

MEDIA RELEASE MINISTER OF FINANCE MALAYSIA YB TUAN LIM GUAN ENG

Emphasising Sustainable Economic Growth Can Ensure The Success Of Shared Prosperity Following Receding Fears Of Deflation After Malaysia's Inflation In June 2019 Increased To 1.5% Year-On-Year From 0.2% In May 2019

Emphasising sustainable economic growth can ensure the success of shared prosperity following receding fears of deflation after Malaysia's inflation in June 2019 increased to 1.5% year-on-year from 0.2% in May 2019. The acceleration in Consumer Price Index for June 2019 which rose by 1.5% year-on-year was also influenced by a change in the tax regime.

In June 2018, the goods and services tax (GST) rate was zeroised to fulfil the Government's promise of improving the economic well-being of the rakyat, and it was replaced by the sales and service tax (SST). Despite the rise in June prices, this leaves the inflation rate for the first 6 months of 2019 at 0.2% year-on-year (Table 1).

Table 1: Inflation rates for January to June 2019

Period	Inflation (year-on-year)
January	-0.7%
February	-0.4%
March	0.2%
April	0.2%
May	0.2%
June	1.5%
First half of 2019	0.2%

This addresses concerns of deflation when the CPI declined marginally by 0.7% and 0.4% year-on-year respectively in January and February 2019, before rising by 0.2% year-on-year each month in March, April and May. Apart from the replacement of the GST with SST, the reduction of the retail price ceiling for RON 95 from RM2.20 per litre to RM2.08 per litre helped to lower inflation rate and alleviate cost of living pressures faced by the *rakyat*.

Persistent and robust economic growth

The generally low and stable inflation is taking place amid a robust economic growth. Malaysian industrial production growth has been growing above market consensus for the third month in a row when in May 2019, it grew 4.0% year-on-year beating market projection of 3.5% year-on-year as compiled by Bloomberg. Exports in May 2019 increased 2.5% year-on-year, which also came above market expectations.

Wholesale and retail sales rose 5.6% and 8.2% year-on-year respectively in the January-May 2019 period. Furthermore, vehicle sales for the first 5 months of 2019 rose 13% compared to the same period last year, indicating healthy domestic demand growth for the first half of the year.

These indicators point towards a healthy second quarter GDP expansion, after the Malaysian economy grew sustainably at 4.5% year-on-year in the first quarter of 2019. The government is positive about the prospects for sustainable economic growth for the second quarter. Meanwhile, the World Bank is projecting the Malaysian GDP to

grow 4.6% for 2019. The government will continue to prioritise economic growth and even consider an expansionary budget to ensure the rakyat's economic well-being and achieve our economic goal of shared prosperity.

Sayangi Malaysiaku!

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