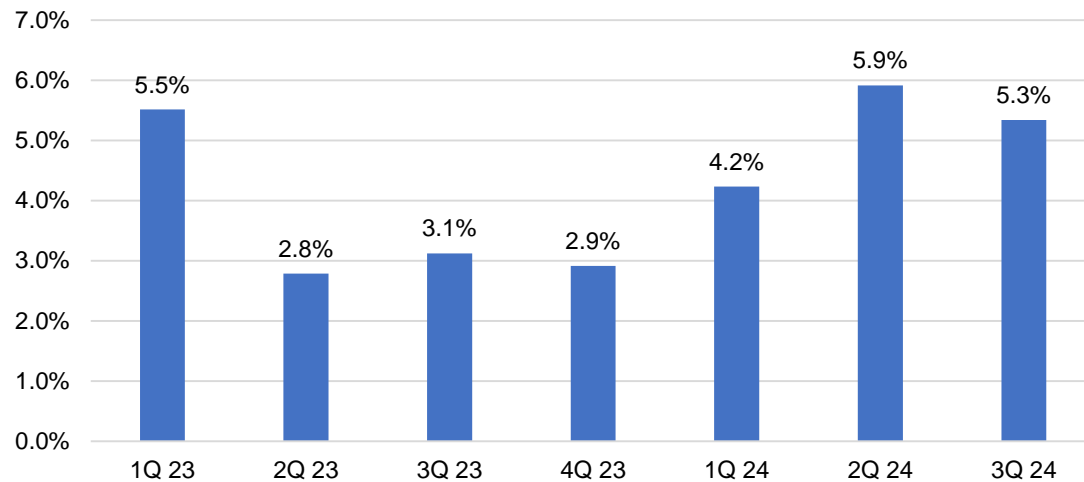
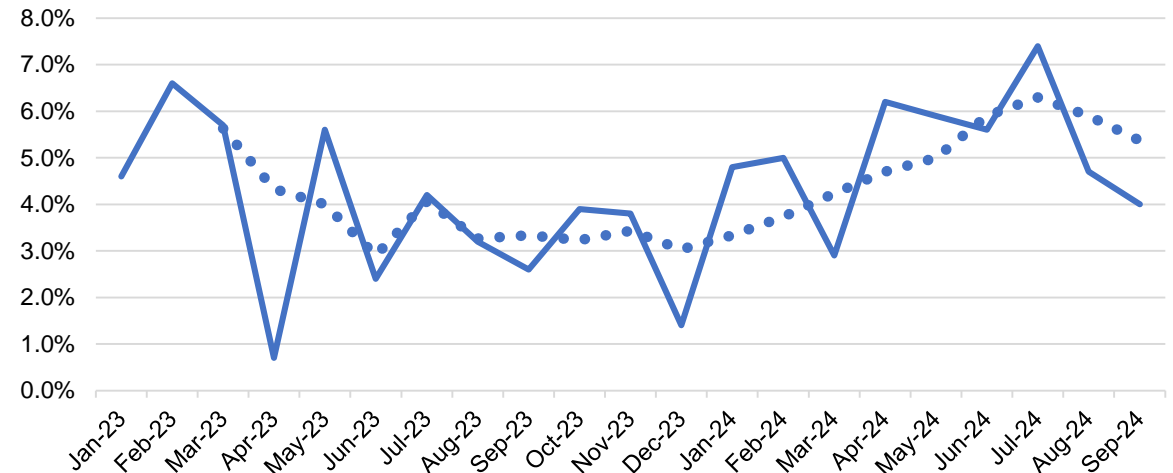


Malaysian economy in the 3Q2024 – still in the vicinity of 5% growth

Quarterly GDP year-on-year growth



Monthly GDP growth



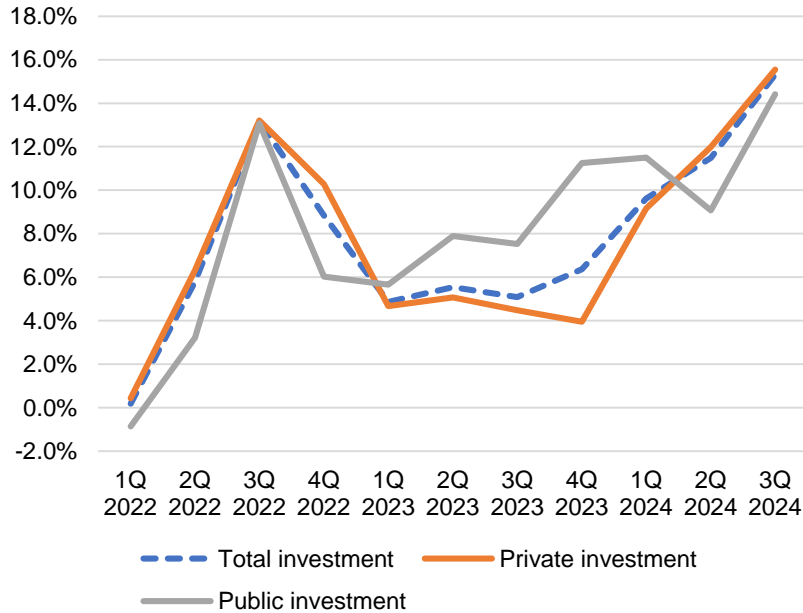
The Malaysian economy grew at a solid pace of 5.3% in the third quarter of 2024, though slightly lower than the 5.9% in the previous quarter. This growth was largely fueled by domestic factors, especially investment activity, which surged from 11.5% year-on-year in 2Q2024 to 15.3% in 3Q2024. Both private and public investments recorded strong growth between July and September, indicating that businesses and the government are actively expanding capacity for future productivity gains. This trend is set to enhance the economy’s potential in the near future.

However, private consumption, making up 61.7% of GDP, slowed to a 4.8% increase in 3Q2024 from 6.0% in 2Q2024. This deceleration is surprising given the full employment status in Malaysia, where most adults are employed and earning an income. A possible explanation could be cautious consumer behavior due to concerns over the cost of living, dampening their spending enthusiasm. Overall, Malaysia’s economy remains robust, with current GDP growth well above the long-term average of 4.6%.

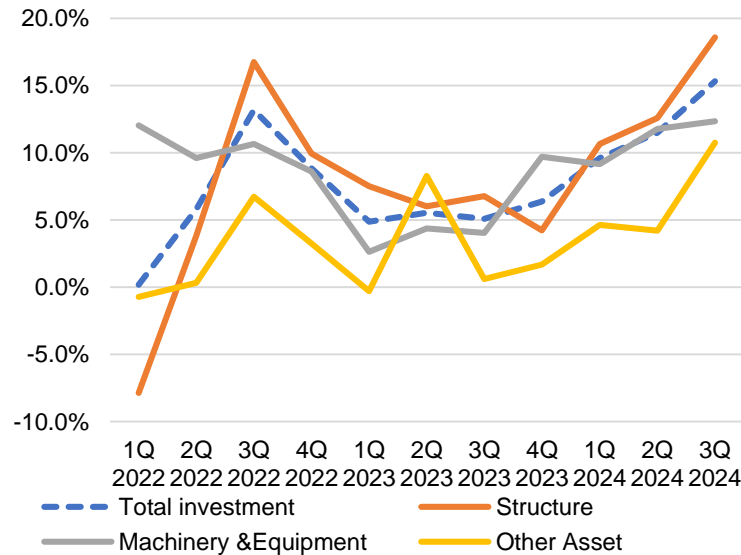
Investment activities have really picked up

Dr Mohd Afzanizam Abdul Rashid
Chief Economist

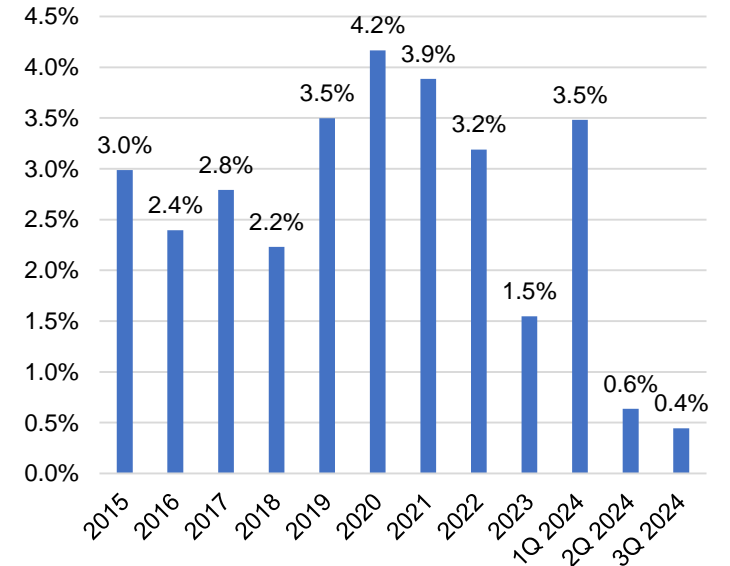
Investment growth by sector y-o-y



Investment growth by type of assets y-o-y



Current Account Balance % of GDP



Sources: BNM, DOSM, MIDA & CEIC

The charts above illustrate a sharp increase in investment activity, even amid significant global uncertainties. This suggests that companies are expanding their capacity in anticipation of future demand and are committed to staying competitive, prompting them to invest in capital expenditures. However, this surge in investment has impacted the balance of payments, with the current account surplus shrinking to RM2.2 billion, or 0.4% of GDP, in 3Q2024, down from RM3.0 billion, or 0.6% of GDP, in the previous quarter. This is largely due to substantial imports of capital goods, including machinery, equipment, and transportation items.

Nonetheless, such investments are inherently beneficial, as they enhance a firm's productive capacity through digitalization, automation, mechanization, and more. This expansion in production capabilities also drives demand for skilled labor as companies scale up their operations.

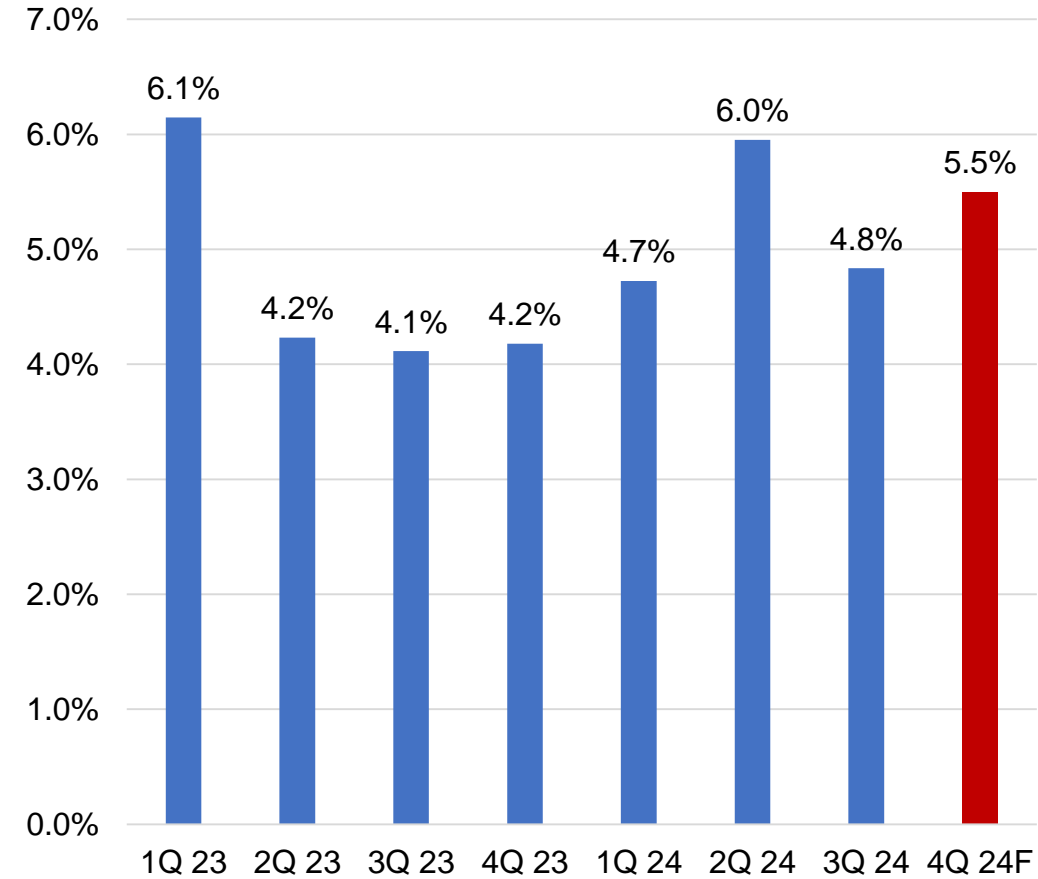
Growth prospects in the 4Q2024 – consumers hold the key

With a stable labor market, working adults are expected to continue earning, which should support spending. However, concerns over the cost of living and discussions about potential policy changes—such as adjustments to RON95 fuel subsidies anticipated mid-next year—may lead consumers to adopt a more cautious approach to spending. **We forecast GDP growth for 4Q2024 at 4.3%, with private consumption likely remaining below its trend rate of 6.1%.**

Assuming this outlook holds, Malaysia’s economy could achieve a growth rate of 4.9% in 2024, aligning within the government’s target range of 4.8% to 5.3% and exceeding our estimated potential GDP growth of 3.6% for the year. **Regarding monetary policy, our calculations indicate a neutral Overnight Policy Rate (OPR) at 3.12%, just above the current OPR of 3.00%, suggesting that the stance remains supportive of growth.** Although strong investment growth and a shrinking current account surplus might typically prompt a tighter monetary stance, softer consumer spending trends imply that maintaining the OPR at its current level is essential to sustain stable private consumption.

In our view, potential changes to RON95 subsidies are a critical factor for Bank Negara Malaysia (BNM) as they could significantly impact inflation expectations, consumer spending behavior, and firms’ pricing strategies. **Therefore, we believe keeping the OPR steady at 3.00% is the most prudent approach for 2025.**

Private consumption growth y-o-y



Source: CEIC & BMMB

Appendix – Gross Domestic Product (GDP)

Y-o-Y%	1Q 2023	2Q 2023	3Q 23	4Q 23	1Q 24	2Q 24	3Q 24
GDP	5.5%	2.8%	3.1%	2.9%	4.2%	5.9%	5.3%
<i>By demand</i>							
Domestic Demand	4.8%	4.4%	4.5%	4.9%	6.1%	6.9%	7.0%
Consumption	4.7%	4.1%	4.3%	4.5%	5.1%	5.6%	4.8%
-Private	6.1%	4.2%	4.1%	4.2%	4.7%	6.0%	4.8%
-Public	-2.0%	3.3%	5.3%	5.8%	7.3%	3.6%	4.9%
Investment	4.9%	5.5%	5.1%	6.4%	9.6%	11.5%	15.3%
Private investment	4.7%	5.1%	4.5%	4.0%	9.2%	12.0%	15.5%
Public investment	5.7%	7.9%	7.5%	11.3%	11.5%	9.1%	14.4%
Net Export	71.2%	-11.9%	-19.9%	-52.9%	-24.5%	3.4%	-8.8%
Exports	-2.9%	-9.0%	-12.0%	-7.9%	5.2%	8.4%	11.8%
Imports	-6.7%	-8.8%	-11.3%	-2.6%	8.0%	8.7%	13.5%
<i>By industry</i>							
Agriculture, Forestry & Fishing	1.4%	-0.7%	0.3%	1.9%	1.7%	7.3%	3.9%
Mining & Quarrying	1.6%	-2.1%	-1.1%	3.5%	5.7%	2.7%	-3.9%
Manufacturing	3.2%	0.1%	-0.1%	-0.3%	1.9%	4.7%	5.6%
Construction	7.4%	6.2%	7.2%	3.6%	11.9%	17.3%	19.9%
Services	7.1%	4.5%	4.9%	4.1%	4.8%	5.9%	5.2%

Source: DOSM & CEIC

Appendix – Balance of payment

RM million	1Q 2023	2Q 2023	3Q 2023	4Q 2023	1Q 2024	2Q 2024	3Q 2024
Current account	10,757	8,316	8,216	913	16,195	3,004	2,176
% of GDP	2.4%	1.9%	1.8%	0.2%	3.5%	0.6%	0.4%
Goods	42,508	29,234	33,601	30,814	32,003	24,576	23,139
Services	(13,469)	(11,811)	(10,524)	(7,394)	(7,281)	(4,913)	(1,579)
Primary income	(12,826)	(6,867)	(12,884)	(20,345)	(8,835)	(15,517)	(16,983)
Secondary income	(5,456)	(2,241)	(1,977)	(2,161)	308	(1,141)	(2,400)
Financial Account	(5,184)	(7,998)	17,837	(20,114)	(18,735)	17,145	(7,493)
Direct investment	2,888	(5,165)	(3,124)	5,220	(6,036)	3,769	(4,337)
-Asset	(8,074)	(9,884)	(12,815)	(5,514)	(26,036)	(5,956)	(15,458)
-Liabilities	10,963	4,720	9,691	10,734	20,000	9,725	11,121
Portfolio investment	(29,808)	12,894	(13,423)	(6,018)	(23,733)	(21,658)	3,599
-Asset	(16,337)	(4,908)	(15,397)	(9,968)	(21,210)	(28,849)	(32,001)
-Liabilities	(13,472)	17,802	1,974	3,951	(2,523)	7,191	35,600
Financial derivatives	(914)	329	492	(3,786)	1,228	(570)	(426)
Other investment	22,649	(16,057)	33,892	(15,531)	9,806	35,604	(6,329)
Net errors & omissions	(11,220)	(12,688)	(18,337)	9,264	11,254	(21,518)	7,643
Overall balance	(5,721)	(12,391)	7,695	(10,083)	8,715	(1,347)	2,348

Source: DOSM & CEIC

Appendix – Federal government finances

RM Million	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24	2Q 24	3Q 24
Revenue	76,196	72,210	77,856	88,698	69,976	69,105	87,100
Q-o-Q%	-12.2%	-5.2%	7.8%	13.9%	-21.1%	-1.2%	26.0%
Y-o-Y%	21.4%	17.3%	-6.5%	2.2%	-8.2%	-4.3%	11.9%
Operating expenditure	66,611	77,210	69,720	97,725	77,661	79,443	76,300
Q-o-Q%	-28.9%	15.9%	-9.7%	40.2%	-20.5%	2.3%	-4.0%
Y-o-Y%	3.1%	18.4%	0.8%	4.3%	16.6%	2.9%	9.4%
Current balance	9,585	(5,001)	8,135	(9,027)	(7,685)	(10,338)	10,800
Net development expenditure	26,450	17,919	19,620	31,095	18,690	14,852	17,400
Q-o-Q%	7.7%	-32.3%	9.5%	58.5%	-39.9%	-20.5%	17.2%
Y-o-Y%	59.2%	33.6%	25.9%	26.6%	-29.3%	-17.1%	-11.3%
Less: Covid-19 fund	-	-	-	-	-	-	-
Overall balance	(16,865)	(22,919)	(11,485)	(40,122)	(26,375)	(25,190)	(6,600)
Overall balance % of GDP	-3.8%	-5.2%	-2.5%	-8.4%	-5.7%	-5.3%	-1.3%

Source: MOF & CEIC