Malaysia's GDP Expected to Grow +4.4%yoy in 1QCY25, Similar to the Advance Estimate

ECONOMIC REVIEW: 1QCY25 National Account Preview



Author

MIDF Research

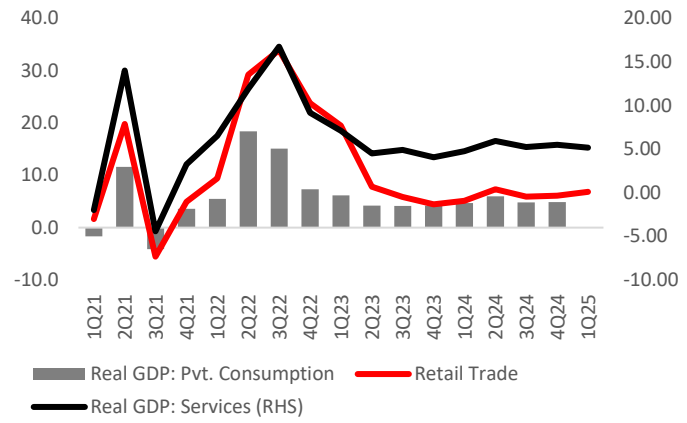
research@midf.com.my

Economic Review

- Domestic spending to continue driving growth. We expect domestic demand to continue to be the key driver of Malaysia's economic growth in 1QCY25. We anticipate a sustained growth in private consumption considering the stronger expansion in retail trade and sustained rise in services sector.
- Net exports to continue contributing positively. We expect external demand will continue to contribute positively as net exports of goods was higher than a year ago (1QCY25: +RM41b; 1QCY24: +RM34.1b).
- Manufacturing growth moderated, reflecting slower rise in output. We expect the full data for 1QCY25 GDP will show the growth in manufacturing sector will be around the same pace as indicated in the advance estimate. The growth in manufacturing IPI matches the pace of growth as indicated in the advance GDP estimate.
- Expect 1QCY25 GDP growth at +4.8%yoy. Taking into accounting the recent indicators and updates, we estimate the full-quarter GDP growth for 1QCY25 will be similar to the advance estimate of +4.4%yoy, moderating from +5.0%yoy growth in 4QCY24. For the year 2025, we still forecast Malaysia's GDP growth to moderate to +4.0% (2024: +5.1%).

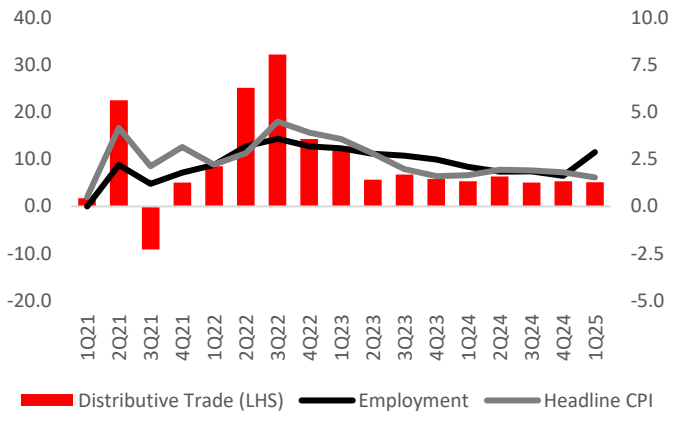
Domestic spending continues to drive growth. We expect domestic demand to continue to be the key driver of Malaysia's economic growth in 1QCY25. This was underpinned by positive fundamentals like a healthy labour market, sustained employment growth with high labour force participation, increased tourist arrivals (and spending) as well as no strong price pressures. We anticipate a sustained growth in private consumption considering the stronger expansion in retail trade (1QCY25: +6.8%yoy; 4QCY24: +6.1%yoy) and sustained albeit marginally slower rise in services sector as shown in the advance estimate (1QCY25: +5.2%yoy; 4QCY24: +5.5%yoy). With employment growth growing robustly at +3.0%yoy in 1QCY25, continued expansion in economic activities and increased labour demand also kept unemployment rate low at 3.1%, with unemployment count falling further by -5.0%yoy. Meanwhile, inflation remained low and stable as the headline CPI increased slower at +1.5%yoy in 1QCY25 (4QCY24: +1.8%yoy). Although core CPI rose faster at +1.9%yoy (4QCY24: +1.7%yoy), it still signaled underlying demand pressures remained under control. We remain positive, despite challenges to growth outlook from the uncertainties on the external front, Malaysia can still maintain growth this year backed by growing domestic demand.

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



Note: 1QCY25 Services GDP data refers to advance estimate
Source: Macrobond, MIDFR

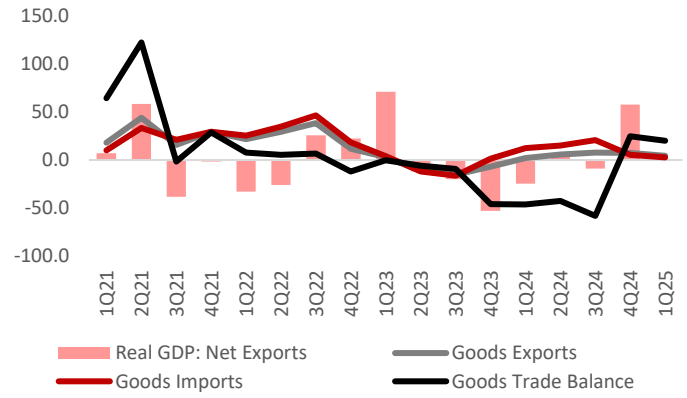
Chart 2: Distributive Trade vs. CPI and Employment (YoY%)



Source: Macrobond, MIDFR

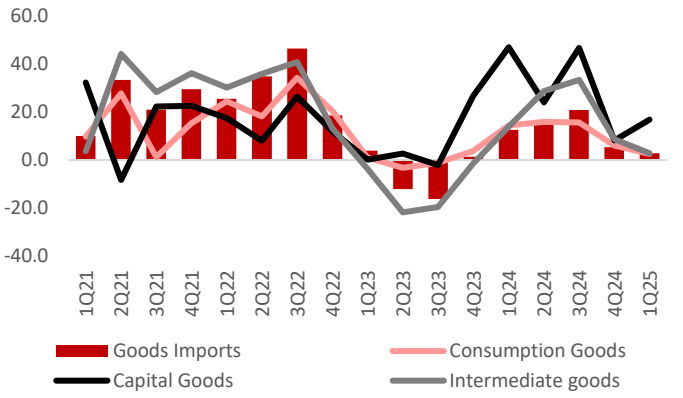
Net exports continued contributing positively. We expect external demand will continue to contribute positively as net exports of goods were higher than a year ago (1QCY25: +RM41b; 1QCY24: +RM34.1b). This was attributable to relatively more robust growth in goods exports (1QCY25: +4.4%yoy; 4QCY24: +7.3%yoy) vis-à-vis goods imports (1QCY25: +2.8%yoy; 4QCY24: +5.3%yoy), although the pace of growth was more moderate from the previous quarter. In particular, the domestic exports of goods grew at +4.8%yoy (4QCY24: +8.9%yoy) on the back of increased shipments of E&E products; palm oil & palm oil products; machinery, parts & equipment; and rubber products. In terms of markets, sustained growth in exports to the US and Taiwan more than offset the weakness in exports to China, Japan and several ASEAN countries. Moderation in imports of goods can be explained by slower rise in purchases of intermediate (1QCY25: +2.8%yoy; 4QCY24: +8.7%yoy) and consumption goods (1QCY25: +2.5%yoy; 4QCY24: +6.0%yoy), while imports of capital goods rose faster at +16.8%yoy during the quarter (4QCY24: +8.1%yoy), and consumption goods (+6%yoy; 3QCY24: +15.7%yoy). Overall, we expect exports of services will also contribute positively to 1QCY25 GDP growth following further improvement in tourism activity and increased tourist arrivals.

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



Source: Macrobond, MIDFR

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

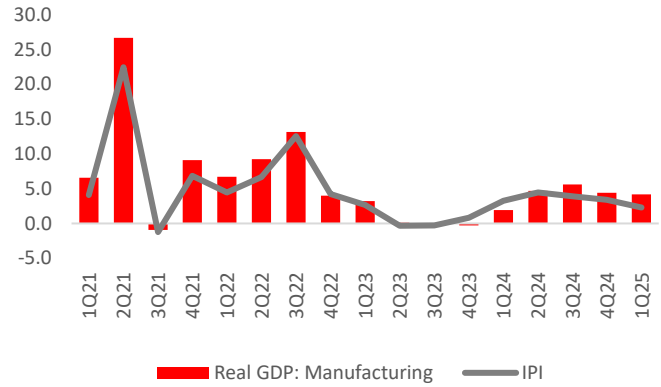


Source: Macrobond, MIDFR

Manufacturing growth moderates, reflecting a slower rise in output. We expect the full data for 1QCY25 GDP will show the growth in the manufacturing sector will be around the same pace as indicated in the advance estimate. This is because the manufacturing IPI grew by +4.2%yoy in 3MCY25 (4QCY24: +4.6%yoy). Similarly, in the advance GDP estimate, the manufacturing sector's growth moderated to +4.2%yoy (4QCY24: +4.4%yoy). We believe the moderate output growth was in line with the easing in growth of goods exports. Given the pace of growth is similar, we do not expect any significant change to the manufacturing industry's growth.

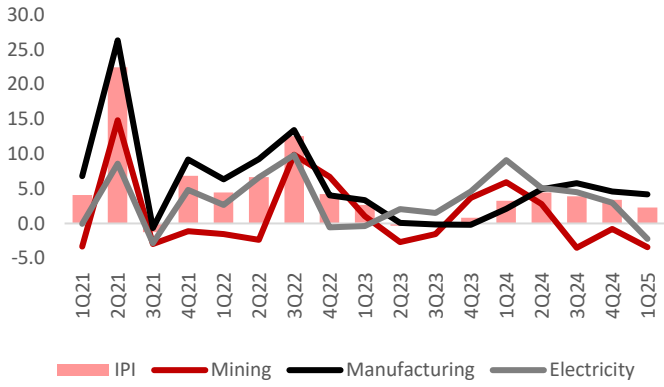
Meanwhile, the slower decline in mining IPI suggests there could be some upward revision to the mining GDP growth, which was estimated to have contracted steeper by -4.9%yoy (4QCY24: -0.9%yoy) due to weaker production of crude oil and natural gas. Given the smaller share of the mining sector in the national GDP, we do not expect it will contribute to any big upward revision overall GDP. While the agriculture sector recorded a pick-up of +0.7%yoy (4QCY24: -0.5%yoy) in the advance estimate, there could also be some upward revision to the sector's growth given the smaller fall in CPO production (1QCY25: -5.9%yoy; 4QCY24: -6.9%yoy). Production of natural rubber also expanded in 1QCY25 albeit growing at slower pace of +9.3%yoy (4QCY24: +24.8%yoy).

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



Note: 1QCY25 Manufacturing GDP data refers to advance estimate
Source: Macrobond, MIDFR

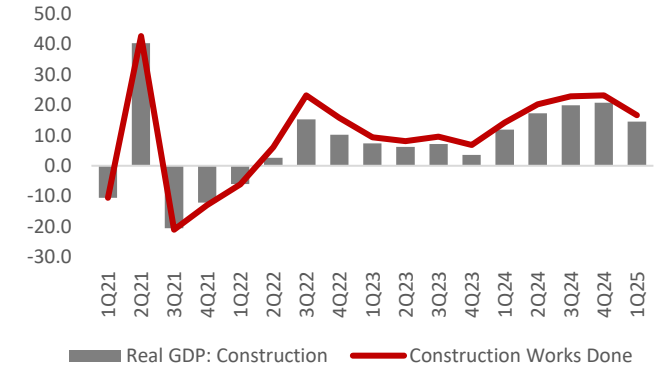
Chart 6: IPI by Major Sector (YoY%)



Source: Macrobond, MIDFR

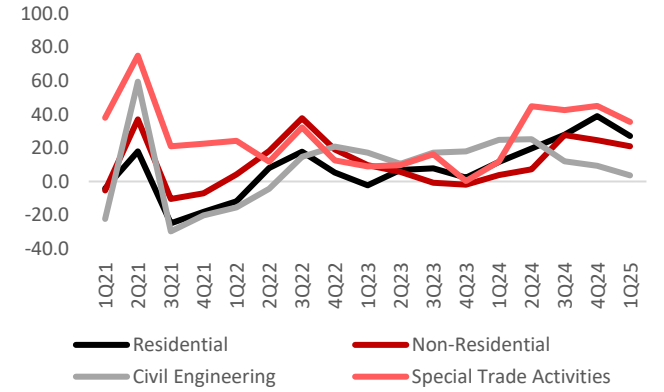
The construction sector is still robust, albeit moderating from 4QCY24. The pace of growth in the construction sector remained robust as the construction work done still grew at double digit albeit moderating to +16.6%yoy in 1QCY25 (4QCY24: +20.7%yoy). The work done by the private sector increased by +23.7%yoy (4QCY24: +32.9%yoy), sustaining double-digit growth for the 5th consecutive quarter. More than 70% of the private works were in the residential and non-residential buildings, which grew robustly at +26.5%yoy (4QCY24: +38.5%yoy) and +25.4%yoy (4QCY24: +28.3%yoy). For the public sector, the progress of works done by the government remained encouraging, rising by +13.1%yoy (4QCY24: +28.5%yoy) with stronger growth in non-residential sector and special trade activities. Meanwhile, works done by the public corporations showed improvement, falling at a slower pace of -0.3%yoy (4QCY24: -9.3%yoy); but the decline was due to lower progress in the non-residential buildings (-45.2%yoy). Looking at the moderate trend in construction work done, we expect the construction sector will be around the same rate of +14.5%yoy as indicated in the advance estimate, moderating from +20.7%yoy in 4QCY24.

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



Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

Expect 1QCY25 GDP growth at +4.8%yoy. Taking into accounting the recent indicators and updates, we estimate the full-quarter GDP growth for 1QCY25 will be similar to the advance estimate of +4.4%yoy, moderating from +5.0%yoy growth in 4QCY24. For the year, we still forecast Malaysia's GDP growth to moderate to +4.0% (2024: +5.1%), where domestic demand will be the key contributor to growth mitigating the effect of slowdown in external trade. Despite de-escalation in trade tensions recently, we remain cautious that the uncertainties from the global trade war and possible shocks to the global supply chain will be among the downside risks that could affect Malaysia's growth outlook this year.

Table 1: Selected-Macroeconomic Data Updates

YoY% Unless Stated Otherwise	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Distributive Trade (DT)	5.8	5.4	6.4	5.1	5.3	5.2
DT: Wholesale Trade	5.4	4.9	4.5	4.3	5.0	5.5
DT: Retail Trade	4.4	5.2	7.4	5.9	6.1	6.8
DT: Motor Vehicles	12.6	8.2	10.2	5.1	3.7	(1.7)
IPI	0.8	3.4	4.5	3.9	3.4	2.3
IPI: Mining	3.5	4.3	2.8	(3.5)	(0.8)	(3.4)
IPI: Manufacturing	(0.2)	2.1	4.9	5.8	4.6	4.2
IPI: Electricity	4.6	9.2	5.1	4.5	3.0	(2.2)
Manufacturing Sales	(2.8)	1.8	5.7	6.6	4.4	4.0
Gross Exports of Goods	(6.9)	2.0	5.8	7.7	7.3	4.4
Domestic Exports	(6.7)	5.0	11.4	12.0	8.9	4.8
Re-Exports	(7.5)	(8.5)	(12.6)	(7.5)	1.5	2.8
Gross Imports of Goods	1.3	12.5	15.0	20.8	5.3	2.8
Trade Balance (RM Billion)	36.9	34.1	32.0	24.7	46.1	41.0
Employment	2.5	1.0	1.4	1.3	1.3	3.0
Unemployment	(5.9)	(5.6)	(6.3)	(5.6)	(4.7)	(5.0)
Unemployment Rate (%)	3.3	3.3	3.3	3.2	3.2	3.2
Headline CPI Inflation	1.6	1.7	1.9	1.9	1.8	1.5
Core CPI Inflation	2.1	1.8	1.9	1.9	1.7	1.9
USDMYR, Average	4.70	4.72	4.73	4.46	4.40	4.45
USDMYR, End-period	4.59	4.73	4.72	4.12	4.47	4.44
Brent Oil (USD per barrel), Average	82.80	81.77	85.03	78.71	74.01	74.97
CPO (RM per tonne), Average	3,666	3,983	4,039	3,989	4,840	4,724

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.