BANK ISLAM

SECTORAL UPDATE:
ACCOMMODATION & FOOD SERVICE ACTIVITIES

ECONOMIC RESEARCH

MARCH 2025

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GDP PERFORMANCE OF ACCOMMODATION & FOOD SERVICE INDUSTRY (Y-O-Y %)

- In the national Gross Domestic Product (GDP), the accommodation and food service industry are categorized under services sector, together accounting for 3.1% of the total GDP in 2024.
- GDP growth for these sub-sectors finally rebounded in 2022 after two consecutive years of contraction due to the COVID-19 pandemic. The accommodation sub-sector saw a skyrocketing triple digit growth of 132.3% y-o-y, while the food and beverage service sector surged by 22.2% during the same year.

GDP sector / sub-sectors	% Share of GDP (as of 2024)	Sectoral Performance heat map (YoY,%) - Annual							
		2017	2018	2019	2020	2021	2022	2023	2024
Services - Food and beverage	0.8	8.1	9.7	10.2	-20.8	-8.6	22.2	2.5	4.0
Services - Accommodation	2.3	5.4	6.1	6.6	-50.6	-24.3	132.3	29.2	13.4

GDP sector / sub-sectors	Sectoral Performance heat map (YoY,%) - Quarter																				
	4Q 19	1Q 20	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24	2Q 24	3Q 24	4Q 24
Services - Food and beverage	10.6	3.1	-31.7	-23.3	-29.5	-23.8	6.3	-11.5	0.5	17.4	24.9	32.3	15.7	3.9	1.4	1.8	2.9	3.5	3.7	4.0	4.8
Services - Accommodation	6.9	-4.5	-79.1	-54.7	-61.1	-59.1	46.2	-51.9	48.0	92.2	146.8	307.6	84.3	55.6	48.9	16.8	9.9	12.2	12.5	14.3	14.5

Sources: DOSM, BIMB
Note: GDP is the monetary value of all finished goods and services produced within a country during a specific period.

GDP PERFORMANCE OF ACCOMMODATION & FOOD SERVICE INDUSTRY (AGAINST PRE-PANDEMIC LEVEL)

- Although the food and beverage service industry experienced year-on-year growth in 2024, its revenue of RM37.71 billion remains 5.7% below the pre-pandemic level of RM39.97 billion in 2019. However, the rate of decline has been steadily narrowing, and we expect this recovery trend to persist into 2025, with a strong likelihood of the industry returning to positive growth.

- Meanwhile, the accommodation service has experienced a full recovery, surpassing the pre-pandemic level since 2023, rising by 12.2% and picking up by 27.2% in 2024.

GDP sector / sub-sectors	% Share of GDP (as of 2024)	Growth against 2019				
		2020	2021	2022	2023	2024
Services - Food and beverage	0.8	-20.8	-27.6	-11.5	-9.3	-5.7
Services - Accommodation	2.3	-50.6	-62.6	-13.1	12.2	27.2

GDP sector / sub-sectors	Growth against 4Q2019																			
	1Q 20	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24	2Q 24	3Q 24	4Q 24
Services - Food and beverage	-10.2	-39.3	-30.4	-29.5	-31.6	-35.5	-38.4	-29.1	-19.7	-19.4	-18.5	-18.0	-16.5	-18.3	-17.0	-15.6	-13.6	-15.2	-13.7	-11.6
Services - Accommodation	-15.7	-80.8	-55.6	-61.1	-65.5	-71.9	-78.6	-42.4	-33.7	-30.6	-12.9	6.1	3.1	3.3	1.7	16.6	15.6	16.2	16.3	33.5

Sources: DOSM, BIMB

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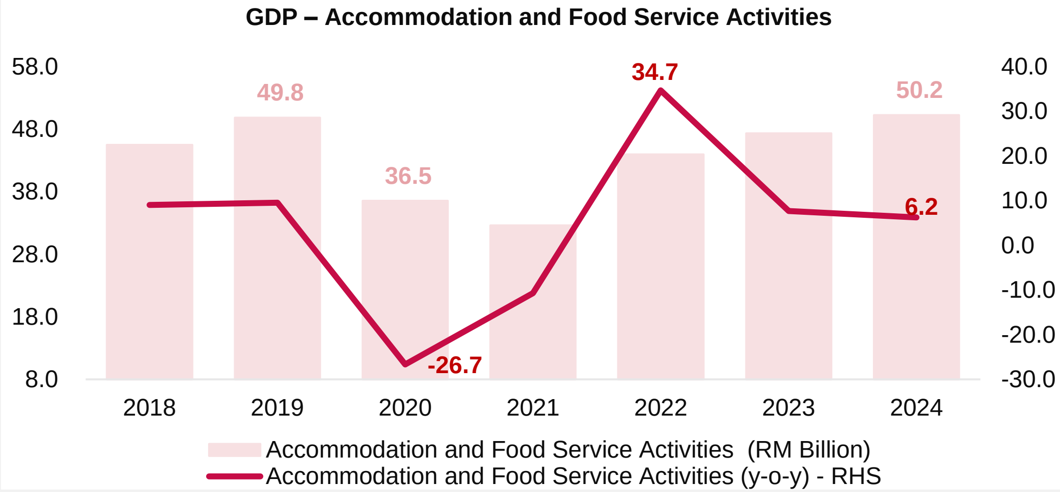
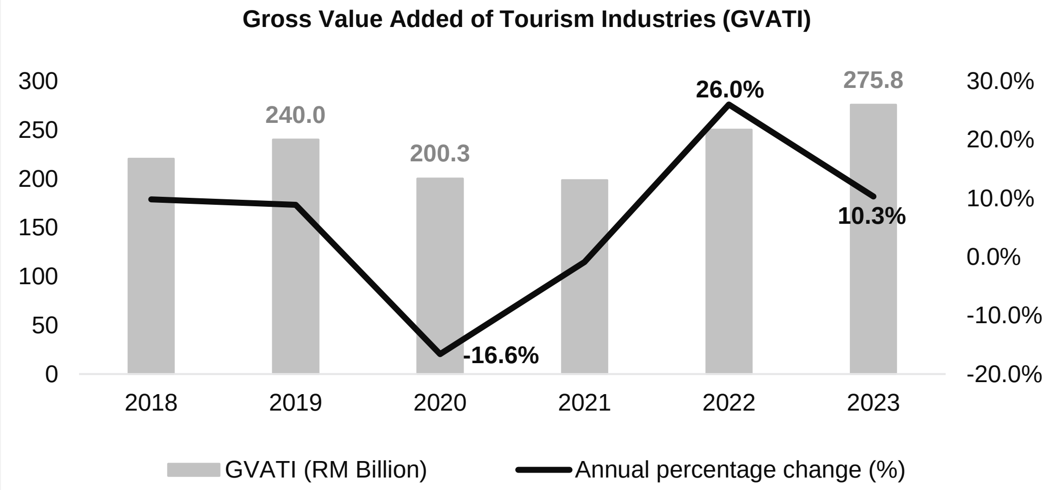
GDP FOR ACCOMMODATION & FOOD SERVICE INDUSTRY EXCEED THE PRE-PANDEMIC LEVEL IN 2024





Remarks

- The GDP for the combined accommodation and food service activities finally surpassed the pre-pandemic level in 2024, reaching RM50.2 billion, which is a marginal increase of 0.8% compared to RM 49.8 billion in 2019.
- To recap, GDP growth for both sub-sectors under services saw a sharp contraction of 26.7% y-o-y in 2020, falling to RM36.5 billion due to the COVID-19 pandemic and the resulting full lockdowns across countries.
- However, with the reopening of the economy, both sub-sectors rebounded by 34.7% y-o-y in 2022, driven by a gradual recovery in the tourism industry as consumers resumed traveling and dining out after two years of pandemic-related restrictions.
- The tourism industry remains a vital sector in Malaysia, contributing 15.1% to the country's GDP in 2023. The Gross Value Added of Tourism Industries (GVATI) reached RM275.8 billion during the same year, marking a 10.3% y-o-y increase.
- We expect the GVATI to be higher in 2024, reflecting from the expansion of accommodation and food serving activities during the year.
- Besides accommodation and food service industries, retail trade or shopping is the highest contributor of tourism industries, which accounting for 53.6% of the total GVATI in 2023 (refer to the next page).

Sources: DOSM, CEIC Data, Tourism Malaysia, BIMB

Note: GVATI is the total gross value added of all establishments in the tourism industry, regardless of whether all their output is provided to visitors and the specialisation of their production process.

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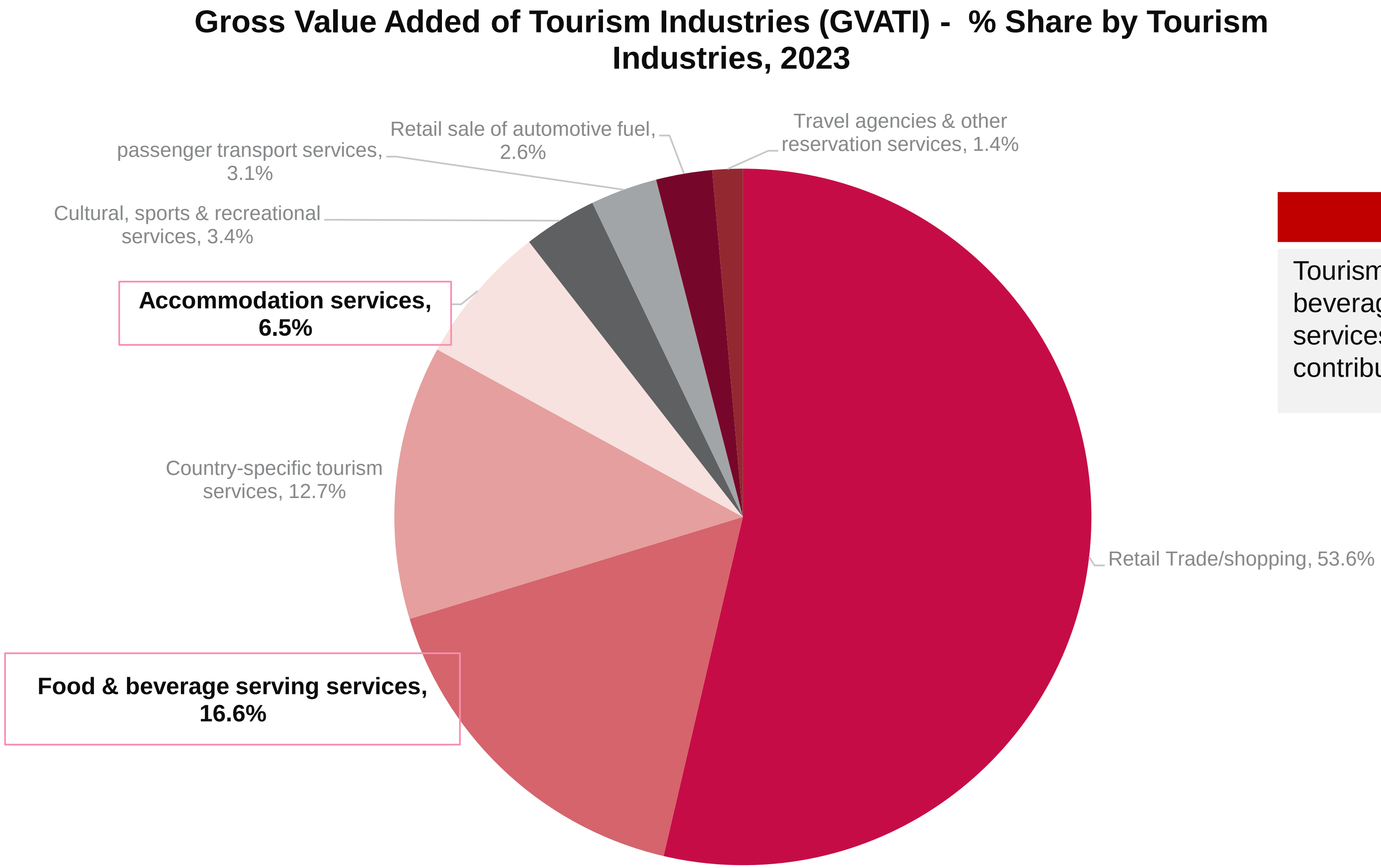
ACCOMMODATION & FOOD SERVICE INDUSTRY ARE THE BENEFICIARIES OF RECOVERY IN TOURISM SECTOR



Remarks

Tourism industry was also backed by food & beverages serving service and accommodation services, which the total share of both segments contributed 23.1% to the total GVATI in 2023.

Sources: DOSM, BIMB

TOURIST RECEIPTS HIT AN ALL-TIME HIGH IN 2024

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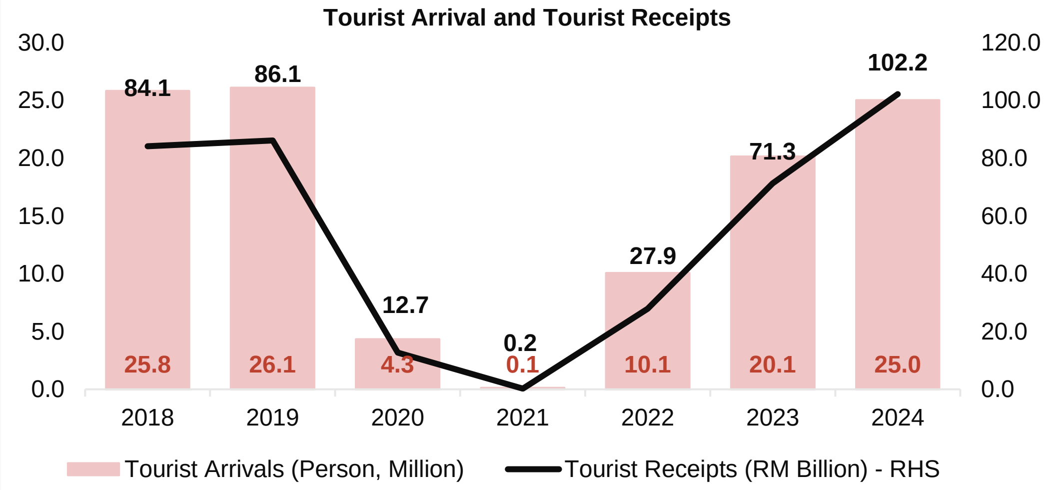
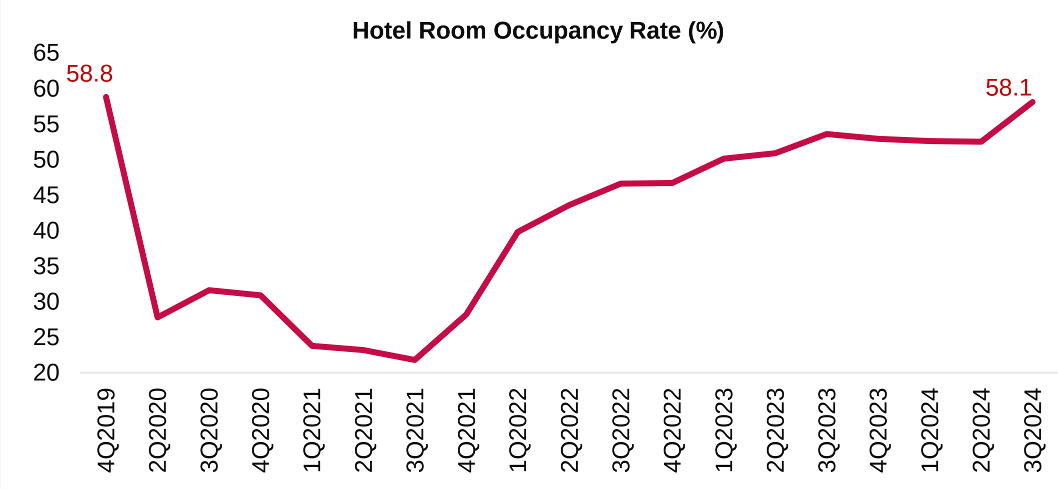




Remarks

- Since Malaysia reopened its international borders in April 2022, the tourism industry has shown a steady recovery, with tourist arrivals and receipts gradually approaching pre-pandemic levels.

- In 2024, tourist receipts reached an all-time high, surpassing RM100 billion mark for the first time. This represents a 43.4% y-o-y increase, and 18.7% higher than the 2019 level, indicating a strong rebound in spending on tourism-related products and services. By purpose, expenditures were primarily driven by shopping, accommodation, as well as food and beverages.

- In 2024, Malaysia welcomed 25.0 million tourists, closing in on the 2019 pre-pandemic figure of 26.1 million but still trailing by 4.3%. Singapore remained the leading source market, contributing over 9.1 million visitors, followed by Indonesia with 3.7 million. Notably, tourist arrivals from China surged by an impressive 133% from the previous year, surpassing 3.0 million arrivals

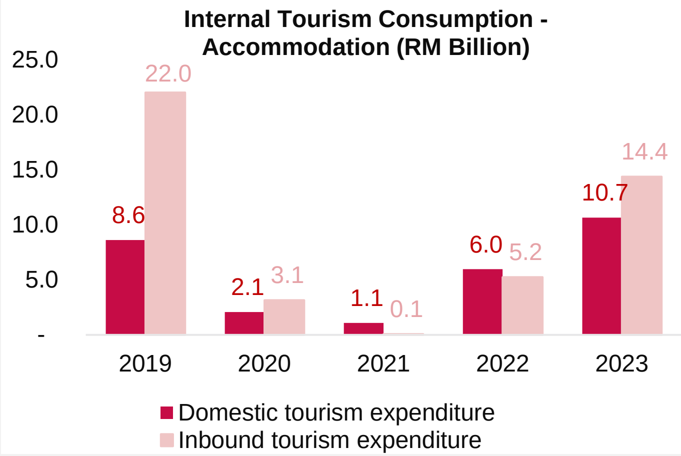
- The hotel occupancy rate also continued to trend upwards, approaching 2019's level, signaling that the accommodation sector is on the verge of a full recovery.

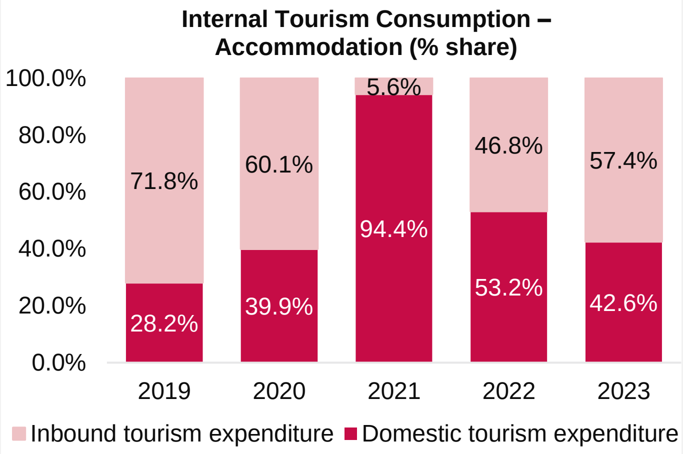
- The recovery in the tourism sector continues to boost the hospitality sector and food industries. Tourism initiatives by the government, through marketing and tax incentive further support the industry.

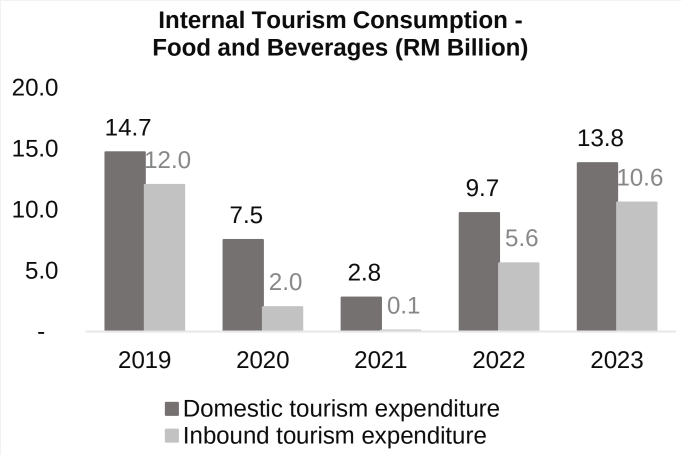
Sources: DOSM, CEIC Data, Tourism Malaysia, BIMB

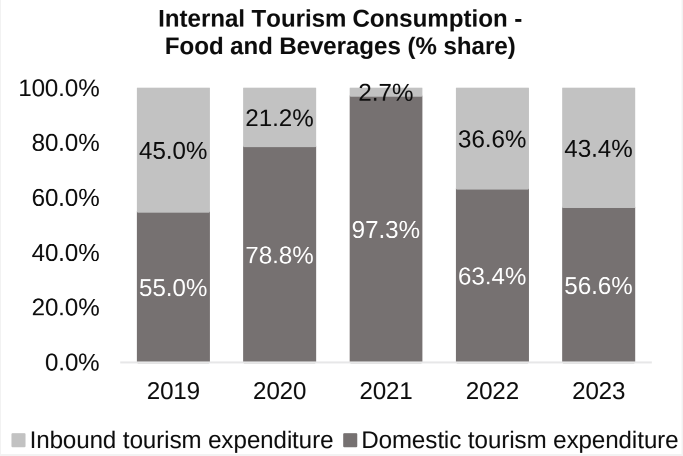
Note: Tourist receipts refer to the total amount spent by tourists in a particular country during their stay

INTERNAL TOURISM CONSUMPTION OF VISITOR FOR ACCOMMODATION AND FOOD SERVING SERVICES









Remarks

- Internal tourism consumption for accommodation and food services—including spending by both resident and non-resident visitors—has steadily increased in the years following COVID-19. Additionally, the balance between inbound and domestic tourism expenditure has shifted, reflecting evolving travel patterns since the pandemic.

- Non-resident visitors were the primary drivers of accommodation spending, with inbound tourism accounting for over 70% of total internal tourism consumption in 2019—2.5 times higher than domestic tourism expenditure. Looking ahead, we expect accommodation spending to continue its upward trajectory as tourist arrivals steadily recover to pre-pandemic levels.

- In contrast, food and beverage spending was driven primarily by resident visitors, highlighting the industry's strong dependence on domestic tourism for growth. To enhance foreign tourist spending in this sector, the government should place greater emphasis on gastronomic tourism, leveraging Malaysia's rich culinary heritage as a key attraction.

Sources: DOSM, BIMB

Note:

Inbound Tourism Expenditure - Tourism expenditure of a non-resident visitor within the economy of reference (Malaysia)

Domestic tourism expenditure - Tourism expenditure of a resident visitor within the economy of reference

Internal tourism consumption - Comprises all tourism expenditure of visitors, both resident and non-resident, within the economy of reference. It is the sum of inbound tourism expenditure and domestic tourism expenditure

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MOVING FORWARD:
CATALYSTS THAT WILL BOOST TOURISM SECTOR AND BENEFIT ACCOMMODATION AND FOOD SERVING INDUSTRY

Catalyst

- In Budget 2025, the government allocated RM550 million for tourism promotion ahead of Visit Malaysia Year 2026 (VMY 2026). This investment is expected to boost demand for hotel and accommodation bookings while also benefiting other tourism-related industries, including the food and beverage sector.
- As ASEAN Chairman for 2025, Malaysia is likely to see an increase in foreign tourist arrivals, further supporting the hotel/accommodation sector.
- The extension of the visa exemption period for Indian and Chinese nationals until December 2026 may also support tourism industry.
- Malaysia's Flagship Medical Tourism Hospital Program is set to further strengthen the country's position as a premier destination for medical tourists. With increasing global demand for affordable yet advanced medical care, this program is expected to draw more international patients, boosting not only the healthcare sector but also related industries such as hospitality, wellness, and tourism.

Sources: BIMB, Various sources

GASTRONOMICS TOURISM AND DIGITALIZATION MAY SUPPORT FOOD SERVICE INDUSTRY

Remarks

- Gastronomic tourism presents a significant opportunity to drive growth in the food and beverage industry, capitalizing on Malaysia's rich culinary heritage. The rise of social media has fueled a food-hunting trend, where viral dishes attract both locals and international visitors eager to experience the latest must-try flavors. By leveraging this digital-driven phenomenon, Malaysia can position itself as a global food destination, encouraging higher tourist spending and further boosting the F&B sector.

- Despite Malaysia's diverse and rich culinary offerings, international promotion remains relatively limited compared to Thailand, which has successfully marketed its cuisine on a global scale. As a result, gastronomic tourism in Malaysia is largely driven by domestic travelers, with locals frequently journeying across states to satisfy their food cravings. To unlock its full potential, Malaysia must enhance its global branding efforts, positioning its unique flavors—ranging from street food to fine dining—as a key attraction for international tourists.

- Furthermore, the rising accessibility of online food delivery services—such as GrabFood and foodpanda—is expected to further drive growth in the food service industry. Recognizing this shift, many eateries are now developing their own apps and setting up in-house delivery services to leverage mobile technology and digitalization.

DOWNSIDE RISKS

A slowdown in consumer spending amid high inflationary pressure due to subsidy rationalization could reduce demand for vacation and dine-out

Higher minimum wage (from RM1,500 to RM1,700) may increase the operational cost and reduce profit of businesses

Malaysia faces intense competition from neighboring countries like Thailand and Indonesia, both of which boast a diverse range of attractions, from iconic beaches and islands to rich cultural heritage and vibrant cities. Additionally, both countries benefit from weaker currencies compared to Malaysia, making them more cost-effective destinations for international tourists.

Ineffective global promotion and marketing strategies for the Malaysian tourism industry could hinder the country's ability to stand out in international markets

Relying too heavily on tourist arrivals from China and India through the visa-free entry program poses long-term sustainability risks. An economic downturn in either country could significantly impact Malaysia’s tourism sector, leading to a sharp decline in visitor numbers.

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SUMMARY

- In 2024, the GDP of the food and beverage service industry remained below pre-pandemic levels at RM37.71 billion, compared to RM39.97 billion in 2019. However, with the tourism sector expected to fully recover by 2025, the industry is on track to surpass its pre-pandemic performance. The gap between current and 2019 levels has been steadily narrowing, and this positive momentum is likely to continue into 2025, paving the way for a return to sustained growth.
- In contrast, the GDP of accommodation services has been in positive territory since 2023, growing 12.2% above pre-pandemic levels before surging to 27.2% in 2024. This rapid expansion outpaced the food and beverage services industry, primarily driven by the return of foreign tourists following the reopening of Malaysia's international borders in April 2022. According to DOSM, non-residents were the dominant contributors to accommodation spending, making up over 70% of total internal tourism consumption in 2019. Post-pandemic, the share of inbound tourism expenditure on accommodation gradually recovered, surpassing domestic tourism expenditure and reaching 57.4% in 2023. This trend underscores the increasing reliance on international visitors to drive growth in Malaysia's hospitality sector.

- In 2024, tourist receipts hit a historic milestone, surpassing RM100 billion for the first time—a clear indicator of a strong rebound in spending on tourism-related goods and services. Looking ahead, the accommodation and food services industries are poised to gain further momentum, supported by the full recovery of the tourism sector and sustained growth in international arrivals.
- Several key catalysts are set to drive the tourism sector in 2025, bringing significant benefits to the accommodation and food service industries. These include Visit Malaysia Year 2026, Malaysia's ASEAN Chairmanship in 2025, the extension of visa-free entry for Indian and Chinese nationals, and the Flagship Medical Tourism Hospital Program. Additionally, the growing appeal of gastronomic tourism and the ongoing digitalization of food services will further support the expansion of these sub-sectors, enhancing Malaysia's position as a premier travel and culinary destination.
- While international tourism has long been a cornerstone of Malaysia's economy, prioritizing domestic tourism is now crucial for sustaining and driving long-term economic growth. Strengthening the local tourism market offers multiple benefits, including increased revenue generation, greater support for Small and Medium Enterprises (SMEs), and expanded employment opportunities across various industries.

Thank You