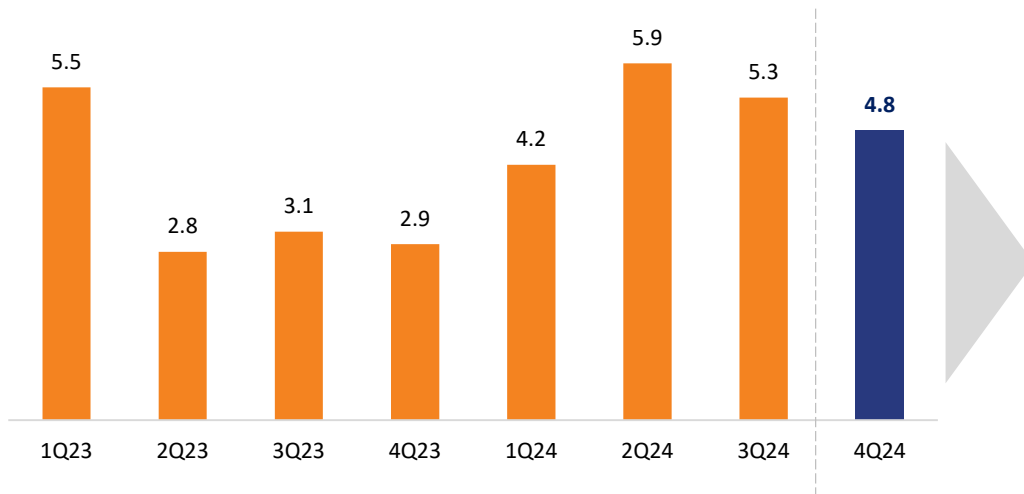


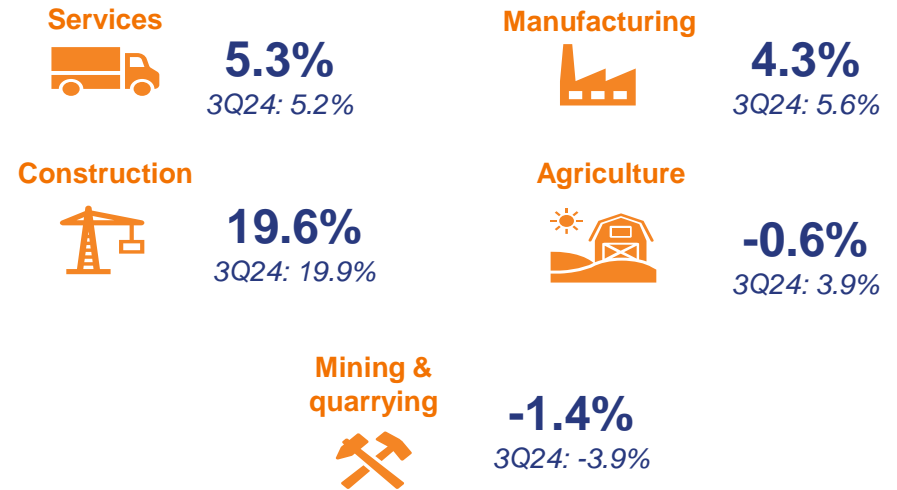
4Q24 GDP estimates: Resilient growth amid sectoral divergence

Quarterly GDP growth, %yoy



Sources: DOSM & CEIC

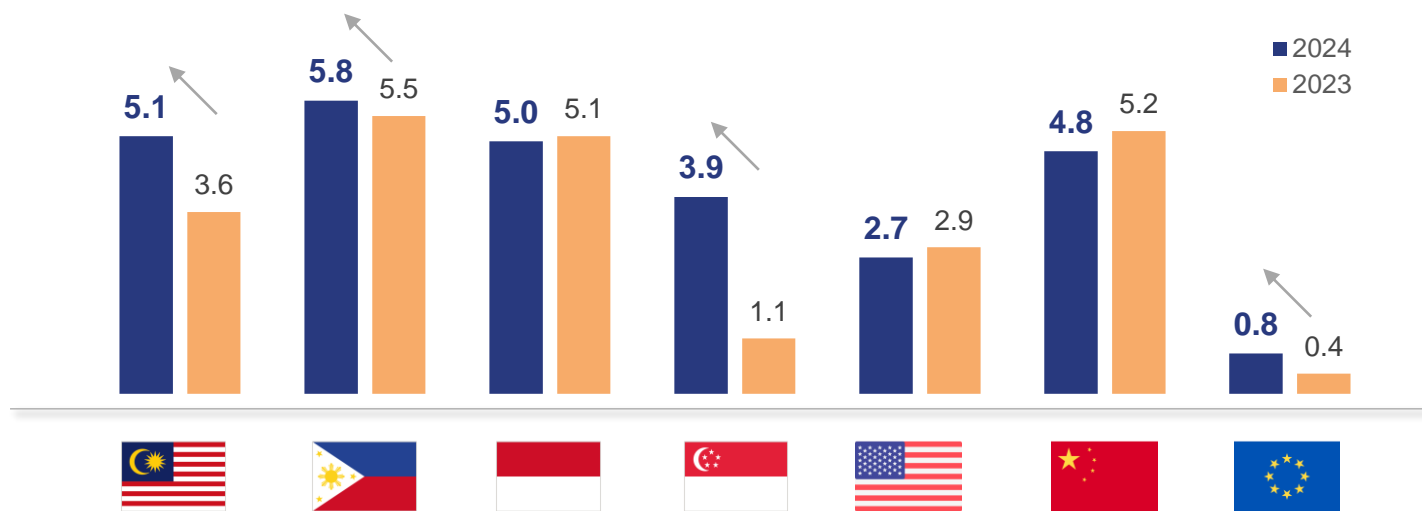
Quarterly performance by production approach, %yoy



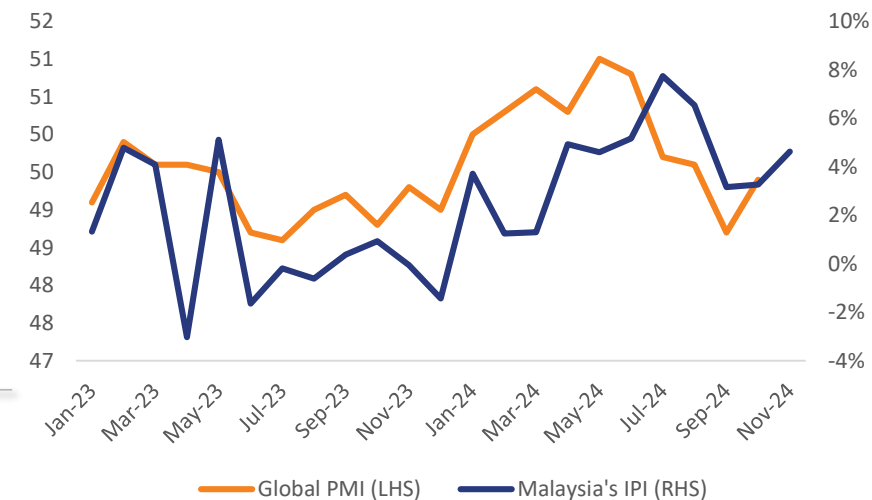
Malaysia's economy recorded a 4.8% year-on-year (y-o-y) expansion in Q4 2024, moderating slightly from the 5.3% growth in the previous quarter. The deceleration aligns with our expectations of a normalization following the rapid rebound in earlier quarters. On a quarter-on-quarter (q-o-q) basis, GDP rose by 2.5%, down from 4.6% in Q3 2024, reflecting tempered momentum in the face of external uncertainties and mixed sectoral contributions. Sectoral wise, growth remained supported by robust performances in the Services, Manufacturing, and Construction, offsetting contraction in the Agriculture and Mining & Quarrying sectors. Growth in the Services sector edged up to 5.3%, primarily driven by Wholesale & Retail Trade, Transportation & Storage, and Information & Communication. Robust retail sales signal resilient consumer confidence, likely supported by stable labor market conditions and festive season spending. Meanwhile, the manufacturing sector continued to expand by 4.3%, albeit at a slower pace, with production of E&E remained the primary driver, among other manufacturing products. The easing in growth suggests softer global demand for manufactured goods amid ongoing geopolitical tensions and tighter financial conditions.

5.1% growth in 2024, reflecting strength despite headwinds

Annual GDP forecast of selected economies in 2024, %yoy



Malaysia's IPI growth vs Global PMI

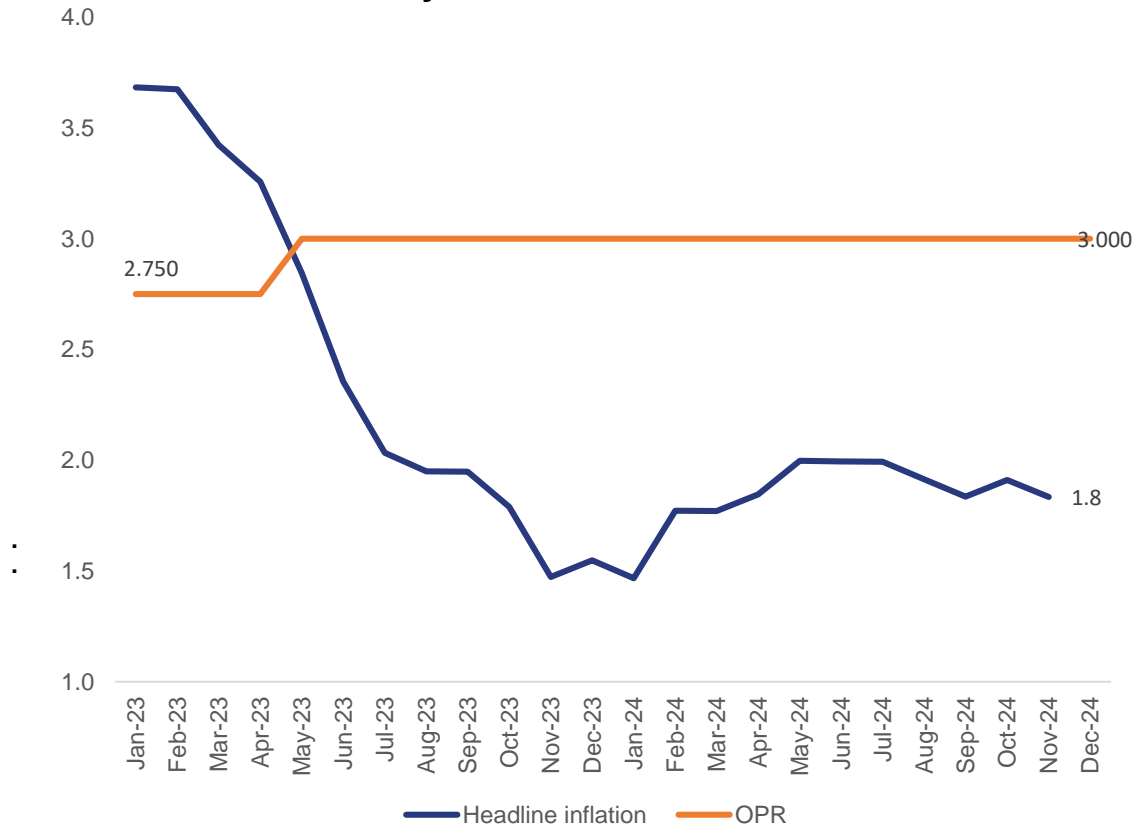


Sources: Bloomberg & CEIC

For the full year 2024, Malaysia's economy grew by 5.1%, an acceleration from 3.6% in 2023. The Services sector spearheaded growth at 5.3%, followed by Manufacturing (4.2%) and Construction (17.2%). In contrast, Agriculture and Mining & Quarrying grew modestly at 3.0% and 0.8%, respectively, reflecting sectoral headwinds. The robust annual growth reflects Malaysia's ability to navigate a challenging global environment, supported by resilient domestic demand, export-oriented industries, and policy measures aimed at fostering economic recovery. Moving forward, risks remained tilted on the downside as global economic uncertainties, weaker growth prospects in some economies couple with geopolitical tensions, could weigh on external demand and investors' sentiment.

2025 outlook recap: Keep the faith

Malaysia's headline inflation vs OPR



Source: Bloomberg

- **Moderate economic growth:** Malaysian economy is poised for moderate growth in 2025, driven by a combination of domestic and external factors. We reiterate our forecast of 5% growth this year, aligning with Govt. official forecast of 4.5% - 5.5%.
- **Sectoral Performance:** Key sectors such as manufacturing, services, and construction are anticipated to experience slower growth, with the technology and digital economy expected to provide some resilience. The tourism and retail sectors may benefit from a gradual recovery in consumer sentiment.
- **Monetary policy stance and inflation outlook:** We expect BNM to hold the rate steady in 2025, maintaining an accommodative stance to support growth while monitoring inflation and external developments. Inflation is expected to remain well-contained during the first half of the year, although a potential uptick may materialize in the latter half, particularly in light of the phased withdrawal of RON95 subsidies. Nevertheless, we view any such increase as likely to be transitory in nature, and consequently, do not foresee an immediate need for tightening monetary policy at this juncture.

Appendix – Macroeconomic variables

Macroeconomic variables	2022	2023	2024E	2025
GDP	8.9%	3.6%	4.9%	5.0%
By expenditure				
Domestic Demand	9.4%	4.6%	6.8%	6.2%
Consumption	10.1%	4.4%	5.2%	5.5%
Private	11.3%	4.7%	5.3%	5.6%
Public	5.1%	3.3%	4.5%	4.7%
Investment	6.8%	5.5%	12.8%	8.6%
Private	7.2%	4.6%	13.0%	9.3%
Public	5.3%	8.6%	12.0%	6.3%
Next export	-1.5%	-16.2%	-11.7%	-0.7%
Exports	14.5%	-8.1%	6.5%	4.0%
Imports	16.0%	-7.4%	7.8%	4.3%
By industry:				
Agriculture	1.3%	0.7%	0.7%	1.5%
Mining and quarrying	3.5%	0.5%	0.5%	0.3%
Manufacturing	8.1%	0.7%	0.7%	4.7%
Construction	5.1%	6.1%	6.1%	9.1%
Services	11.0%	5.1%	5.1%	5.7%
Other macroeconomic variables				
Unemployment rate	3.9%	3.3%	3.3%	3.2%
Inflation rate	3.3%	2.5%	2.0%	2.5%
Overnight Policy Rate (OPR)	2.75%	3.00%	3.00%	3.00%
USDMYR	RM4.4040	RM4.5940	RM4.4718	RM4.3000
MGS 3-year	3.67%	3.48%	3.47%	3.45%
MGS 5-year	3.84%	3.58%	3.62%	3.60%
MGS 10-year	4.07%	3.74%	3.81%	3.75%
FBM KLCI	1,495	1,455	1,642	1,700

Source: BMMB Economics