

Economic Focus

4Q24 GDP: Ending on a high note

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- **Strong 4Q24 GDP growth of 5.0% y-o-y on sustained momentum in domestic spending**
- **Solid growth trajectory to sustain in 2025, underpinned by robust investment activities, firm household spending and resilient exports**
- **Stay upbeat on Malaysia's prospects given strong fundamentals to navigate external uncertainties**

Continued expansion

Malaysia's economy grew 5.0% y-o-y but dipped 1.1% q-o-q on a seasonally adjusted (SA) basis in 4Q24 (revised 3Q24: +5.4% y-o-y; 1.9% SA q-o-q), which was better than the advance estimate of 4.8%. This takes 2024 GDP growth to 5.1% which is in line with our expectations, thanks to the sustained growth in domestic demand (+6.5%) and a recovery in external trade (+2.2%). It is noteworthy that the stellar growth was achieved amid a lower fiscal deficit of 4.1% in 2024 compared to the government's initial estimate of 4.3%, reflecting the early success of Madani Economic Framework.

Sustained expansion in the labour market

4Q24 domestic consumption continued to be boosted by sustained expansion in the labour market as the unemployment rate dipped to a 10-year low of 3.1% in Dec 2024 with historic high labour force participation rate. Therefore, there is little surprise that 4Q24 private consumption grew by 4.9% (3Q24: +4.8%). Meanwhile, 4Q24 capital expenditure continued to sustain its third successive double-digit growth of 11.7%, signifying the positive impact arising from record-high approved investments in 2021-2023 and various government-led strategic developments under national blueprints. This underlines the robust prospects of the investment upcycle in Malaysia which will continue to provide further tailwinds in the near term. In addition, net exports surged 57.6% due to continued export growth amid moderation in capital and intermediate imports.

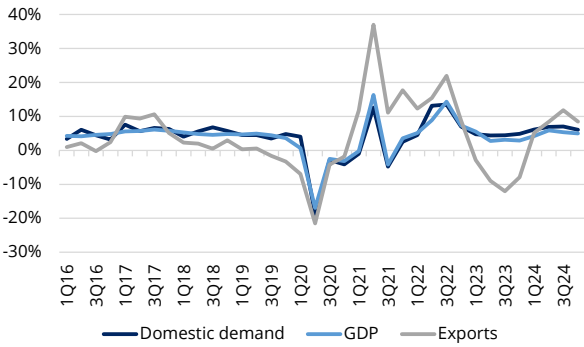
Tailwinds in domestic economy

Within the Services sector (60% of 4Q24 GDP; +5.2% y-o-y), the Wholesale & Retail Trade sub-sector grew by 4.4% y-o-y (vs 4.2% in 3Q24) while Transportation and Storage sub-sector growth remained strong at 10.7% y-o-y (vs 10.6% in 3Q24). Meanwhile, the Construction sector outperformed with an impressive 20.7% y-o-y growth given robust growth in non-residential, residential and special trade sub-sectors. The Manufacturing sector increased by 4.4% y-o-y in 4Q24 (vs 5.6% in 3Q24), largely driven by the 7.6% y-o-y increase in the E&E industry as the global tech upcycle contributed to the fourth successive quarter of improvement.

Optimistic of Malaysia's prospects

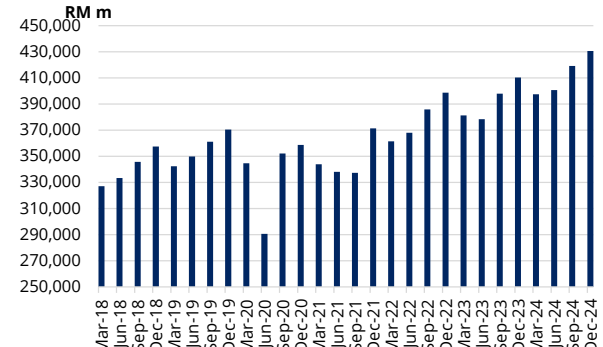
Malaysia is set to benefit from the firm domestic demand, underpinned by the robust labour market and strong economic and social activities. The upward revision of the minimum wage and civil servant salaries as well as higher financial assistance for the low-income group will ensure 2025 domestic expenditure remains intact. Meanwhile, private investment is expected to benefit from improved external environment and positive response to the NETR and NIMP 2030 while the government continues with its expansionary fiscal policy to drive economic growth. We believe Malaysia is currently in a position of strength to weather the potential risks arising from further escalation in geopolitical tensions and protectionist measures.

4Q24 GDP grew 5.0% y-o-y on strong domestic demand



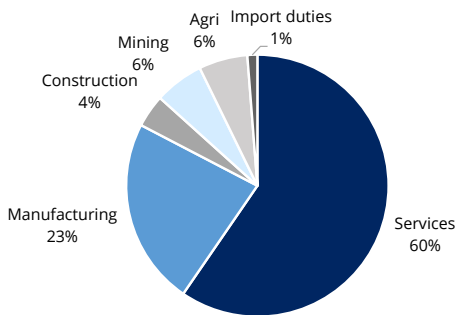
Source: Department of Statistics, AllianceDBS

Quarterly real GDP (RMm): Sustained expansion



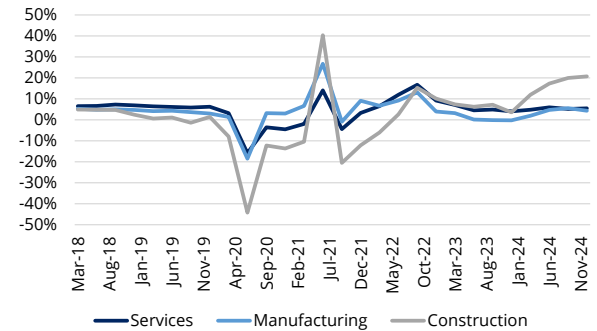
Source: Department of Statistics, AllianceDBS

Supply side: Composition of 4Q24 GDP



Source: Department of Statistics, AllianceDBS

Supply side: Y-o-y GDP growth by sector



Source: Department of Statistics, AllianceDBS

Supply side GDP components

	2024						
	share	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Services	59.3%	4.9%	4.1%	4.8%	5.9%	5.2%	5.5%
Manufacturing	23.2%	-0.1%	-0.3%	1.9%	4.7%	5.6%	4.4%
Agriculture	6.3%	0.3%	1.9%	1.7%	7.3%	4.0%	-0.5%
Mining	6.0%	-1.1%	3.5%	5.7%	2.7%	-3.9%	-0.9%
Construction	4.0%	7.2%	3.6%	11.9%	17.3%	19.9%	20.7%
GDP		3.1%	2.9%	4.2%	5.9%	5.4%	5.0%

Source: Department of Statistics, AllianceDBS

Demand side GDP components

YoY %	2024						
	share	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Domestic Demand	95%	4.5%	4.9%	6.1%	6.9%	7.0%	6.1%
Private Consumption	61%	4.1%	4.2%	4.7%	6.0%	4.8%	4.9%
Private Investment	17%	4.5%	4.0%	9.2%	12.0%	15.5%	12.7%
Public Consumption	13%	5.3%	5.8%	7.3%	3.6%	4.9%	3.3%
Public Investment	5%	7.5%	11.3%	11.5%	9.1%	14.4%	10.0%
Net exports	4%	-19.9%	-52.9%	-24.5%	3.4%	-8.8%	57.6%
GDP		3.1%	2.9%	4.2%	5.9%	5.4%	5.0%

Source: Department of Statistics, AllianceDBS

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