1*	*5.5*	*4.1*	*7.5*	*3.3*	*5.3*
Investment	*8.5*	*7.7*	*1.3*	*3.2*	*-5.0*	*-0.9*
Net Exports	8.4	-1.2	-4.7	-14.5	1.4	-6.7
Exports of Goods and Services	*70.4*	*2.0*	*1.5*	*9.8*	*9.6*	*9.7*
Imports of Goods and Services	*62.1*	*2.4*	*2.4*	*12.9*	*10.7*	*11.8*
GDP	**100.0**	**4.0**	**4.0**	**5.6**	**5.8**	**5.7**
GDP (q-o-q growth, seasonally adjusted)	**-**	**1.1**	**-**	**1.8**	**1.3**	**-**

Source: Department of Statistics, Malaysia

Table 2:

GDP by Economic Activity (at constant 2010 prices)

Annual growth (%)	Share 2016 (%)	2016		2017		
		2Q	1H	1Q	2Q	1H
Services	54.3	5.7	5.4	5.8	6.3	6.1
Manufacturing	23.0	4.2	4.4	5.6	6.0	5.8
Mining	8.8	2.1	0.4	1.6	0.2	0.9
Agriculture	8.1	-7.8	-5.9	8.3	5.9	7.1
Construction	4.5	8.9	8.5	6.5	8.3	7.4
Real GDP	**100.0**[1]	**4.0**	**4.0**	**5.6**	**5.8**	**5.7**

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

Source: Department of Statistics, Malaysia