Malaysia's GDP Grew by +5.0%yoy in 4QCY24, Slightly Higher than Expected

ECONOMIC REVIEW:
4QCY24
National Account

Economic Review



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- Malaysia's economy grew +5.1% in 2024. Malaysia's GDP growth moderated to +5.0%yoy in 4QCY24 (3QCY24: +5.4%yoy), surpassing our and market expectations and the advance estimate of +4.8%yoy. For the full year, the economy expanded stronger by +5.1% in 2024 (2023: +3.6%), within the government's target of +4.8% to +5.3%.
- Current account surplus improved in line with improvement in external trade. Malaysia's current account surplus widened to +RM11.4b (3QCY24: +RM2.2b), thanks to the higher surplus in trade of goods and services which offset the larger deficits in both primary and secondary income accounts.
- Malaysia's GDP growth to normalize to +4.6% this year. We keep our forecast of Malaysia's GDP to grow at more moderate but normal pace of +4.6% this year (2024: +5.1%), continued be driven by sustained growth in the domestic spending and external trade. The absence of low base effect, which technically contributed to the external trade recovery last year, will also result in the moderation of growth.

Malaysia's economy grew +5.1% in 2024. Malaysia's GDP growth moderated to +5.0%yoy in 4QCY24 (3QCY24: +5.4%yoy), surpassing our and market expectations and the advance estimate of +4.8%yoy. For the full year, the economy expanded stronger by +5.1% in 2024 (2023: +3.6%), within the government's target of +4.8% to +5.3%. Growth for the year was attributed to sustained expansion in domestic demand and stronger exports. In 4QCY24, domestic demand expanded further albeit at a softer pace of +3.1%yoy (3QCY24: +6.1%yoy). On the back of positive labour market conditions and moderate inflation, private consumption growth was sustained at +4.9%yoy (3QCY24: +4.8%yoy). Meanwhile, government spending rose slower at +3.3%yoy (3QCY24: +4.9%yoy), as a result of lower spending on supplies and services despite higher emoluments for the civil servants. Gross fixed capital investment also grew at a softer pace of +11.7%yoy (3QCY24: +15.3%yoy), due to moderation in public sector investment (+10%yoy; 3QCY24: +14.4%yoy) and private investment (+12.7%yoy; 3QCY24: +15.5%yoy). Investment activity was supported by the ongoing implementation of both new and existing projects. Looking ahead, Malaysia's economy is expected to maintain growth, bolstered by resilient domestic spending and positive labour market conditions. In addition, exports for E&E products will continue to expand, benefiting from the ongoing global tech upcycle.

Sequential growth turned negative, falling by -1.8%qoq in 4QCY24. On quarter-on-quarter basis, Malaysia's GDP contracted by -1.8%qoq in 4QCY24 (3QCY24: +0.5%qoq) based on the seasonally adjusted data. All sectors recorded sequential declines during the quarter except mining & quarrying which rebounded to +5.9%qoq (3QCY24: -1.1%qoq), marking the first growth after 3 quarters of contraction. The decline in agriculture GDP by -1.8%qoq (3QCY24: +0.5%qoq) mainly reflected the weakness in oil palm production, while -2.3%qoq contraction (3QCY24: +2.0%qoq) in the manufacturing GDP was underpinned by reduced production in various sub-sectors such as rubber and plastic products, machinery & equipment and computers & peripheral equipment. Meanwhile, the relatively mild contraction of -0.8%qoq (3QCY24: +1.7%qoq) in the services sector can be linked to the weaker activities in the motor vehicles, utilities and finance sub-sectors. On the demand side, private consumption spending fell sharper by -0.8%qoq (3QCY24: -0.5%qoq), reflecting consumers' ongoing concerns over the rising cost of living. Meanwhile, the quarterly GDP decline was also contributed by reduction in the government consumption spending (-1.1%qoq; 3QCY24: +5.1%qoq) and gross fixed capital formation (-1.8%qoq; 3QCY24: +5.7%qoq). Net exports, on the other hand, improved and rebounded by +3.7%qoq (3QCY24: -6.9%qoq) as real imports fell relatively faster at -4.2%qoq (3QCY24: +4.1%qoq) compared to real exports (-3.8%qoq; 3QCY24: +3.4%qoq). We remain cautious about the outlook for consumer spending, as persistent

concerns over rising cost of living continued to influence consumer sentiment. This, coupled with protectionist tariff policy imposed by the US and retaliatory countermeasures by other countries, could constrain Malaysia's growth outlook going forward. Nonetheless, domestic demand will continue to be supported by encouraging labour market conditions and rising income.

Larger positive contribution from improvement in net exports. Net exports surged +57.6%yoy (3QCY24: -8.8%yoy), underpinned by the sharper moderation in real imports (+5.7%yoy; 3QCY24: +13.5%yoy) vis-à-vis real exports (+8.5%yoy; 3QCY24: +11.5%yoy) which contributed to higher trade surplus +RM22.4 (3QCY24: +RM17.6b). This increases the contribution of net exports to GDP to +2.0%point (3QCY24: -0.4%point). Continued export expansion was supported by among other increased shipments of E&E products, while moderation in imports reflected slower growth in purchases of intermediate and capital goods. Meanwhile, services exports sustained double-digit growth for the 13 straight quarter although the pace eased to +19.9%yoy (3QCY23: +27.3%yoy), reflective of positive effect from improved tourism sector activity. For 2024, the recovery in external trade result in net exports contributing +0.1%point to the +5.1% GDP growth last year, a turnaround from the drag of -0.8%point in 2023. Given the moderation in import growth in the recent months, we expect the continued recovery in exports will improve net exports contribution to Malaysia's economic growth this year.

The current account surplus improved in line with improvement in external trade. Malaysia's current account surplus widened to +RM11.4b (3QCY24: +RM2.2b), thanks to the higher surplus in trade of goods and services which offset the larger deficits in both primary and secondary income accounts. The higher surplus in goods & services trade (+RM37.2b; 3QCY24: +21.6b) was due to wider surplus in goods trade (+RM37.4b; 3QCY24: +RM23.1b), on the back of +1.7%qoq increase in exports and -3.5% contraction in imports, and the lower deficits in services trade (-RM0.1b; 3QCY24: -RM1.6b). Meanwhile, primary income account and secondary income account both registered larger deficits of -RM20.2b (3QCY24: -RM17.0b) and -RM5.7b (3QCY24: -RM2.4b), respectively. In terms of the size of the current account surplus to GDP, the ratio also improved to +2.3% (3QCY24: +0.5%) during the quarter. In 2024, the ratio widened to +1.7% of GDP (2023: +1.5%), slightly higher than our estimate of +1.5%. As we expect exports to continue to grow, we foresee the higher trade surplus will help to push the ratio higher to +2.3% of GDP this year. This will be further supported by improved export services on the back of further improvement in tourism activity.

Table 1: Summary of GDP by Expenditure Approach

	Quarterly Basis (QoQ %)				Yearly Basis (YoY %)				
	1Q24	2Q24	3Q24	4Q24	1Q24	2Q24	3Q24	4Q24	2024
GDP	(3.1)	0.8	4.6	2.7	4.2	5.9	5.4	5.0	5.1
Domestic Demand	(3.9)	1.6	3.8	1.6	6.0	6.0	6.1	3.1	5.3
Private Consumption	1.9	(1.1)	6.4	(2.1)	4.7	6.0	4.8	4.9	5.1
Govt. Consumption	(24.5)	(0.5)	8.0	27.4	7.3	3.6	4.9	3.3	4.7
Private Investment	30.2	9.0	(3.7)	(17.6)	9.2	12.0	15.5	12.7	12.3
Public Investment	(39.0)	(11.6)	20.6	69.1	11.5	9.1	14.4	10.0	11.1
Real Exports	0.2	2.5	6.4	(0.7)	5.2	8.4	11.8	8.5	8.5
Real Imports	(0.8)	3.8	5.3	(2.6)	8.0	8.7	13.5	5.7	8.9
Net Exports	17.8	(18.0)	27.9	27.4	(24.5)	3.4	(8.8)	57.6	2.2

Note: QoQ is non-seasonally adjusted
Source: Macrobond, MIDFR

The services sector growth picked up more than expected. On the supply side, the services sector growth was stronger at +5.5%yoy (3QCY24: +5.2%yoy), surpassing our estimate and the advance estimate of +5.3%yoy. Among services sub-services that recorded faster growth during the quarter are wholesale & retail trade, F&B services, finance & insurance, ICT, private health and the government services. While the construction sector growth at +20.7%yoy (3QCY24: +19.9%yoy) exceeded our estimate, the +5.6%yoy (+3QCY24: +15.5%yoy) expansion in the manufacturing sector was however slightly below our expectation. The moderation in manufacturing GDP growth was due to slower growth in export-oriented production such as oil & fats (+7.5%yoy; 3QCY24: +15.5%yoy) and refined petroleum products (+1.1%yoy; 3QCY24: +2.4%yoy), while production of E&E products picked up in line with the increased E&E exports. Meanwhile, the contraction in the primary sectors was not as sharp as our estimate, resulting in the full quarter 4Q GDP growth coming in slightly higher than our expectation. Nevertheless, the decline in agriculture GDP by -0.5%yoy (3QCY24: +4.0%yoy) was mainly due to weaker production of oil palm caused by adverse weather conditions. This offset the stronger growth in other agriculture sub-sectors such as rubber (+23.3%yoy; 3QCY24: +13.9%yoy), livestock (+3.0%yoy; 3QCY24: +2.7%yoy) and marine fishing (+4.0%yoy; 3QCY24: +0.4%yoy). Meanwhile, the mining sector experienced another quarter of contraction by -0.9%yoy in 4QCY24 (3QCY24: -3.9%yoy) due to continued weakness in crude oil production (-6.2%yoy; 3QCY24: -7.3%yoy), despite recovery in natural gas output (+2.4%yoy; 3QCY24: -2.8%yoy). For the whole of 2024, all major sectors recorded stronger growth last year, where services sector contributed +3.2%point or 62% of overall GDP growth last year.

Table 2: Summary of GDP by Supply-Side Approach

	QoQ%			YoY%			
	2Q24	3Q24	4Q24	2Q24	3Q24	4Q24	2024
GDP	**0.8**	**4.6**	**2.7**	**5.9**	**5.4**	**5.0**	**5.1**
Agriculture, Forestry & Fishing	**6.7**	**15.6**	**(11.1)**	**7.3**	**4.0**	**(0.5)**	**3.1**
Rubber	(11.1)	32.0	10.1	(1.0)	13.9	23.3	9.9
Oil Palm	15.1	21.9	(10.0)	19.0	7.3	(5.3)	5.9
Livestock	0.1	10.5	(2.9)	5.8	2.7	3.0	4.1
Other Agriculture	6.0	7.5	(19.1)	0.6	1.8	1.5	1.1
Forestry & Logging	(7.1)	32.1	(11.6)	(13.9)	2.9	(0.9)	(5.6)
Marine Fishing	(7.7)	23.1	(12.3)	10.2	0.4	4.0	5.2
Aquaculture	24.2	7.0	(3.2)	0.1	(1.4)	1.6	(0.6)
Mining & Quarrying	**(9.0)**	**(6.5)**	**17.6**	**2.7**	**(3.9)**	**(0.9)**	**0.9**
Crude Oil	(3.8)	(11.4)	11.5	1.6	(7.3)	(6.2)	(2.7)
Natural Gas	(10.8)	(7.2)	22.2	2.9	(2.8)	2.4	2.9
Others	(18.8)	20.1	15.7	7.2	2.6	0.4	3.8
Manufacturing	**1.8**	**4.3**	**2.1**	**4.7**	**5.6**	**4.4**	**4.1**
Vegetable & Animal Oils & Fats	26.4	13.0	8.8	6.2	15.5	7.5	4.8
Food Processing	13.8	10.0	(5.9)	4.4	3.9	6.0	4.8
Beverages	28.1	(3.8)	3.8	5.9	7.0	8.7	6.8
Tobacco Products	26.1	(39.2)	9.5	10.5	15.7	6.9	10.2
Textile & Wearing Apparel	(7.1)	5.0	1.7	3.9	4.1	(0.4)	2.1
Leather Products	17.2	(21.4)	(12.9)	2.4	7.7	7.9	6.1
Wood Products	(1.5)	11.6	(2.7)	3.5	6.7	4.7	3.7
Paper Products	(1.0)	12.1	(17.1)	2.4	3.9	1.4	2.9
Printing	(17.0)	(2.4)	31.8	8.3	11.3	8.5	8.3
Refined Petroleum Products	(2.8)	7.6	(1.6)	3.9	2.4	1.1	2.0
Chemicals & Chemical Products	(2.5)	16.8	(1.4)	3.4	4.1	2.0	2.4
Rubber Products	36.1	12.7	(5.1)	6.3	10.1	10.8	8.2
Plastic Products	2.6	48.5	(24.7)	4.4	6.0	6.8	5.2
Non-Metallic Mineral Products	(4.1)	5.7	2.6	9.9	9.4	4.0	7.4
Basic Metals	20.1	(0.3)	0.8	6.6	7.6	2.2	4.6
Fabricated Metal Products	(0.9)	(6.3)	5.9	10.6	9.9	5.8	9.2
Machinery & Equipment	(23.1)	4.4	(7.5)	3.9	4.1	6.5	4.1
Computers & Peripheral Equipment	5.9	33.0	(7.4)	14.8	16.1	12.5	14.0
Electrical Equipment	18.3	(24.0)	26.2	(3.4)	(0.4)	2.5	(0.5)
Electronic Compo & Boards, Com Equip and Elect	(10.3)	4.6	1.9	3.2	5.7	7.6	4.1
Medical, Precision & Optical, Watches & Clocks	37.8	8.4	20.6	(2.5)	1.0	5.8	1.9
Motor Vehicles & Transport Equipment	24.9	(20.7)	31.0	5.7	0.1	(4.2)	0.9
Furniture	(0.7)	(32.5)	20.6	8.0	5.6	3.6	6.8
Other Mfg and Repair & Installation and Equipment	1.6	37.5	(2.0)	4.2	5.3	3.3	3.9
Construction	**3.8**	**8.5**	**(0.9)**	**17.3**	**19.9**	**20.7**	**17.5**
Residential	5.8	10.4	3.7	14.1	22.7	30.3	18.8
Non-Residential	7.4	13.1	10.2	2.8	28.1	23.9	14.1
Civil Engineering	(8.6)	9.2	(7.0)	23.6	10.7	9.1	16.7
Special Trades	14.5	3.1	(7.2)	27.0	21.7	23.6	21.0
Services	**0.7**	**4.2**	**3.6**	**5.9**	**5.2**	**5.5**	**5.4**
Electricity & Gas	2.9	0.5	(0.1)	5.3	5.2	3.1	5.7
Water, Sewerage and Waste Management	1.5	2.6	(0.3)	(4.0)	(3.9)	(5.5)	(3.3)

Wholesale Trade	5.1	12.9	0.1	3.0	4.4	5.4	4.2
Retail Trade	0.0	0.2	11.6	5.6	4.0	4.1	4.3
Motor Vehicles	0.0	25.6	(4.1)	8.2	3.5	2.2	4.8
Food & Beverage	(1.9)	1.7	2.5	3.7	4.0	4.8	4.0
Accommodation	0.4	0.1	14.8	12.5	14.3	14.5	13.4
Transportation & Storage	(1.2)	2.5	6.4	10.5	10.6	10.7	10.7
ICT	0.7	1.3	0.6	3.1	3.5	4.1	3.4
Finance	1.3	2.4	(2.6)	6.2	3.6	4.3	4.2
Insurance	(7.0)	(0.0)	1.5	24.4	3.1	8.5	7.7
Real Estate	3.2	8.0	1.1	11.7	14.2	13.6	12.4
Business Services	1.6	2.0	1.8	8.4	8.5	7.9	8.3
Private Health	(0.0)	3.4	3.7	8.5	8.8	9.0	8.8
Private Education	3.2	0.3	1.5	8.0	7.8	6.4	7.4
Other Services	(2.1)	3.1	(0.2)	3.5	4.6	4.4	4.5
Govt. Services	0.2	4.7	8.8	4.8	5.1	5.2	4.9
Import Duties	**4.2**	**13.7**	**(0.1)**	**2.7**	**16.8**	**4.7**	**6.9**

Source: DOSM, Macrobond, MIDFR

Sustained growth in major economies and moderation in some economies. Major economies recorded sustained expansion in 4QCY24 with moderation in several economies such as the US, Taiwan and South Korea. The US economic growth moderated to annualized +2.3%qoq in 4QCY24 (3QCY24: +3.1%qoq) due to weaker investment spending. Similarly, the US year-on-year GDP growth was softer at +2.5%yoy (3QCY24: +2.7%yoy), with consumer spending continuing to be the key growth driver. Meanwhile, euro area maintained the same pace of growth at +0.9%yoy (3QCY24: +0.9%yoy), with improvements in public and private spending and investment activities. In the UK, the economy expanded faster by +1.4%yoy (3QCY24: +1%yoy) due to increased household consumption and significant rise in government spending. In Asia, China's growth accelerated to +5.4%yoy in 4QCY24 (3QCY24: +4.6%yoy), driven by stimulus measures and a surge in exports ahead of impending US tariffs. Regional economies such as Indonesia and Thailand reported stronger growth, rising at +5.0%yoy and +3.0%yoy, respectively. However, Singapore's GDP growth moderated to +5.0%yoy (3QCY24: +5.7%yoy), supported by growth in sectors such as wholesale trade, finance and insurance, and manufacturing contributing to growth. South Korea and Taiwan also registered slower growth of +1.2%yoy (3QCY24: +1.5%yoy) and +1.8%yoy (3QCY24: +4.2%yoy), respectively, due to weaker growth in domestic spending. We expect global trade in 2025 will continue to face challenges from the growing trade tensions, in addition to the ongoing geopolitical tensions. Amid concerns over subdued consumer spending, the ongoing property market downturn and weaker confidence, we anticipate China's government to maintain accommodative fiscal and monetary policies to drive economic growth this year. In the US, we anticipate elevated inflation, from the imposition of higher import tariffs, large-scale tax cuts, and the US administration's crackdown on undocumented immigrants, could complicate the future policy direction although the economy remains resilient for now.

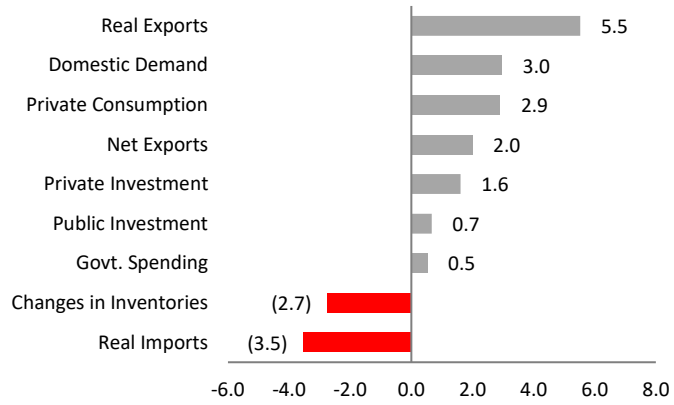
Table 4: GDP Growth by Selected Economies (YoY%)

	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Malaysia	2.8	3.1	2.9	4.2	5.9	5.3	5.0
Indonesia	5.2	4.9	5.0	5.1	5.1	4.9	5.0
Philippines	4.3	6.0	5.5	5.8	6.4	5.2	5.2
Thailand	1.8	1.4	1.7	1.6	2.2	3.0	n.a.
Singapore	0.5	1.0	2.2	3.0	2.9	5.7	5.0
China	6.5	5.0	5.3	5.3	4.7	4.6	5.4
Taiwan	1.5	1.6	4.7	6.6	4.9	4.2	1.8
South Korea	1.0	1.4	2.1	3.3	2.3	1.5	1.2
Japan	1.7	1.1	0.7	(0.9)	(0.9)	0.5	n.a.
UK	0.6	0.3	(0.3)	0.5	0.9	1.0	1.4
Euro area	1.1	0.5	0.6	0.4	0.5	0.9	0.9
US	2.8	3.2	3.2	2.9	3.0	2.7	2.5
QoQ%, annualized	*2.5*	*4.4*	*3.2*	*1.6*	*3.0*	*3.1*	*2.3*

Source: DOSM, Macrobond, MIDFR

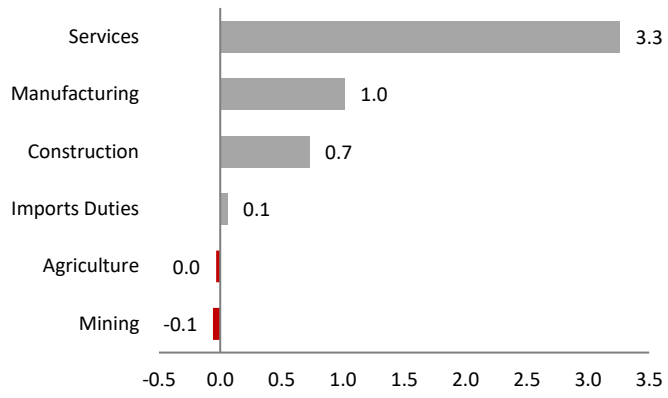
Malaysia's GDP growth to normalize to +4.6% this year. We keep our forecast of Malaysia's GDP to grow at more moderate but normal pace of +4.6% this year (2024: +5.1%), continued be driven by sustained growth in the domestic spending and external trade. The absence of low base effects, which technically contributed to the external trade recovery last year, will also result in the moderation of growth. While it is uncertain how trade outlook will be affected by the trade war and changing trade rules, we are cautious that the possible reduction in external demand, further escalation of trade tensions and renewed inflation pressures could affect Malaysia's trade and broader economic outlook. On the domestic front, while fundamentally Malaysia is in a good position to see another year of sustainable economic growth, we opine aggregate demand could be constrain by higher inflation as result of rising production costs and domestic policy changes.

Chart 1: Contribution by Expenditure Components to 4QCY24 GDP Growth (%-point)



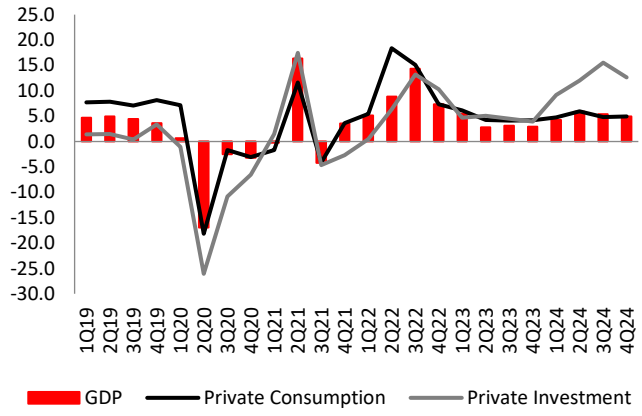
Source: Macrobond, MIDFR

Chart 2: Contribution by Supply-Side Components to 4QCY24 GDP Growth (%-point)



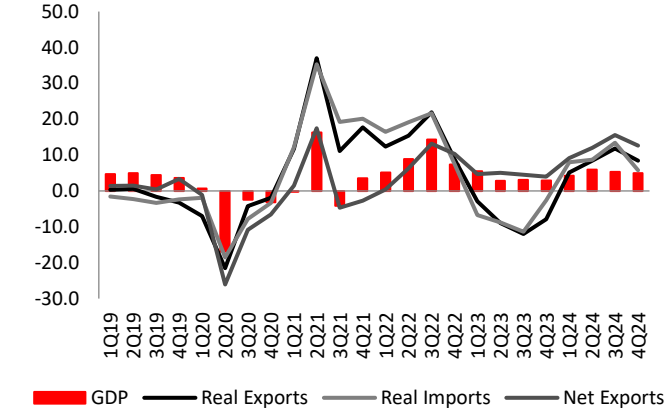
Source: Macrobond, MIDFR

Chart 3: GDP vs Private Sector (YoY%)



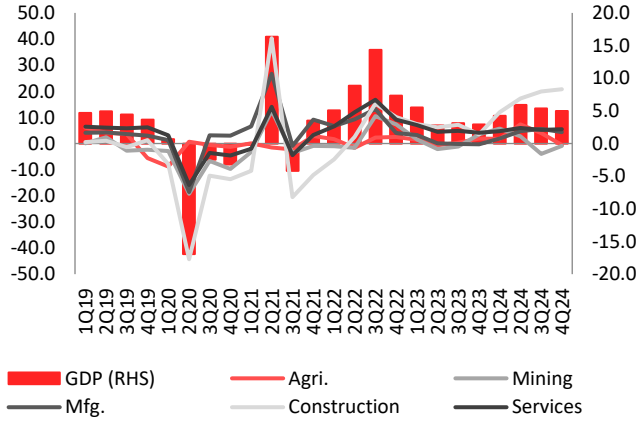
Source: Macrobond, MIDFR

Chart 4: GDP vs External Trade (YoY%)



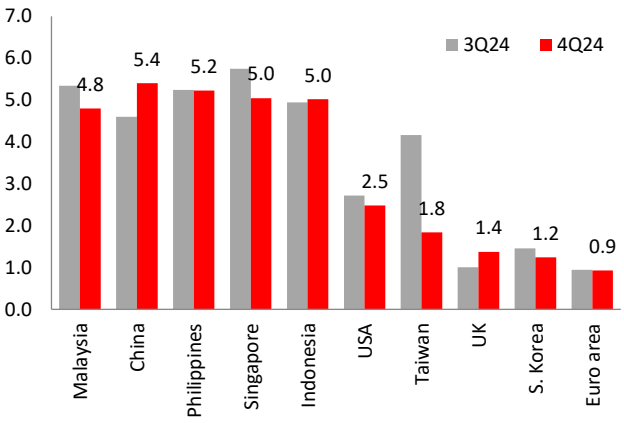
Source: Macrobond, MIDFR

Chart 5: GDP by Supply-Side (YoY%)



Source: Macrobond, MIDFR

Chart 6: GDP Growth for Selected Countries (YoY%)



Source: Macrobond, MIDFR

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