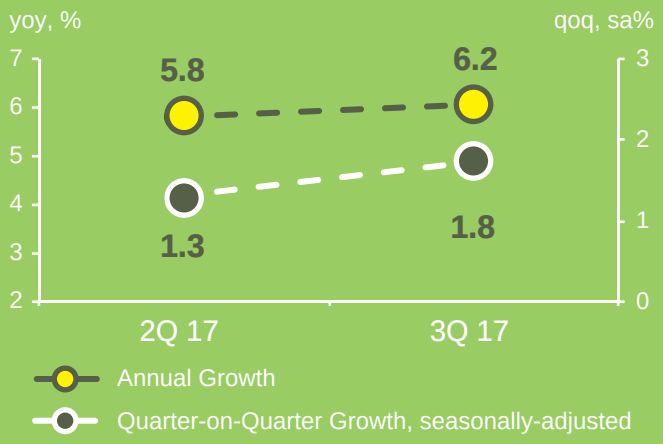
Key Highlights on

Economic and Financial Developments in 3Q 2017

Higher GDP growth of 6.2%

Continued growth in domestic demand and across all economic sectors

Real GDP Growth



Domestic demand grew by 6.6% (2Q17: 5.7%), driven by the private sector

On the supply side, the manufacturing and services sectors remained the key drivers of growth

Inflation moderated due mainly to lower domestic fuel prices

Inflation in the transport category was lower

Higher Crude Oil Prices
3Q17: USD52/barrel
2Q17: USD50/barrel

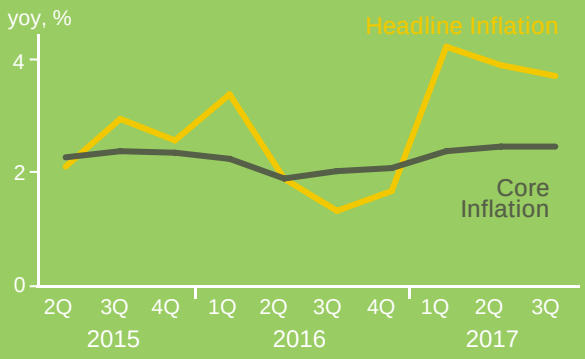
Stronger Ringgit
3Q17: RM4.26/USD
2Q17: RM4.33/USD

Lower RON95 Petrol Price
3Q17: RM2.09/litre
2Q17: RM2.10/litre

* Arrow denotes the impact on inflation

Core inflation remained stable

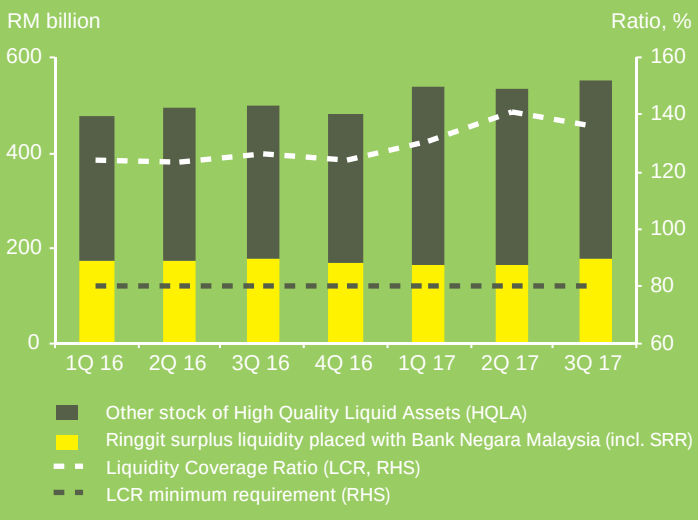
Headline and Core Inflation



Financing conditions remained supportive of the economy

Sufficient liquidity in the banking system to support intermediation

Liquidity Coverage Ratio and Liquid Assets



SMEs, including start-ups, continued to have access to financing

SME Financing Applications and Approvals



Source: Department of Statistics, Malaysia and Bank Negara Malaysia unless stated otherwise
For more information, visit www.bnm.gov.my

Key Highlights on
Box Articles

Rethinking Investment Incentives

A review of the investment incentives framework is timely for a future-ready Malaysia

FDI was a game changer

- In the past, FDI had driven exports, employment and productivity
- However, benefits have stagnated amid high use of foreign inputs

Foreign Inputs

- Foreign services
- Imported inputs
- Foreign workers

81% of firms would have invested **without incentives**

Incentives result in high fiscal costs and may be redundant

- Corporate tax foregone ~6.0 - 8.9% of Government tax revenue
- Evidence that firms would have invested even without incentives

Source: World Bank Facility for Investment Climate Advisory Services

Fast-paced global environment requires nimble incentives

- Principles-based approach to identifying quality FDI
- Incentives tied to performance- and outcome-based indicators

Climate change **Innovation**
Tech disruption Skilled jobs
Rapid urbanisation Economic complexity
Changing investor preferences

Imbalances in the Property Market

Supply-demand imbalances in residential and commercial property markets could pose risks to the wider economy

Rise in Unsold Residential Properties

- Decade-high level of unsold units (130,690 units as of 1Q 2017)
- 83% of unsold units are above RM250,000
- 61% of unsold units are high-rise apartments

Oversupply of Office and Shopping Complexes

1-in-3 Offices to be vacant by 2021

140 New malls to enter market by 2021

Source: Jones Lang Wootton, National Property Information Centre

A Vulnerable Property Market Poses Risks to the Economy

1. Slower economic growth and higher unemployment
   - Property-related sectors accounted for 10% of GDP and employed 1.4 million Malaysians in 2016
2. Multiple sectors suffer prolonged weakness
3. Harm the banking and financial institutions
4. Negatively impact the Current Account of the Balance of Payments
5. Impairs Government's fiscal position if bailouts are required

Source: Department of Statistics, Malaysia and Bank Negara Malaysia unless stated otherwise
For more information, visit www.bnm.gov.my

Key Highlights on

Financial Markets Committee (FMC)

Financial Markets Committee (FMC) continues to enhance resiliency and develop the domestic financial market

1st series (Dec. 2016)

Rebalance onshore foreign exchange demand and supply

- 25% retention of export proceeds in foreign currency
- Trade settlement among residents in ringgit
- Streamline prudential limit on onshore and offshore foreign currency investment

Promote foreign exchange risk management onshore

- Active and dynamic hedging framework for residents and institutional investors
- Expansion of Appointed Overseas Office framework

2nd series (Apr. 2017)

Additional foreign exchange risk management flexibilities

- Further flexibilities for dynamic hedging for institutional investors
- Active hedging for corporations

Improve bond market liquidity

- Liberalise regulated short-selling

Promote fair and effective market conduct

- New Code of Conduct for Wholesale Financial Markets
- Principles for Fair and Effective Financial Market

Source: Bank Negara Malaysia