Malaysia: Recent Economic Developments and Outlook

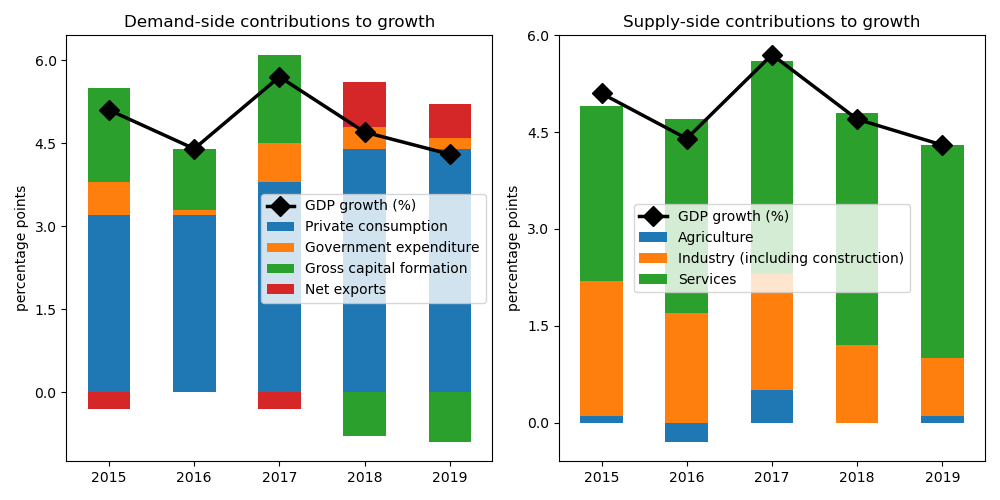
# GDP growth in 2019 slowed down

GDP growth slowed down from 4.7% in 2018 to 4.3% in 2019. On the demand side, private consumption, accounting for 59.8% of GDP, contributed the most with 4.4 percentage points (pp). Net exports gave 0.6pp. Government expenditure added 0.2pp. On the other hand, gross capital formation shaved 0.9pp from growth. On the supply side, services, accounting for 54.2% of GDP, contributed the most with 3.3pp. Industry (including construction) gave 0.9pp. Agriculture shared 0.1pp.

# Outlook tilted downwards this year

On November 2020, Consensus Economics panelists project Malaysia's economic growth ending in 2020 at -6.4%. In 2021, the panelists foresee growth at 6.6%. Over the same period, consumption is expected to grow by -5.6% and 7.2%, while investment is projected to grow by -15.6% and 9.4%. Industrial production is seen to grow by -4.5% and 6.2%.

Meanwhile, Consensus Economics panelists foresee inflation averaging in 2020 at -1.0%. In 2021, the panelists project inflation at 1.8%.



## Net exports achieved largest gain on the demand side

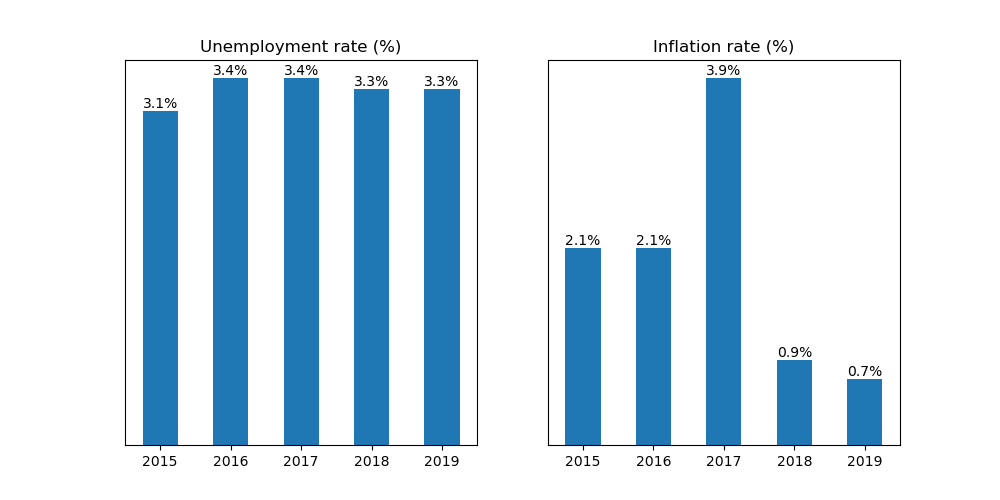
Net exports picked up by the biggest margin at 10.1% annual growth. Private consumption expanded by 7.6%. Government expenditure jumped by 2.0%. On the other hand, gross capital formation shrank by 3.8%.

## On the supply side, growth in services accelerated the fastest

Services grew by the largest edge at 6.1% annual growth. Industry (including construction) increased by 2.4%. Agriculture picked up by 1.8%.

## Unemployment stayed; inflation improved

Unemployment rate stayed from 3.3% in 2018 to 3.3% in 2019. Consequently, inflation improved from 0.9% to 0.7%. At the end of the year, the central bank set the policy rate at 3.0%.



## Current account balance posted a deficit

Current account balance (CAB) recorded a deficit at nan% of GDP in 2019. Net trade in goods and services reached USD nan billion. In 2018, CAB posted a deficit at 2.1% of GDP.

China is the country's top export destination accounting for 14.2% of total exports in 2019. Other major exports partners include Singapore (13.9%), USA (9.7%), China, Hong Kong SAR (6.7%), and Japan (6.6%). Top export commodities are electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles, accounting for 34.4% of total exports.

For imports, top imports origin in 2019 is China (20.7% of total imports), followed by Singapore (10.5%), USA (8.1%), Japan (7.5%), and Other Asia, nes (6.7%). Major import commodities are electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles, accounting for 27.3% of total imports.

# Output contracted in Q3 2020

Output plunged by 2.7% year-on-year in Q3 of 2020. Growth in overall economic activity improved from a contraction of 17.1% in the previous quarter. Net exports increased by the biggest margin at 22.8% annual growth. Government expenditure jumped by 6.9%. On the other hand, gross capital formation and private consumption shrank by 16.5% and 2.0%, respectively.

## Retail sales picked up

Retail sales picked up by 19.1% year-on-year in September of 2020. Growth in the retail sector improved from a contraction of 4.2% in August, reflecting increased trade activity.

## Industrial output expanded

Industrial production expanded by 1.1% year-on-year in September, an increase from 0.0% growth in the previous month. Growth in manufacturing increased to 4.3% from 2.2%.

## Inflation improved

Overall inflation improved to -1.6% year-on-year in October from -1.4% in the previous month.

Malaysia's central bank kept the official policy rate to 1.75% in November from the same in October.

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