

## THE STATE OF THE NATION A WEEKLY UPDATE



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# 2020 GDP growth forecast at 4.8%; improvement in public expenditure seen

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The global outlook for next year is not rosy. In acknowledging this, the government says the balance of risks is tilted to the downside as Malaysia is a highly open economy.

The Economic Outlook 2020 report (EOR 2020) says Malaysia's growth momentum is expected to be affected in the near term by factors such as the prolonged trade war between China and the US, geopolitical tensions, slowdown in the electronics sector and volatility in the global financial and commodity markets.

That said, Malaysia's gross domestic product (GDP) is still anticipated to grow faster at 4.8% in 2020, from a projected 4.7% this year.

Looking at the GDP by demand, private consumption, which makes up 58% of the GDP share, will continue to drive GDP growth in 2020 as it is expected to grow 6.9% year on year from 6.8% in 2019. This will be supported by a stable labour market and income growth trend in line with sustained economic activities.

Furthermore, EOR 2020 says significant events such as the Visit Malaysia 2020 campaign, Asia-Pacific Economic Cooperation meetings and World Congress on Information Technology 2020 are expected to lend more support to private consumption activities.

## GDP by sector

CHANGE (%)	2018	2019	2020
Services	6.8	6.1	6.2
Manufacturing	5	4	4.1
Mining	-2.6	0.6	0.3
Agriculture	0.1	4.3	3.4
Construction	4.2	1.7	3.7
<b>GDP</b>	<b>4.7</b>	<b>4.7</b>	<b>4.8</b>

in 2020, against 6.1% in 2019, on account of household spending, the expansion of the digital economy and the launch of Visit Malaysia 2020, says the report.

The services sector is the largest contributor to GDP at 57%, followed by manufacturing (22%). Manufacturing is forecast to grow 4.1% in 2020, compared with 4% in 2019.

"The manufacturing sector is expected to perform moderately in subsequent quarters before gaining momentum in the second half of 2020, in line with the anticipated

## GDP by aggregate demand

CHANGE (%)	2018	2019	2020
<b>Domestic demand</b>	<b>5.5</b>	<b>4</b>	<b>4.8</b>
<b>Private expenditure</b>	<b>7.1</b>	<b>5.6</b>	<b>5.8</b>
Consumption	8	6.8	6.9
Investment	4.3	1.5	2.1
<b>Public expenditure</b>	<b>0.1</b>	<b>-1.8</b>	<b>0.8</b>
Consumption	3.3	2	1.5
Investment	-5	-8.1	-0.6
<b>External sector</b>	<b>11.4</b>	<b>14.5</b>	<b>-2.7</b>
Exports	2.2	-0.4	1.4
Imports	1.3	-2.1	1.9
<b>GDP</b>	<b>4.7</b>	<b>4.7</b>	<b>4.8</b>

upturn in global electronics demand," the report says.

The construction sector — despite having the smallest share of GDP at 4.7% — is projected to see the largest year-on-year growth in 2020, at 3.7%, owing to the revival of mega

projects and the building of affordable homes.

Other sectors like agriculture and mining will see slower growth in 2020, at 0.3% (2019: 0.6%) and 3.4% (2019: 4.3%) respectively.

The agriculture sector's growth in 2020 will be supported by higher output of plantations, livestock and other agriculture sub-sectors while the mining sector will be held up by stable gas production on account of rising demand from the petrochemical industry and increasing exports of liquefied natural gas to China, Japan and South Korea.

In conclusion, the EOR 2020 highlights that the government will be undertaking various measures to sustain the growth momentum.

This includes the revival of strategic projects and moving up the value chain through 5G technology and Industrial Revolution 4.0. There will also be efforts to promote industries that have a comparative advantage such as tourism and commodity-related downstream activities, which can support growth in the near term.