Sidang Akhbar

Prestasi Ekonomi Suku Ketiga Tahun 2024

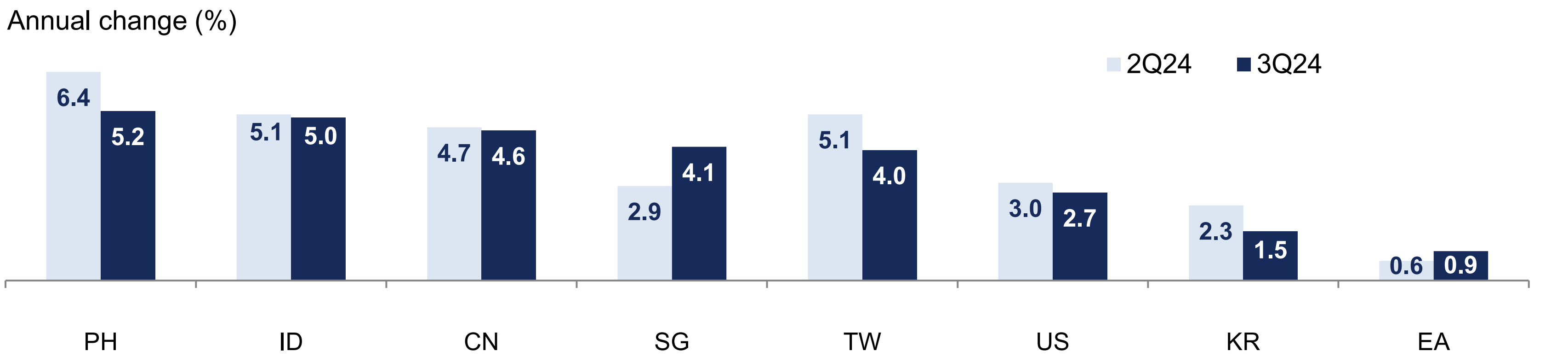
15 November 2024

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

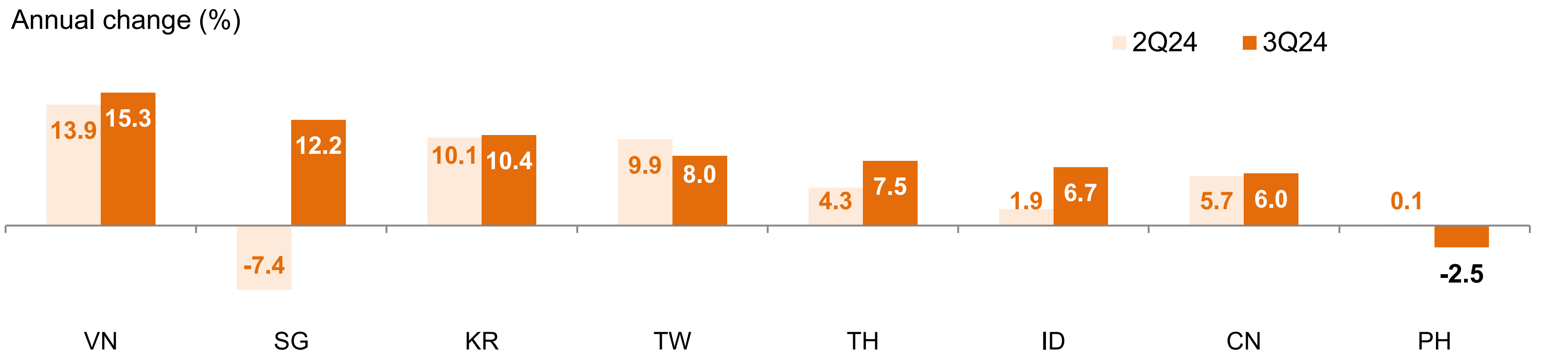
JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

Sustained global growth in 3Q 2024 amid continued recovery in trade activity

Real GDP Growth[1]



Regional Trade Growth



Global Growth Developments

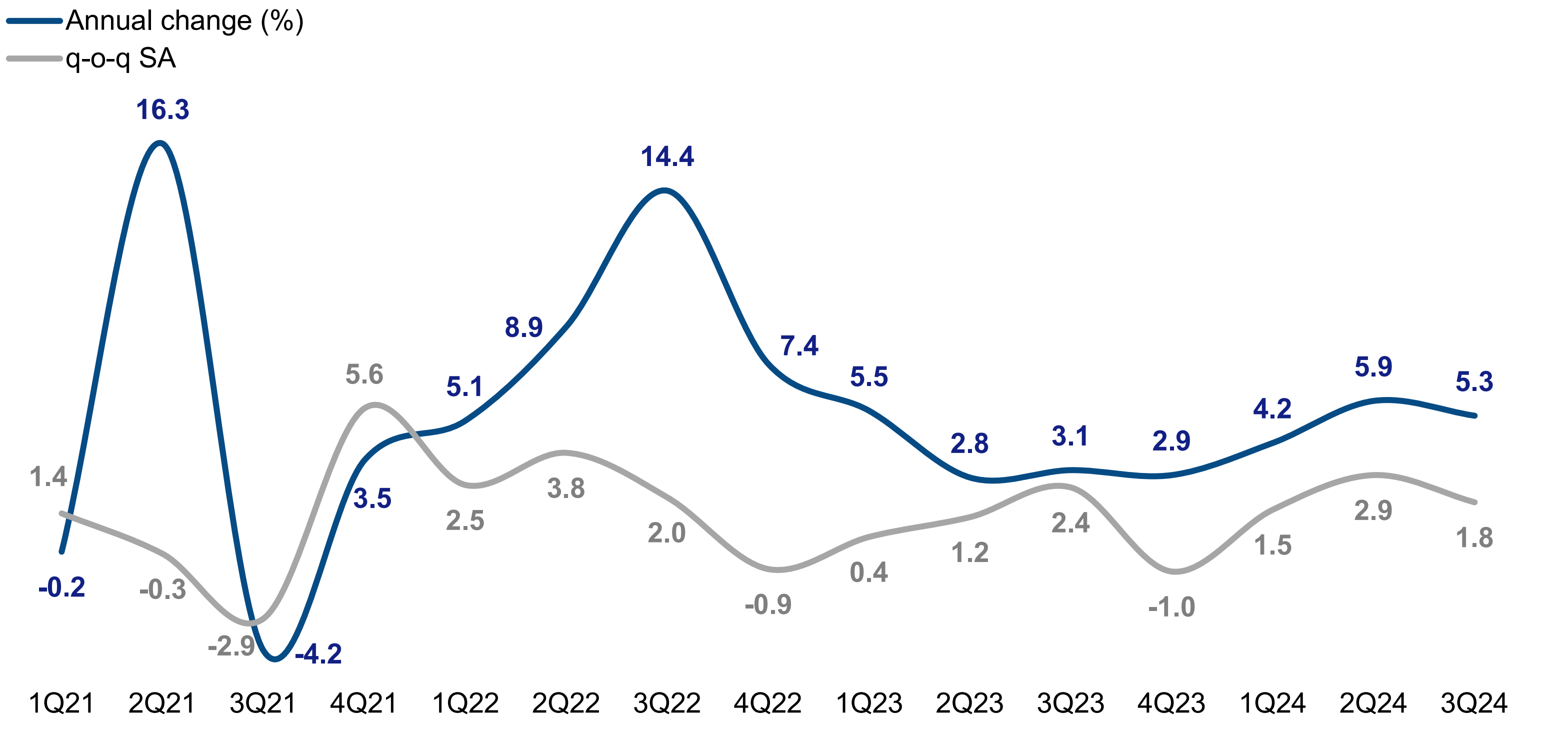
- Sustained global growth, supported by resilient labour market
- Regional trade grew further, supported by both E&E and non-E&E goods
- Continued disinflation globally, allowing for monetary policy easing

Note: [1] GDP for the third quarter of 2024 are advanced or preliminary estimates except for China, Philippines and Indonesia

Sources: National authorities, International Monetary Fund, Bank Negara Malaysia estimates

Malaysia’s GDP grew by 5.3% in 3Q 2024

Real GDP Growth (Quarterly)



Monthly Real GDP Growth (Annual change, %)

Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
4.8	5.0	2.9	6.2	5.9	5.6	7.4	4.7	4.0

Source: Department of Statistics, Malaysia

Factors Supporting Growth in 3Q 2024

- Strong increase in overall investment activities
- Higher exports of goods and services
- Expansion in household spending amid positive labour market conditions and policy support

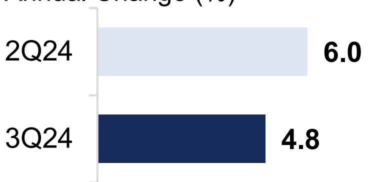
Factor weighing on growth

- Lower oil and gas production amidst maintenance activity

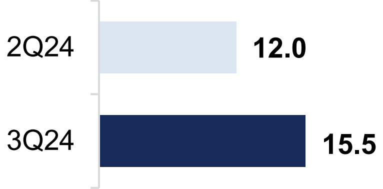
Growth supported by stronger investment

Demand-Side

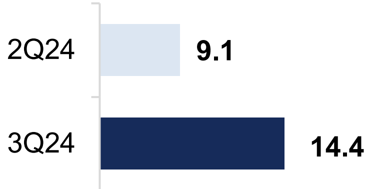
Annual Change (%)



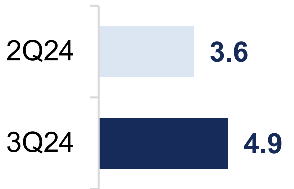
Private Consumption
Expansion supported by positive labour market conditions and policy measures



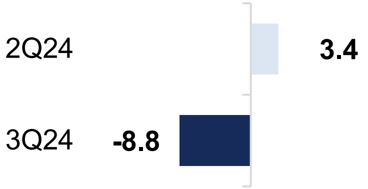
Private Investment
Stronger structures investment and machinery & equipment spending



Public Investment
Expansion in fixed assets spending by the Government and public corporations



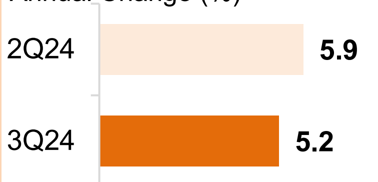
Public Consumption
Stronger emoluments as well as supplies and services spending by Federal Government



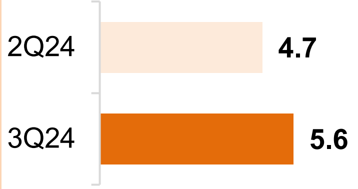
Net Exports
Higher exports offset by stronger intermediate and capital imports

Supply-Side

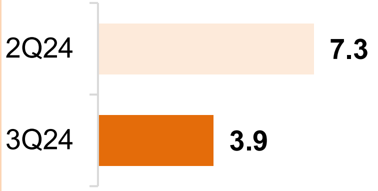
Annual Change (%)



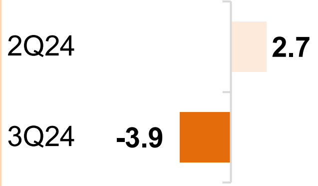
Services
Continued expansion supported by consumer-related subsector



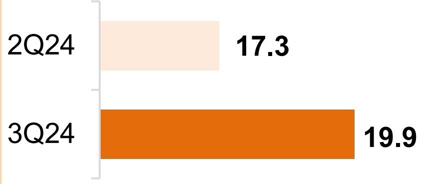
Manufacturing
Stronger production in export-oriented cluster



Agriculture
Moderate increase in oil palm production while fisheries output contracted



Mining
Contraction in oil and gas production amid maintenance activity



Construction
Robust growth in non-residential, residential and special trade subsectors

Source: Department of Statistics, Malaysia

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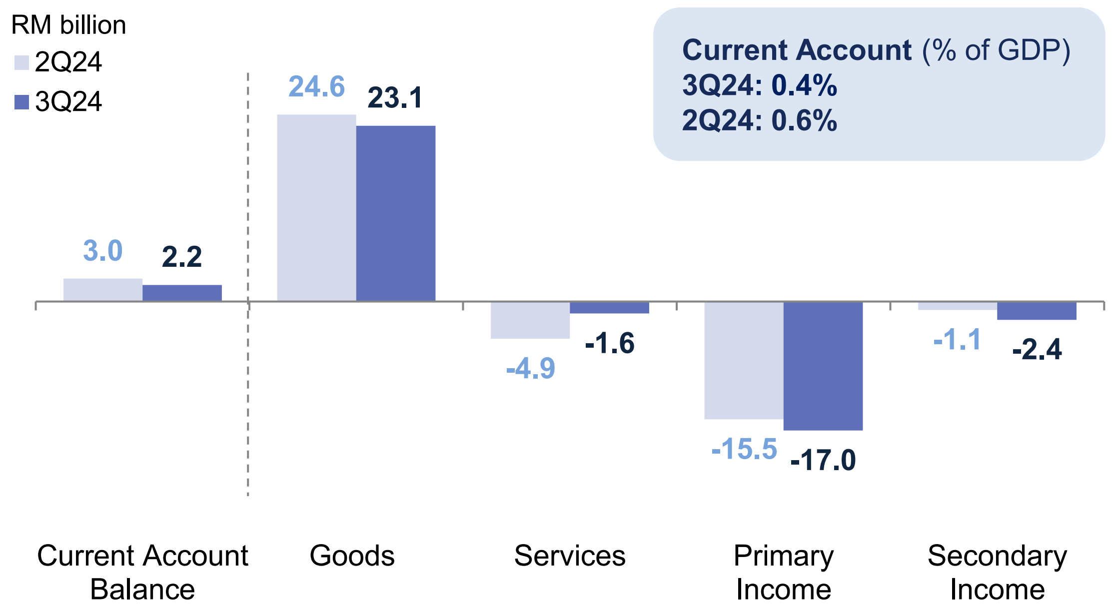
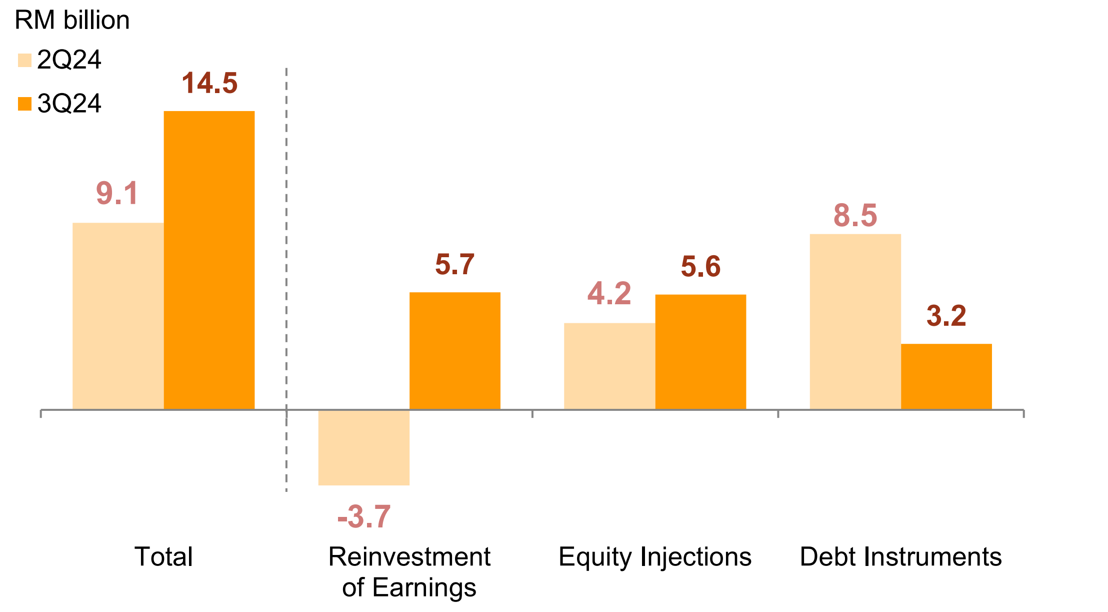
Continued current account surplus amid higher foreign direct investment inflows

Current Account



- Continued goods surplus amid improving export levels
- Narrower services deficit driven by higher tourism spending
- Higher income accrued to foreign investors in Malaysia amid improving exports performance

Foreign Direct Investment



- Higher net FDI inflows, supported mainly by the turnaround in reinvestment of earnings and larger equity injections
- FDI was mainly channelled into the ICT as well as wholesale and retail trade sub-subsectors

Source: Department of Statistics, Malaysia

Indicators point to sustained growth prospects for the Malaysian economy

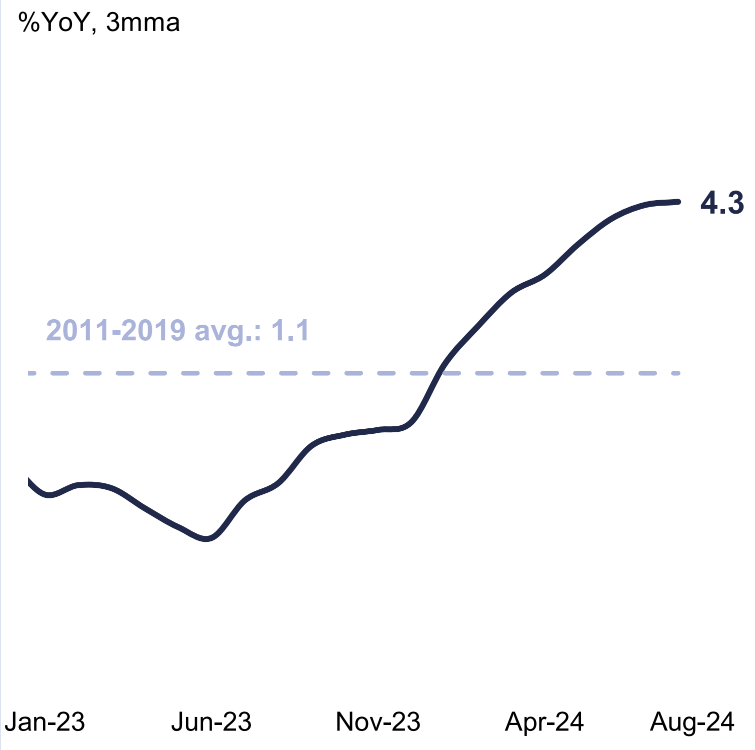
Sustained global growth and higher trade to drive Malaysia's exports

Outlook on Global Growth and Global Trade

Leading indicators point to further improvement of the overall economy in the near-term

S&P PMI: Malaysia New Export Orders

DOSM Leading Index

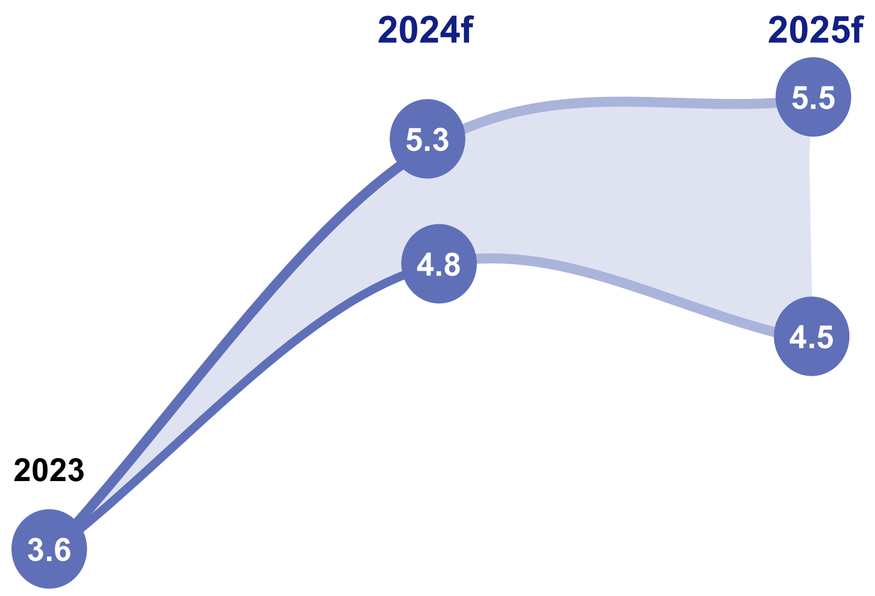


Sources: International Monetary Fund, S&P, and Department of Statistics, Malaysia

Growth in 2025 will be driven by domestic spending and support from external demand

Real GDP Growth

Annual change, %



Key growth drivers for 2025

Expansion in household spending
Driven by income growth and continued policy support

Sustained strength in investments
Ongoing multi-year projects and realisation of approved investments

Higher exports and tourist spending
Global tech upcycle and higher external demand, with continued tourism demand.

[f] forecast
Source: Department of Statistics, Malaysia, Economic Outlook 2024 (Ministry of Finance Malaysia)

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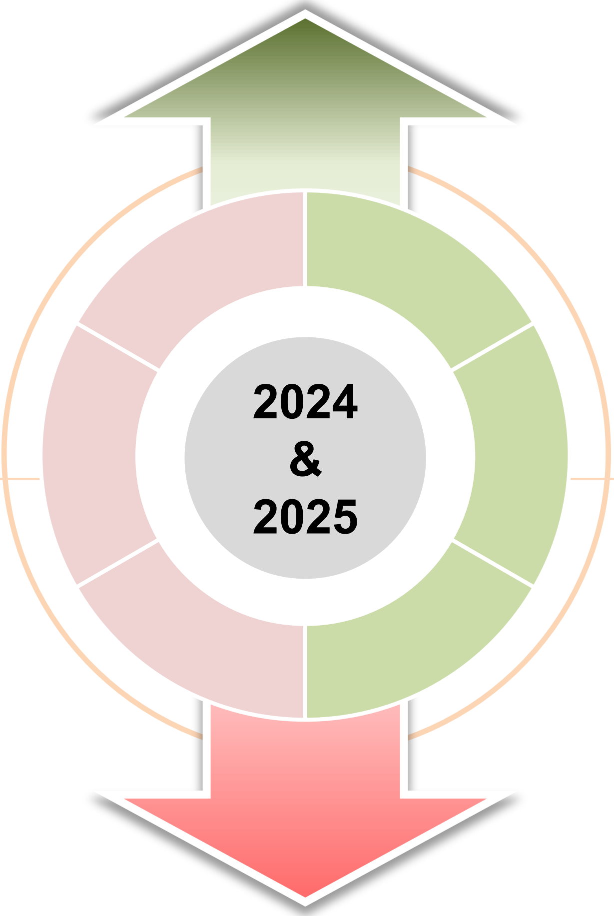
Growth outlook remains subject to both domestic and external risk factors



Upside Risks

- ▲ Greater spillover from the **tech upcycle**
- ▲ Faster implementation of **investment projects**
- ▲ More robust **tourism activity**

Downside Risks

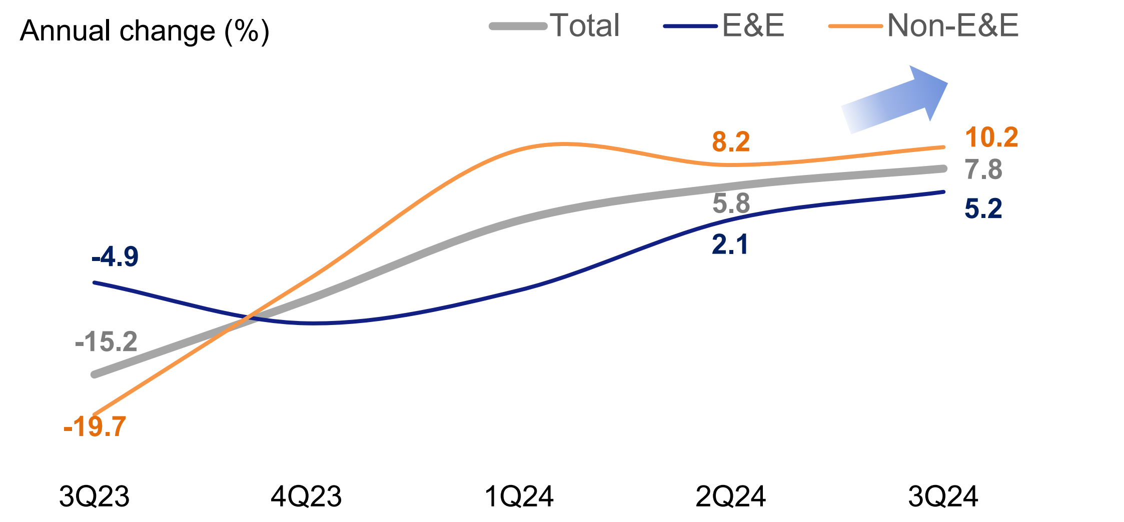
- ▼ Weaker-than-expected **external demand** from key trade partners
- ▼ Further escalation in **geopolitical tensions** and **protectionist measures**
- ▼ Lower-than-expected **commodity production**

Source: Bank Negara Malaysia

Continued improvement in exports amid faster import growth

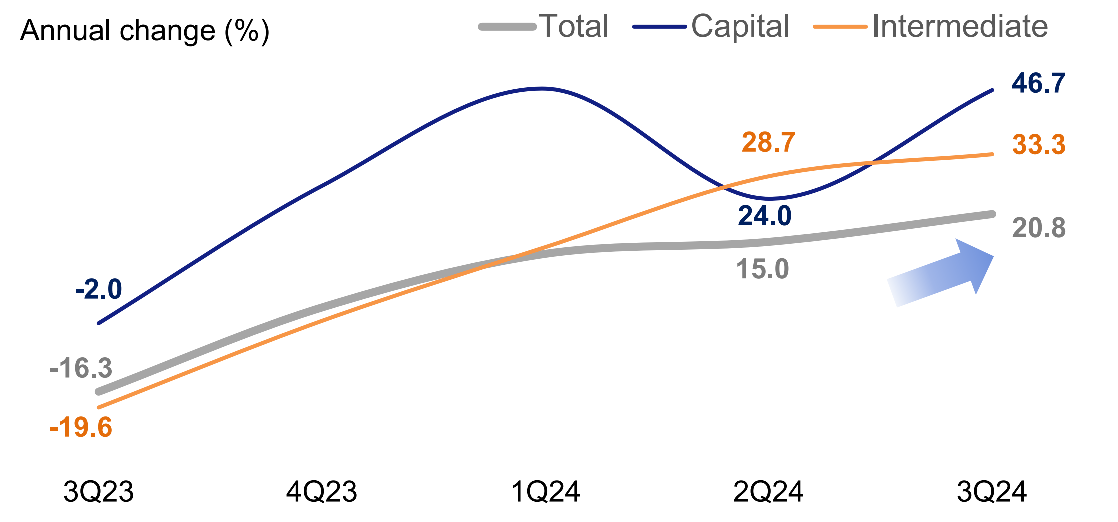
Exports improvement underpinned by continued external demand and global tech upcycle

Gross Export Growth



Faster import growth driven by strong demand for capital and intermediate goods amid rising investments and higher trade

Gross Import Growth



Key factors supporting Malaysia's exports growth

1. Sustained demand for non-E&E exports
2. Tech cycle rebound lifting E&E exports
3. Continued improvement in tourist spending

Key factors supporting Malaysia's imports growth

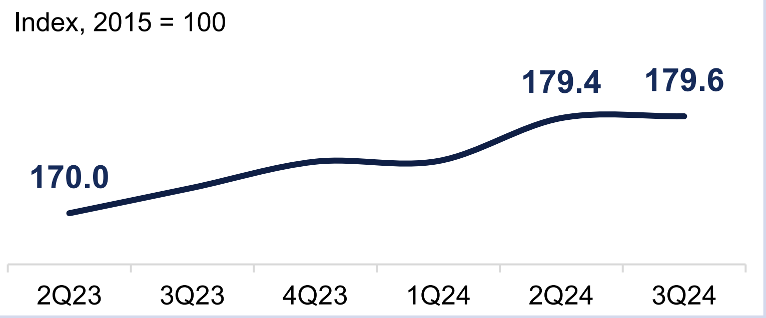
1. Investment upcycle lifting capital imports
2. Higher intermediate imports amid improving exports

Sources: Department of Statistics Malaysia

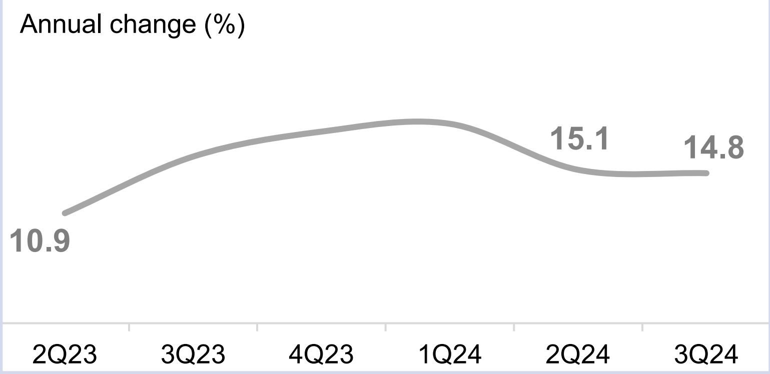
Household spending remains as the anchor of growth

Continued household spending…

Index of Retail Trade

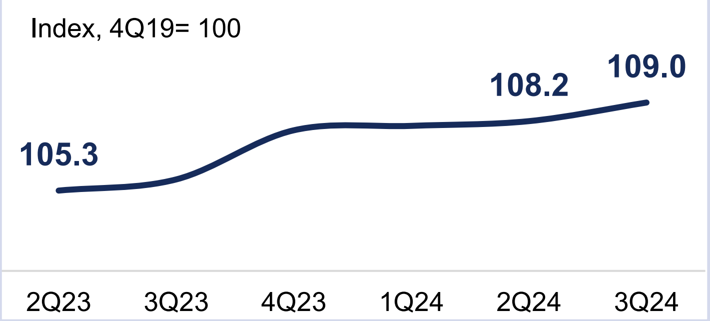


Credit Card, Debit Card & E-Money Spending[1]

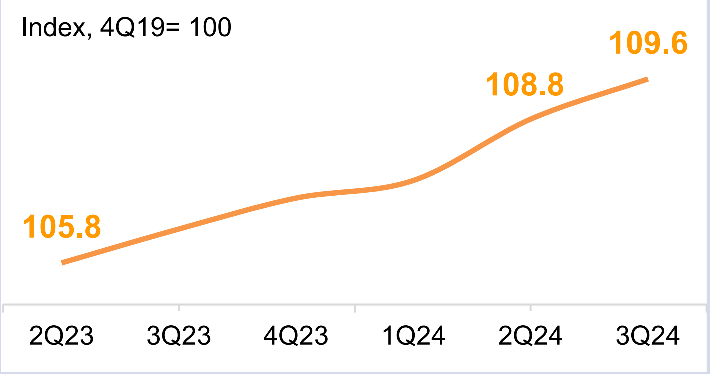


…supported by positive labour market conditions

Private Sector Wages



Employment



Consumer spending to remain resilient going forward

Improvement in income levels, further lifted by civil servant salary revision and higher minimum wage

Continued employment expansion, supported by sustained hiring intentions

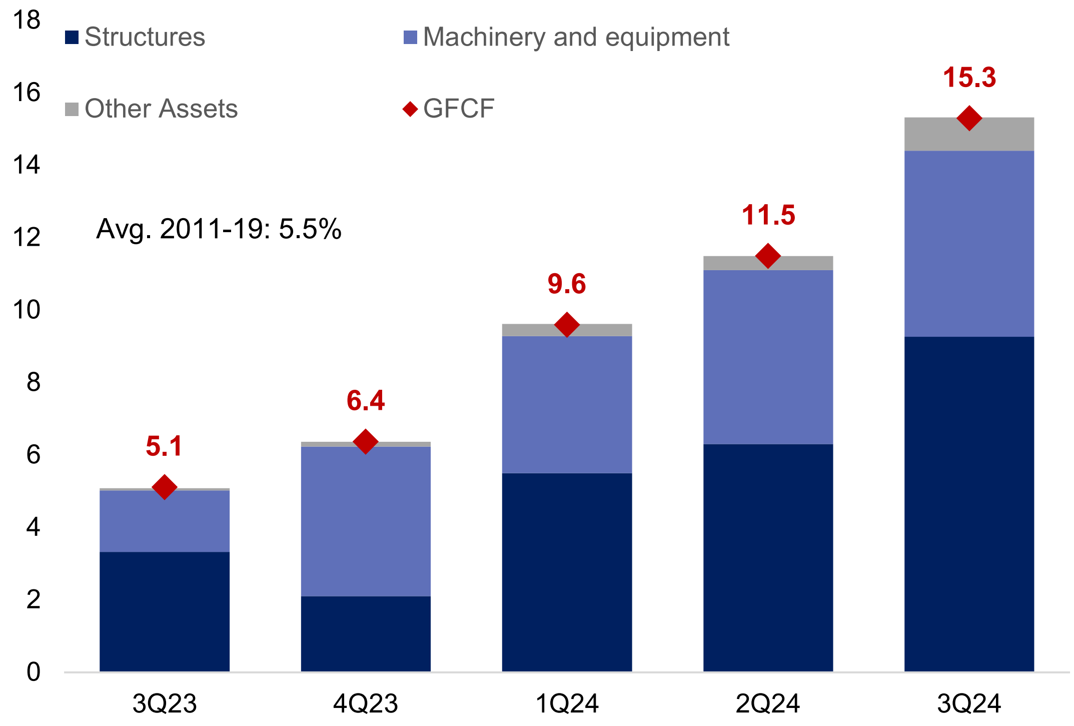
Targeted policy measures to supplement household income

[1] Value of transactions include overseas transactions by Malaysians, but exclude cash advances.
Sources: Department of Statistics, Malaysia and Bank Negara Malaysia

Robust investment growth from continued implementation of new and existing projects

Stronger growth in capital expenditure

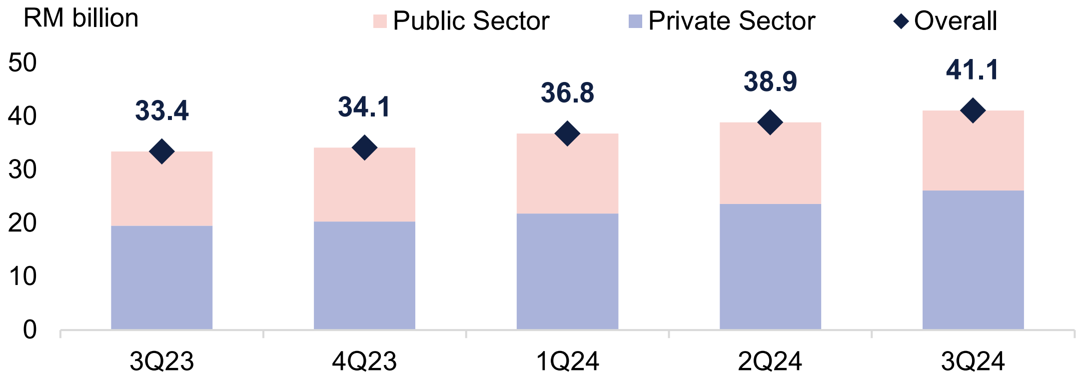
Real Gross Fixed Capital Formation
Annual change (%), ppt contribution

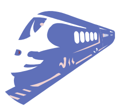


Source: Department of Statistics, Malaysia

Higher construction activities supported by continued progress of private sector and public infrastructure projects

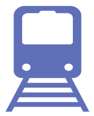
Total value of construction work done
RM billion





ECRL
RM50.0 billion
2018-27
73% as of Sep'24

Nenggiri Hydro
RM5.0 billion
2022-27
40.5% as of Aug'24



RTS
RM3.7 billion
2021-26
83% as of Jul'24

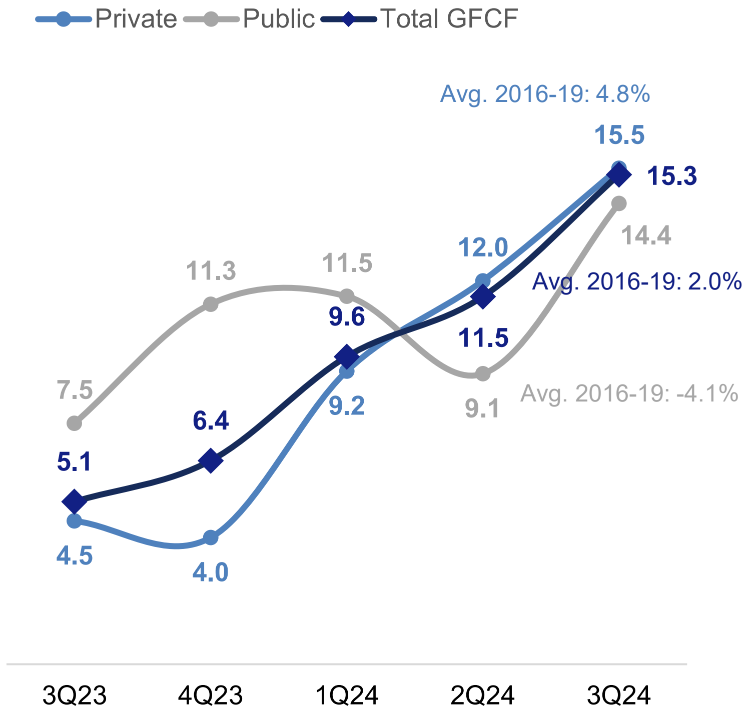
Pan Borneo Sabah Phase 1a
RM16.0 billion
2016-24
78% as of Nov'24

Source: Department of Statistics, Malaysia, corporate reports, newsflows

Greater role of private sector in supporting investments, with increased activity in high-tech and knowledge-intensive subsectors

Recent strength in investment growth mainly driven by private sector

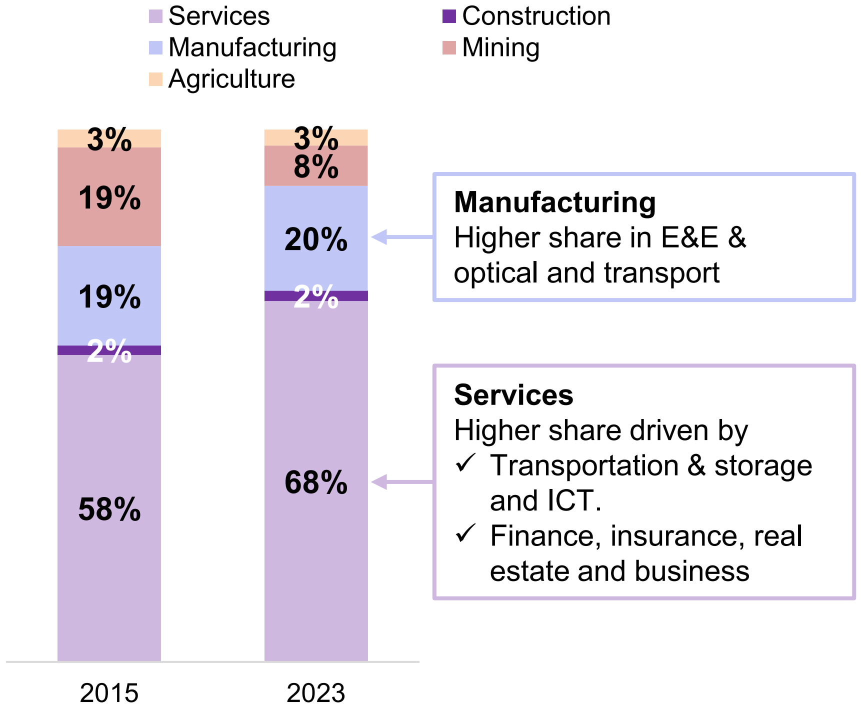
Real Gross Fixed Capital Formation
Annual change (%)



Source: Department of Statistics, Malaysia

Rising share of investments in services and E&E manufacturing industries which are of higher quality...

Share of Gross Fixed Capital Formation
% of real GFCF



...and will raise our future exports and productive capacity

- Generate greater spillover through domestic linkages
- Produce higher complexity goods and services
- Diversify sources of exports and economic growth
- Create more high-skilled & high-income jobs

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Liberalisation of foreign exchange policy (FEP) for international financial institutions to support investments in Malaysia

Given expected demand as well as greater interest by multilateral development banks (MDBs) and non-resident development financial institutions (DFIs) to finance domestic projects, BNM is liberalising FEP to support investments in Malaysia

Notable recent investments supported by MDBs

IFC
- USD150 mil financing to Yondr Group for construction of data centre in Johor
- USD70 mil financing to China's Shandong Intco for construction of a multi-material plastic recycling plant in Malaysia

ADB
- Guarantor for INTI Universal Holdings' medium-term notes issuance of RM165 mil to fund operating expenditures for higher education services

Liberalisation of FEP

MDBs and qualified non-resident DFIs are now free to –

- Issue ringgit-denominated debt securities for use in Malaysia
- Provide ringgit financing to resident corporates.

Benefits

✓ Allow these eligible financiers and businesses to **structure financing in ringgit** for domestic projects while **reducing currency mismatch risk**

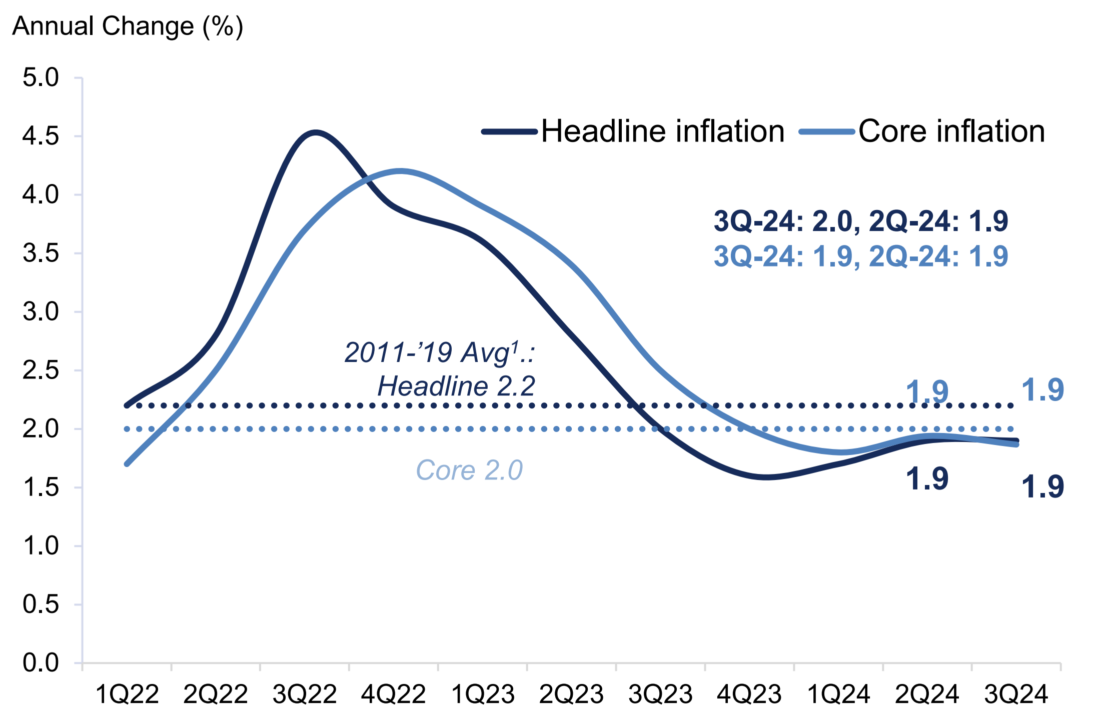
✓ Facilitate **transfer of technical expertise on** innovative financing solutions (e.g. blended finance structures) for high value-add industries through close collaboration with MDBs and reputable DFIs

✓ **Spur the domestic bond and sukuk markets** with increased participation from international investors

Headline and core inflation remained stable in 3Q 2024

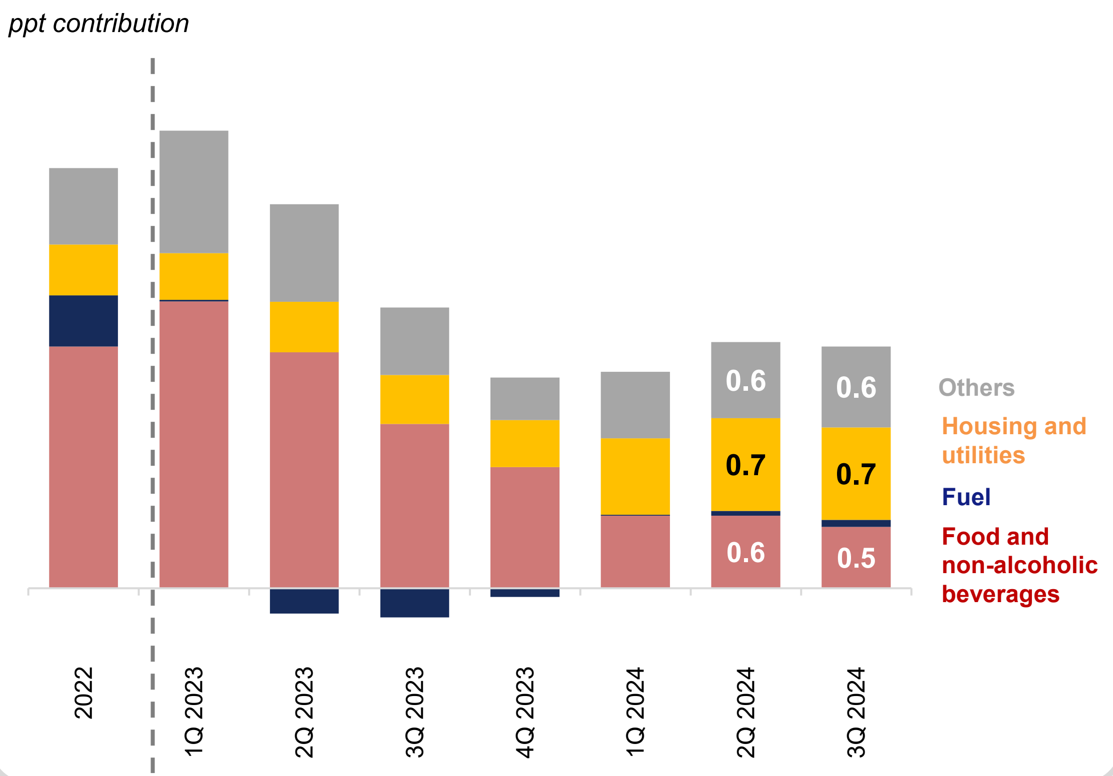
Both headline and core inflation remain unchanged at 1.9%, suggesting limited spillovers from the recent diesel price adjustment to broader CPI prices

Malaysia's Headline and Core Inflation



Note: [1] Average of past inflation is calculated based on monthly frequency from Jan-11 to Dec-19
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Breakdown of Headline Inflation

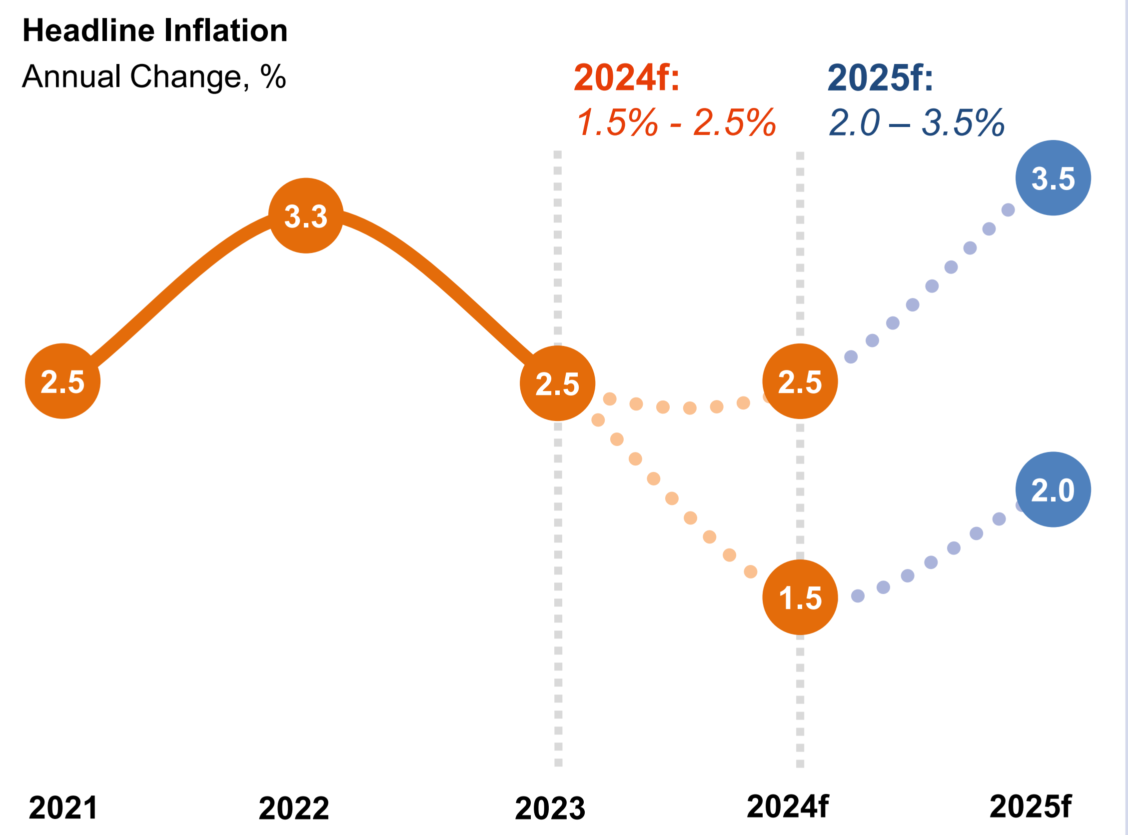


Source: Department of Statistics, Malaysia, Bank Negara Malaysia estimates

Inflation outlook remains subject to further domestic policy measures as well as risks from external developments

Headline inflation in 2025 is expected to average between 2.0% to 3.5%

Headline inflation forecast for 2024 and 2025[1/]



1/ Source: Economic Outlook 2025, Ministry of Finance Malaysia

Balance of risk to inflation outlook in 2024 and 2025

Upside risks

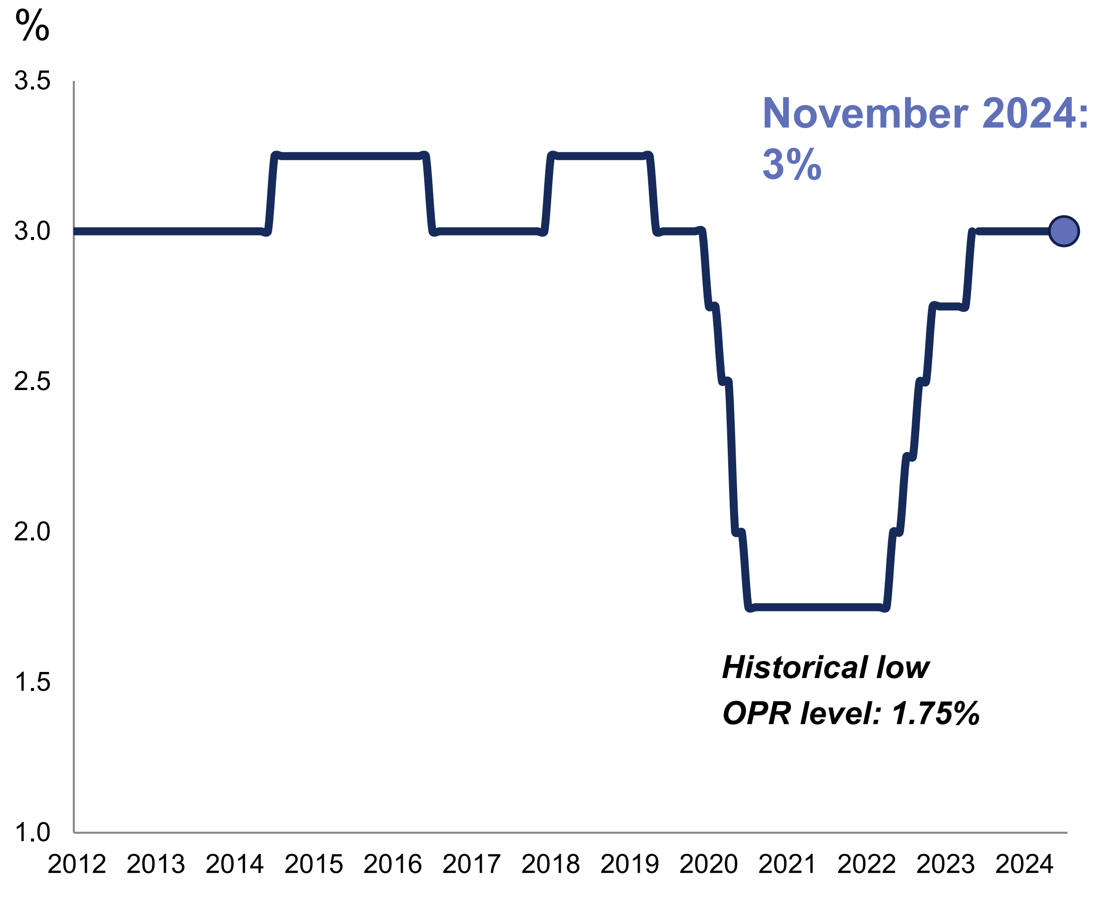
- ▲ Spillovers from domestic policies to broader prices
- ▲ Higher global commodity prices
- ▲ Disruptions to global supply conditions

Downside risks

- ▼ Softer commodity prices from weaker growth in major economies
- ▼ Slower demand conditions due to weaker-than-expected external demand

The OPR was maintained at 3% at the November MPC meeting

Overnight Policy Rate, OPR

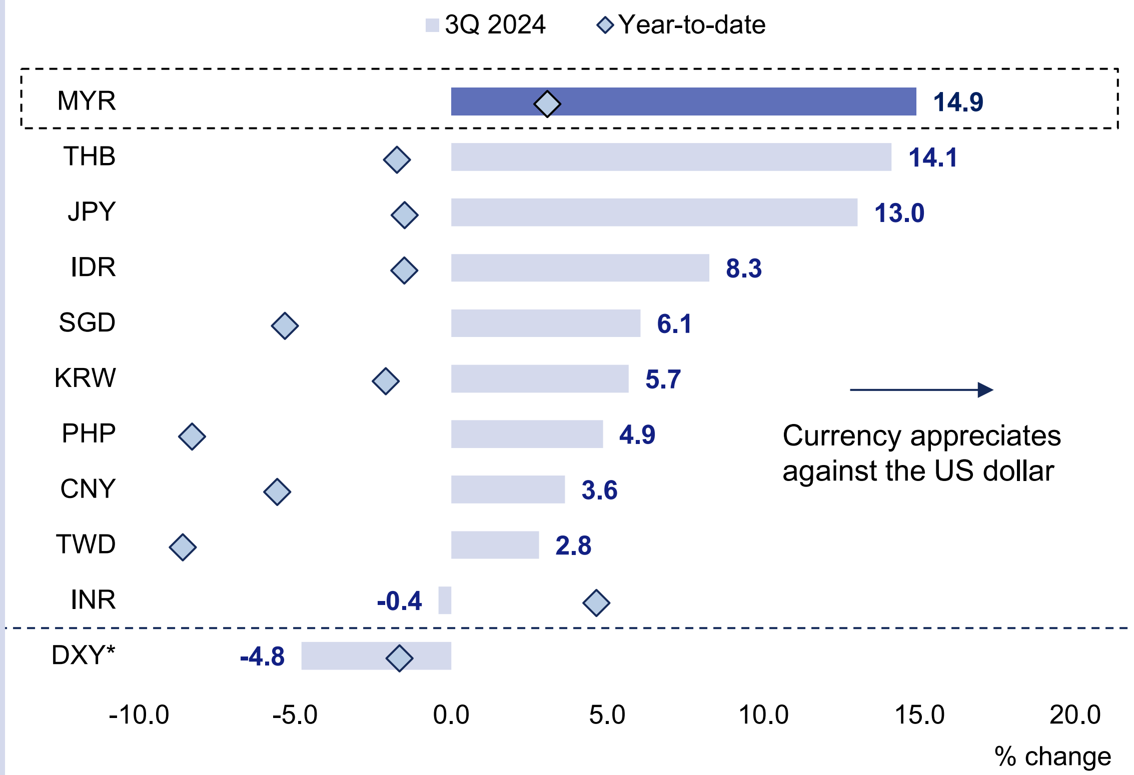


Source: Bank Negara Malaysia

- The MPC deemed that the monetary policy stance remains supportive of the economy and is consistent with the current assessment of the inflation and growth prospects.
  - Growth will be mainly driven by resilient domestic expenditure and continued expansion in exports, with some added support from policy measures.
  - Inflation is expected to remain manageable.
- The MPC remains vigilant to ongoing developments to inform the assessment on the domestic inflation and growth trajectories going into 2025.

Regional currencies, including the ringgit, appreciated against the US dollar in the third quarter

Regional Currency Movements Against the US Dollar



*The US dollar Index (DXY) is an index of the US dollar value against a basket of foreign currencies, namely EUR (57.6%), JPY (13.6%), GBP (11.9%), CAD (9.1%), SEK (4.2%), and CHF. (3.6%).

Source: Bank Negara Malaysia and Bloomberg. As at 13 November 2024

Key Drivers Supporting the Ringgit in 3Q 2024

Monetary policy easing by the US Fed
With expectations for further US rate cuts heading into 2025

Improved investor confidence
Supported by positive growth prospects and Government's implementation of structural reforms

Continued coordinated efforts by the Government and BNM
To ensure two-way flows in the domestic FX market. This includes the expansion of the pilot QRI programme to include more eligible corporates until 30 June 2025

Narrowing interest differentials and domestic factors expected to continue supporting the ringgit

2024 & 2025

Favourable global and domestic developments are expected to continue supporting the ringgit

- ▲ Narrowing interest rate differentials between the US and Malaysia
- ▲ Strong growth and ongoing reform momentum tailwinds

Nevertheless, downside risks remain mainly from external factors

- ▼ More gradual reduction in US policy rate due to a strong US economy
- ▼ Geopolitical tensions and policy uncertainty post-US election leading to safe-haven flows into the US

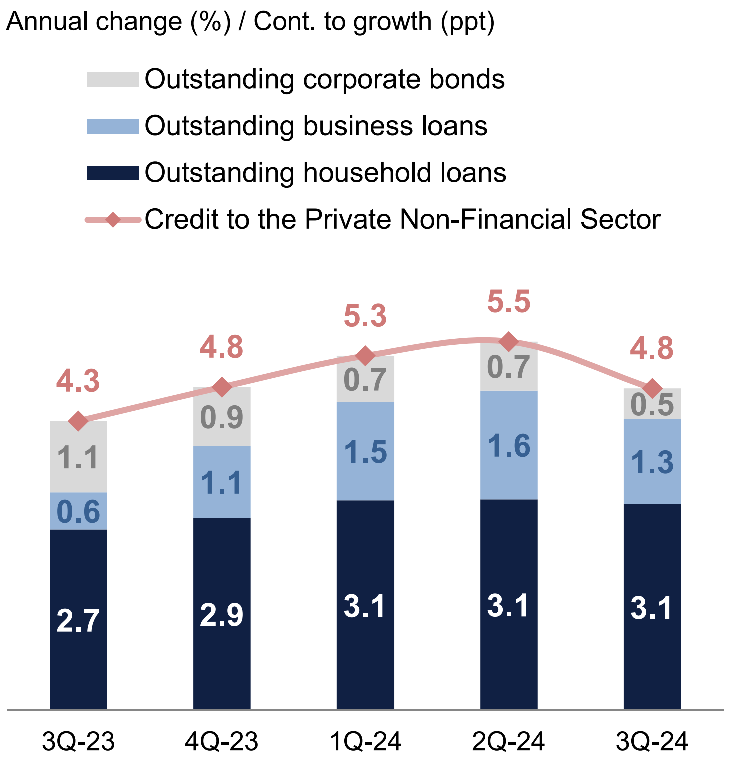
BNM will continue with initiatives to ensure two-way flows in the FX market

- ► Continued coordinated actions by the Government and BNM

Moderation in credit growth for businesses, while household loan growth remained sustained

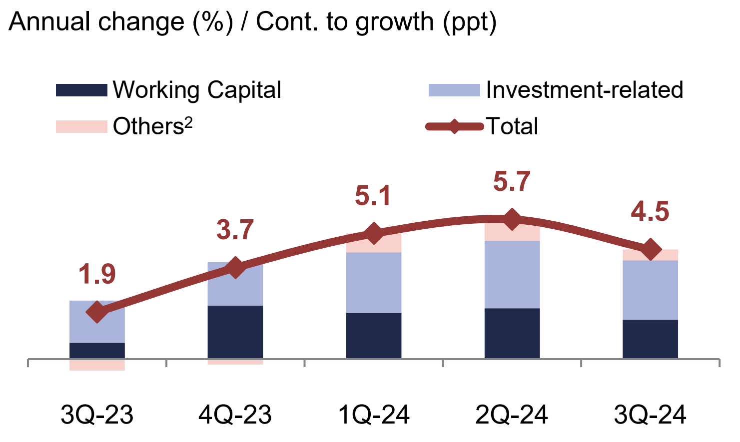
Credit growth moderated during the quarter …

Credit to the Private Non-Financial Sector*



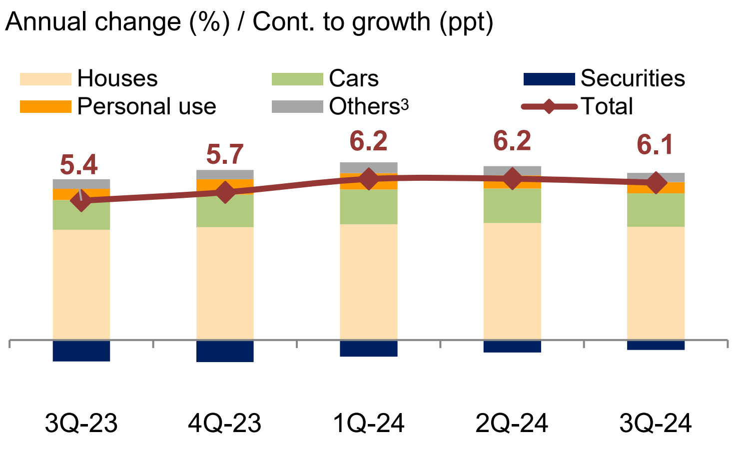
…amid slower business loan growth…

Outstanding Business Loan Growth



…while growth of household loans was sustained

Outstanding Household Loan Growth



Demand for credit remained forthcoming, with higher loan applications from both businesses and households

Business Loan Application Levels

RM180.7 bn

(1Q22-4Q23 avg: RM144.3 bn)

Household Loan Application Levels

RM250.4 bn

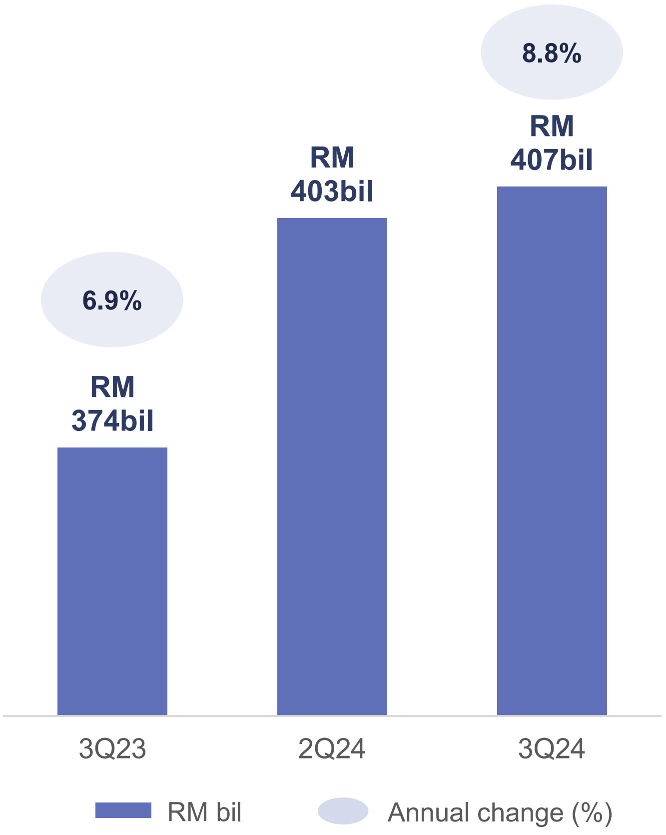
(1Q22-4Q23 avg: RM223.0 bn)

Notes:
[1] Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers)
[2] Includes loans for the purchase of securities, mergers and acquisitions, credit cards, and other purposes
[3] Includes loans for the purchase of non-residential property, credit cards, and other purposes
Source: Bank Negara Malaysia

Financing remains accessible to SMEs in 3Q 2024

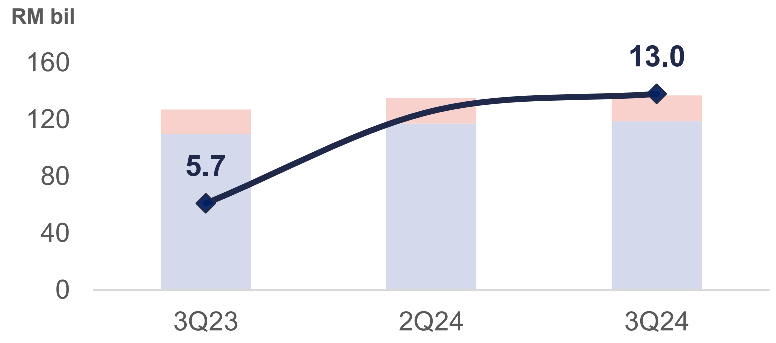
SME financing growth remained healthy

SME Financing: Outstanding

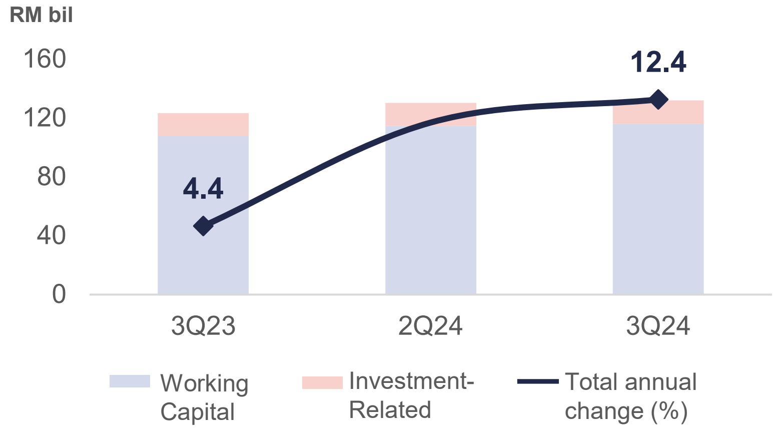


Support from banks remain forthcoming, and debt servicing maintained

SME Financing: Disbursements by Purposes



SME Financing: Repayments by Purposes



Significant growth of investment-related[1] financing, driven by services and construction sector

SME Financing: Approvals by Investment-Related Purposes

SME Financing: Approvals by Sector for Investment-Related Purposes

Sectors	*Services*		*Construction*
Contribution to Growth %	13.3	3Q24	4.8
Annual change %	20.3	3Q24	24.1
	10.1	3Q23	-0.6

1. Investment-related purpose includes financing for the purchase of non-residential properties, residential properties for business use, fixed assets (incl. cars), and construction activity.
Note: Reflects loan/financing from the banking system and development financial institutions (DFIs).
Source: Bank Negara Malaysia

Banks remain well-positioned to support financial intermediation

Banks' strong capital and liquidity positions help sustain financing to the real economy

As at September 2024

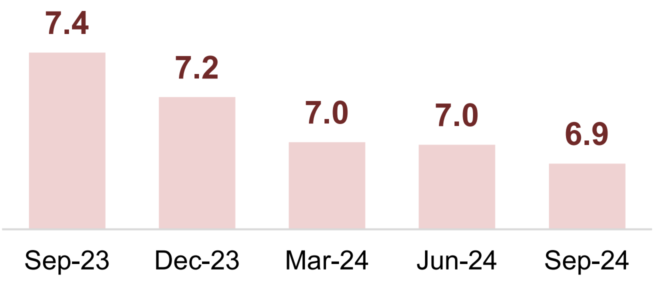
18.2% — **Total Capital Ratio** *(Jun-24: 18.5%)*

148.0% — **Liquidity Coverage Ratio** *(Jun-24: 155.1%)*

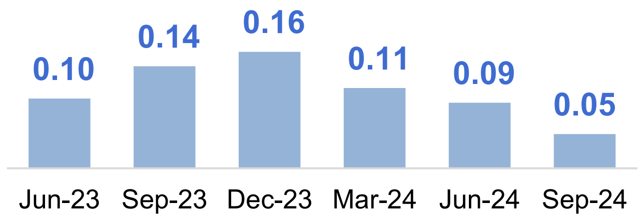
115.1% — **Net Stable Funding Ratio** *(Jun-24: 115.5%)*

Asset quality of banks remain sound

Stage 2 Loans Ratio, %

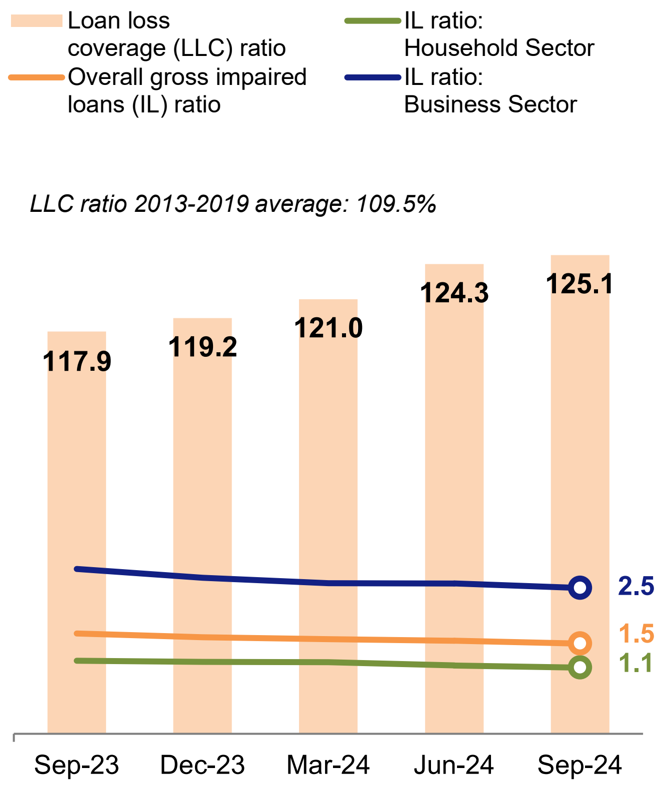


Newly Restructured and Rescheduled Loans, % of Total Banking System Loans



Prudent provisioning amid low impairment levels

Impaired Loans Ratio[1] & Loan Loss Coverage Ratio (including regulatory reserve), %



[1] Impaired loans ratio is based on loans classified as Stage 3 under MFRS 9.
Source: Bank Negara Malaysia

Summary

The Malaysian economy expanded by 5.3% in the third quarter of 2024, driven by stronger private expenditure and further recovery in exports

Improved growth prospects in 2025 **amid firm domestic demand and lift from external trade**

Growth outlook remains subject to risks emanating from both external developments and domestic factors

Headline inflation is projected to average between **2.0% and 3.5% in 2025**

Additional Information

Breakdown of 3Q 2024 GDP (% yoy)

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share, % (2023)	2023	2024	
		3Q	2Q	3Q
Services	**59.2**	**4.9**	**5.9**	**5.2**
Manufacturing	**23.4**	**-0.1**	**4.7**	**5.6**
Agriculture	**6.4**	**0.3**	**7.3**	**3.9**
Mining and Quarrying	**6.2**	**-1.1**	**2.7**	**-3.9**
Construction	**3.6**	**7.2**	**17.3**	**19.9**
Real GDP	**100.0**	**3.1**	**5.9**	**5.3**

Note: Numbers may not add up due to rounding and exclusion of import duties component.
Source: Department of Statistics, Malaysia

Real GDP (% YoY)	Share, % (2023)	2023	2024	
		3Q	2Q	3Q
Domestic Demand (Excluding Stocks)	**93.9**	**4.5**	**6.9**	**7.0**
Private Sector	**76.2**	**4.2**	**7.3**	**7.0**
Consumption	60.7	4.1	6.0	4.8
Investment	15.5	4.5	12.0	15.5
Public Sector	**17.8**	**5.9**	**4.9**	**7.1**
Consumption	13.2	5.3	3.6	4.9
Investment	4.6	7.5	9.1	14.4
Net Exports of Goods and Services	**4.4**	**-19.9**	**3.4**	**-8.8**
Exports	66.1	-12.0	8.4	11.8
Imports	61.7	-11.3	8.7	13.5
Real GDP	**100.0**	**3.1**	**5.9**	**5.3**

Note: Numbers may not add up due to rounding and exclusion of stocks.
Source: Department of Statistics, Malaysia

Financial account recorded a net outflow

Outflows in other investment and direct investment accounts more than offset inflows from portfolio investment

RM billion	2023		2024			
	3Q	1Q-3Q	1Q	2Q	3Q	1Q-3Q
Direct Investment	**-3.1**	**-5.4**	**-6.0**	**3.8**	**-4.3**	**-6.6**
*Direct Investment Abroad (DIA)**	-12.3	-26.2	-11.5	-5.3	-18.9	-35.7
*Foreign Direct Investment (FDI)**	9.2	20.9	5.5	9.1	14.5	29.1
Portfolio Investment	**-13.4**	**-30.3**	**-23.7**	**-21.7**	**3.6**	**-41.8**
Residents	-15.4	-36.6	-21.2	-28.8	-32.0	-82.1
Non-residents	2.0	6.3	-2.5	7.2	35.6	40.3
Financial Derivatives	**0.5**	**-0.1**	**1.2**	**-0.6**	**-0.4**	**0.2**
Other Investment	**33.9**	**40.5**	**9.8**	**35.6**	**-6.3**	**39.1**
Financial Account Balance	**17.8**	**4.7**	**-18.7**	**17.1**	**-7.5**	**-9.1**

*As per the IMF's BPM5 classifications (i.e. directional basis).
Note: Numbers may not add up due to rounding.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Higher FDI inflows amid increasing DIA outflows

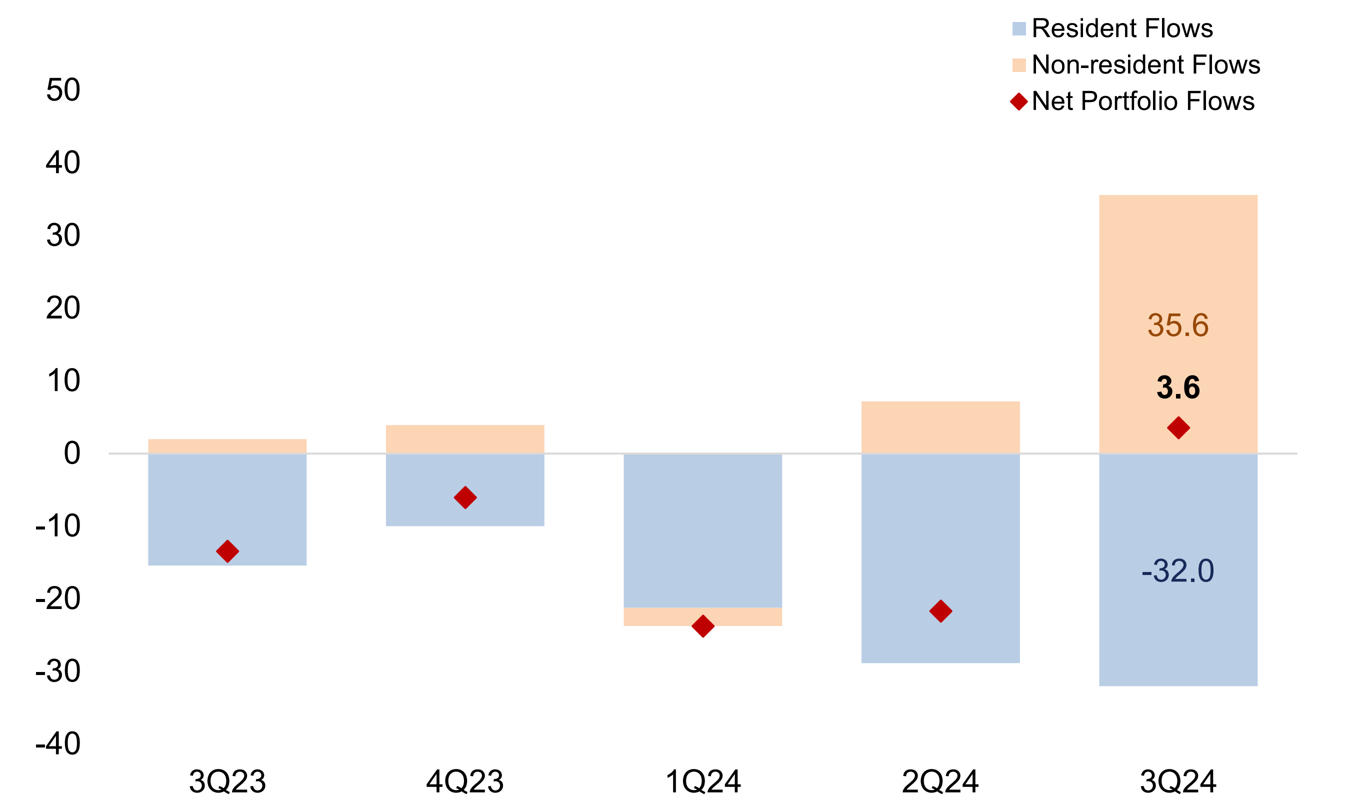
Net outflows in other investment mainly due to deposits placement abroad by resident investors

Portfolio investment turned around to record net inflows

Portfolio investment recorded a net inflow

Net inflows in portfolio investment in 3Q 2024 were primarily supported by higher non-resident investments

Portfolio Investment Flows *(RM billion)*



Source: Department of Statistics, Malaysia

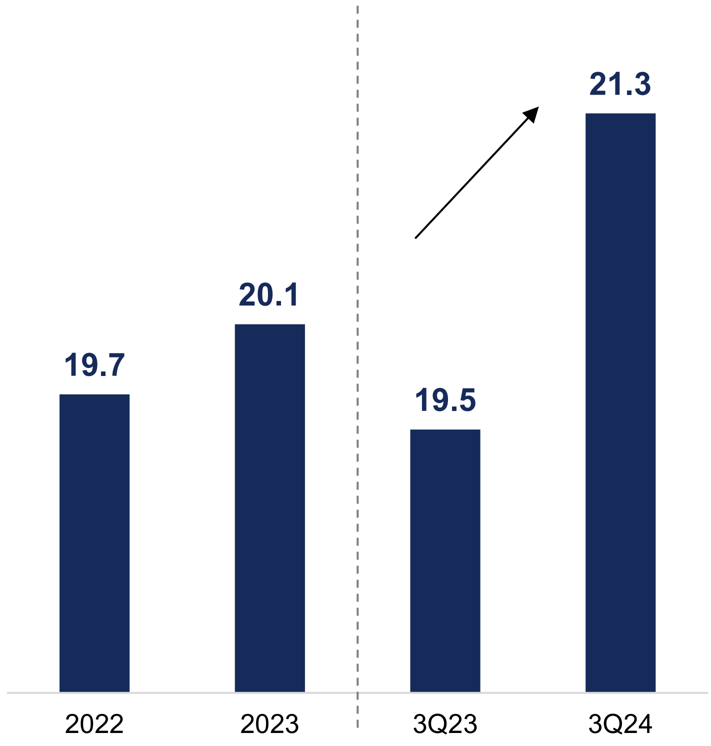
Factors affecting portfolio investment flows in 3Q 2024

- Higher investments in equity securities and continued investments in debt securities abroad by resident investors
- Greater acquisition of domestic debt and equity securities by non-resident investors

Investment plays a larger role in supporting economic growth, with forthcoming investment intentions

Rising share of investment to GDP…

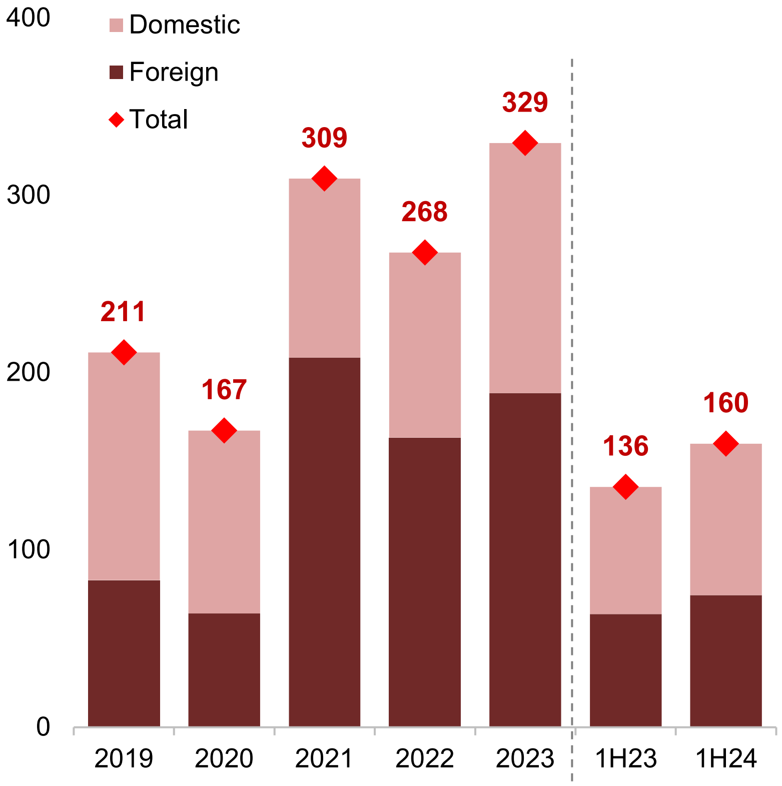
Share of Investment to GDP
% of real GDP



Source: DOSM, staff estimates

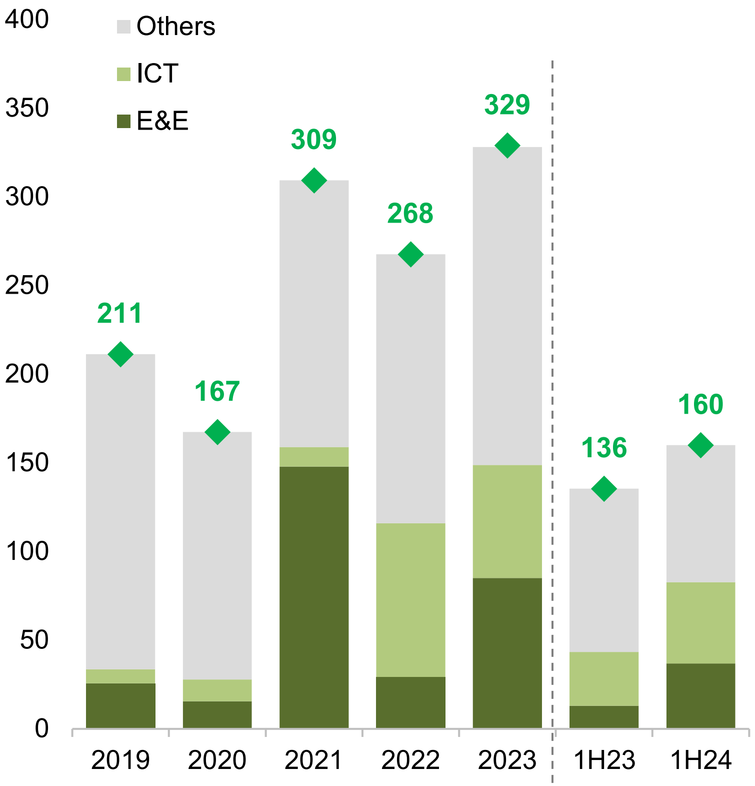
…driven by increasing domestic and foreign investment activity mainly in the E&E and ICT subsectors

MIDA Total Investment Approvals, Domestic vs. Foreign
RM billion



Source: MIDA

MIDA Total Investment Approvals by Sector
RM billion



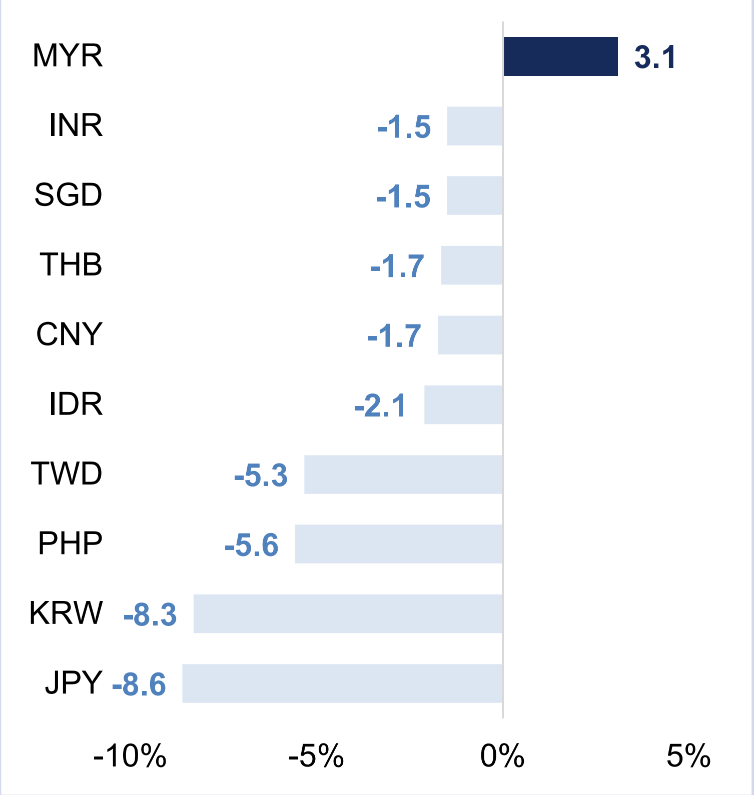
Source: MIDA

Add. Info 5

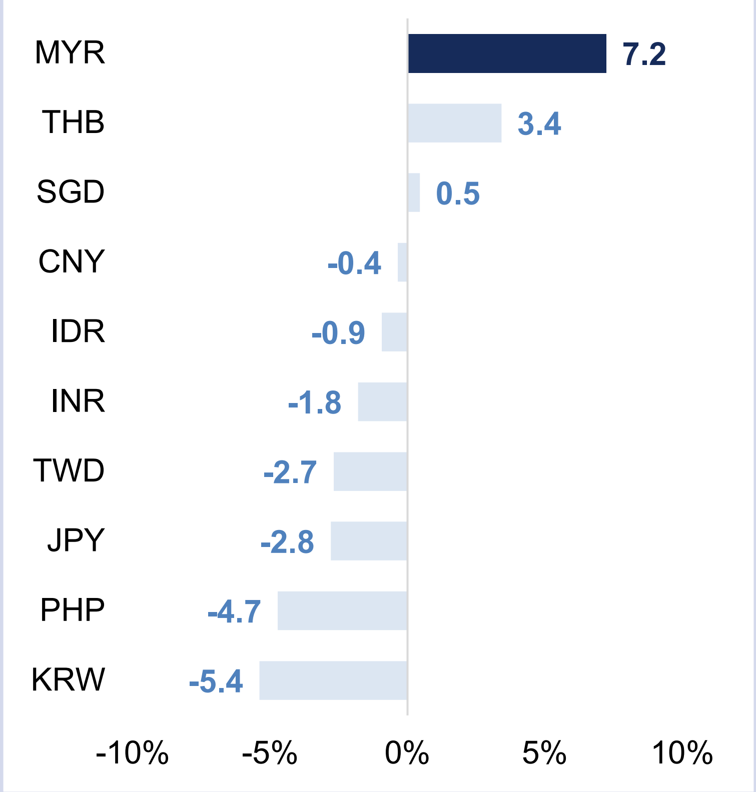
Market expectations for further Fed rate cuts and coordinated actions with the Government could continue to support the ringgit

Regional currency performance against the US dollar, %

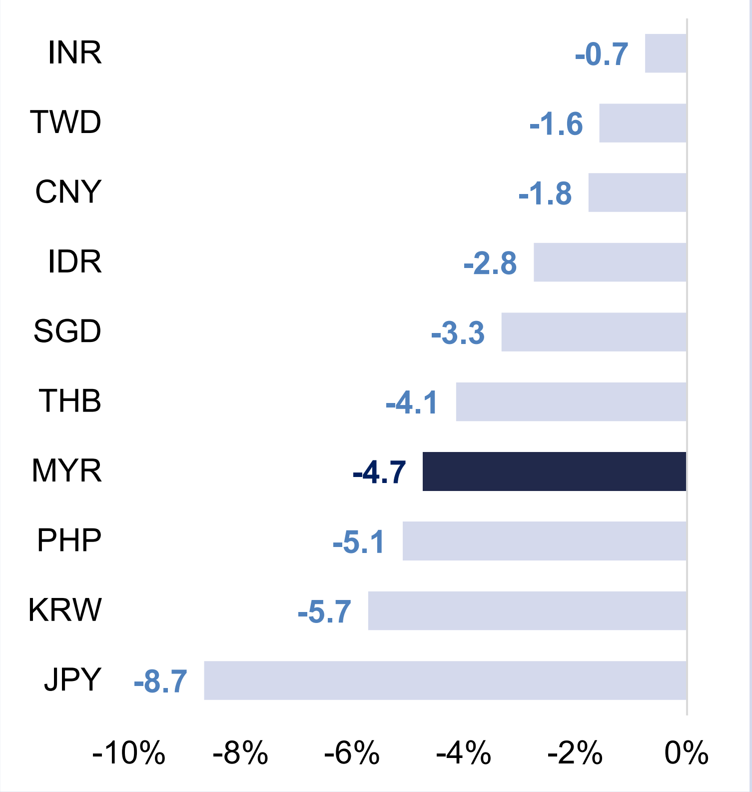
Year-to-date until 13 Nov 2024



Since coordinated actions and last Fed meeting (26 Feb 2024 – 13 Nov 2024)



Since September US FOMC meeting (18 Sep 2024 – 13 Nov 2024)

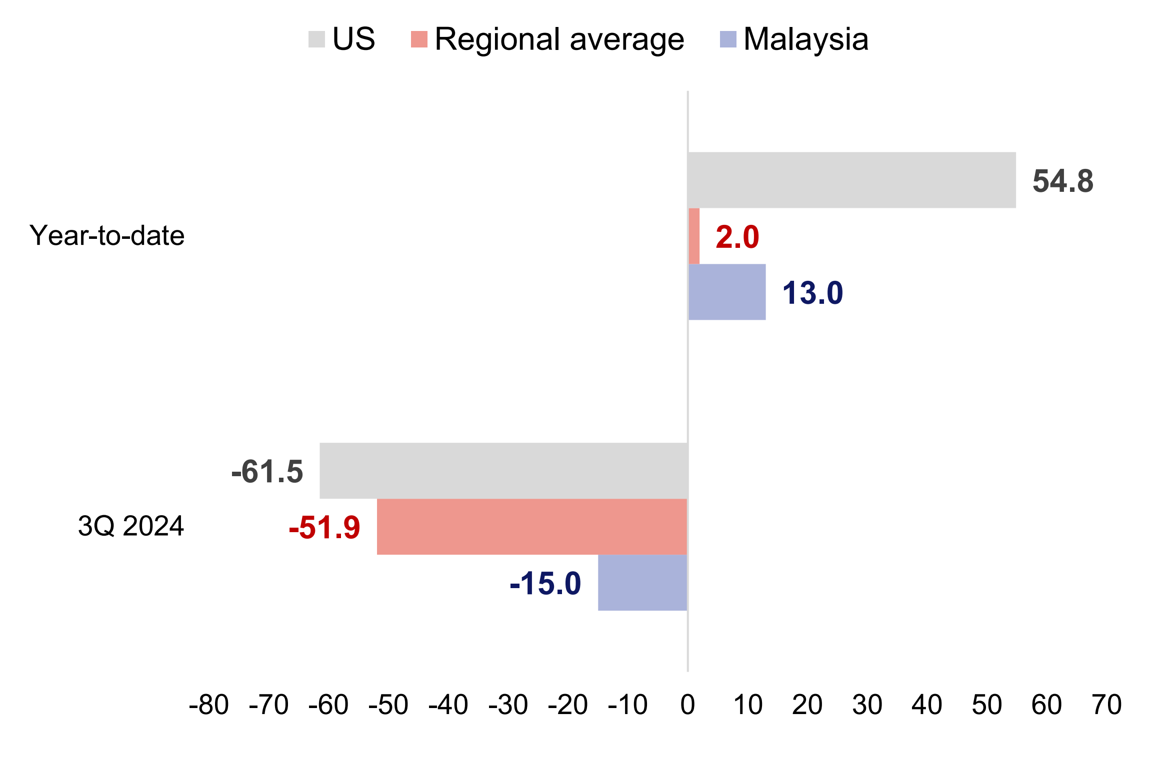


Source: Bank Negara Malaysia

Malaysian bond yields declined while equities continued to edge higher, in line with regional peers

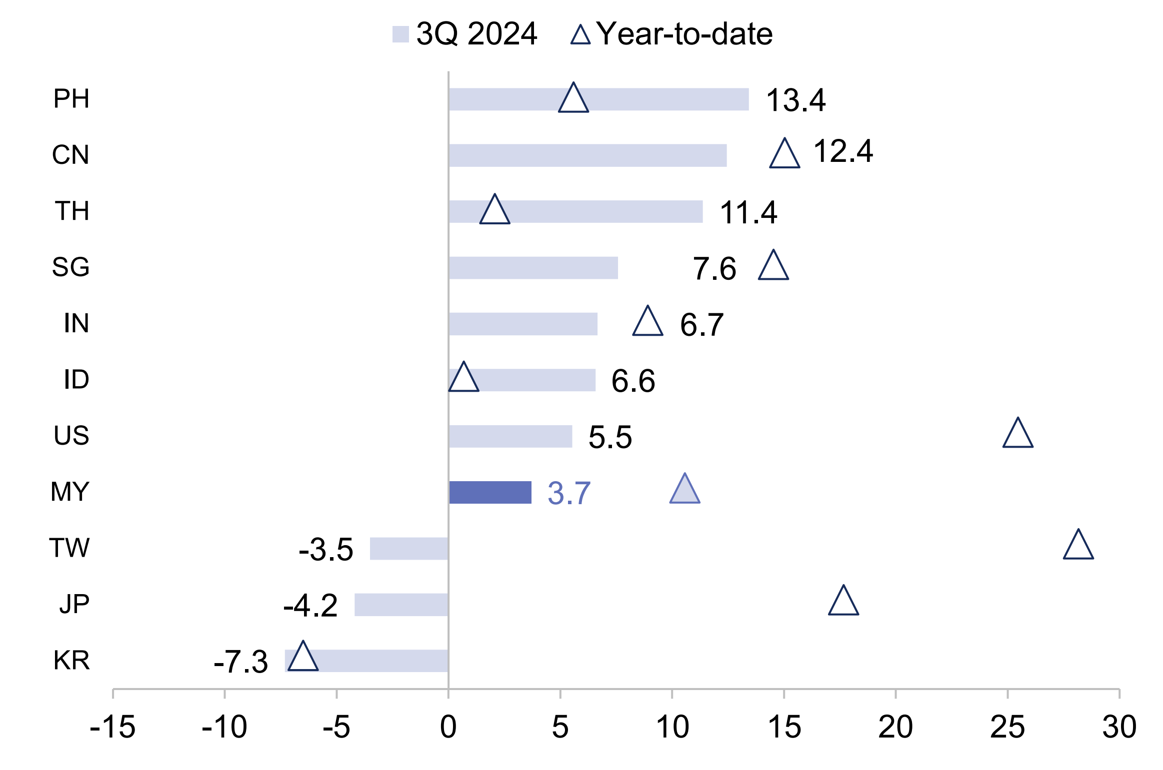
Domestic bond yields declined along with regional peers due to global monetary policy easing

Movement of 10-Year Local Currency Sovereign Bond Yields (in bps)



FBM KLCI supported by net foreign inflows amid expectations of stronger corporate earnings

Performance of Equity Indices (% Change)

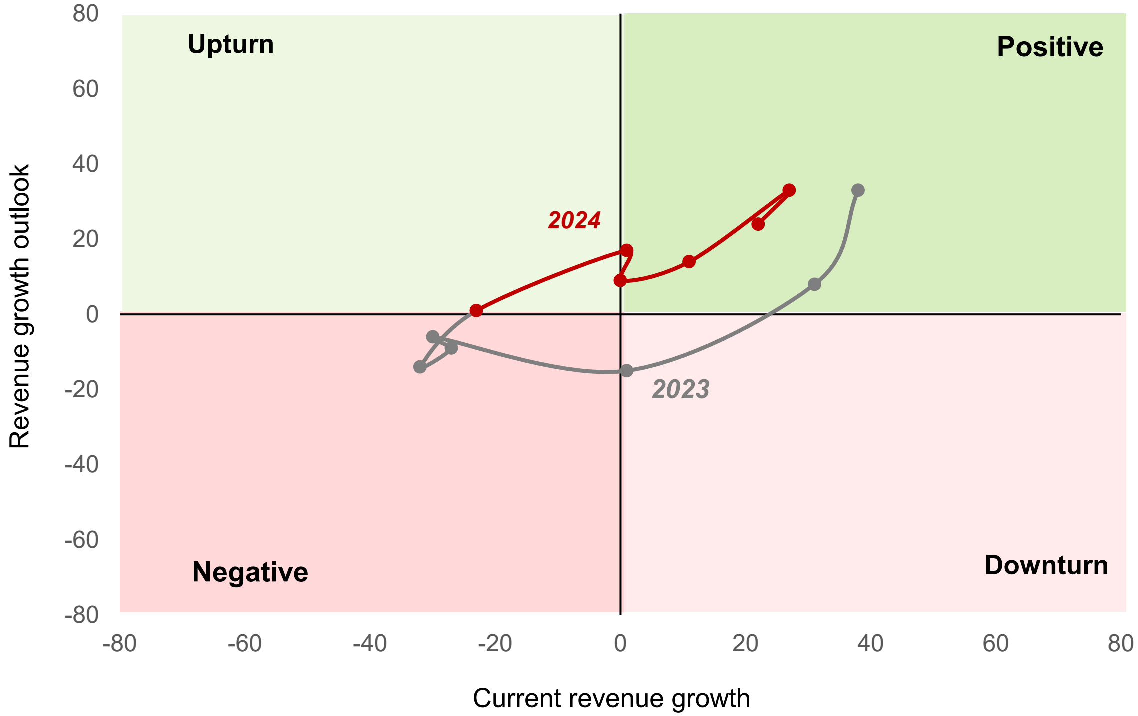


Notes: Year-to-date as of 12 November 2024. Numbers in the bar chart for equity indices are the 3Q 2024 figures.
Regional average consist of: PH: the Philippines; TH: Thailand; SG: Singapore; KR: South Korea; CN: China; JP: Japan; ID: Indonesia; TW: Taiwan; IN: India
Source: Bank Negara Malaysia, Bloomberg, ETP, Bursa Malaysia

Box Article: Clocking in on Business Sentiments – The RES' Business Climate Clock

The Bank analyses business sentiments and identifies turning points in the economy using the Business Climate Clock (BCC)

Business Climate Clock
Net balance



Note: The four quadrants in the chart represents distinct stages of climate in a business cycle. For example, if judgments of firms on their current business situation and future expectations are net positive on balance, business climate is in the "positive" quadrant. The 6 markers for each year represent the 6 MPC cycles throughout the year.

Source: Regional Economic Surveillance (RES) engagements, Bank Negara Malaysia

- The BCC is a useful surveillance tool, offering timely insights to gauge changes in business sentiments
- Such insights are useful for identifying turning points, sector-specific challenges and opportunities, allowing the Bank to make informed policy decisions.
- The BCC showed that in 2024, business sentiments improved across sectors, driven by better global demand, strong construction activities, and a rebound in tourism, among other factors.