Malaysia's GDP Expected to Grow +4.8%yoy in 4QCY24, Unchanged from the Advance Estimate

ECONOMIC REVIEW: 4QCY24 National Account Preview



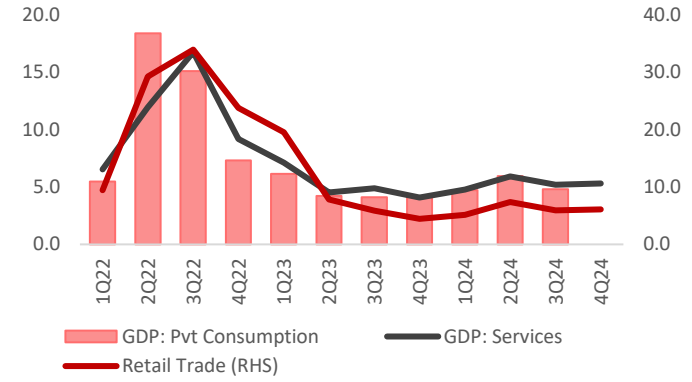
Author
MIDF Research
research@midf.com.my

Economic Review

- Sustained expansion in domestic spending activities. Domestic consumption continues to play crucial role to drive Malaysia's economic growth in 4QCY24. Although Dec-24 retail trade was more moderate than previous month, the retail spending was rather stable growing at +6.1%yoy in 4QCY24 (3QCY24: +5.9%yoy).
- Net exports to contribute positively. Exports of goods grew at a slightly softer pace of +7.3%yoy in 4QCY24 (3QCY24: +7.7%yoy). Trade surplus widened to +RM46.1b in 4QCY24 (3QCY24: +RM24.7b), attributable to the sustained export growth vis-à-vis slower rise in imports (+5.3%yoy; 3QCY24: +20.8%yoy) and higher than +RM36.9b a year ago.
- Manufacturing continues to expand moderately, in tandem with export recovery. The moderation in IPI signalled that manufacturing GDP grew moderately during the quarter. Based on the manufacturing output in the IPI report, we estimate the manufacturing sector growing by approximately +4.5%yoy in 4QCY24 (3QCY24: +5.6%yoy), slightly above the advance estimates of +4.3%yoy.
- Full quarter 4QCY24 GDP growth to be around +4.8%yoy. Taking into accounting the recent indicators and updates, we estimate the full-quarter GDP growth for 4QCY24 will be similar to the advance estimate of +4.8%yoy (3QCY24: +5.3%yoy).

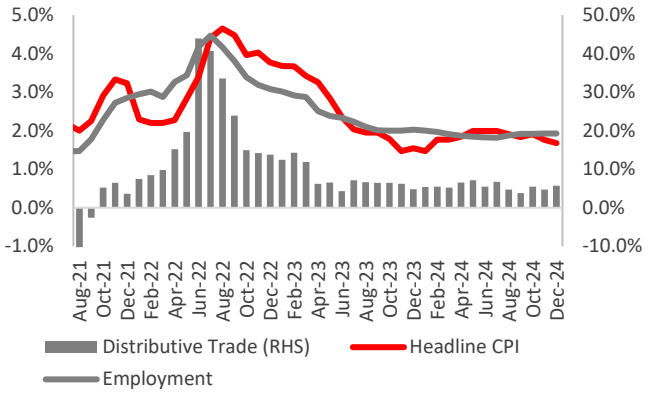
Sustained expansion in domestic spending activities. Domestic consumption continues to play crucial role to drive Malaysia's economic growth in 4QCY24, underpinned by healthy labour market conditions (with sustained rise in employment and high labour force participation rate), increased tourist arrivals and relatively low and stable inflation. Although Dec-24 retail trade was more moderate than previous month, the retail spending was rather stable growing at +6.1%yoy in 4QCY24 (3QCY24: +5.9%yoy). In line with that, the services sector growth was also sustained at +5.3%yoy (3QCY24: +5.2%yoy), according to the advance GDP estimate. With further rise in employment (+2.7%yoy; 3QCY24: +2.9%yoy) and reduction in unemployment count fell to 19-quarter low of 546.9K (3QCY24: 547.9K), Malaysia's jobless rate remained low at 3.2% during the quarter. Moreover, disbursement of cash assistance in Nov-24 also helped to support consumption expenditures. Although consumers continued to express concerns about rising cost of living, still low headline CPI inflation, which remained at +1.9%yoy, and easing underlying price pressures, as core CPI inflation slowed further to +1.7%yoy (3QCY24: +1.9%yoy), limited the deteriorating effect on consumer's purchasing power. Given these positive fundamentals, we expect consumer spending to continue growing on the back of sustained expansion in business activities and the broader economy.

Chart 1: GDP: Private Consumption vs Retail Trade and GDP: Services (YoY%)



Note: 4QCY24 Services GDP data refers to advance estimate
Source: Macrobond, MIDFR

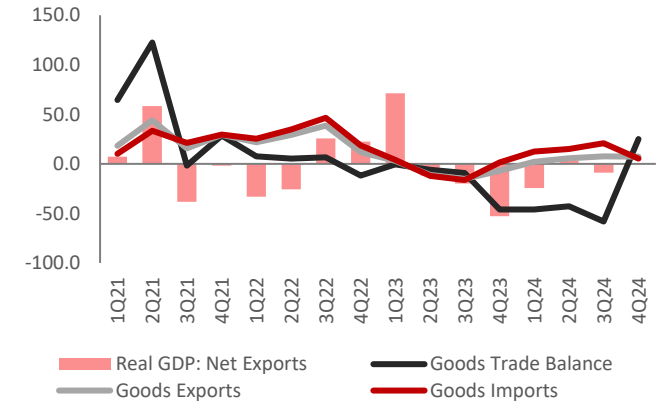
Chart 2: Distributive Trade vs. CPI and Employment (YoY%)



Source: Macrobond, MIDFR

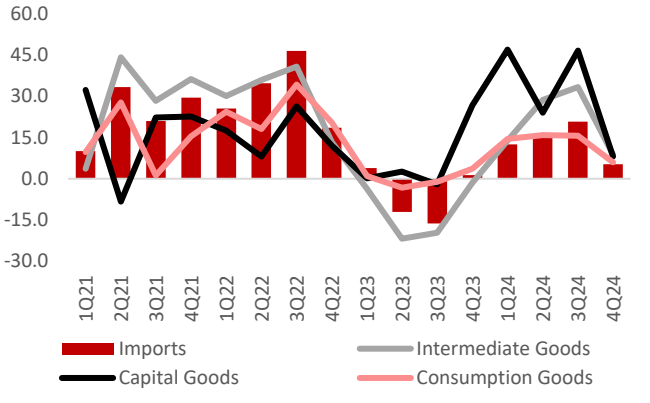
Net exports to improve and contribute positively. Malaysia's GDP growth remained robust, growing at +4.8%yoy in 4QCY24, driven by continued recovery in exports. Exports of goods grew at a slightly softer pace of +7.3%yoy in 4QCY24 (3QCY24: +7.7%yoy), underpinned by the moderation in domestic exports (+8.9%yoy; 3QCY24: +12%yoy). Meanwhile re-exports expanded by +1.5%yoy, reversing from -7.5%yoy contraction in the previous quarter. Trade surplus widened to +RM46.1b in 4QCY24 (3QCY24: +RM24.7b), attributable to the sustained export growth vis-à-vis slower rise in imports (+5.3%yoy; 3QCY24: +20.8%yoy) and higher than +RM36.9b a year ago. The strong export performance, mainly stemmed from higher outbound shipments for E&E products thanks to the rapid advancement in global technology along with increased outbound shipments for oil & palm oil-based products, rubber products, and petroleum products. Meanwhile, all the import components slowed down from double-digit growth to single-digit growth, notably intermediate goods (+8.9%yoy; 3QCY24: +33.3%yoy), capital goods (+9.4%yoy; 3QCY24: +46.7%yoy), and consumption goods (+6%yoy; 3QCY24: +15.7%yoy). Despite sustained growth in goods imports, we expect the contribution of net exports will remain positive due to the improvement in export performance in view of the growing external demand for E&E products and other non-E&E commodities. In addition, we expect a further pickup in services exports, on the back of the growing economy and recovering tourism activity, will also contribute positively to improved trade balance in 4QCY24.

Chart 3: GDP vs. External Trade of Goods (YoY%)



Source: Macrobond, MIDFR

Chart 4: Imports of Goods by End-Use (YoY%)

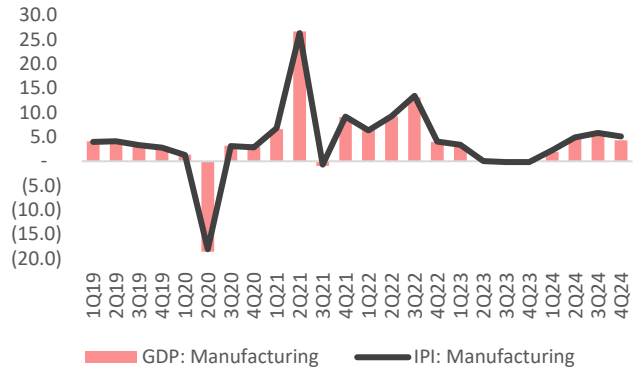


Source: Macrobond, MIDFR

Manufacturing continues to expand moderately, in tandem with export recovery. The moderation in IPI growth to +3.4%yoy in 4QCY24 (3QCY24: +3.9%yoy) signalled that manufacturing GDP grew moderately during the quarter. The sustained growth was supported by increased output in the export-oriented sectors, aligning with the continued recovery in exports. Based on the manufacturing output in the IPI report, we estimate the manufacturing sector growing by approximately +4.5%yoy in 4QCY24 (3QCY24: +5.6%yoy), slightly above the advance estimates of +4.3%yoy due to improved production in Dec-24. In contrast, the mining sector is expected to continue weighing on 4QCY24 GDP growth, as mining output contracted for two consecutive quarters

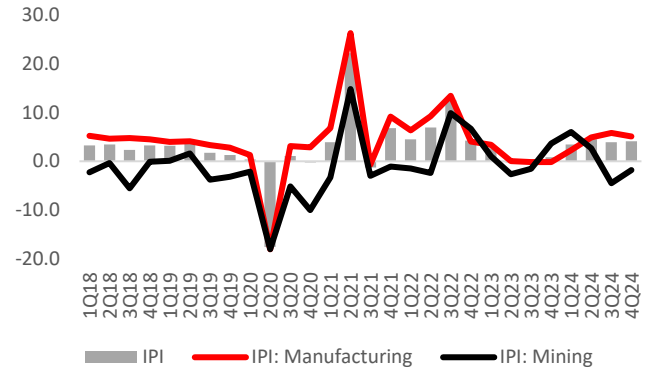
at -1.1%yoy, albeit at a slower pace (3QCY24: -4.6%yoy). This contraction reflects continuous production decline in crude petroleum (-6.1%yoy in 4QCY24; -7.2%yoy in 3QCY24). The IPI performance for Dec-24 suggests an even sharper contraction in the mining sector than the advance estimate of -1.4%yoy (3QCY24: -3.9%yoy), primarily due to weaker crude petroleum production. On another note, the agriculture GDP could have also experienced a decline faster than the advance estimate of -0.6%yoy, considering the sharper fall in palm oil production with fresh fruit bunch dropping by -12%yoy (3QCY24: +13%yoy).

Chart 5: IPI: Manufacturing vs GDP: Manufacturing (YoY%)



Note: 4QCY24 Manufacturing GDP data refers to advance estimate
Source: Macrobond, MIDFR

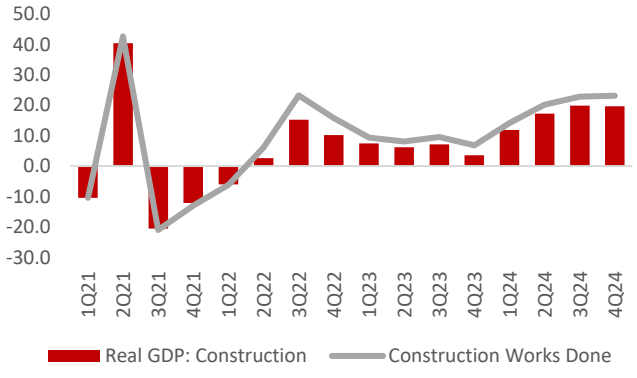
Chart 6: IPI by Major Sector (YoY%)



Source: Macrobond, MIDFR

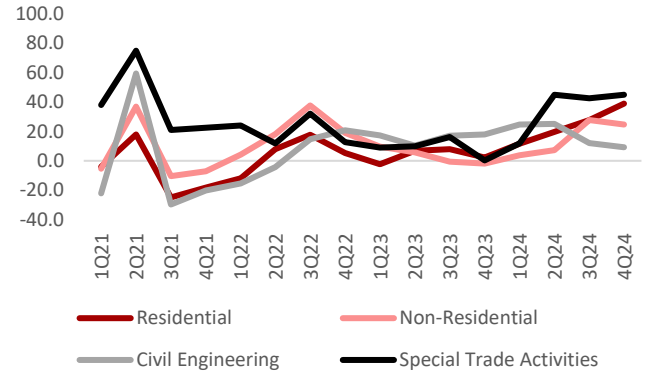
The construction sector continues recording double-digit growth. Construction sector growth remained robust in 4QCY24 as the progress of construction works accelerated slightly to +23.1%yoy (3QCY24: +22.9%yoy), the fastest expansion in 9 quarters. The growth during the quarter was underpinned by faster progress in jobs carried out by the government (+28.5%yoy; 3QCY24: +15.5%yoy), with faster growth in residential and non-residential segments as well as civil engineering. Work done by the private sector also recorded a healthy growth of +32.9%yoy (3QCY24: +33.3%yoy), driven by works in the property developments (both residential and non-residential) and special trade activities. Looking at this encouraging progress, we would not be surprised if the full 4QCY24 GDP data may show a slightly stronger growth for the construction, slightly higher than the advance estimate of +19.6%yoy (3QCY24: +19.9%yoy).

Chart 7: Real GDP: Construction vs. Construction Works Done (YoY%)



Source: Macrobond, MIDFR

Chart 8: Construction Works Done by Segments (YoY%)



Source: Macrobond, MIDFR

Full quarter 4QCY24 GDP growth to be around +4.8%yoy. Taking into accounting the recent indicators and updates, we estimate the full-quarter GDP growth for 4QCY24 will be similar to the advance estimate of +4.8%yoy (3QCY24: +5.3%yoy). Possible upside surprises could be a turnaround in net exports, increased manufacturing output towards end of 2024, the positive effects from stable inflation and still encouraging progress in the construction sector. On the other hand, GDP growth could drag down by

weaker production of primary commodities, particularly crude petroleum and palm oil. This explains why we opine the full-quarter data will not change much from the advance estimate. Overall, this year we maintain our expectations that Malaysia's economic growth will continue to be driven by growing consumer and business spending and continued growth in external demand, but the pace of GDP would be normalised around +4.6% (2024e: +5.1%). We keep a cautious view, however, surrounding several downside risks that could hurt Malaysia's trade and growth outlook, mainly the escalation in trade tensions, possible disruptions to global supply and the renewed inflation risk. On the domestic front, we are also concerned that rising cost pressures could lead to building price pressures, while demand pressures remain under control.

Table 1: Selected-Macroeconomic Data Updates

YoY% Unless Stated Otherwise	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Distributive Trade (DT)	6.8	5.8	5.4	6.4	5.1	5.3
DT: Wholesale Trade	6.3	5.4	4.9	4.5	4.3	5.0
DT: Retail Trade	5.9	4.4	5.2	7.4	5.9	6.1
DT: Motor Vehicles	12.2	12.6	8.2	10.2	5.1	3.7
IPI	(0.3)	0.8	3.4	4.5	3.9	3.4
IPI: Mining	(1.5)	3.7	5.9	2.4	(4.6)	(1.1)
IPI: Manufacturing	(0.1)	(0.2)	2.3	4.9	5.8	4.5
IPI: Electricity	1.5	4.6	9.1	5.3	5.0	3.1
Manufacturing Sales	(2.9)	(2.7)	1.8	5.7	6.5	4.4
Gross Exports of Goods	(15.2)	(6.9)	2.0	5.8	7.7	7.3
Domestic Exports	(13.0)	(6.7)	5.0	11.4	12.0	8.9
Re-Exports	(22.1)	(7.5)	(8.5)	(12.6)	(7.5)	1.5
Gross Imports of Goods	(16.3)	1.3	12.5	15.0	20.8	5.3
Trade Balance (RM Billion)	59.0	36.9	34.1	32.0	24.7	46.1
Employment	2.7	2.5	2.1	2.8	2.9	2.7
Unemployment	(6.3)	(5.9)	(4.4)	(4.1)	(4.4)	(3.2)
Unemployment Rate (%)	3.4	3.3	3.3	3.3	3.2	3.2
Headline CPI Inflation	2.0	1.6	1.7	1.9	1.9	1.8
Core CPI Inflation	2.6	2.1	1.8	1.9	1.9	1.7
USDMYR, Average	4.63	4.70	4.72	4.73	4.46	4.40
USDMYR, End-period	4.70	4.59	4.73	4.72	4.12	4.47
Brent Oil (USD per barrel), Average	85.92	82.80	81.77	85.03	78.71	74.01
CPO (RM per tonne)	3,810	3,666	3,983	4,040	3967.5	4791.6

Source: Macrobond, Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad
197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.