

Malaysia

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Solid growth in 2024

- The advance estimates show that the economy grew by 4.8% YoY in 4Q24 versus 5.3% in 3Q24. For full year 2024, GDP growth was 5.1% from 3.6% in 2023.
- We maintain our 2025 GDP growth forecast of 4.5% YoY supported by resilient domestic demand amidst a modest slowdown in export growth.
- The 2024 GDP growth outturn was broadly consistent with official expectations and supports our view for Bank Negara Malaysia (BNM) to keep its policy rate unchanged at 3.00% in 2025.

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The advance 4Q24 GDP growth estimates show that the economy grew by 4.8% YoY in 4Q24 (Consensus & OCBC: 5.2%) versus 5.3% in 3Q24. For 2024, the economy grew 5.1% YoY, from a downwardly revised 3.6% in 2023, consistent with the official forecast of 4.8-5.3%.

By sector, growth in 4Q24 was strongest for the services (5.3% YoY in 4Q24 versus 5.2% in 3Q24) and construction (19.66% versus 19.9% in 3Q24) sectors. Growth in services sector was supported by the following subsectors: wholesale and retail trade, transportation & storage as well as information and communications. Growth in construction sector was buoyed by residential and non-residential buildings, suggesting broad-based support. Although growth in manufacturing sector slowed to 4.3% YoY versus 5.6% in 3Q24, it remained resilient, nonetheless. Growth in agriculture and mining sectors contracted in 4Q24 compared to growth in 3Q24.

%YoY	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24 (advance estimates)
Headline GDP growth	5.5	2.8	3.1	2.9	4.2	5.9	5.3	4.8
Agriculture, Forestry & Fishing	1.4	-0.7	0.3	1.9	1.7	7.3	3.9	-0.6
Mining & Quarrying	1.6	-2.1	-1.1	3.5	5.7	2.7	-3.9	-1.4
Manufacturing	3.2	0.1	-0.1	-0.3	1.9	4.7	5.6	4.3
Construction	7.4	6.2	7.2	3.6	11.9	17.3	19.9	19.6
Services	7.1	4.5	4.9	4.1	4.8	5.9	5.2	5.3

Source: CEIC; OCBC

We maintain our 2025 GDP growth forecast of 4.5% driven by solid domestic demand support and resilient, albeit moderating, export growth. The strength in household and investment spending will likely sustain in 2025 while E&E export growth will remain strong, but moderate from growth rates seen in 2024.

As such, we the output gap as largely closed in 2025 from being positive in 2024. This, we expect, will keep underlying inflationary pressures in check. However, the impending RON95 subsidy rationalisation and consequent price increases, will push headline inflation higher to average 2.7% YoY in 2025 versus 1.8% in 2024.

Our base case is for BNM to keep its policy rate unchanged at 3.00%. However, if inflation becomes more persistent or pervasive, we do not rule out the risk of rate hike from BNM. Specifically, BNM would need to clearly see strong signs of persistent demand side inflation.

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