

Global Markets Research

Malaysia - Economics

Final 4Q GDP growth revised higher to 5.0%

Domestic demand remained the main growth engine in 2024; reinforced by net exports
Expect continued moderate growth of 4.5-5.0% for 2025 amid sustained domestic demand
Trade conflicts and policy uncertainties the biggest wild card clouding 2025 outlook

Summary

The final reading of 4Q GDP was revised higher to +5.0% y/y as per our expectations, although it came in north of market expectations for an unrevised +4.8% y/y print as indicated by the advanced estimate released last month. This marked a slower than initially estimated moderation from 3Q's +5.3% y/y as economic activities picked up through 4Q to end the year 2024 at its best month in five in December (Figure 2), bringing full year 2024 growth to +5.1% /y (2023: +3.6% y/y). This, coupled with the upticks seen in the leading indicator, reaffirmed our view that the Malaysian economic outlook will remain sanguine in the foreseeable future, barring unforeseen external shocks.

Moderation in domestic demand in 4Q was offset by hefty rebound in net exports

Domestic demand continued to expand albeit at a slower pace for the first time in six quarters (4Q: +6.1% y/y), a pullback from the +7.0% y/y increase in 3Q, which was its best growth pace in two years. While private consumption picked up some steam to increase 4.9% y/y during the quarter (3Q: +4.8% y/y), it was not sufficient to offset slower growth in public spending, public investment and private investment (Figure 5).

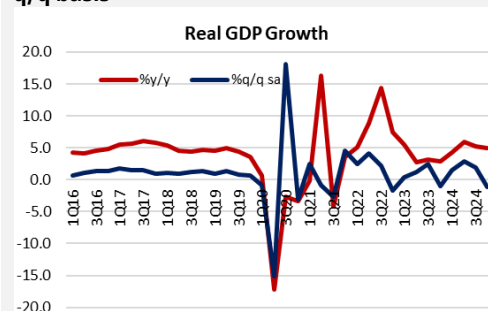
Meanwhile, net exports registered a massive turnaround, increasing by 57.6% y/y in 4Q (3Q: -8.8% y/y), cushioning the slack from domestic demand. Although exports of goods and services grew at a slower pace of 8.5% y/y in 4Q (3Q: +11.8% y/y), the even sharper moderation in imports growth (+5.7% vs +13.5% y/y) helped reverse the negative drag from net exports.

That said, for the whole of 2024, the pick-up in domestic demand in 2024 (+6.5% vs +4.6% y/y in 2023) was the main growth pillar, and was further reinforced by the rebound in net exports to +2.2% y/y (2023: -16.2% y/y).

Quicker growth in services and construction sectors

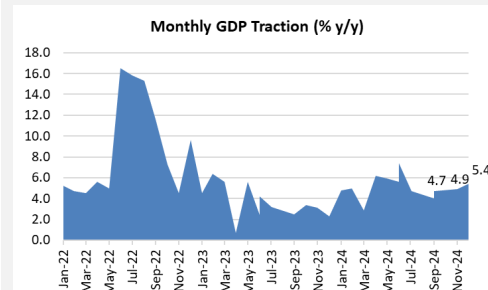
On the supply side (Figure 6), the services and construction sectors reported faster growth during the quarter. Within the services sector, growth was broad-based supported by both consumer- and business-related subsectors while continued robust growth in residential, non-residential, and special trade subsectors spearheaded growth in construction value-added. The manufacturing sector recorded slower growth during the quarter (+4.4% vs +5.6% y/y), due to slower growth in petroleum, chemical, rubber & plastic products, oil & fats & food processing products, and contraction in transport equipment & other manufacturing. Nonetheless, faster increase in E&E, and optical products continued to underpin growth in the manufacturing sector. On the contrary, the two commodity related sectors (agriculture and mining), posted marginal contractions. Contractions in the agriculture sector was hit by decline in oil palm output as a result of adverse weather condition while

Figure 1: Softer growth traction on y/y and q/q basis



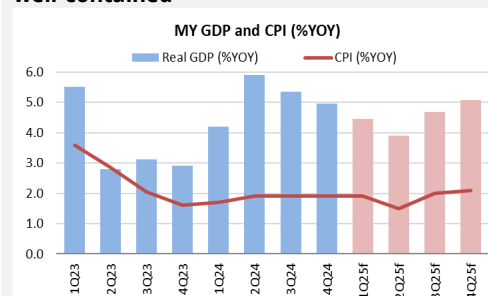
Source: DOSM, BNM

Figure 2: Steady pick-up through 4Q from +4.0% y/y in September to +5.4% y/y in December signalled growth momentum remained intact



Source: DOSM, BNM

Figure 3: Expect continued moderate growth going into 2025; inflation outlook to remain well-contained



Source: DOSM, HLBB Global Markets Research

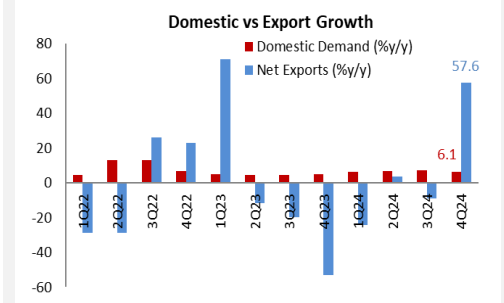
the contraction in the mining sector was due to slower recovery in oil production post-maintenance activities.

Outlook

While uncertainties arising from the relentless chatters on trade tariffs under the new US administration and subsequent retaliation newsflows from its major trading partners have undoubtedly clouded the macro landscape, we continue to hold on to our cautiously optimistic view that the Malaysian economy will continue to expand at a moderate pace of 4.5-5.0% in 2025. Sustained domestic demand underpinned by resilient consumer spending thanks to continued wage growth, healthy labour market condition, cash assistance, and salary increases for the civil servants, coupled with ongoing realization of investment projects, will remain firmly in the driver seat supporting expansion in the Malaysian economy, while at the same time cushioning any potential slag and downside risks from the external front in our view.

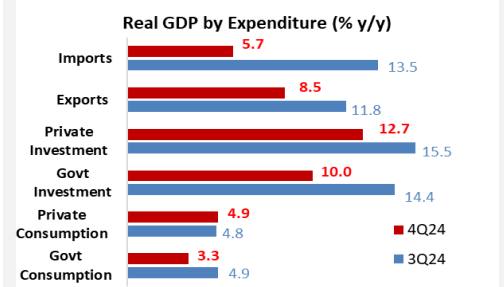
While it is expected that higher trade restrictions will dampen global trade activities, we are hopeful that Malaysia will remain well-positioned to benefit from the shift in trade and investment flows. This will also help support the domestic financial markets and is expected to be positive for the MYR, which we are pencilling a gradual appreciation towards 4.35 by end-2025. Expectation that BNM will maintain the OPR at the current level of 3.00% amid sustained growth and well-contained inflation outlook, will also augur well with MYR outlook, as other major central banks including the Fed, ECB and BOE maintain an easing bias.

Figure 4: Continued albeit more moderate expansion in domestic demand; sharp reversal in net exports provided an added impetus to 4Q growth



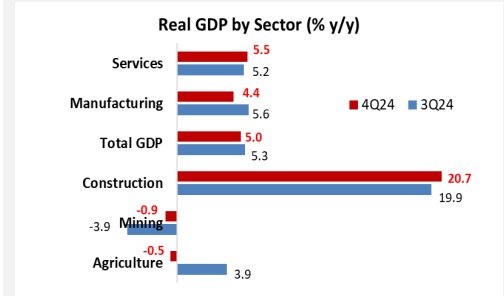
Source: DOSM, BNM

Figure 5: Broad-based moderation but quicker private consumption growth and hefty rebound in net exports due to slower imports growth saved the day



Source: DOSM, BNM

Figure 6: Faster growth in services and construction sectors



Source: DOSM, BNM

Malaysia Key Economic Metrics

2023												2024												
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
		5.5			2.8			3.1			2.9			4.2			5.9			5.3			5.0	Real GDP
4.5	6.4	5.6	0.7	5.6	2.4	4.2	3.2	2.5	3.4	3.1	2.3	4.8	5.0	2.9	6.2	5.9	5.6	7.4	4.7	4.0	4.7	4.9	5.4	Monthly Real GDP
-1.8	0.4	-1.2	-2.7	-1.1	-2.1	-1.0	-0.5	-0.2	-0.1	-0.1	0.4	3.4	2.1	2.3	4.4	3.8	3.7	5.2	4.2	1.8	1.7	2.5		Leading indicator
1.6	9.8	-1.4	-17.4	-0.9	-14.1	-13.1	-18.7	-13.8	-4.5	-6.1	-10.1	8.7	-0.8	-0.9	9.1	7.1	1.7	12.3	12.0	-0.6	1.6	3.9	16.9	Exports
2.2	12.4	-1.8	-11.1	-3.7	-18.7	-15.9	-21.2	-11.1	-0.3	1.5	2.9	18.7	8.0	12.5	15.5	13.4	17.8	25.4	26.2	10.9	1.7	1.6	11.9	Imports
18.1	19.6	26.7	12.8	15.7	25.6	17.1	17.2	24.4	12.9	12.2	11.8	10.2	11.2	12.7	7.7	10.0	14.3	6.4	5.5	12.8	11.9	15.3	19.2	Trade balance (RMbn)
1.8	3.5	3.2	-3.3	4.8	-2.2	0.7	-0.3	-0.5	2.4	0.6	-0.1	4.3	3.1	2.4	6.1	2.4	5.0	5.3	4.1	2.3	2.0	3.6	4.6	Industrial production
1.3	4.8	4.1	-3.0	5.1	-1.6	-0.2	-0.6	0.4	0.9	-0.1	-1.4	3.7	1.2	1.3	4.9	4.6	5.2	7.7	6.5	3.2	3.3	4.6	5.8	Manufacturing production
4.0	4.6	4.2	4.0	4.0	3.0	2.9	3.0	3.2	3.4	3.3	2.1	2.0	1.0	0.7	1.2	1.1	1.8	2.4	1.5	1.2	1.7	1.8	1.7	Wages (manufacturing)
3.6	3.5	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2	3.1	Unemployment rate (%)
3.1	5.9	7.6	3.2	4.4	3.1	5.7	6.2	6.9	5.7	6.2	4.4	5.5	5.2	4.0	4.8	4.7	4.0	5.5	3.7	3.6	4.8	4.7	5.7	Wholesale trade
21.7	19.2	17.7	12.9	5.0	5.8	5.5	6.3	5.9	3.9	4.4	5.0	2.6	5.8	7.1	5.5	8.7	7.9	6.4	5.9	5.5	7.1	5.8	5.4	Retail trade
30.8	43.1	7.7	-16.9	26.1	-2.4	32.9	8.1	2.5	23.8	13.4	2.9	34.9	4.4	-8.7	28.7	14.0	-5.8	11.5	-0.1	-14.0	-6.3	-6.2	3.1	Passenger car sales
6.6	7.0	7.1	7.5	7.8	7.6	7.6	7.9	8.1	8.2	8.5	8.6	9.0	9.1	8.9	8.6	8.4	8.2	8.0	7.8	7.6	7.3	7.1	6.8	Consumption credit
3.7	3.6	3.4	3.3	2.8	2.4	2.0	2.0	1.9	1.8	1.5	1.5	1.5	1.8	1.8	1.8	2.0	2.0	2.0	1.9	1.8	1.9	1.8	1.7	CPI
1.3	-0.8	-2.9	-3.0	-4.6	-4.8	-2.3	-2.2	0.2	-0.3	-1.5	-1.3	-0.6	0.3	1.6	1.9	1.4	1.6	1.3	0.3	-2.1	-2.4	-0.4	0.5	PPI

Note: Figures are %YOY unless otherwise stated

Source: BNM; DOSM; HLBB Global Markets Research

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