17 January 2024

ECONOMIC REVIEW | **4Q24 National Account – Advance Estimate**

GDP Growth Moderated to +4.8% in 4QCY24 Amid Robust Expansion in Construction and Services Sectors

- *Full-year GDP grew by +5.1% in 2024. According to the advance estimate, Malaysia's economic growth moderated to +4.8%yoy in the 4QCY24 (3QCY24: +5.3%yoy) after two quarters of above +5.0%. The full-year GDP was higher at +5.1% in 2024 (2023: +3.6%) slightly above our projection of +5.0%.*
- *Sequential GDP growth eased to +2.5%qoq. Malaysia's GDP cooled from higher growth last quarter at +2.5%qoq (3Q24: +4.6%qoq), particularly influenced by the steep decline in the agriculture and construction sectors.*
- *Malaysia's economy to grow at +4.6% in 2025. We maintain our projection that Malaysia's economy will grow at more normalised pace of +4.6% in 2025. Increased domestic spending and investment activities will continue to support economic growth this year, in addition to continued expansion in external trade.*

Full-year GDP grew by +5.1% in 2024. According to the advance estimate, Malaysia's economic growth moderated to +4.8%yoy in the 4QCY24 (3QCY24: +5.3%yoy) after two quarters of above +5.0%. The full-year GDP was higher at +5.1% in 2024 (2023: +3.6%) slightly above our projection of +5.0%. By sector, the manufacturing sector continued its growth momentum but moderated to +4.3%yoy (3Q24: +5.6%yoy) in line with the export performance and the pick-up in export-oriented sectors such as the E&E, chemicals, wood & wood products, machinery & equipment, and petroleum products. The construction sector also continued to grow robust albeit moderating slightly to +19.6%yoy (3Q24: +19.9%yoy), indicating encouraging progress in development and construction projects. Meanwhile, the services sector grew by +5.3%yoy in the 4Q24 (3Q24: +5.2%yoy), sustaining growth since the 4QCY21 on the back of growing domestic spending. The slight pickup in the services sector is in line with the continued expansion in the distributive trade that grew by +5.1%yoy in Oct-Nov-24 (3QCY24: +5.1%yoy) as the wholesale trade, retail trade, and motor vehicles sales remained in positive. The sustained growth made the services sector as the key driver of growth, contributing +3.1ppt or 65.9% of growth during the quarter. On the other hand, the agriculture sector turned to contraction on the back of extreme weather conditions and floods resulting in weaker output in the oil palm and forestry & logging sub-sectors. Meanwhile, the mining & quarrying sector contracted at a slower pace to -1.4%yoy in the 4Q24 (3Q24: -3.9%yoy) due to continued weakness in the production of crude oil & condensate. We believe Malaysia's economy will continue to grow in the coming quarters as the leading index continued to point towards positive growth momentum.

Table 1: Malaysia's Real GDP Growth by Major Sectors

	1Q24	2Q24	3Q24	4Q24	1Q24	2Q24	3Q24	4Q24[a]	2023	2024[a]
	QoQ% *				YoY%					
GDP	**-3.1**	**0.8**	**4.6**	**2.5**	**4.2**	**5.9**	**5.3**	**4.8**	**3.6**	**5.1**
Agriculture	(9.2)	6.7	15.5	(11.2)	1.7	7.3	3.9	(0.6)	0.7	3.0
Mining & Quarrying	(0.9)	(9.0)	(6.5)	17.1	5.7	2.7	(3.9)	(1.4)	0.5	0.8
Manufacturing	(3.7)	1.8	4.4	2.0	1.9	4.7	5.6	4.3	0.7	4.2
Construction	8.1	3.8	8.5	(1.8)	11.9	17.3	19.9	19.6	6.1	17.2
Services	(3.0)	0.7	4.2	3.4	4.8	5.9	5.2	5.3	5.1	5.3

[a] advance estimate * non-seasonally adjusted
Source: DOSM, MIDFR

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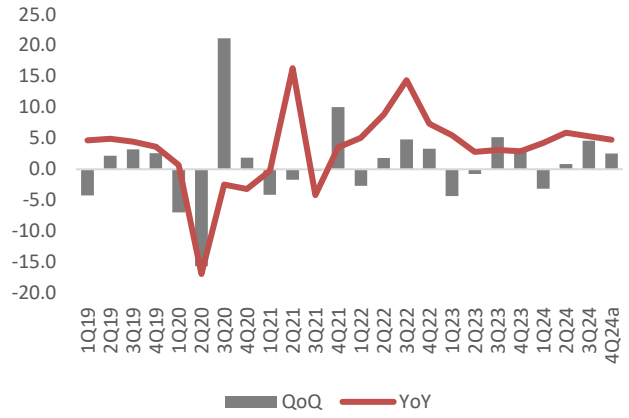
Sequential GDP growth eased to +2.5%qoq. Malaysia's GDP cooled from higher growth last quarter at +2.5%qoq (3Q24: +4.6%qoq), based on non-seasonally adjusted data. Although it remained expansionary for 3 consecutive quarters, the pace of growth was relatively weaker compared to past trends. The softer growth was particularly influenced by the steep decline in the agriculture sector by -11.2%qoq (3QCY24: +15.5%qoq), attributable to weaker output in the oil palm and forestry & logging sectors, limited by extreme weather conditions. In addition, contraction in the construction sector (-1.8%qoq; 3Q24: +8.5%qoq) also posed a drag to the quarterly growth. Meanwhile, services and manufacturing sectors slowed to +3.4%qoq (3QCY24: +4.2%qoq) and +2.0%qoq (3QCY24: +4.4%qoq), respectively. Nonetheless, growth in the manufacturing sector will continue to be supported by robust export-oriented industries, especially for E&E products, and growing domestic demand. Mining & quarrying sector also contributed positively to the quarterly growth, rebounding to double-digit expansion at +17.1%qoq (3QCY24: +6.5%qoq) from declines in the previous consecutive three quarters.

Still healthy rise in domestic spending. Domestic consumption to continue providing positive contribution to GDP growth in 4QCY24. The performance of consumer spending remained encouraging as reflected by the faster rise in retail trade in the 2-month period to Nov-24 (+6.4%yoy; 3QCY24: +5.8%yoy). This was underpinned by positive labour market conditions on the back of sustained employment growth and low jobless rate. In addition, the sustained rise in domestic spending was also supported by increased tourist spending, disbursement of cash assistance from the government and greater spending for festive seasons.

Net exports to contribute positively. We believe external trade would maintain positive contribution to the GDP growth in 4QCY24, on the back of sustained pick-up in exports and more normalised import growth. Based on the performance of trade of goods, the trade surplus rebounded to +8.3%yoy (3QCY24: -58.2%yoy) after 8 quarters of contraction. This can be due to sharper moderation in imports (Oct-Nov-24: +2.2%yoy; 3QCY24: +20.8%yoy) compared to exports which grew relatively faster at +2.8%yoy (3QCY24: +7.7%yoy). Apart from increased demand for E&E products and other commodities such as palm oil and natural gas, we believe exports of services will continue to show improvements on the back of recovering arrivals of foreign tourists as well as growing business activities.

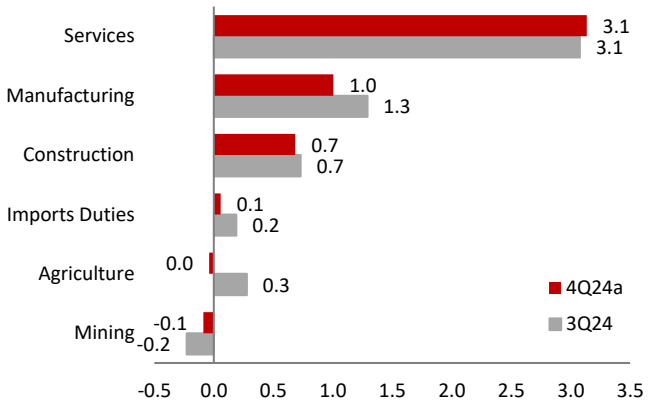
Malaysia's economy to grow at +4.6% in 2025. We maintain our projection that Malaysia's economy will grow at more normalised pace of +4.6% in 2025. Increased domestic spending and investment activities will continue to support Malaysia's economic growth this year, in addition to continued expansion in external trade. A more robust growth in the domestic economy will support Malaysia economy to face external uncertainties, such as ongoing geopolitical and trade tensions and introduction of protectionist trade policies, which could pose a drag on international trade outlook. On the domestic front, we are monitoring closely possible inflationary effects from policy changes as weaker purchasing power could affect prospects for discretionary spending.

Chart 1: Real GDP: YoY vs. QoQ (%)



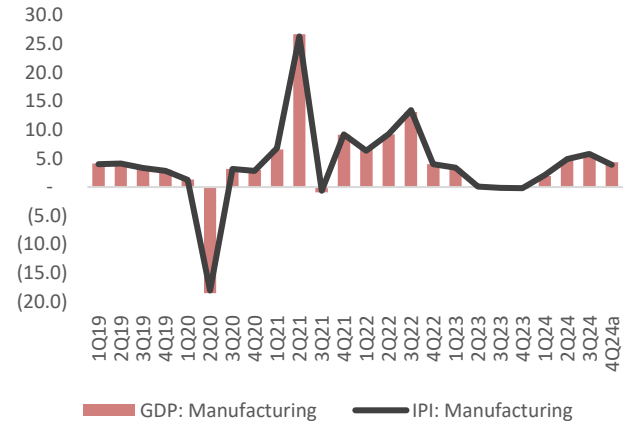
[a] advance estimate
Source: DOSM, MIDFR

Chart 2: Contribution to 4QCY24 GDP Growth[a] by Major Sector (%-point)



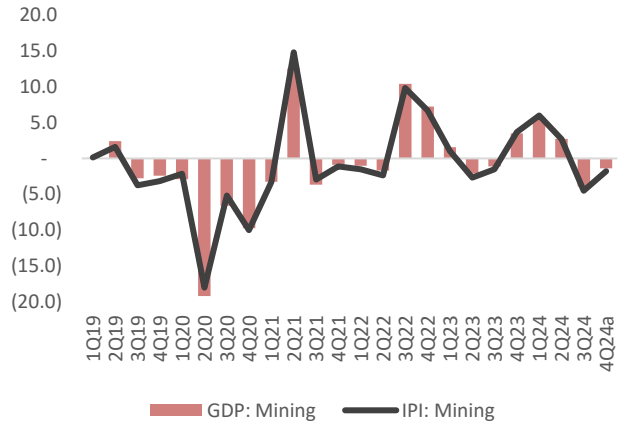
[a] advance estimate
Source: DOSM, MIDFR

Chart 3: Manufacturing GDP vs. Manufacturing IPI (YoY%)



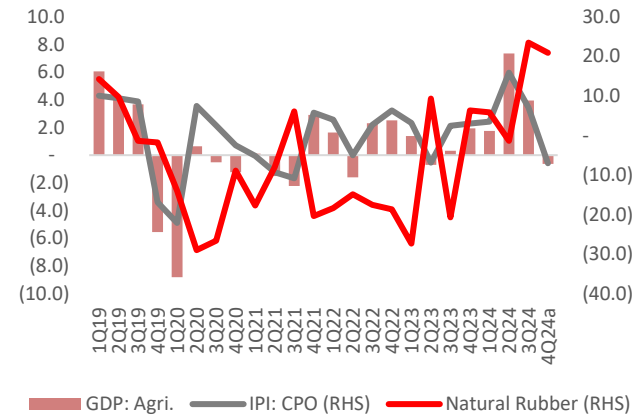
[a] advance estimate
Note: Latest data for IPI: Manufacturing refers to Oct-Nov-24
Source: Macrobond, DOSM, MIDFR

Chart 4: Mining GDP vs. Mining IPI (YoY%)



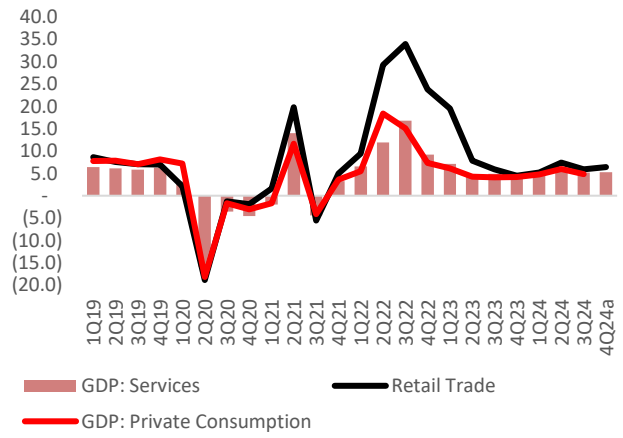
[a] advance estimate
Note: Latest data for IPI: Mining refers to Oct-Nov-24
Source: Macrobond, MIDFR

Chart 5: Agriculture GDP vs. CPO IPI vs. Natural Rubber Output (YoY%)



[a] advance estimate
Source: Macrobond, DOSM, MIDFR

Chart 6: Services GDP vs. Private Consumption vs. Retail Trade (YoY%)



[a] advance estimate
Note: Latest data for Retail Trade refers to Oct-Nov-24
Source: Macrobond, MIDFR

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