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# ECONOMIC AND FINANCIAL DEVELOPMENTS IN MALAYSIA IN THE FOURTH QUARTER OF 2017

## The Malaysian economy grew by 5.9% in the fourth quarter of 2017

Private sector demand continued to be the primary driver of growth, with further support from the external sector. From the supply side, all economic sectors continued to expand, except for the mining sector. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (3Q 2017: 1.8%). For the year as a whole, the economy recorded a growth of 5.9% (2016: 4.2%). Headline inflation moderated to 3.5% in 4Q 2017 (3Q 2017: 3.6%) due mainly to lower inflation in the *housing, water, electricity and gas* and *transport* categories. For 2017 as a whole, headline inflation averaged at 3.7% (2016: 2.1%).

## Financial stability preserved

Domestic financial markets continued to experience low overall volatility amid improvement in market sentiments. Domestic financial institutions sustained sound asset quality and profitability levels. Businesses and households on aggregate continued to demonstrate sound debt servicing capacity. Credit conditions in the domestic banking system remained conducive for real economic activities with eligible borrowers having continued access to financing

## Going forward, the Malaysian economy is expected to remain favourable in 2018

Growth is expected to remain favourable in 2018, with domestic demand continuing to be the key driver of growth. The expected faster expansion in global growth would continue to benefit Malaysia's exports, with positive spillovers to the domestic economic activity. Headline inflation is expected to moderate in 2018, reflecting a smaller contribution from global cost factors and a stronger ringgit compared to 2017. Upward pressures from the robust demand condition will be contained by continued spare capacity in the labour

market and on-going investment for capacity expansion. The trajectory for headline inflation, however, will remain dependent on the trend of global oil prices, which remains highly uncertain.

The Bank also wishes to feature two issues. The first – “Affordable Housing: Challenges and the Way Forward” – expands several policy propositions in greater detail for public discussion as a way forward in addressing the challenges in the affordable housing issue. The second – “Open Application Programming Interface (API): A Financial Revolution” – takes a closer look at Open APIs in financial services, including new services made possible through Open APIs and associated issues, with a specific focus on Open API adoption within the Malaysian financial sector.

**Bank Negara Malaysia**
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## Table 1

**GDP by Expenditure Components (at constant 2010 prices)**

| | Share 2017 (%) | 2016 | | 2017 | | |
|---|---|---|---|---|---|---|
| | | 4Q | Year | 3Q | 4Q | Year |
| | | Annual growth (%) | | | | |
| Aggregate Domestic Demand (excluding stocks) | 92.2 | 3.2 | 4.3 | 6.6 | 6.2 | 6.5 |
| Private sector | *71.2* | 5.9 | 5.6 | 7.3 | 7.4 | 7.5 |
| *Consumption* | *53.7* | *6.1* | *6.0* | *7.2* | *7.0* | *7.0* |
| *Investment* | *17.4* | *4.9* | *4.3* | *7.9* | *9.2* | *9.3* |
| Public sector | 21.0 | -2.6 | 0.4 | 4.0 | 3.4 | 3.3 |
| *Consumption* | *13.0* | *-4.2* | *0.9* | *3.9* | *6.9* | *5.4* |
| *Investment* | *8.0* | *-0.4* | *-0.5* | *4.1* | *-1.4* | *0.1* |
| Net Exports | 7.8 | 6.4 | 1.5 | 1.7 | 5.4 | -1.1 |
| *Exports of Goods and Services* | *72.9* | *2.2* | *1.1* | *11.8* | *7.1* | *9.6* |
| *Imports of Goods and Services* | *65.1* | *1.6* | *1.1* | *13.4* | *7.4* | *11.0* |
| **GDP** | **100.0** | **4.5** | **4.2** | **6.2** | **5.9** | **5.9** |
| **GDP (q-o-q growth, seasonally adjusted)** | **-** | **1.3** | **-** | **1.8** | **0.9** | **-** |

Source: Department of Statistics, Malaysia

## Table 2

**GDP by Economic Activity (at constant 2010 prices)**

| Annual growth (%) | Share 2017 (%) | 2016 | | 2017 | | |
|---|---|---|---|---|---|---|
| | | 4Q | Year | 3Q | 4Q | Year |
| Services | 54.4 | 5.5 | 5.6 | 6.5 | 6.2 | 6.2 |
| Manufacturing | 23.0 | 4.7 | 4.4 | 7.0 | 5.4 | 6.0 |
| Mining | 8.4 | 5.0 | 2.2 | 3.1 | -0.5 | 1.1 |
| Agriculture | 8.2 | -2.5 | -5.1 | 4.1 | 10.7 | 7.2 |
| Construction | 4.6 | 5.1 | 7.4 | 6.1 | 5.8 | 6.7 |
| **Real GDP** | **100.0**[1] | **4.5** | **4.2** | **6.2** | **5.9** | **5.9** |

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

Source: Department of Statistics, Malaysia