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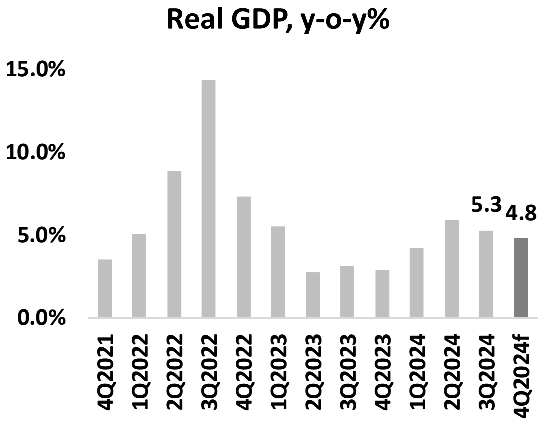
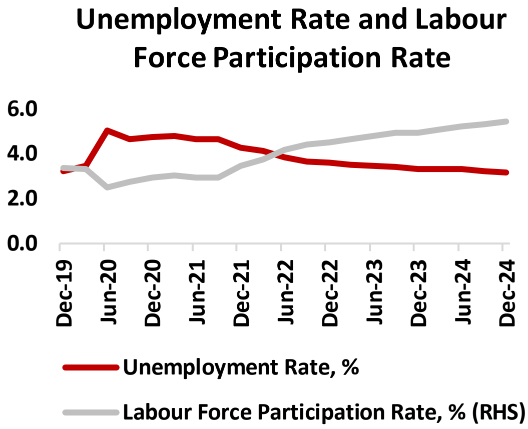
4Q2024 GDP PREVIEW: GROWTH EXPECTED TO ALIGN WITH THE ADVANCED ESTIMATE





Sources: Department of Statistics Malaysia (DOSM), Bank Islam

- **We anticipate GDP growth to align with DOSM's advance estimate of 4.8%.** This would signal a slight moderation from the 5.3% y-o-y expansion recorded in the previous quarter. Despite this slowdown, private consumption remained the primary growth driver in 4Q2024, supported by a resilient labor market. The unemployment rate held steady at 3.2%, while the labor force participation rate climbed to a record high of 70.6%. Tourism spending surged as foreign tourist arrivals surpassed pre-pandemic levels, reaching 25.02 million in 2024 (2023: 20.14 million), a strong 24.2% y-o-y increase and exceeding 90% of the 27.3 million annual target. While private consumption is expected to moderate due to subsidy rationalization, overall growth remains well-supported by resilient domestic demand, aided by government cash transfers, a strong labor market, and a robust tourism rebound.

- **Global economic uncertainties are expected to pose downside risks to Malaysia's manufacturing sector growth in 4Q2024.** This is reflected in the Industrial Production Index (IPI) for manufacturing, which decelerated to 4.5% in 4Q2024 from 5.8% in the previous quarter. Additionally, the Manufacturing Purchasing Managers' Index (PMI) remained below the expansion threshold at 48.6 points in December 2024 and 48.7 points in January 2025. External demand remained strong, with exports growing by 7.3%, albeit slower than the 7.7% growth seen in the previous quarter. Exports to the U.S. (4Q2024: +39.1% vs. 3Q2024: +27.9%) and European Union (4Q2024: +1.9% vs. 3Q2024: +8.1%) displayed positive growth, but exports to China (3Q2024: -2.9% vs. 2Q2024: -3.5%) continued to decline.

- **Sustained investment momentum to bolster the construction sector's uptrend.** We foresee the construction sector to mark another quarter of robust growth as total construction work surged to a nine-month high (4Q2024: +23.1% vs. 3Q2024: +22.9%), driven by accelerations across all sub-sectors. Most notably, construction work done for residential buildings (4Q2024: +38.9% vs. 3Q2024: +27.8%) and special trade activities (4Q2024: 44.9% vs. 3Q2024: +42.6%) recorded significant double-digit expansions, with the former growing at the fastest pace since 1Q2012. Meanwhile, despite slight moderations, the non-residential (4Q2024: +24.6% vs. 3Q2024: +27.7%) and civil engineering (4Q2024: 9.3% vs. 3Q2024: +12.0%)

sub-sectors remained solid, underpinned by rapid progress on multi-year infrastructure development projects amid sustained strength in investment spending. Moreover, accommodative government policies such as the Public-Private Partnership Master Plan 2030 (PIKAS 2030), as well as increasing demand for the data centre landscape and renewable energy infrastructure also provided support to the sector's growth.

- **Full-year growth for 2024 is projected to reach 5.1%.** Based on the latest statistical data, we now project Malaysia's GDP growth to reach 5.1% in 2024, slightly above our earlier estimate of 5.0% and significantly higher than the 3.6% expansion recorded in 2023. This resilient growth outlook is underpinned by strong domestic activity and a moderating inflationary environment. Looking ahead to 2025, we expect economic growth to remain steady at 4.7%, though at a slightly moderated pace, with risks skewed to the downside due to rising global uncertainties. Key concerns include the possibility of a renewed trade war, which could disrupt global supply chains and weaken external demand due to heightened protectionist policies. Additionally, potential reciprocal tariffs introduced by Trump against U.S. trading partners could pose risks to Malaysia's trade performance if implemented. Nevertheless, we remain optimistic that robust domestic demand, driven by resilient private consumption, sustained investment, and strong performance in the construction sector, will continue to support Malaysia's economic expansion in 2025.