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Malaysia 4Q24 GDP

Economic Growth Staying Resilient

Executive Summary

- **Malaysia's GDP expanded in 4Q24 albeit at a moderated pace of 5.0% yoy, compared to 5.4% in the previous quarter.**
- **On a quarter-on-quarter (qoq) basis, Malaysia's GDP decreased by -1.1% in 4Q24, down from 1.9% in 3Q24 influenced by a decline in all sectors except for mining.**
- **We expect Malaysia's economy to grow at a more normalized pace of 4.6% in 2025 amid sustained infrastructure investments, resilient household spending and steady exports demand.**

Malaysia's economic expansion continued in 4Q24 albeit at a moderated pace of 5.0% yoy, compared to 5.3% in the previous quarter beating market consensus. This brings the country's full-year GDP growth to 5.1%, a notable improvement from 3.6% in 2023 driven by resilient domestic demand, steady expansion in services and manufacturing, and robust construction activity. While the economy remains on a positive trajectory, challenges such as weaker agricultural output and a slower growth rate in the mining sector tempered overall growth.

Quarterly growth slowing. On a quarter-on-quarter (qoq) basis, Malaysia's GDP decreased by -1.1% in 4Q24, down from 1.9% in 3Q24. The moderation was largely influenced by a decline in all sectors except for mining which expanded to 5.9% qoq (3Q24: -1.1% qoq) marking the first growth after three quarters of contraction. The construction sector saw a contraction of -2.3% after strong growth in 3Q24 at 5.7% amid global economic uncertainties may have led to delays in project initiations. Notably, the manufacturing sector decline to -2.8% reversing the 1.9% growth seen in 3Q24, likely due to weak global demand.

Domestic demand remains positive. Private consumption grew by 5.1% in 4Q24 (3Q24: 4.8%), supported by increased spending on transport, restaurants & hotels, and food & non-alcoholic beverages. Meanwhile, government expenditure rose by 3.3%, slowing from 4.9% in the previous quarter, driven by higher spending on supplies and services. For the full year 2024, private consumption expanded by 5.1% (2023: 4.7%), while government expenditure increased by 4.7% (2023: 3.3%).

Investments saw double digit growth. Gross Fixed Capital Formation (GFCF) grew by 11.7%, compared to 15.3% in the previous quarter. The expansion was primarily driven by the structure component, which grew by 19.5% (3Q24: 18.6%). However, machinery & equipment and other assets moderated to 4.1% (3Q24: 12.3%) and 5.6% (3Q24: 10.7%) respectively. By sector, private sector investments (66.1% share) increased by 12.7% (3Q24: 15.5%), while public sector investments grew by 10.0%, down from 14.4% in the previous quarter. Overall, GFCF expanded by 12.0% in 2024, a significant improvement from 5.5% in 2023.

Robust external trade amidst moderate growth. On the external front, exports grew by 8.5% (3Q24: 11.8%), reflecting higher goods exports. Imports continued to rise, increasing by 5.7% (3Q24: 13.5%) due to higher goods imports. For the full year 2024, both exports and imports grew by 8.5% (2023: -8.1%) and 8.9% (2023: -7.4%) respectively.

Services sector remains stable. The services sector continued its steady climb growing by 5.6% yoy in 4Q24 (3Q24: 5.3%). The momentum was supported by strong performances in wholesale and retail trade which rose by 4.4% (3Q24: 4.2%). Transportation and storage sub-sector remained a strong growth of 10.7% (3Q24: 10.6%), while the finance and insurance sub-sector recorded a higher growth of 5.3% (3Q24: 3.5%). Domestic spending remained a key driver, bolstered by low unemployment rates and increased tourist expenditures. The sector remains the primary contributor to GDP, accounting for approximately 65.9% of total growth. On an annual basis, the services sector grew by 5.4% in 2024, up from 5.1% in the previous year.

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Manufacturing sector softened but remain resilient. The manufacturing sector moderated to 4.6% yoy (3Q24: 5.5%), in line with trends in export-oriented industries. Electrical and electronic (E&E) and optical products segment expanded by 7.3% in 4Q24, up from 5.6% in 3Q24. Similarly, petroleum, chemical, rubber, and plastic products recorded a 3.2% growth (3Q24: 4.4%), while vegetable and animal oils & fats and food processing products increased by 6.6% (3Q24: 7.6%) continued to support the sector. With global demand showing signs of resilience, Malaysia's manufacturing industry is expected to remain a vital pillar of economic stability in 2025. In contrast, transport equipment, other manufacturing, and repair contracted by -3.2% (3Q24: -1.0%), primarily due to a decline in motor vehicles & transport equipment production. Overall, the manufacturing sector expanded by 4.2% in 2024, a significant improvement from 0.7% in 2023.

Construction sector sustains strong growth. The construction sector maintained its robust expansion, growing by 21.2% yoy (3Q24: 19.8%). The expansion was driven by strong growth across all segments, particularly in non-residential buildings and specialized construction activities, which recorded double-digit increases of 23.9% (3Q24: 28.1%) and 23.6% (3Q24: 21.7%), respectively. This reflects strong investor confidence and the government's commitment to infrastructure development. Multi-year projects under the Economy MADANI framework, including the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan (NIMP) 2030, are anticipated to sustain growth momentum in 2025. Additionally, residential buildings saw a sharp rise of 30.3% (3Q24: 22.7%), while civil engineering grew by 9.1%, slightly lower than 10.7% in the previous quarter. For the full year 2024, the construction sector posted a robust expansion of 17.5%, significantly higher than the 6.1% growth recorded in the previous year.

Agriculture and mining facing headwinds. Agriculture contracted by 0.4% in 4Q24 (3Q24: 3.9%) due to weaker palm oil and forestry output, exacerbated by extreme weather conditions. The oil palm sub-sector, which comprised 38.5% of the total agriculture sector, declined by 5.3% in 4Q24 (3Q24: 7.3%), primarily due to slower fresh fruit bunch production. Additionally, the forestry and logging sub-sector contracted by 0.9% (3Q24: 2.9%), further weighing on sector growth. However, the livestock and rubber sub-sectors recorded improvements, rising by 3.0% (3Q24: 2.7%) and 23.3% (3Q24: 13.9%), respectively. Overall, the agriculture sector expanded by 3.1% in 2024, a notable increase from 0.7% in the previous year.

Meanwhile, mining and quarrying sector also struggled, declining by 0.9% yoy in 4Q24, albeit at a slower pace than 3Q24 4.0% contraction. The sector's performance was impacted by a continued decline in crude oil & condensate, which contracted by 6.2% (3Q24: -7.3%). In contrast, natural gas rebounded with a 2.4% growth (3Q24: -2.8%), while other mining & quarrying and supporting services recorded a modest increase of 0.4% (3Q24: 2.6%). For the full year 2024, the mining and quarrying sector saw a slight expansion of 0.9%, improving from 0.5% in the previous year.

Table 1: GDP by Expenditure Approach

	YoY %			
	1Q24	2Q24	3Q24	4Q24
GDP	4.2	5.9	5.3	5.0
Government Expenditure	7.3	3.6	4.9	3.3
Private Consumption	4.7	5.8	4.8	5.1
Net Export	5.2	8.4	11.8	8.5
Net Import	8.0	8.7	13.5	5.7
Investment	9.6	11.5	15.3	11.7

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Table 2: GDP by Production Approach

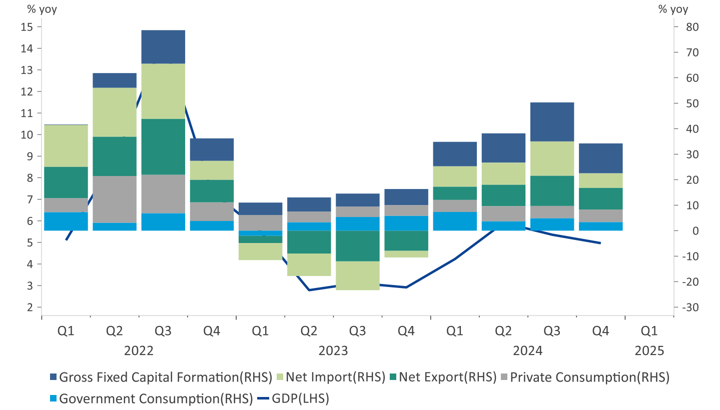
	YoY %			
	1Q24	2Q24	3Q24	4Q24
GDP	4.2	5.9	5.3	5.0
Agriculture	1.7	7.3	3.9	-0.4
Mining	5.6	2.8	-4.0	-0.9
Manufacturing	1.9	4.8	5.5	4.6
Construction	11.7	17.0	19.8	21.2
Services	4.7	5.9	5.2	5.6

Domestic consumption and trade remain key growth catalysts. Consumer spending remained a bright spot, driven by favorable labor market conditions and targeted government cash assistance. Retail trade expanded by 6.1% in the October-December period, up from 5.8% in 3Q24, reflecting sustained consumer confidence. The festive season further contributed to an uptick in spending. To add on, external trade played a key role, with net exports contributing positively to growth. The trade surplus widened to MYR 19.2 bn in Dec 2024 supported by stronger exports of E&E products, palm oil, and natural gas. Additionally, services exports gained traction as international travel and business activities continued recovering.

2025 economic outlook points to moderated yet resilient growth. Looking ahead, Malaysia's economy is expected to grow at a more normalized pace of 4.6% in 2025. Key growth drivers include sustained infrastructure investments under the 12MP will continue boosting the construction sector, particularly in energy, transportation, and digital infrastructure. We anticipate household spending to remain resilient amid rising wages and a strong labor market will support domestic consumption, although inflationary pressures from subsidy rationalization may pose some challenges. Besides that, we hope that the easing global monetary policies and steady demand from key trading partners should help Malaysia's export sector remain competitive.

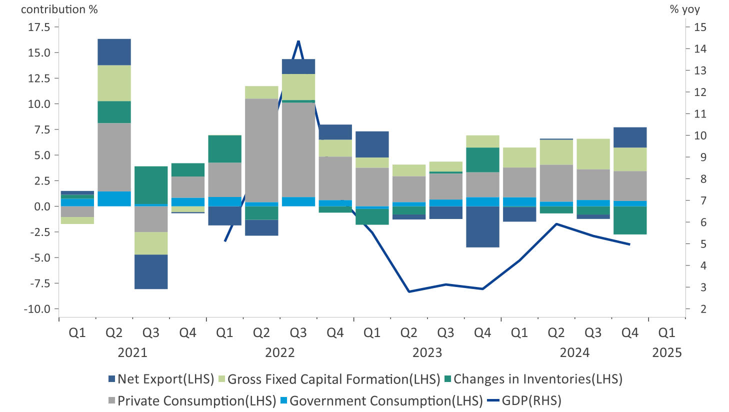
Potential global and domestic risks. Despite the optimistic outlook, Malaysia's growth trajectory is not without risks. Globally, we continue to monitor external trade uncertainties such as geopolitical tensions, protectionist policies, and tariff escalations (e.g., U.S.-China trade frictions) could dampen export demand. Furthermore, global interest rate adjustments could influence capital flows and currency stability, affecting investment sentiments. Domestically, inflationary pressures remain amid subsidy retargeting particularly affecting the T15 income group, may impact discretionary spending though overall inflation is projected to remain manageable at 2.4% in 2025.

Figure 1: GDP by expenditure



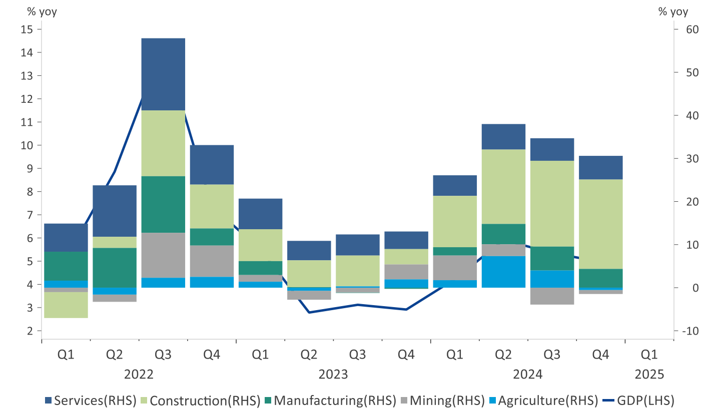
Source: Macrobond, Apex Securities

Figure 2: Expenditure approach contribution to GDP



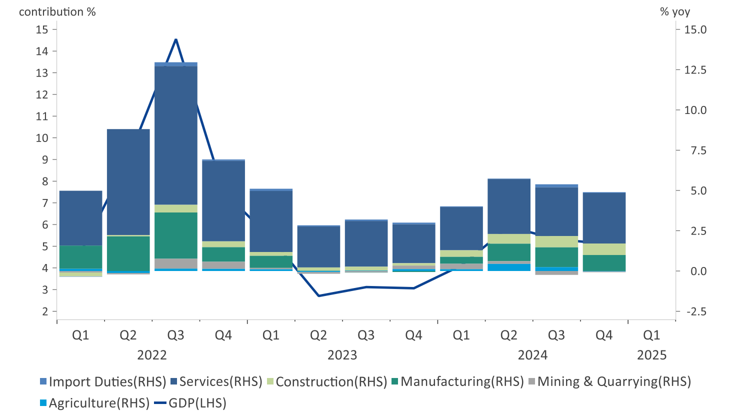
Source: Macrobond, Apex Securities

Figure 3: GDP by Sector



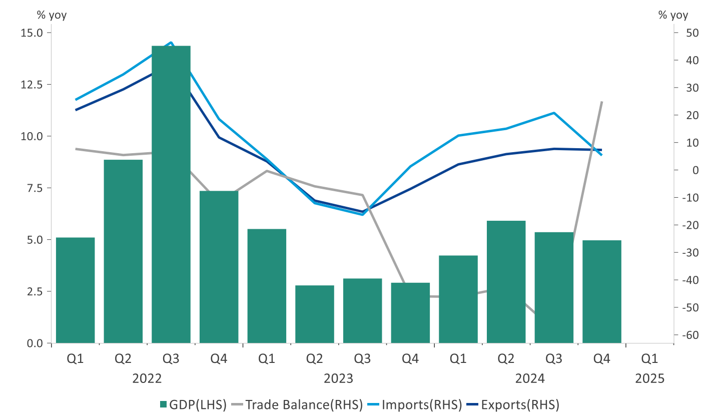
Source: Macrobond, Apex Securities

Figure 4: Supply side contribution to GDP



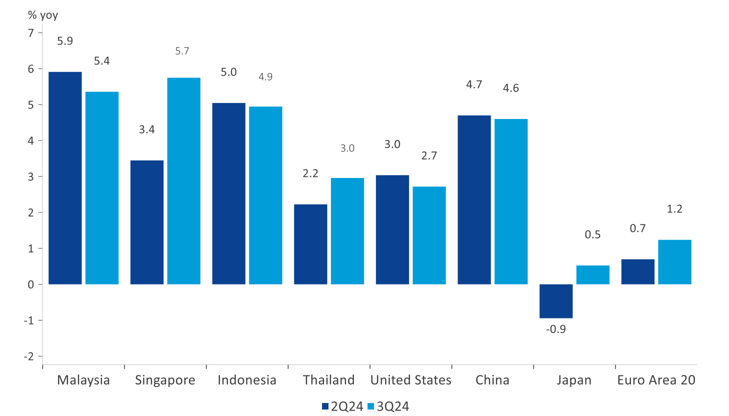
Source: Macrobond, Apex Securities

Figure 5: GDP vs External trade



Source: Macrobond, Apex Securities

Figure 6: MY GDP vs selected countries

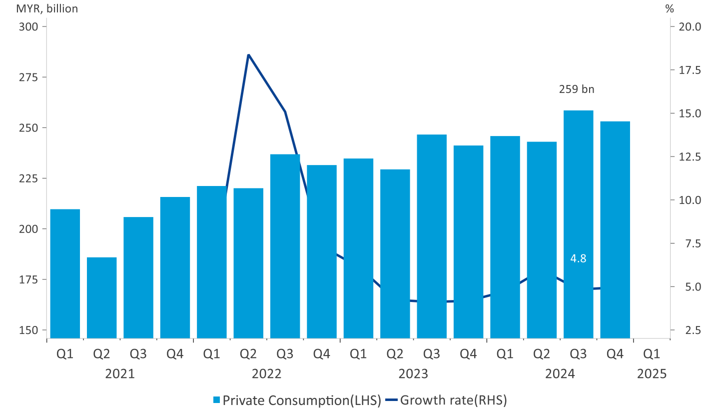


Source: Macrobond, Apex Securities

Figure 7: Malaysia retail sales growth decline by 5.4% yoy in Dec 24 easing from 5.7% in Nov 24

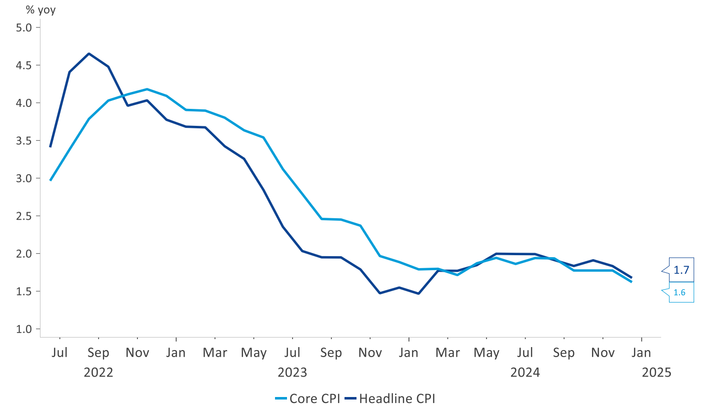
Source: Macrobond, Apex Securities

Figure 8: Private consumption softened to MYR 253 mn in 4Q24 from MYR 259.0 mn in 3Q24



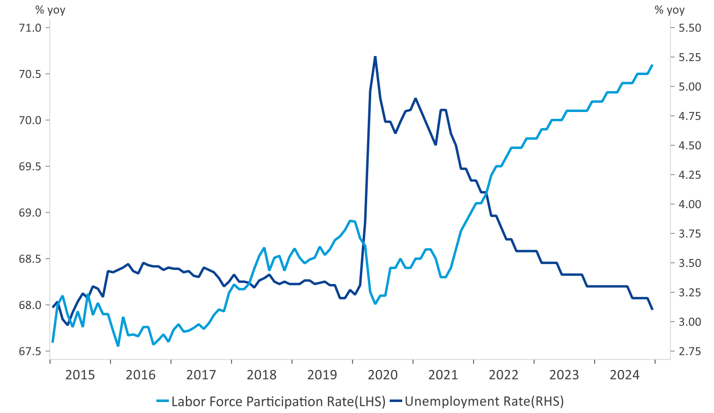
Source: Macrobond, Apex Securities

Figure 9: CPI reached 1.7% yoy in Dec 24, falling slightly below market expectations and November's reading of 1.8% yoy



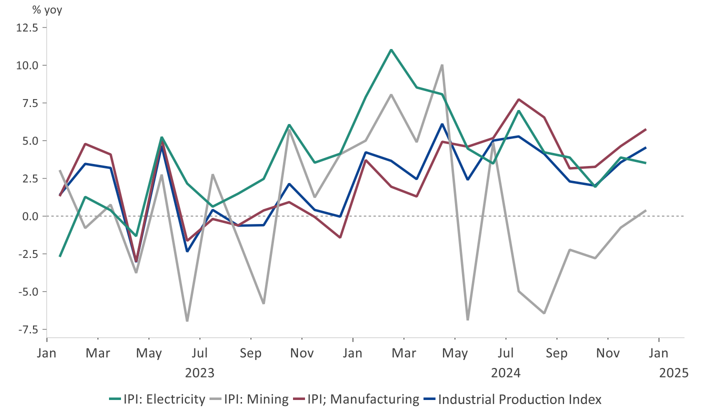
Source: Macrobond, Apex Securities

Figure 10: Unemployment rate remains low indicating robust economy with ample job opportunities and high workforce participation



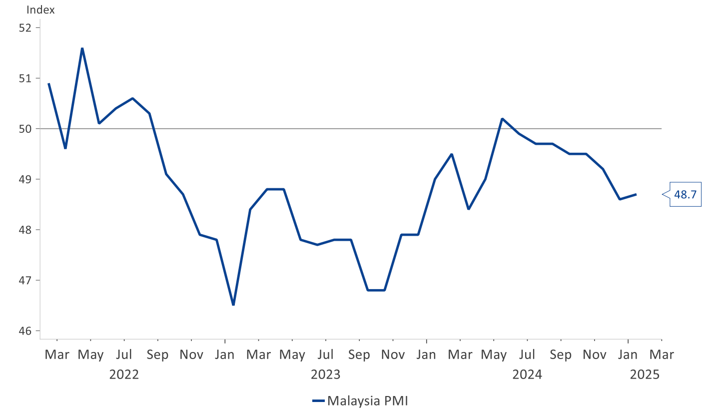
Source: Macrobond, Apex Securities

Figure 11: IPI expanded by 4.6% yoy in Dec 24 (Nov 24: 3.6%), marking the strongest growth in industrial activity since July



Source: Macrobond, Apex Securities

Figure 12: PMI remained weak at 48.7 in Jan 25, marking the eighth consecutive month of contraction amid declining output



Source: Macrobond, Apex Securities

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Monday, 17 Feb, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.