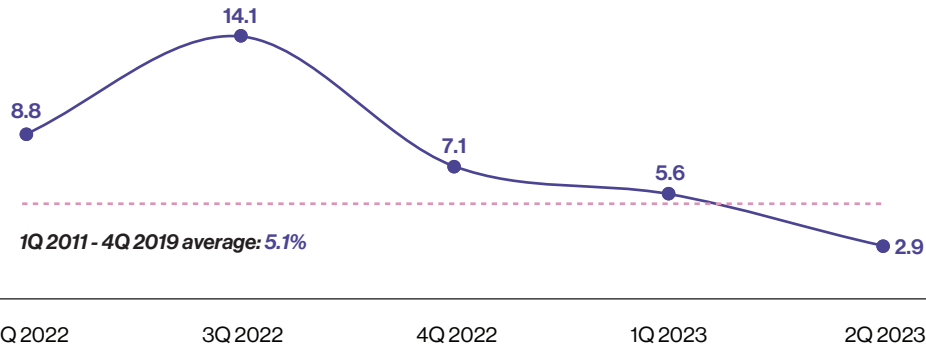


## Developments in the Malaysian Economy

# Gross Domestic Product

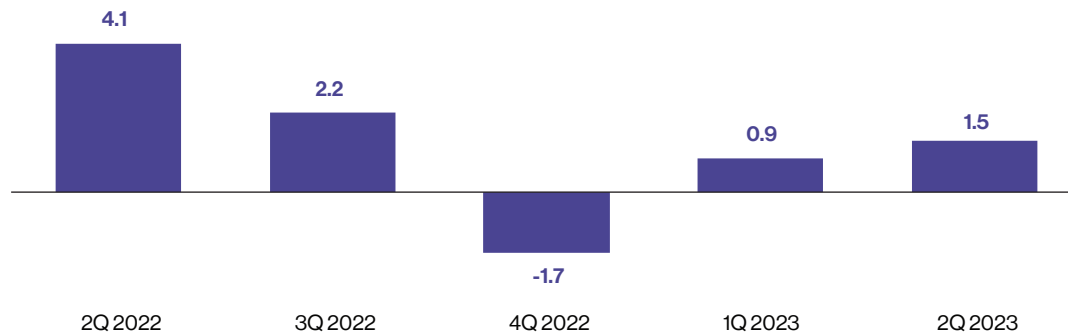
**GDP grew by 2.9% in 2Q 2023**  
*Annual change, %*



Source: Department of Statistics, Malaysia

**On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5%**

*Quarterly change, %*



Source: Department of Statistics, Malaysia

**What are the factors supporting growth in 2Q 2023?**



Continued improvement in labour market conditions



Continued increase in household spending



Higher tourism activities

**What are the factors weighing on growth in 2Q 2023?**



Weaker external demand amid global technology downcycle



Slower production in commodities sector



High base effect from 2Q 2022

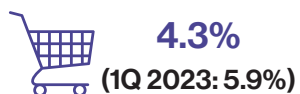
Developments in the Malaysian Economy

# Malaysia's Economic Performance

## Further expansion in domestic demand

Annual change, %

### Private Consumption



Moderate expansion in both necessities and discretionary spending

### Private Investment



Further progress in construction projects and continued capacity expansion

### Public Consumption



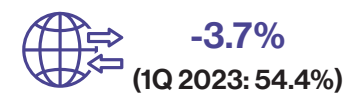
Higher emoluments spending

### Public Investment



Improved Government's fixed assets spending

### Net Exports

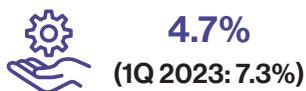


Weaker external demand amid global technology downcycle

## Growth supported by Services and Construction sectors

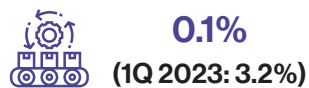
Annual change, %

### Services



Moderation in consumer- and business-related services, while tourism spending remained supportive

### Manufacturing



Weaker E&E production and lower refined petroleum production amid a decline in mining output

### Construction



Continued progress of large infrastructure projects and support from higher special trade activities

### Mining



Decreased oil and gas output due to plant maintenance

### Agriculture



A reduction in oil palm and fisheries output amid hot weather condition

## Developments in the Malaysian Economy

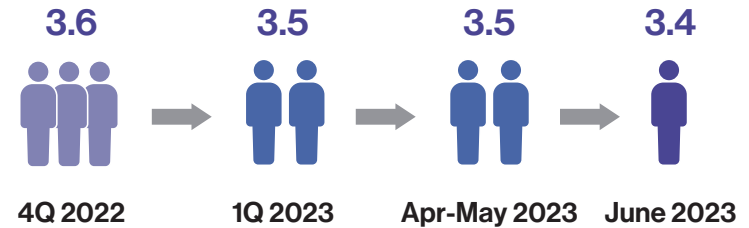
# Labour Market Conditions

### Labour market continued to improve

- The unemployment rate decreased to 3.4% in June 2023 (2Q 2023: 3.5%).
- Employment improved marginally to 16.15 million persons (1Q: 16.06 million persons) amid continued demand for labour.
- Labour supply remained forthcoming as the labour force participation rate increased to 70.0% (1Q 2023: 69.8%).

### Lower unemployment rate

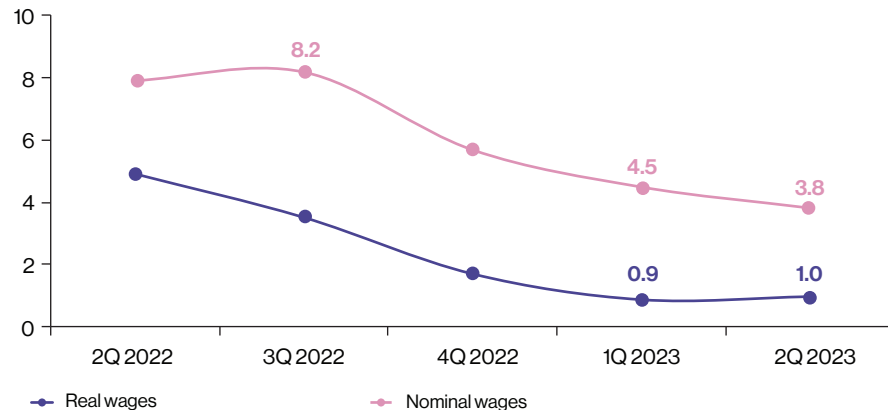
*Unemployment rate, % of labour force*



Source: Department of Statistics, Malaysia

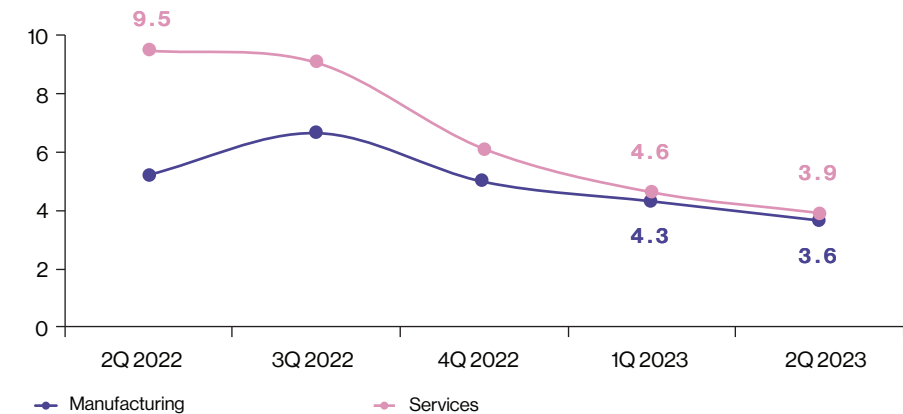
### Continued expansion in private sector wages

*Private sector wages, Annual change, %*



Source: Department of Statistics, Malaysia, Bank Negara Malaysia Estimates

*Sectoral nominal wages, Annual change, %*



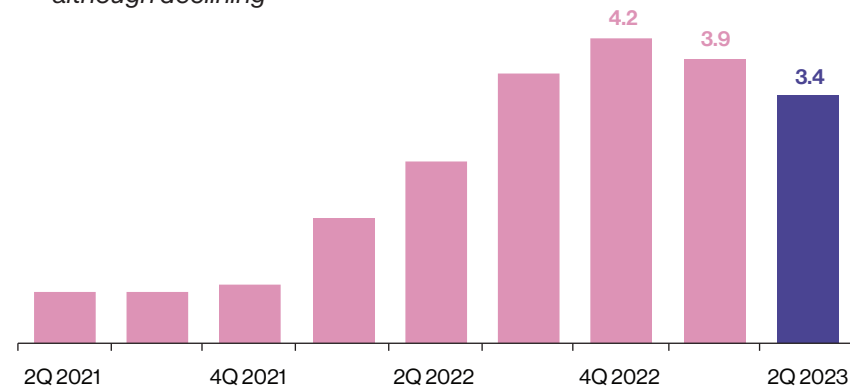
Developments in the Malaysian Economy

# Disinflation trend continued amid easing cost environment

## Core inflation moderated but remained elevated at 3.4% during the quarter

### Annual change, %

- Core inflation remained elevated although declining



### Selected Core Services Items

**Food away from home**  **7.7%**  
(1Q 2023: 8.9%)

**Telephone and telefax services**  **-3.3%**  
(1Q 2023: -1.7%)

**Repair and maintenance of personal transport**  **9.5%**  
(1Q 2023: 10.8%)

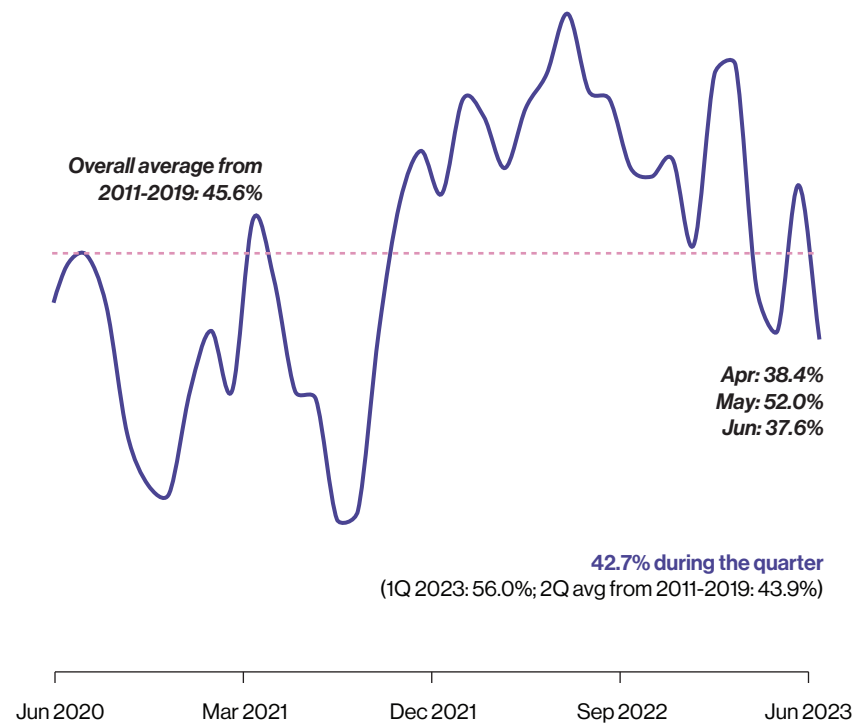
Note: Core inflation is computed by excluding price-volatile and price-administered items from headline inflation

Source: Department of Statistics, Malaysia, Bank Negara Malaysia Estimates

## Inflation pervasiveness declined in June after a transitory uptick in May

### Share of CPI Items Recording Month-on-Month Price Increase, %

- The uptick in May potentially reflected price adjustments around the festive season amid forthcoming demand
- Fewer items recording higher prices in June.



Source: Department of Statistics, Malaysia, Bank Negara Malaysia Estimates

## Developments in the Malaysian Economy

## External Sector Development

## Slower export and import growth



## Gross exports

-11.1% (1Q 2023: 3.0%)

*Weaker external demand and moderating commodity prices*

## Gross imports

-11.5% (1Q 2023: 3.4%)

*Weaker intermediate imports due to moderation in manufactured exports*

## Larger current account surplus and higher financial account outflow



## Current Account

**RM9.1 bil; 2.1% of GDP**  
(1Q 2023: RM4.3 bil; 1.0% of GDP)

## Driving Factors:

- Narrower services deficit reflecting mainly higher travel receipts.
- Smaller primary income deficit driven mainly by higher investment income from investments abroad.

## Which offset:

- Smaller goods surplus following moderation in external demand amid global technology downcycle.



## Financial Account

**Net outflows RM11.6 bil**  
(1Q 2023: Net outflows RM2.4 bil)

## Driving Factors:

- Net outflows in other investment, driven mainly by repayment of residents' interbank borrowing.
- Net outflows in direct investment due to higher net outflows in direct investment abroad (DIA) amid lower foreign direct investment (FDI).

## Which offset:

- Net inflows in portfolio investment, on account of non-residents' acquisition of domestic debt securities.

Source: Department of Statistics, Malaysia, Bank Negara Malaysia

## External debt edged higher

## RM1.21 trillion or 67.1% of GDP

(1Q 2023: RM1.17 trillion or 64.5% of GDP)

- **Exchange rate valuation effect** due to the weakening of ringgit against some major and regional currencies.
- **Higher holdings of domestic debt securities** by non-resident investors.

## External debt remained manageable

*% of total external debt*

CURRENCY

**Ringgit-denominated: 33.4%**

*Unaffected by ringgit exchange rate fluctuations*

**FCY-denominated: 66.6%**

*of which 65.7% is subject to BNM prudential & regulatory requirements and 15.8% are due to intragroup loans*

MATURITY

**Medium-and long-term: 58.2%**

*Limiting rollover risks*

## International Investment Position

**RM160.9 billion (1Q 2023: RM84.5 billion)**

## International Reserves\* USD112.9 billion

- **5.3 months\*\*** of imports of goods and services.
- **1.0 time** of short-term external debt.

\* As at 31 July 2023.

\*\* Coverage differ from the press statement as it reflects the latest 2Q 2023 data on imports of goods and services and short-term external debt.

Source: Ministry of Finance Malaysia, Department of Statistics Malaysia and Bank Negara Malaysia