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

The Malaysian economy grew by 4.4% in the third quarter of 2018

Private sector activity continued to be the primary driver of growth, as private consumption expanded strongly following the zerorisation of Goods and Services Tax (GST) during the quarter. On the supply side, the services and manufacturing sectors supported growth, while the mining sector continued to be affected by production shocks. The agriculture sector remained weak due to the protracted recovery from production constraints in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6%, faster than the 0.3% growth in the previous quarter.

Headline inflation declined to 0.5% in third quarter of 2018 (2Q 2018: 1.3%), mainly reflecting the impact from the GST zerorisation. The implementation of the sales and services tax (SST) beginning 1 September 2018 had a muted impact on inflation during the quarter.

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

Private sector activity will remain the key driver of growth amid the reprioritisation of public sector expenditure. For the remainder of the year and going into 2019, a gradual recovery in commodity production will also provide support to growth.

The annual average headline inflation is expected to be low in 2018, mainly reflecting the impact from the GST zerorisation and the stable domestic fuel prices. Going forward, headline inflation is expected to increase primarily due to higher projected global oil prices and the prospective floating of fuel prices. While the impact of the consumption tax policy will contribute to higher headline inflation in 2019, it will lapse towards the end of 2019.

The Quarterly Bulletin also features two articles. The first – "Escalating Trade Tensions and Potential Spillovers to Malaysia" – provides an updated assessment of how ongoing global trade tensions have affected trade, investment and growth prospects for the global economy and Malaysia. The second – "Profile of Malaysia's External Debt" – decomposes Malaysia's external debt profile, details its key characteristics and outlines the risk mitigating factors.

Bank Negara Malaysia
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Table 1

GDP by Expenditure Components (at constant 2010 prices)

	Share 2017 (%)	2017		2018		
		3Q	4Q	1Q	2Q	3Q
		Annual growth (%)				
Aggregate Domestic Demand (excluding stocks)	92.2	6.6	6.2	4.1	5.6	6.9
Private sector	*71.1*	7.3	7.4	5.2	7.5	8.5
Consumption	*53.7*	*7.2*	*7.0*	*6.9*	*8.0*	*9.0*
Investment	*17.4*	*7.9*	*9.2*	*0.5*	*6.1*	*6.9*
Public sector	21.0	4.0	3.4	-0.1	-1.4	1.1
Consumption	*13.0*	*3.9*	*6.8*	*0.4*	*3.1*	*5.2*
Investment	*8.0*	*4.1*	*-1.4*	*-1.0*	*-9.8*	*-5.5*
Net Exports	7.7	2.0	2.3	62.4	1.7	-7.5
Exports of Goods and Services	*72.8*	*11.8*	*6.7*	*3.7*	*2.0*	*-0.8*
Imports of Goods and Services	*65.1*	*13.3*	*7.3*	*-2.0*	*2.1*	*0.1*
GDP	**100.0**	**6.2**	**5.9**	**5.4**	**4.5**	**4.4**
GDP (q-o-q growth, seasonally adjusted)	**-**	**1.7**	**1.0**	**1.4**	**0.3**	**1.6**

Source: Department of Statistics, Malaysia

Table 2

GDP by Economic Activity (at constant 2010 prices)

Annual growth (%)	Share 2017 (%)	2017		2018		
		3Q	4Q	1Q	2Q	3Q
Services	54.5	6.5	6.2	6.5	6.5	7.2
Manufacturing	23.0	7.0	5.4	5.3	4.9	5.0
Mining	8.4	3.0	-0.3	0.1	-2.2	-4.6
Agriculture	8.2	4.1	10.7	2.8	-2.5	-1.4
Construction	4.6	6.1	5.9	4.9	4.7	4.6
Real GDP	**100.0**[1]	**6.2**	**5.9**	**5.4**	**4.5**	**4.4**

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

Source: Department of Statistics, Malaysia