

Malaysia 4Q24 GDP

Growth beat expectations at 5.0% on strong services, construction and net exports

- **GDP grew 5.0% YoY in 4Q24 (3Q24: 5.4%), beating house and market expectations (KIBB: 4.6%; Bloomberg consensus: 4.8%) as well as higher than DOSM's advance estimate (4.8%). Full-year 2024 growth expanded to 5.1% (2023: 3.6%), slightly above our 5.0% projection**

- Despite exceeding expectations, growth slowed from the previous quarter due to weaker manufacturing, mining and agriculture sectors. However, the slowdown was mitigated by strong expansion in the services and construction sectors. On the demand side, domestic demand moderated amid slower public and private spending, though a strong rebound in net exports helped offset the impact.
- Meanwhile, seasonally adjusted QoQ growth fell (-1.1%; 3Q24: 1.9%), the lowest since 3Q21 (-2.9%) amid a broad-based decline except for the mining sector.
- Among ASEAN-5 (+VN, excluding TH), Malaysia's 4Q24 GDP growth matched Indonesia and Singapore but lagged behind Vietnam (7.6%) and the Philippines (5.2%).

- **Strong rebound in net exports partially offset slower domestic demand growth**

- **Domestic demand** (6.1%; 3Q24: 7.0%): slowed due to moderate expansion in public and private sector spending. Domestic demand contributed 5.7 percentage points (ppts) to 4Q24 growth (3Q24: 6.6 ppts).
 - **Public spending** (5.3%; 3Q24: 7.1%): growth moderated but still contributed 1.2 ppts to GDP in 4Q24 (3Q24: 1.2 ppts). Both public consumption (3.3%; 3Q24: 4.9%) and public investment (10.0%; 3Q24: 14.4%) slowed.
 - **Private spending** (6.3%; 3Q24: 7.0%): growth softened due to slower expansion in private investment (12.7%; 3Q24: 15.5%), though it remained in double-digits. Its contribution to overall GDP growth fell to 4.5 ppts (3Q24: 5.4%). Notably, private consumption growth (4.9%; 3Q24: 4.8%) stayed strong, but its contribution to overall GDP growth edged lower to 2.9 ppts (3Q24: 3.0 ppts).

- **Net exports** (57.6%; 3Q24: -8.8%): rebounded sharply as import growth slowed significantly, contributing 2.0 ppts (3Q24: -0.4%) to the overall growth, a six-quarter high.

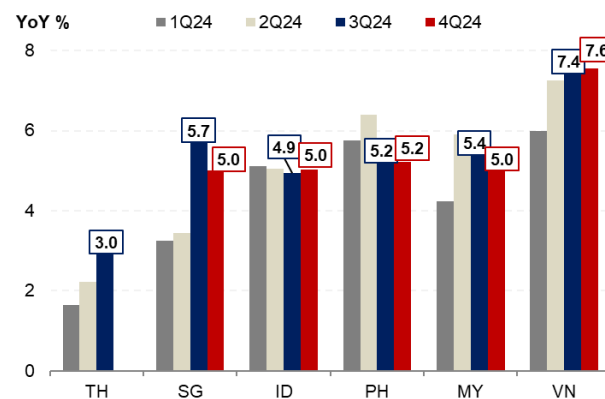
- **Exports** (8.5%; 3Q24: 11.8%): moderated due to slower expansion in value-added exports of goods (6.3%; 3Q24: 9.2%) and services (19.9%; 3Q24: 27.3%).
- **Imports** (5.7%; 3Q24: 13.5%): slowed significantly to a four-quarter low due to a sharp slowdown in value-added imports of goods (6.1%; 3Q24: 15.4%) and services (4.3%; 3Q24: 6.0%).

- **Strong services and construction sectors cushioned the manufacturing sector slowdown as well as weak agriculture and mining sectors**

- **Services** (5.5%; 3Q24: 5.2%): expanded, beating our 4.8% projection and slightly higher than DOSM's 5.3% advance estimate. Growth was driven by wholesale and retail trade (4.4%; 3Q24: 4.2%), followed by the transportation and storage sub-sector (10.7%; 3Q24: 10.6%) and finance and insurance (5.3%; 3Q24: 3.5%). Services contribution to overall GDP increased to 3.3 ppts (3Q24: 3.1 ppts).

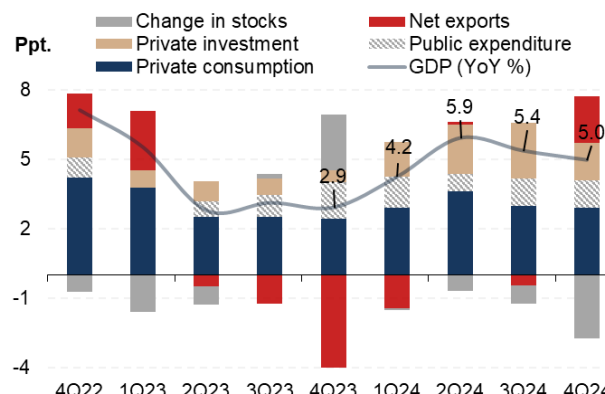
- **Construction** (20.7%; 3Q24: 19.9%): fastest growth since 2Q21, surpassing our forecast of 13.1% and DOSM's advance estimates of 19.6%. Expansion was broad-based, led by strong performance in residential buildings (30.3%; 3Q24: 22.7%) and specialised construction activities (23.6%; 3Q24: 21.7%). Nevertheless, contribution to the overall GDP growth remained at 0.7 ppts (3Q24: 0.7 ppts).

Graph 1: ASEAN-5 (+VN) GDP Growth Performance



Source: DoSM, Macrobond, Kenanga Research

Graph 2: GDP by Expenditure Performance (Percentage Point Contribution to Growth)



Source: DoSM, Macrobond, Kenanga Research

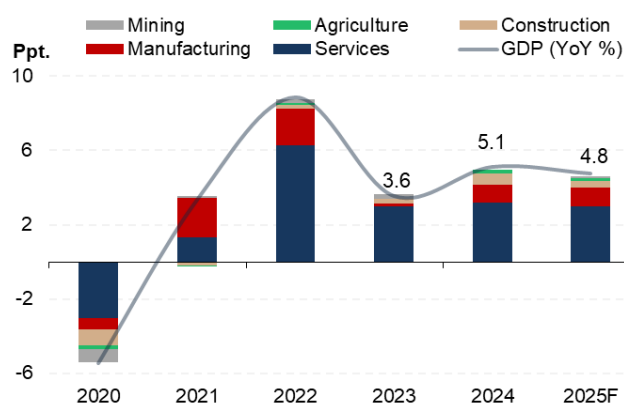
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- **Manufacturing** (4.4%; 3Q24: 5.6%): slowed to a three-quarter low but exceeded our projection of 4.2% and slightly higher than DOSM's advance estimate of 4.3%. Mainly due to weakness in petroleum, chemical, rubber and plastic products (3.2%; 3Q24: 4.4%), vegetable and animal oils & fats, and food processing products (6.6%; 3Q24: 7.6%). However, the slowdown was partially mitigated by strong growth in electrical, electronic and optical products (7.3%; 3Q24: 5.6%) thanks to the ongoing technology upcycle. Manufacturing sector's contribution to GDP growth fell to 1.0 pts (3Q24: 1.3 pts), a three-quarter low.
- **Mining** (-0.9%; 3Q24: -3.9%): contraction eased sharply, reflecting a continued recovery. It was better than DOSM's advance estimate (-1.4%), while we expect a slight rebound of 0.5%. The decline was attributable to weak crude oil & condensate (-6.2%; 3Q24: -7.3%) and a slowdown in other mining & quarrying and supporting services (0.4%; 3Q24: 2.6%). Nevertheless, a rebound in natural gas (2.4%; 3Q24: -2.8%) partially offset the slowdown. Mining contribution to GDP growth improved, up 0.4 pts (3Q24: 0.0 ppt).
- **Agriculture** (-0.5%; 3Q24: 4.0%): contracted to a six-quarter low, below our forecast (2.6%) but slightly above DOSM's -0.6% advance estimates. Weak oil palm output (5.3%; 3Q24: 7.3%) amid lower fruit bunches production but was partially offset by strong livestock growth (23.3%; 3Q24: 13.9%). Contribution to GDP growth was neutral (3Q24: 0.3 pts).

● **2025 GDP growth is projected to moderate slightly to 4.8% (2024: 5.1%)**

- **Outlook:** We maintain 2025 GDP growth forecast at 4.8%, which still aligns with projections from the Ministry of Finance (MoF) of 4.5% – 5.5%. The lower growth forecast reflects our expectation of normalising domestic economic activities, a high base effect and rising global economic uncertainties.
- **Growth drivers:** While we anticipate a moderation in GDP growth, it is contingent on the services sector performance, supported by higher household incomes and increased tourist arrivals. A continued recovery in the manufacturing sector, led by tech-driven exports and AI demand, will further reinforce our growth forecast. Meanwhile, the mining sector could recover slightly following a weaker-than-expected performance in 2024, though the contribution to overall growth remains low. However, the construction sector may expand at a slower pace, primarily due to last year's high base, despite robust data centre and housing investments.

Graph 3: Growth Outlook by Sector (KIBB forecast)



Source: DoSM, Macrobond, Kenanga Research

- **Risks to growth outlook:** Key risk primarily stemmed from heightened uncertainty in the external sector associated with the policy shift in the US administration following Donald Trump's return to the White House, which could escalate trade wars by raising tariffs and disrupting the global supply chain. However, Malaysia may benefit from the potential trade and investment diversion due to its friendly trade and investment policies. Meanwhile, China's slower-than-expected recovery may also dampen our growth outlook.

● **BNM OPR outlook: to hold at 3.00% in 2025, barring unforeseen external shocks to the economy**

- The current monetary policy stance supports price stability and growth. While inflation remains stable, the **upside risk to price pressure persist** from the potential impact of subsidy rationalisation in the 2H25. Besides, higher household income prospects following the recent increase in minimum wages and government salary hikes as well as an influx of tourist arrivals may also add to cost and demand pressures. This is reflected in our inflation forecast for this year, as we project inflation to rise 2.7% in 2025 (2024: 1.8%).
- Downside risks include external uncertainties, particularly Trump's tariff threats, which could disrupt global trade though we believe Malaysia stands to gain from trade and investment shifts. Domestically, subsidy reforms may impact inflation and consumer sentiment, but targeted measures should cushion vulnerable groups.
- Hence, BNM is likely to maintain the policy rate in 2025, potentially extending into 2026, ensuring a stable environment for investment and fiscal reforms embarked on by the Madani government.

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Table 1: Malaysia GDP Growth (constant 2015 prices) and Contribution to Growth by Sector (Supply) and Expenditure (Demand)

YoY %	2022	2023	1Q24	2Q24	3Q24	4Q24	1H24	2H24	2024	2025F
By Sector										
Agriculture	1.3	0.7	1.7	7.3	4.0	-0.5	4.6	1.8	3.1	1.3
Mining	3.5	0.5	5.7	2.7	-3.9	-0.9	4.3	-2.3	0.9	0.4
Manufacturing	8.1	0.7	1.9	4.7	5.6	4.4	3.3	5.0	4.2	3.7
Construction	5.1	6.1	11.9	17.3	19.9	20.7	14.6	20.3	17.5	14.3
Services	11.0	5.1	4.8	5.9	5.2	5.5	5.4	5.4	5.4	5.1
Real GDP	8.9	3.6	4.2	5.9	5.4	5.0	5.1	5.2	5.1	4.8
Ppt. Contribution										
Agriculture	0.1	0.0	0.1	0.5	0.3	0.0	0.3	0.1	0.2	0.1
Mining	0.2	0.2	0.0	0.1	0.0	0.4	0.2	-0.2	-0.1	0.0
Manufacturing	2.0	0.2	0.5	1.1	1.3	1.0	0.8	1.1	1.0	0.8
Construction	0.2	0.2	0.4	0.6	0.7	0.7	0.5	0.7	0.6	0.6
Services	6.3	3.0	2.8	3.5	3.1	3.3	3.2	3.2	3.2	3.0
Real GDP	8.9	3.6	4.2	5.9	5.4	5.0	5.1	5.2	5.1	4.8
By Expenditure										
Consumption	10.1	4.4	5.1	5.6	4.8	4.6	5.4	4.7	5.0	5.4
Public	5.1	3.3	7.3	3.6	4.9	3.3	5.5	4.0	4.7	4.1
Private	11.3	4.7	4.7	6.0	4.8	4.9	5.3	4.9	5.1	5.7
Investment	6.8	5.5	9.6	11.5	15.3	11.7	10.6	13.5	12.0	7.3
Public	5.3	8.6	11.5	9.1	14.4	10.0	10.3	11.6	11.1	5.0
Private	7.2	4.6	9.2	12.0	15.5	12.7	10.6	14.2	12.3	7.9
Public Spending	5.2	4.6	8.4	4.9	7.1	5.3	6.6	6.1	6.3	4.4
Private Spending	10.5	4.6	5.7	7.3	7.0	6.3	6.5	6.7	6.6	6.2
Domestic Demand	9.4	4.6	6.1	6.9	7.0	6.1	6.5	6.5	6.5	5.8
Exports	14.5	-8.1	5.2	8.4	11.8	8.5	6.8	10.1	8.5	5.3
Imports	16.0	-7.4	8.0	8.7	13.5	5.7	8.4	9.5	8.9	5.2
Net exports	-1.5	-16.2	-24.5	3.4	-8.8	57.6	-14.1	19.3	2.2	7.4
Real GDP	8.9	3.6	4.2	5.9	5.4	5.0	5.1	5.2	5.1	4.8
Ppt. Contribution										
Consumption	7.3	3.2	3.8	4.1	3.6	3.4	3.9	3.5	3.7	4.0
Public	0.7	0.4	0.9	0.4	0.6	0.5	0.7	0.6	0.6	0.5
Private	6.6	2.8	2.9	3.6	3.0	2.9	3.3	3.0	3.1	3.5
Investment	1.4	1.1	2.0	2.4	3.0	2.3	2.2	2.6	2.4	1.6
Public	0.2	0.4	0.5	0.3	0.6	0.7	0.4	0.6	0.5	0.2
Private	1.1	0.7	1.5	2.1	2.4	1.6	1.8	2.0	1.9	1.3
Public Spending	0.9	0.8	1.3	0.8	1.2	1.2	1.1	1.2	1.1	0.8
Private Spending	7.8	3.5	4.4	5.7	5.4	4.5	5.1	5.0	5.0	4.8
Domestic Demand	8.7	4.3	5.7	6.5	6.6	5.7	6.1	6.1	6.1	5.6
Exports	10.3	-6.0	3.5	5.6	7.8	5.5	4.5	6.6	5.6	3.6
Imports	10.4	-5.1	4.9	5.5	8.2	3.5	5.2	5.8	5.5	3.3
Net exports	-0.1	-0.9	-1.4	0.1	-0.4	2.0	-0.7	0.8	0.1	0.3
Real GDP	8.9	3.6	4.2	5.9	5.4	5.0	5.1	5.2	5.1	4.8

Source: DoSM, BNM, Kenanga Research
F: forecast, PPT: percentage point

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