



Malaysia sekali lagi mengatasi jangkaan pasaran apabila kadar pertumbuhan KDNK negara bagi suku ke-2 2019 naik ke 4.9% semasa ekonomi dunia mengalami kelembapan pertumbuhan

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MALAYSIA BEATS MARKET EXPECTATIONS AGAIN WITH ITS SECOND QUARTER 2019 GDP GROWTH ACCELERATING TO 4.9% AMID WIDESPREAD GLOBAL ECONOMIC SLOWDOWN

Malaysia yet again beats market expectations with its second quarter 2019 GDP growth accelerating to 4.9% year-on-year, from 4.5% in the previous quarter. The 4.9% GDP growth is above market consensus of 4.7% as compiled by Bloomberg.

The stronger than expected expansion continues to highlight Malaysian resilience amid challenging global environment. The good growth performance also reflects the effectiveness of institutional reforms carried out under the leadership of Prime Minister Tun Dr Mahathir Mohamad.

This is especially evident when several of Malaysia's major trade partners are experiencing synchronised growth slowdown caused by multiple factors, including the ongoing China-US trade war. Indeed, Malaysia is one of the few economies in the region that experienced faster growth in the second quarter compared to the previous quarter.

Healthy domestic demand

The second quarter Malaysian GDP growth was supported by solid domestic demand growth of 4.6% year-on-year, which was faster than the 4.4% rate recorded in the first quarter of 2019.

Statistics on sales value of wholesale and retail trade underline the health of domestic demand. Overall wholesale and retail trade value in June 2019 rose 5.9% to RM112.3 billion in current prices, from RM106.3 billion a year ago.

The domestic demand expansion was helped by low and stable inflation. In July 2019, the consumer price index rose 1.4% year-on-year, slightly lower than the 1.5% rise in June. Inflation remained low due to the imposition of price ceiling on RON95 petrol and diesel by the Government to lighten living cost pressures faced by the rakyat.

Current account in surplus

Additionally, Malaysia's current account balance remained in surplus. In the second quarter, Malaysia registered a current account surplus of 3.9% of GNI.

Strong net exports contributed to the current account surplus. The second quarter net exports rose 11.1% year-on-year to RM30.1 billion in current prices, versus 10.7% increase in the first quarter of 2019.

The comfortable surplus together with flexible ringgit exchange rate will go a long way in shielding the domestic economy from growth challenges from abroad.

Mindful of the gathering clouds over the horizon

Despite faster second quarter Malaysian GDP growth, the Government is mindful of the weakening global demand and its effects on the domestic economy. The International Monetary Fund (IMF) in July downgraded its 2019 global GDP growth forecast to 3.2% from 3.3%. Earlier in the year, the IMF projected the 2019 world's economy would expand by 3.5%. The slowdown originated from persisting trade tensions. In contrast, the World Bank projects the Malaysian GDP to grow 4.6% for the whole of 2019.

Strong GDP growth, along with cost consolidation and fiscal transparency carried out by the Government, are among the factors that convinced international credit rating agencies to reaffirm Malaysia's sovereign credit ratings at a high grade of A- or A3. On 18 July 2019, Fitch Ratings confirmed the Government's credit rating at A- with a stable outlook. This followed the same action taken by S&P Global Ratings on 3 July 2019.

Whilst the Malaysian growth is encouraging, the Government will not ignore the high risks associated with the escalating trade war between China and the US. Malaysia is focused on growing the domestic economy sustainably, and will prepare contingent expansionary measures when necessary to counter any adverse impact from the trade war. The Government's success in managing its finances prudently through its reforms over the past year will allow Malaysia to respond appropriately, if required.

Sayangi Malaysiaku!

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