SERC SDN BHD
Socio-Economic Research Centre

QUARTERLY
ECONOMY TRACKER

The Malaysian Economy is Fired on Twin Cylinders

8 October 2024

Jul-Sep 2024

World Economic Outlook Update

GLOBAL ECONOMY STILL STEADYING, ALBEIT AT A SLOW PACE

- **Slowing global growth likely to continue.** Major leading indicators are pointing to continued global expansion, albeit at a slow pace compared to past decades. Global investors can head into Q4 2024 and 2025 with cautious optimism that global expansion continues and inflation has finally been tamed, with interest rates in the advanced economies heading to lower trajectory to support their economy. While the IMF maintained its global growth estimates at 3.2% in 2024 and 3.3% in 2025, it is below the 3.8% per annum in 2000-2019.

- **Continued growth divergence in advanced economies.** The **US economy** is cooling and will continue to cruise along amid clear signs of slowing in the labour market. In the near term, the potential economic outcomes driven by the policy decisions of the next President, from tax cuts and spending adjustments to tariffs and trade relations will have far-reaching impacts. We expect **the eurozone**'s economic growth to recover gradually in Q4 2024 and 2025, supported by strengthening exports, recovering private consumption and investments. For **Japan**, subdued economic growth is expected to pick up in 2025 as sticky inflation pressures subside and export performance improves. **China**'s economic growth still weighed down by the beleaguered property sector amid the bazooka stimulus to prop up its economy.

- **Global interest rate easing cycle will continue.** The global monetary policy cycle is entering an easing path, though levels will be lowered at measured pace. Seven of the 10 big developed-market central banks have now started easing policy. The US Federal Reserve has joined a global easing cycle with a 50-basis point interest rate reduction although the Fed Chair indicated that the quantum of rate cuts is not a pace setter. Japan is an outlier, lifting its rates from ultra-low levels. The European Central Bank (ECB) will continue to follow a data-dependent and meeting-by-meeting approach.

- **Major risks threatening global economy.** The following risks taken together and mutually reinforcing each other: rising heat of geopolitical tensions, trade fragmentation, the US and China economy slowdown, financial distress, renewed inflation pressures and climate-related disasters. The US Presidential Elections outcome in November could cast policy uncertainty in global trade and financial markets.

Global Economic and Monetary Conditions

Real GDP growth (%, Y-o-Y)

	2022	2023	2024 Q1	2024 Q2	2024F (IMF)	2024F (WB)
World	3.5	3.3	N/A	N/A	3.2	2.6
United States	2.5	2.9	2.9	3.0	2.6	2.5
Euro Area	3.3	0.4	0.5	0.6	0.9	0.7
China	3.0	5.2	5.3	4.7	5.0	4.8
Japan	1.0	1.9	-0.9	-1.0	0.7	0.7
India	7.0	8.2	7.8	6.7	7.0	6.6
Malaysia	8.9	3.6	4.2	5.9	4.4	4.3
Singapore	3.8	1.1	3.0	2.9	2.1	N/A
Indonesia	5.3	5.0	5.1	5.0	5.0	5.0
Thailand	2.5	1.9	1.6	2.3	2.9	2.4
Philippines	7.6	5.5	5.8	6.3	6.0	5.8
Vietnam	8.0	5.1	5.9	7.1	5.8	5.5

Note: *World GDP growth for 2021-2022 by IMF; Annual GDP for India is on fiscal year basis; N/A = Not applicable or not available*

Source: *Officials (unadjusted data except quarterly GDP for Euro Area); IMF (World Economic Outlook (WEO), Article IV); World Bank (Global Economic Prospects)*

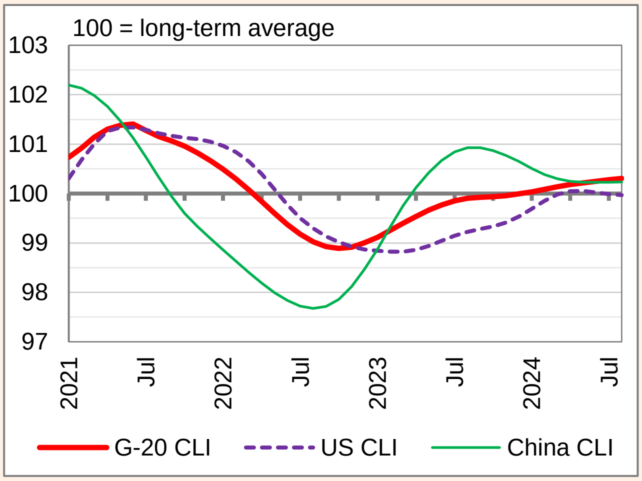
Policy rate (%)

End-period of	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (Sep)	2024*f*
US, Fed Federal Funds Rate	0.25-0.50	0.50-0.75	1.25-1.50	2.25-2.50	1.50-1.75	0.00-0.25	0.00-0.25	4.25-4.50	5.25-5.50	4.75-5.00	4.25-4.50
Euro Area, ECB Deposit Facility	-0.30	-0.40	-0.40	-0.40	-0.50	-0.50	-0.50	2.00	4.00	3.50	3.50-3.75
Japan, BOJ Overnight Call Rate	0.00-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	0.25	0.75
China, PBC 1-Year Loan Prime Rate	4.35	4.35	4.35	4.35	4.15	3.85	3.80	3.65	3.45	3.35	3.15
India, RBI Policy Repo Rate (LAF)	6.75	6.25	6.00	6.50	5.15	4.00	4.00	6.25	6.50	6.50	6.50
Korea, BOK Base Rate	1.50	1.25	1.50	1.75	1.25	0.50	1.00	3.25	3.50	3.50	3.25
Malaysia, BNM Overnight Policy Rate	3.00	3.00	3.00	3.25	3.00	1.75	1.75	2.75	3.00	3.00	3.00
Indonesia, BI BI-Rate	7.50	4.75	4.25	6.00	5.00	3.75	3.50	5.50	6.00	6.00	5.75
Thailand, BOT 1-Day Bilateral Repo Rate	1.50	1.50	1.50	1.75	1.25	0.50	0.50	1.25	2.50	2.50	2.25
Philippines, BSP Target RRP Rate	4.00	3.00	3.00	4.75	4.00	2.00	2.00	5.50	6.50	6.25	6.00

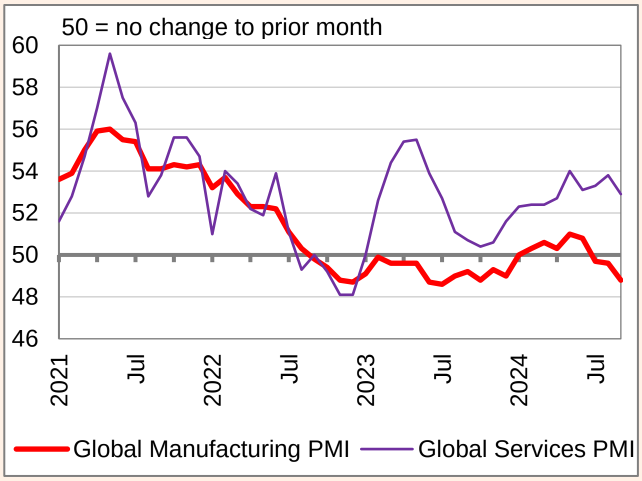
Source: *Officials; SERC*

Global Current and Forward Indicators

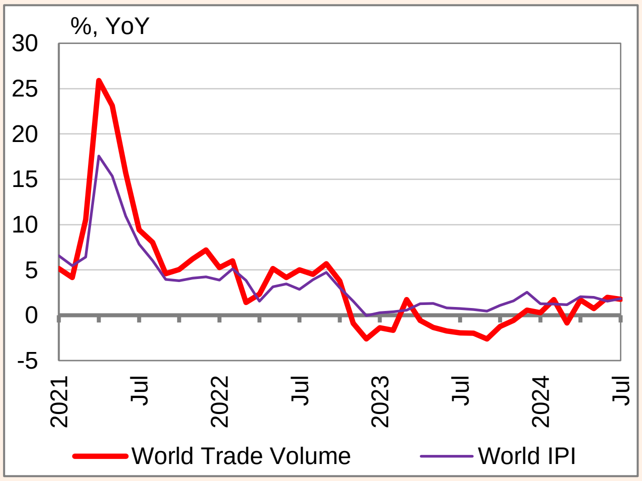
OECD composite leading indicators pointing to stable growth prospects



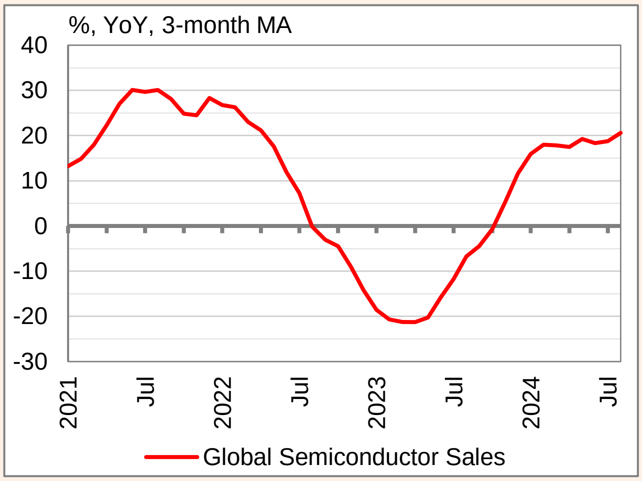
Global manufacturing PMI falling below threshold for all three months in Q3



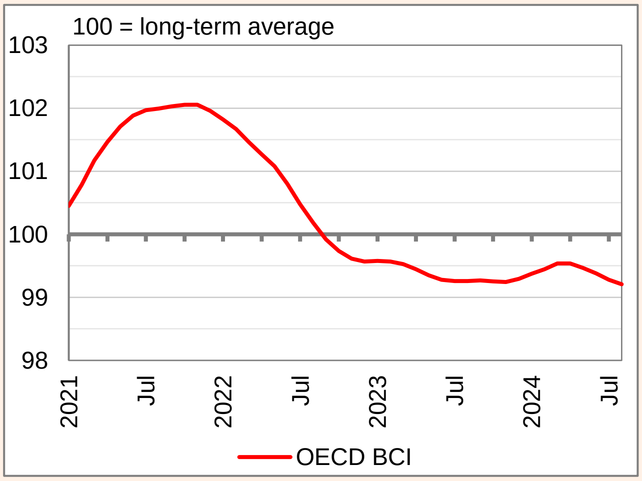
Global trade volume expanded for four straight months in Apr-Jul



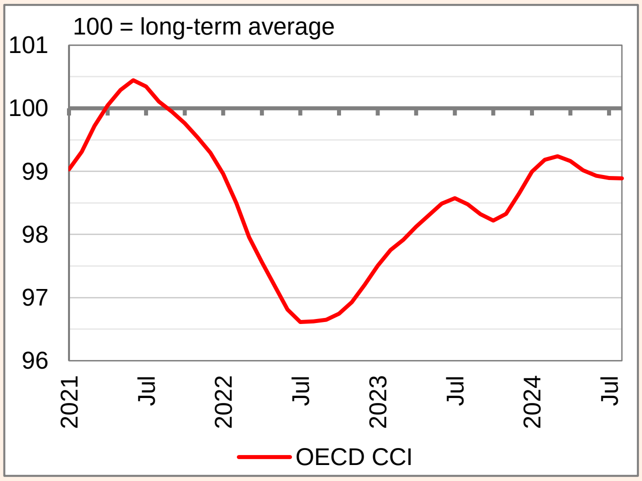
Global semiconductor sales returned to above US$50 billion level in Jul-Aug



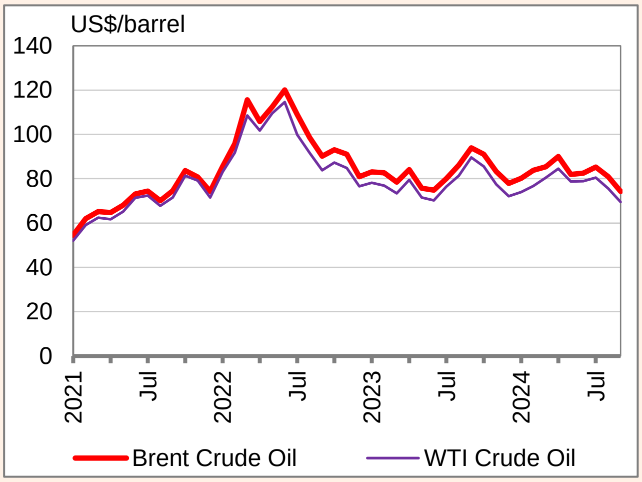
OECD Business Confidence Index



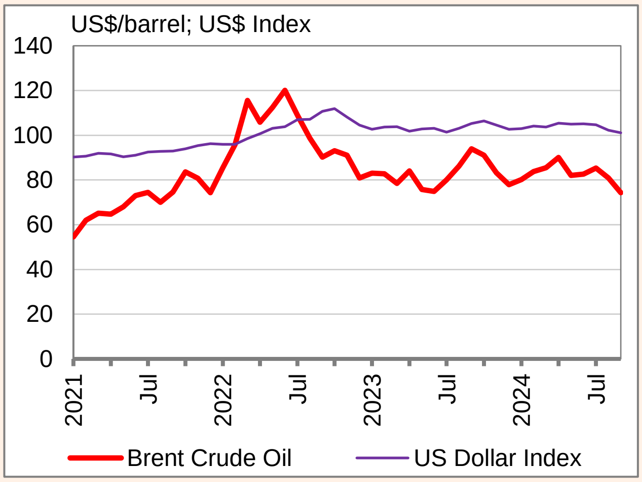
OECD Consumer Confidence Index



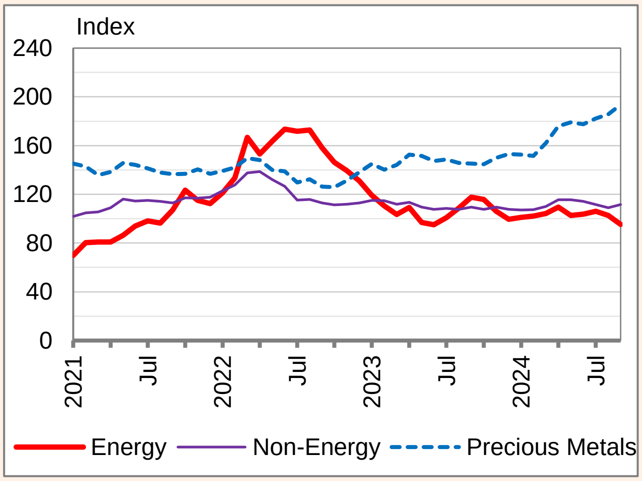
OPEC Plus is planning to restore production



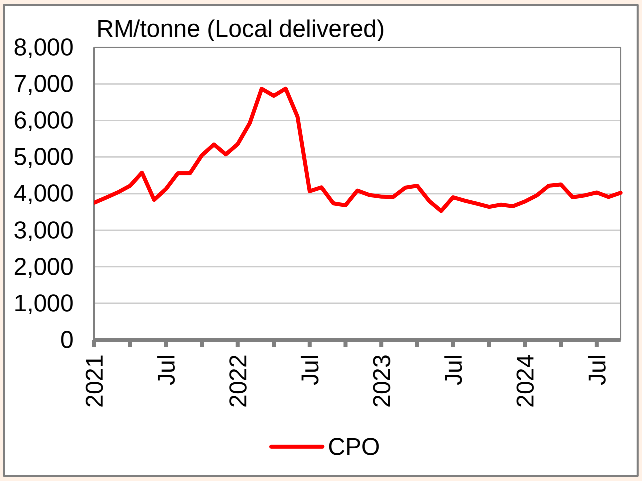
Brent crude oil price vs. the US dollar index



Gold prices were climbing rapidly; prices of other commodities remained stable



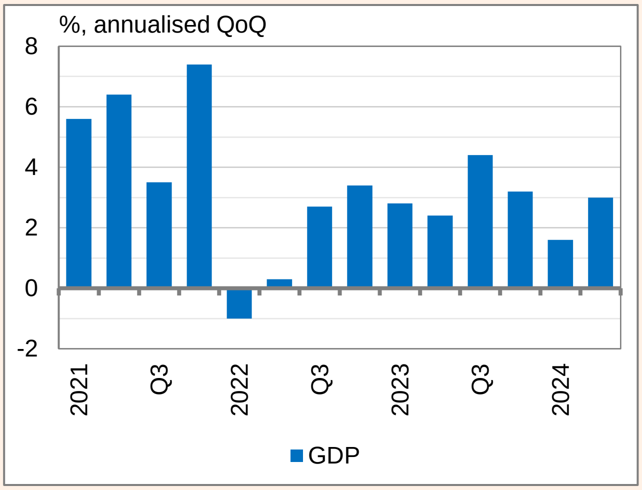
Crude palm oil prices were hovering around RM4,000/tonne level



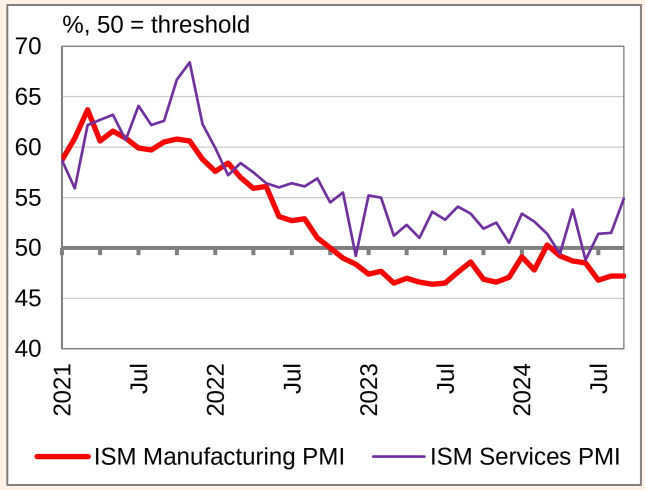
Source: Organisation for Economic Co-operation and Development (OECD); S&P Global; CPB Netherlands Bureau for Economic Policy Analysis; Semiconductor Industry Association (SIA); World Bank; The Wall Street Journal; Malaysian Palm Oil Board (MPOB)

The US – The start of a rate-easing cycle

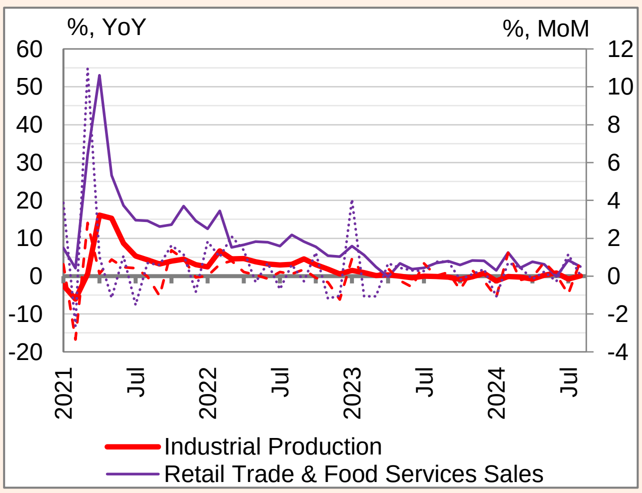
The US economy was supported by private consumption and investment



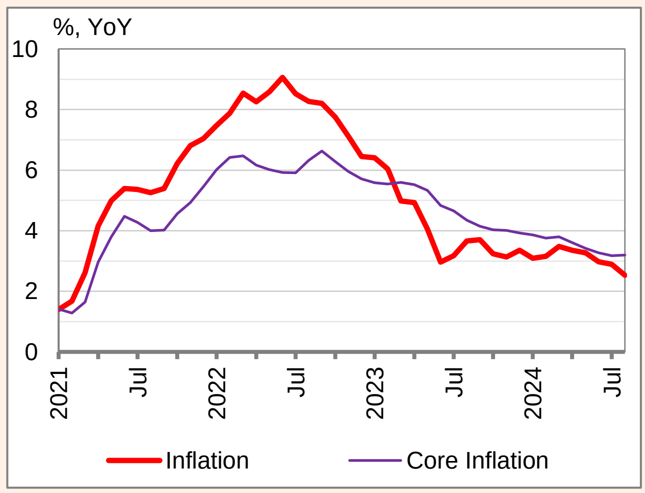
Manufacturing PMI staying below expansion threshold since Apr



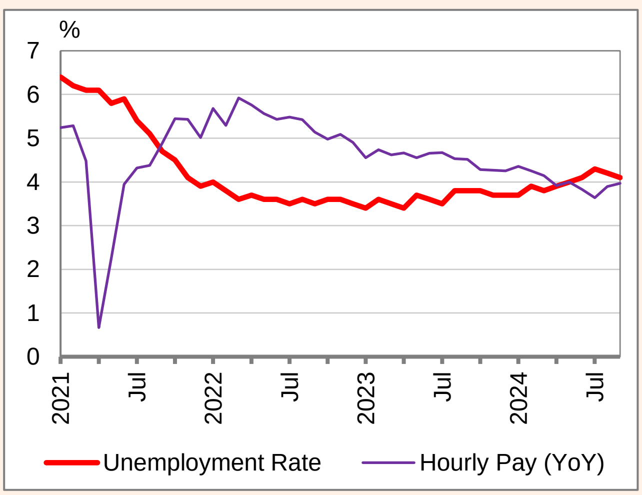
Economic activities showed uneven performance



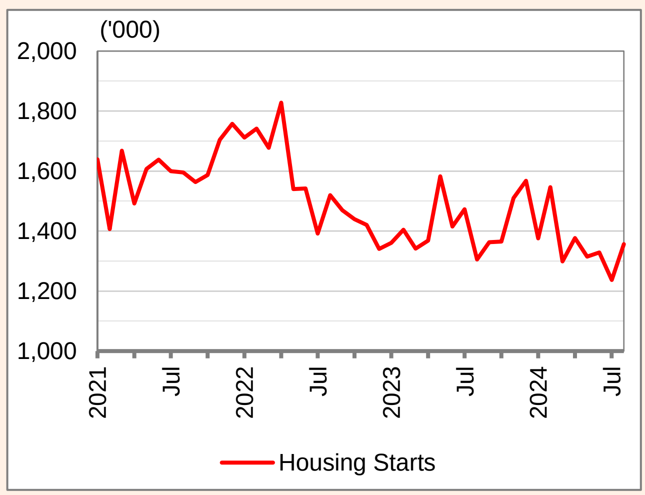
Inflation rate is moving towards the Fed's target of 2%



Unemployment rate slipped to 4.1% in Sep on higher hirings



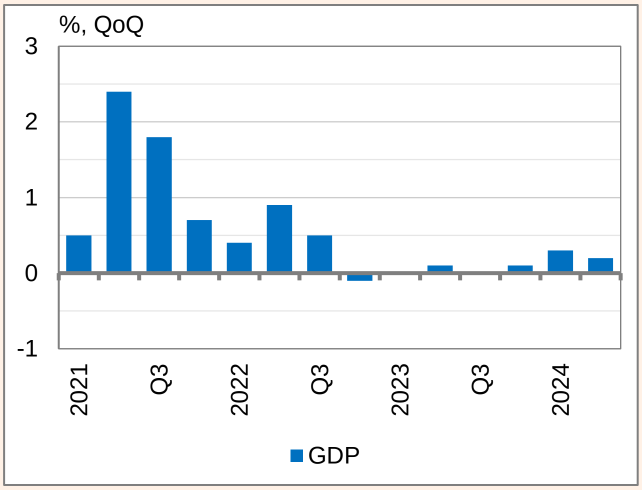
Housing starts trended lower



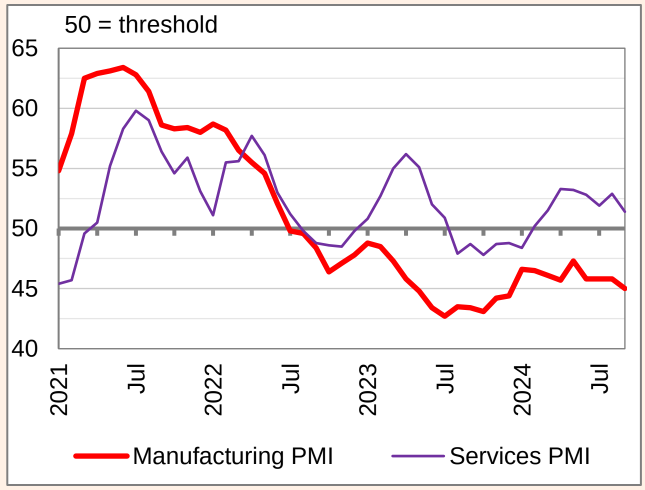
Source: Bureau of Economic Analysis (BEA); Institute for Supply Management (ISM); Federal Reserve System; US Census Bureau; US Bureau of Labor Statistics

Euro Area – Still weakening growth

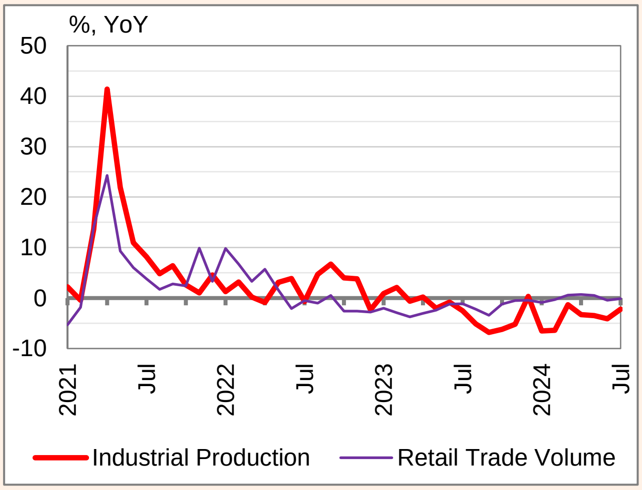
Eurozone economy is poised for a gradual recovery



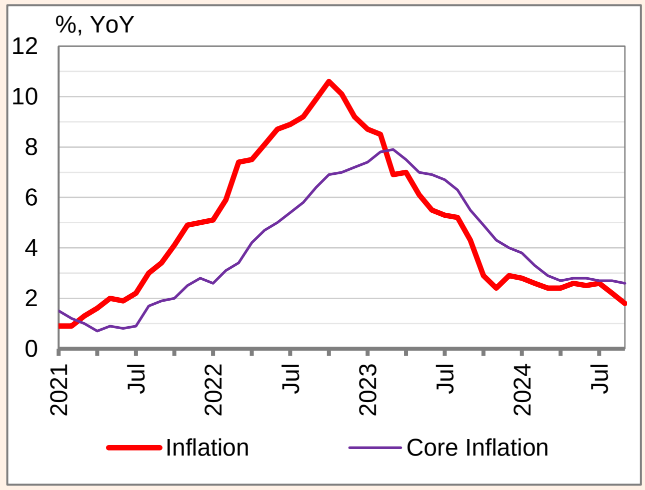
No sign of the manufacturing PMI returning to the expansion territory



Industrial production contracted for seven months in a row

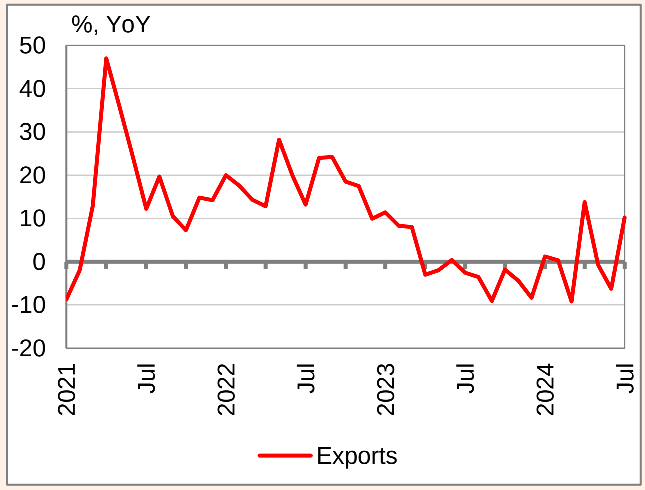


Core inflation was broadly stable at current level



Labour market continued to tighten

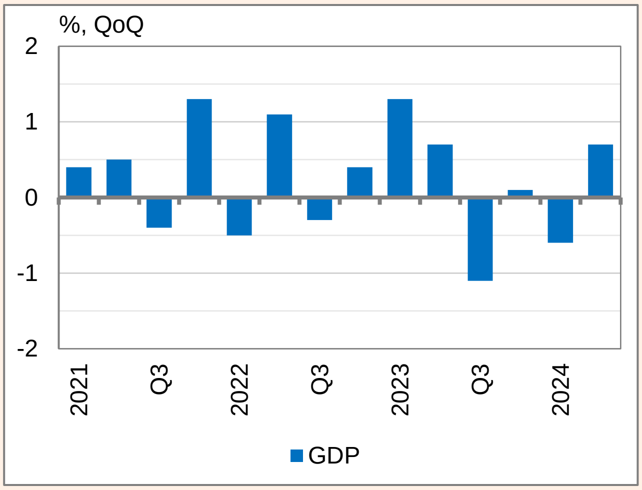
Export growth rebounded in Jul after two months of contraction



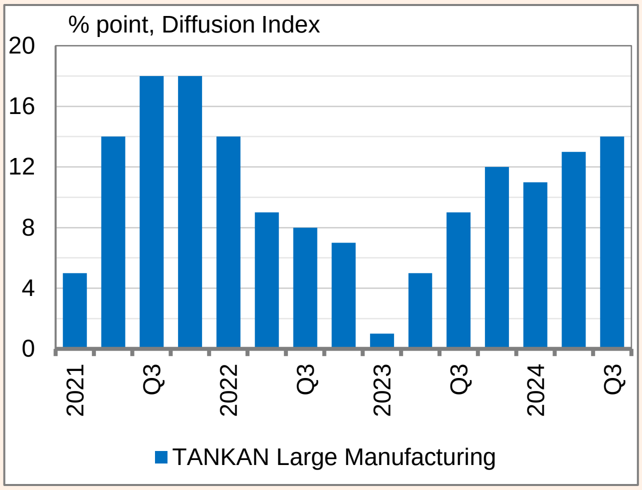
Source: Eurostat; S&P Global

Japan – A turnaround in growth?

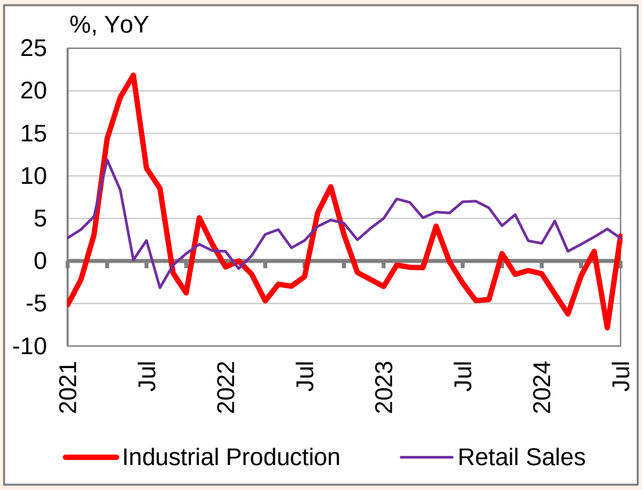
The Japanese economy recorded two quarters of contraction on YoY basis



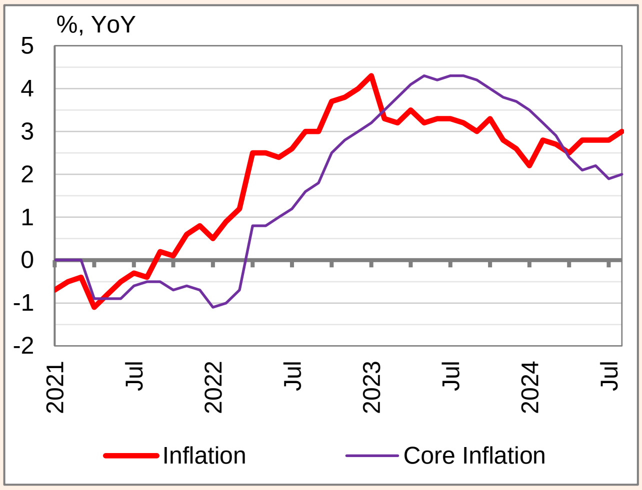
TANKAN survey signals stronger expansion in the manufacturing sector



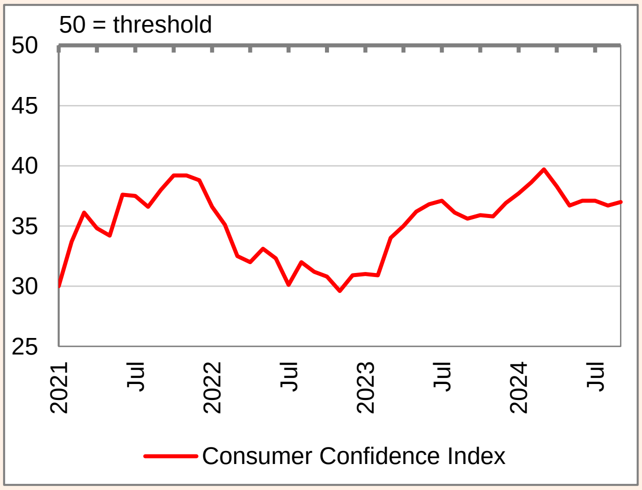
Industrial production growth remained uneven



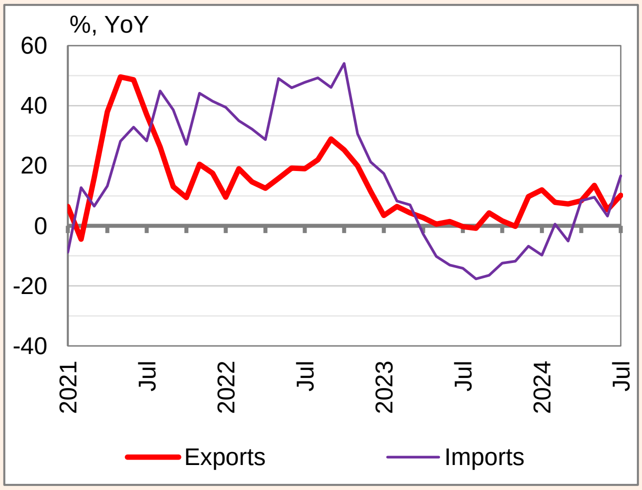
Inflation accelerated to 3.0% in Aug



Consumer confidence remained low



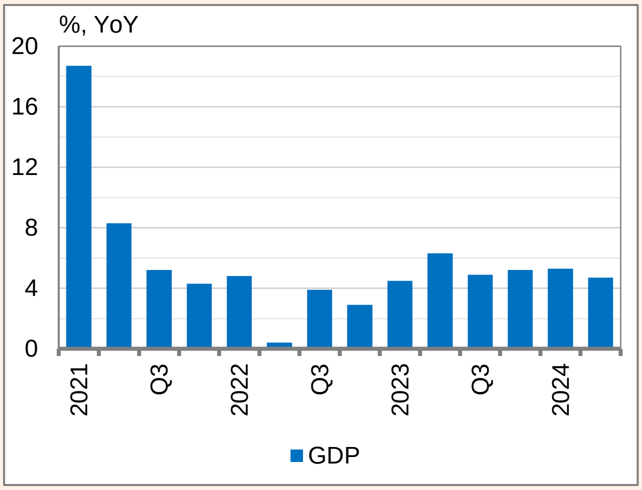
Trading activities started to pick up but trade deficit widened



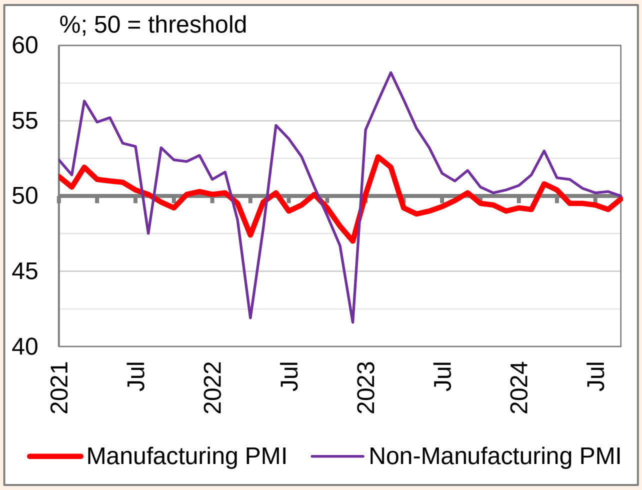
Source: Economic and Social Research Institute (ESRI), Cabinet Office of Japan; Bank of Japan (BOJ); Ministry of Economy, Trade and Industry (METI), Japan; Statistics Bureau, Japan; Japan Customs

China – Searching for a breakthrough

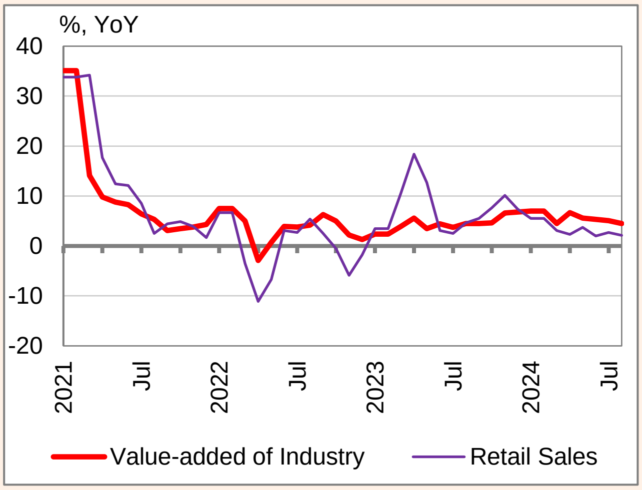
China's economy is losing some momentum on weak demand



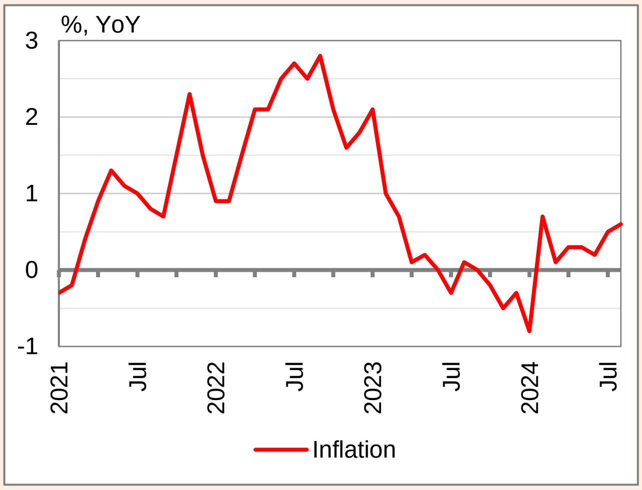
Manufacturing PMI contracted for five months in May-Sep



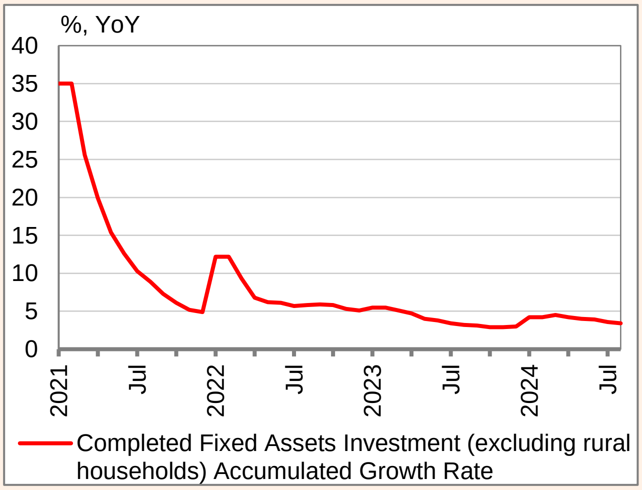
Both industrial and retail activities remained weak



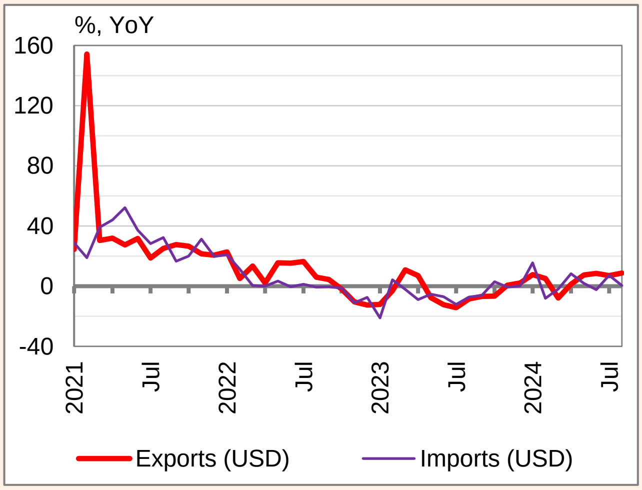
Inflation ticked up gradually



Fixed investment growth continues to decelerate



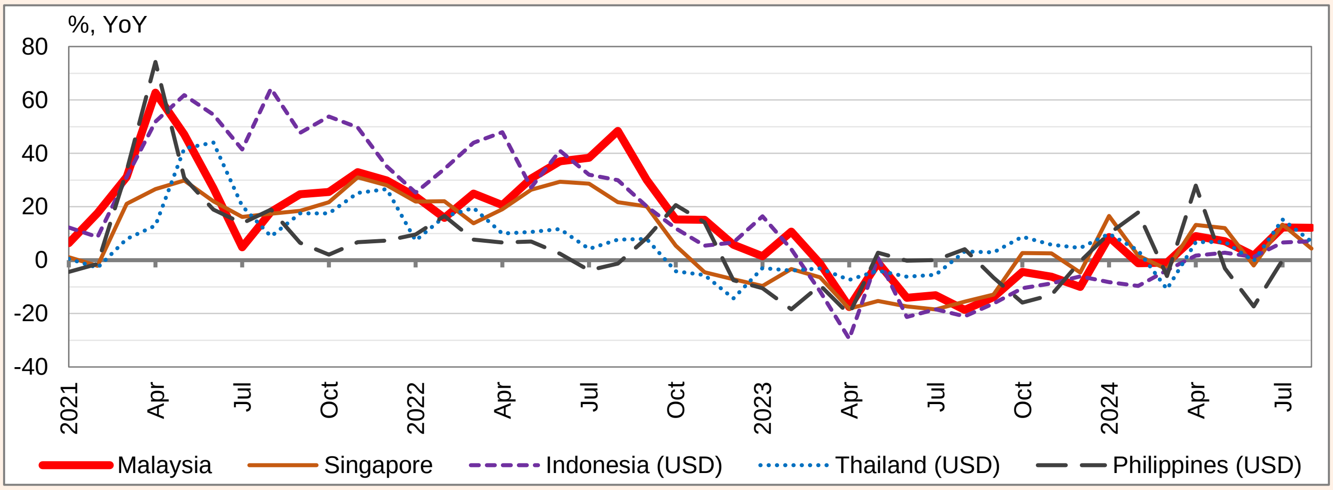
Exports are growing steadily



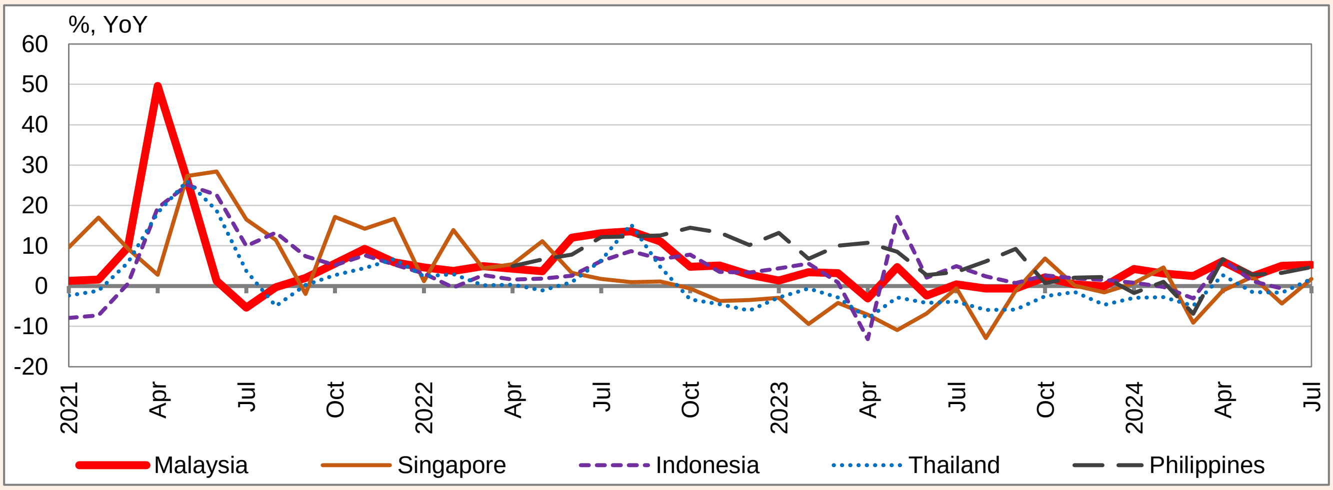
Source: National Bureau of Statistics of China; General Administration of Customs, China

ASEAN Key Economic Indicators

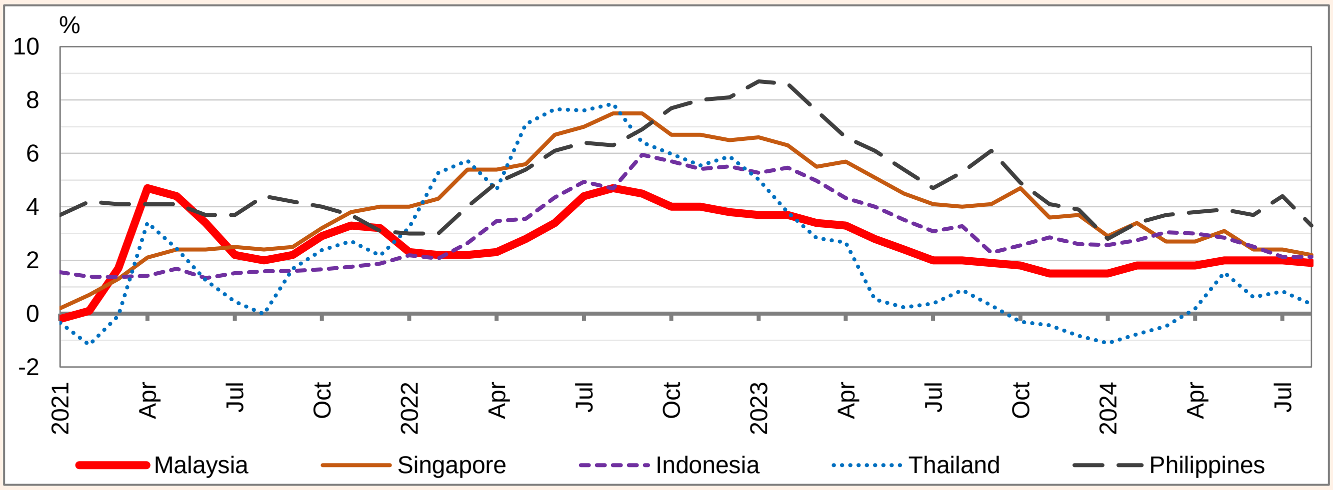
Export growth trend



Industrial production growth trend



Inflation trend



Source: Department of Statistics, Malaysia; Singapore Department of Statistics; Statistics Indonesia; Bank Indonesia; Office of Industrial Economics, Thailand; Ministry of Commerce, Thailand; Philippine Statistics Authority

Note: Industrial production growth for the Philippines only showed from April 2022 due to exceptional data prior to that.

THE MALAYSIA ECONOMY IS FIRED ON TWIN CYLINDERS

- **The Malaysian economy has performed above expectations.** The Q2 2024 GDP growth of 5.9% yoy (4.2% in Q1) indicates optimism for the economy, supported by resilient consumer spending, sustained high business investments, and improved exports.

  The Q2 GDP, which marks the strongest performance since 4Q 2022 will likely to peak, though **the yoy growth will average 5.7% in 2H 2024** (5.1% in 1H 2024). With the economy already locked in an average growth of 5.1% in 1H 2024, **we revise 2024's full-year GDP growth estimate to 5.4% from 4.5% previously. For 2025, we forecast real GDP growth to sustain at a healthy clip of 5.0%,** reflecting a continued pace of domestic demand, higher private investment and better exports.

  We expect the Government will up its 2024's GDP growth estimate to between 5.0%-5.5% from 4.0%-5.0% currently, and introduce 5.0%-6.0% for 2025 when tabling the 2025 Budget on 18 October 2024.

- **Our baseline scenario is still positive in the near to medium-term.** Consumer spending continues to chalk up higher growth of 6.0% in Q2 (4.7% in Q1), due to the Hari Raya Aidilfitri celebration spending, regular payment of cash assistance, and the withdrawals of RM9.6 billion from the EPF Flexible Account (Account 3) by 3.6 million or 27.5% of total 13.1 million EPF members as of 12 August (RM8.9 billion as of 19 July and RM7.0 billion as of 10 June).

- **Stable labour market conditions will support consumer spending amid rising cost of living and price pressures.** The unemployment rate is holding steady at 3.3% at Q2 2024, and the labour force participation rate hit a record high of 70.5% in Q2 2024. However, nominal wage growth continued to grow marginally in the manufacturing sector (0.4% in Q2 vs. 0.7% in Q1) and services sector (1.8% in Q2 and 1.6% in Q1). After adjusting for inflation, real wages were negative for both sectors.

  Our base case is consumer spending growth should continue at a decent clip, supported by (a) The civil servants' new pay scheme with an average salary increment between 16.8% and 42.7% (with compounding effects) for 1.6 million civil servants (close to 10% of total employment) to be implemented in two phases (December 2024 and January 2026), costing over RM10 billion; (b) Continued tapping on withdrawals from the EPF Flexible Account (Account 3); (c) The impending implementation of new minimum wage (currently at RM1,500 per month) and the pilot run of Progressive Wage Policy (PWP); and (d) Continued quarterly payment of cash assistance (Sumbangan Tunai Rahmah, STR) to targeted households and individuals. The anticipated implementation of subsidy rationalisation for RON95 petrol is expected to temper spending somewhat amid inflationary risk.

  Capital spending by private sector in a form of machinery and equipment, structure and other assets continued to expand further by 12.0% in Q2 (9.2% in Q1), reflecting investors and businesses' optimism on growth and investment prospects ahead.

  Nevertheless, the ACCCIM M-BECS results indicated that increasing cost of doing business remained a key concern, especially for SMEs. It is observed that the increase in prices of raw materials, utility costs, employment cost, as well as rent and logistic costs, being the costs that impacted businesses the most.

- **We strongly believe that private investment remains firmly on an upturn, estimated between 10.0% and 13.5% in 2024-2026**, underpinned by: (a) On-going implementation of multi-year infrastructure projects; (b) Realisation of some approved investments in 2021-2023 and in 2024. For the period 2021-2023, on average, the annual implementation showed that more than 85% of approved manufacturing projects have been implemented. Total approved investment amounted to RM906.6 billion in 2021-2023 and RM160.0 billion in 1H 2024; and (c) Continued capacity expansions and new investment in the manufacturing (semiconductors, transport equipment, chemical and chemical products) and services (renewable energy, ICT, data centres, technology related fields) sectors.

  Several national strategic plans, namely the New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), the Mid-Term Review of the 12th Malaysia Plan (2021-2025), and National Semiconductor Strategy (NSS) are gradually materialising and will be the catalysts for higher investment growth ahead. The finalisation of Johor-Singapore Special Economic Zone (JS-SEZ) between Q4 2024 and Q1 2025 will be a game changer to support investment growth going forward.

  With a plethora of investments streaming in from multinational corporations like Google, Microsoft, ByteDance and Infineon, Malaysia will experience a global tech upcycle, especially where semiconductors, digital infrastructure like artificial intelligence (AI), cloud computing, and electric vehicles (EVs) are concerned.

- **Exports, which have expanded by 6.0% yoy in the first eight months of 2024**, should remain firmly on positive track in 2024 (estimated full-year at 6.0%, revised from 4.0% previously). Underpinning exports are higher external demand, global tech upcycle and firmer commodity and energy prices.

- **The GDP expansion is broad-based across all economic sectors**, with the construction sector registering the strongest growth rate (17.3% in Q2 vs. 11.9% in Q1), followed by agriculture (7.2% in Q2 vs. 1.7% in Q1), services (5.9% in Q2 vs. 4.8% in Q1), manufacturing (4.7% in Q2 vs. 1.9% in Q1) and mining sector (2.7% in Q2 vs. 5.7% in Q1).

  We maintain strong optimism on the construction sector in the near- to medium-term on the back of a strong pipeline of development and infrastructure projects, in addition to rising demand for industrial buildings: (a) Higher construction projects awarded amounting to RM101.2 billion in 1H 2024; (b) Continued residential, industrial and commercial properties development projects; (c) The upcoming anticipated projects include Penang Light Rail Transit (LRT) Mutiara Line, the remaining packages of Pan Borneo Highway Sabah Phase 1B, and Phase 2 of Pan Borneo Highway Sarawak, flood mitigation projects, and new data centres across Selangor and Johor; and (d) The final approvals of other mega projects such as Mass Rapid Transit 3 (MRT3), the Kuala Lumpur-Singapore High Speed Rail (HSR), and Bandar Malaysia, probably in Q4 2024 and in 1H 2025.

  Growth in the services sector will be underpinned by the expansion of trade and business activities, consumption- and tourism-driven services, financial services, information and communication technology services as well as data centres services. In 2022, digital economy contributed about 23.0% to GDP. Malaysia aims to bring that up to 25.5% of GDP in 2025.

  The manufacturing sector will remain firm, supported by continued recovery in production and exports of electronics and electrical products, chemical-based products, building materials, transport equipment and food production.

- **Bank Negara Malaysia maintained its headline inflation estimate at between 2.0% and 3.5% in 2024 (core inflation at between 2.0% and 3.0% vs. SERC's estimated 2.0%)**, citing inflation outlook remains subject to further domestic policy measures as well as risks from external developments, but is not likely to exceed 3% for the year unless there are additional shocks. The balance of risk to inflation outlook in 2024 and 2025 are spillovers from subsidies rationalisation and price controls, volatile global commodity prices and higher inputs cost amid the on-going geopolitical risks, weather disruptions and policy changes post the US Presidential Election.

- **We expect Bank Negara Malaysia to keep its overnight policy rate steady at 3.00% in 2024 and in 1H 2025**, keeping a close watch on any signs of inflation risk, which could come from the public sector employees' salary revision and higher minimum wage.

- **While our baseline remains positive, we have to be mindful of downside risks to the global economy and its spillover effects on domestic economy.** We see the following inter-related risks and issues: 1) Geopolitical conflicts in the Ukraine and Gaza, which could escalate into wider regional conflicts; 2) Trade tariffs amongst the advanced economies; 3) Recessionary fears in the US economy and bumps on China's recovery; and 4) Persistent inflation amid volatile commodity prices and weather disruptions.

2025 Budget to Drive Growth with Fiscal Stability

- Against a backdrop of continuing moderate global growth in 2025 amid a multi-layer of geopolitical conflicts and policy risks, we expect the **2025 National Budget tabling on 18 October 2024, will be a blend of sustaining economic growth with fiscal stability, investment orientation, and supporting long-term sustainable development**.

- We expect the Government **to aim a lower fiscal deficit to GDP ratio of 3.8% for 2025 from estimated 4.3% in 2024** on better federal revenue outturn and continued restraint in operating expenditure.

- We expect the Ministry of Finance to **up its 2024's GDP growth estimate to 5.0%-5.5% from 4.0%-5.0% currently, and introduce 5.0%-6.0% for 2025**. We are looking at 5.4% in 2024 and 5.0% in 2025.

- What fresh economic impetus to enhance Malaysia's investment competitiveness and future viability? What are the thematic priorities? How are citizens going to benefit?

- We expect the 2025 Budget to lay out measures and initiatives in areas of tackling cost of living and business costs pressures, supporting green economy, wage-enhancement and skills development, fostering investment through reducing bureaucracy and strategic investment funds, and strategic budgetary allocations for key sectors (affordable public housing, public transport and infrastructure, ports, roads, healthcare, education and training, and digital infrastructure).

Tackling Cost of Living Pressures

- This year, the Malaysian economy is growing at a faster rate than expected. However, the trickle-down effects and spread of benefits from the economy to all the people at the social pyramid, may not always be the case. The benefits for businesses, are, in fact, very concentrated.
- Rising costs of living, transportation, utilities and other expenses have placed considerable financial burdens on the low- and middle-income households. The Budget will announce further enhancements to Sumbangan Asas Rahmah (SARA) and Sumbangan Tunai Rahmah (STR), helping households with cost-of-living concerns. An average salary increments between 16.8% and 42.7% (with compounding effects) for about 1.6 million civil servants in 2025 and 2026 comes in handy.
- Targeted tax relief and rebate measures for tax payers and households to cope with immediate financial pressures: (a) An increase in personal tax relief to RM12,000 from current RM9,000 (last revision was in 2010); (b) Reintroduce the parental care tax relief (last given in YA2016-2020); (c) Extend the tax rebate of RM400 to individuals with chargeable income not exceeding RM70,000; and (d) House rental payment be given a personal tax relief of up to RM4,000 annually.
- To address the old-age and retirees' financial protection challenge, it is proposed that (a) Higher income relief up to RM8,000 for an increase in the EPF voluntary contribution rates for those aged 55 to 60; and (b) Tax incentives for employers to offset employees' monthly wages to employers who voluntarily re-employ workers after the retirement age 60.

Managing Healthcare Costs and Medical Insurance

- Medical expenses and medical insurance premiums bust the budgets of the low- and middle-income families and limit their access to care through out-of-pocket expenses. In 2023, Malaysia's medical cost inflation was 12.6%, with an average annual increase of 10%–15%, significantly higher than the global average of 5.6%.
- The Budget can consider the following policies to rein in escalating healthcare costs: (a) The establishment of Universal Healthcare Insurance Fund; (b) Introduce hospital fee benchmarks for 21 common surgical procedures and 8 common medical conditions, making transparent about components of the chargeable bills; (c) Capping the level of prices by setting maximum amounts that hospitals and physicians could receive from commercial insurers; (d) Capping the annual growth rate of those prices; and (e) Providing medical insurance subsidies.

Wage-Growth Support Scheme and Skills Development

- The Budget will announce its commitment in training and skills development as well as TVET in collaboration with the GLCs, industry, associations together with the established public and private training institutions.
- With big budget allocations given to manpower development over the years, we have to ensure proper governance of the funds, strengthen the quality of the TVET programs, streamline and monitor these programs.

- The focus on upskilling and reskilling investments not only create a broad-base innovation and startup culture, but also produce a tech-savvy workforce to support the Generative AI system. The Budget is expected to allocate fund for investment in AI, tech skills, data quality and public IT infrastructure for technology.

- The pilot run of the Progressive Wage Policy (PWP) is below expectations. As of 5 August, only 144 companies covering 1,038 employees out of 1,094 companies' voluntary participation in the scheme have met the eligibility to get the co-sharing wage incentive. The Budget is expected to enhance the PWP scheme to encourage a sustainable wage enhancement and skills improvement.

- It is not surprising that the Budget will announce higher minimum wage (currently at RM1,500 per month) and introduce a multi-tiered foreign levy. MSMEs hope that the quantum of increases must not be too steep so as not to overburden them. The levy can be applied to SMEs only two years after its initial implementation for large companies.

Green Investment and Green Technologies

- Attracting more foreign direct investment (FDI) and stimulating domestic direct investment (DDI) will remain the priorities. In the 2024 Budget, several new measures and tax incentives have been provided to invest in high-growth and high-value (HGHV) areas, making Malaysia a compelling investment destination.

- This time round, the 2025 Budget will incentivise sustainability by offering tax benefits like deductions or accelerated depreciation for companies investing in renewable energy, electric vehicles, and other green technologies. Additionally, a carbon tax framework, including emissions trading scheme may be announced.

- Amongst the measures for consideration: (a) Introduce a special tax incentive or allowance equivalent to 100% of capital expenditure for companies undertaking projects that achieve a specified threshold of carbon emission reduction; (b) Income exemptions for the sale of specific products with lower carbon intensity; (c) Eliminate restrictions that limit companies to claiming only one qualifying project for 100% of qualified capital expenditure under Green Investment Tax Allowance (GITA); (d) Implement an automatic top-up mechanism to replenish quotes for Net Energy Metering (NEM) Rakyat Programme and Net Offset Virtual Aggregation (NOVA) Programme when they are nearing full utilization, says 80%.

- As MSMEs still swamped by huge price increases in materials and services, measures to help SMEs manage rising business costs: (a) Raise the first chargeable income that enjoys preferential tax rate of 15% to RM500,000 from RM150,000 currently; (b) Qualifying SMEs and mid-tier companies should be given a corporate income tax rebate of 25%, capped at RM20,000; and (c) For those qualified SMEs that are not making a profit at a certain threshold, a cash payout of RM5,000 should be disbursed to support these businesses.

- On regional development, we expect some budget allocations for specific development programmes and projects in some states.

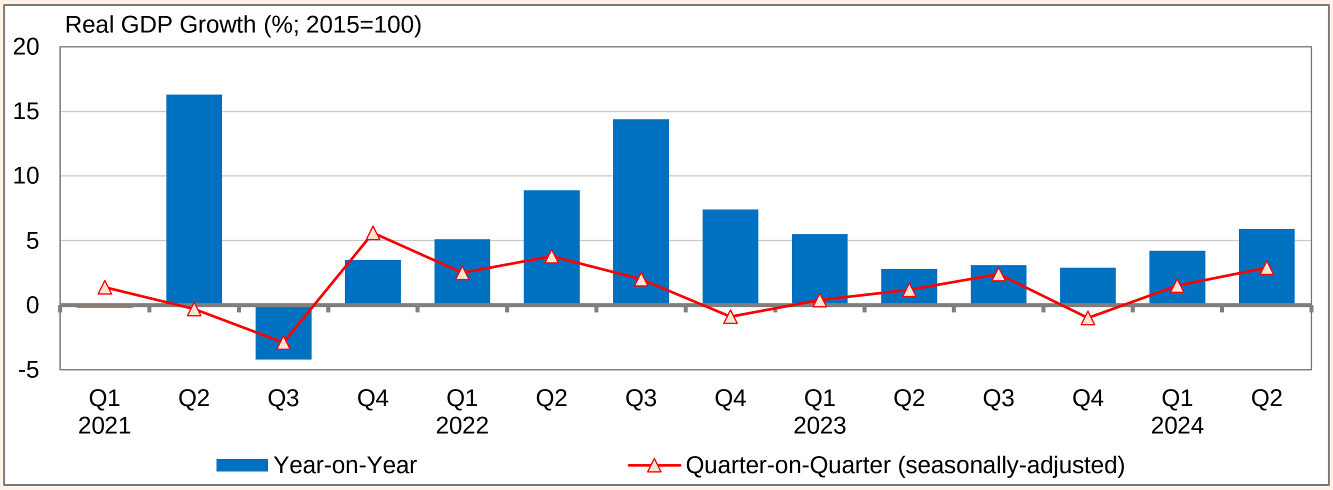
Real GDP growth (%, Y-o-Y)

Economic Sector [% share to GDP in 2023]	**2022**	**2023**	**2024 Q1**	**2024 Q2**	**2024E (SERC)**	**2024F (BNM)**	**2025F (SERC)**
By kind of economic activity							
Agriculture [6.4%]	1.3	0.7	1.7	7.2	3.7	-0.5	2.0
Mining & Quarrying [6.2%]	3.5	0.5	5.7	2.7	3.1	3.5	2.0
Manufacturing [23.4%]	8.1	0.7	1.9	4.7	4.2	3.5	4.2
Construction [3.6%]	5.1	6.1	11.9	17.3	15.8	6.7	13.8
Services [59.2%]	11.0	5.1	4.8	5.9	5.7	5.5	5.4
By type of expenditure							
Private Consumption [60.7%]	11.3	4.7	4.7	6.0	5.3	5.7	5.4
Public Consumption [13.2%]	5.1	3.3	7.3	3.6	4.7	3.2	5.8
Private Investment [15.5%]	7.2	4.6	9.2	12.0	10.0	6.1	11.5
Public Investment [4.6%]	5.3	8.6	11.5	9.1	9.9	6.2	7.8
Exports of Goods and Services [66.1%]	14.5	-8.1	5.2	8.4	8.3	4.0	6.0
Imports of Goods and Services [61.7%]	16.0	-7.4	8.0	8.7	8.6	4.1	8.9
Overall GDP	**8.9**	**3.6**	**4.2**	**5.9**	**5.4**	**4.0-5.0**	**5.0**

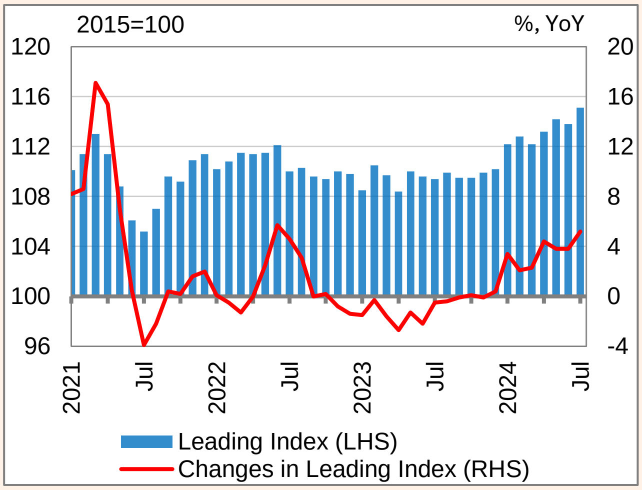
Source: Department of Statistics, Malaysia (DOSM); SERC estimates and forecast

Spotlight on the Malaysian Economy

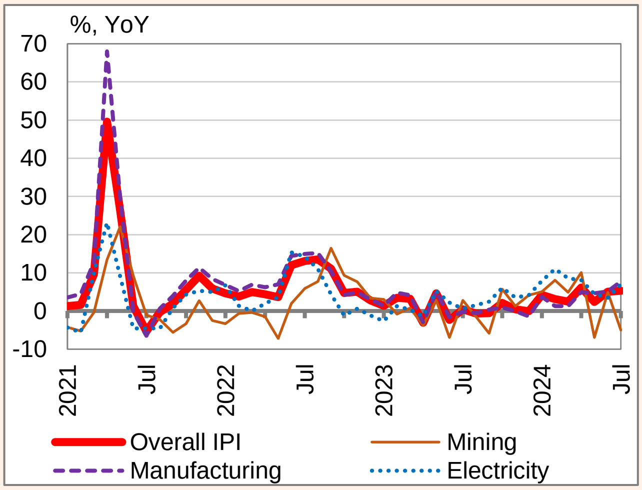
Malaysia's GDP expanded by 5.9% yoy in the second quarter of 2024, underpinned by domestic demand and stronger exports.



Leading Index (LI) suggested a strengthening economy in Q4

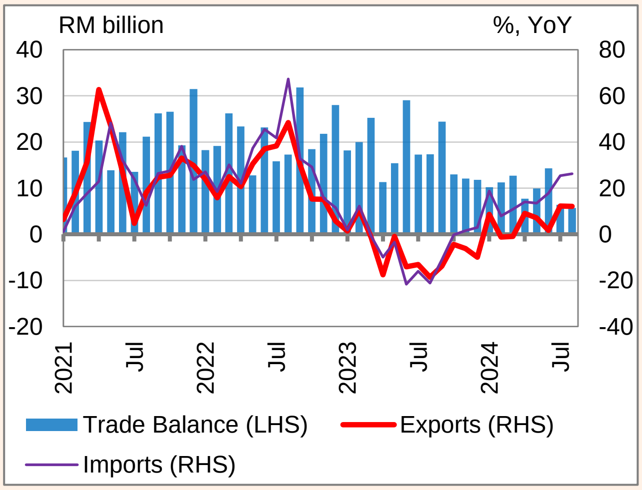


Industrial production growth started well in 2H, helped by the manufacturing sector

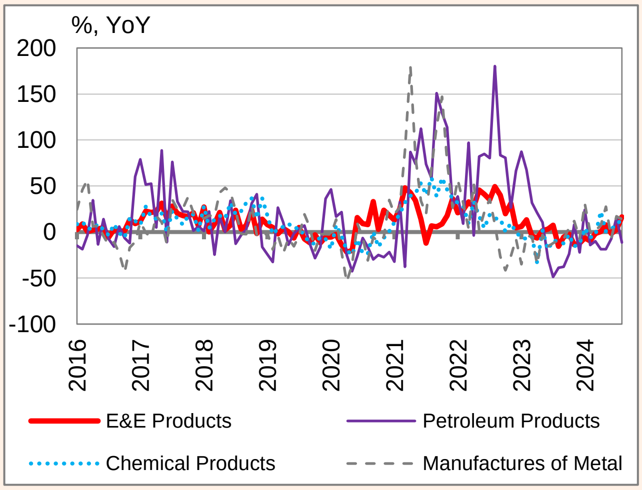


External Sector

While export growth was strong, trade surplus has been narrowing recently

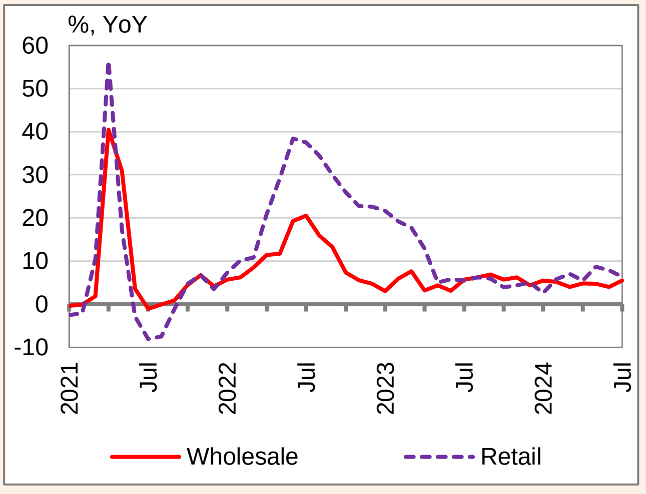


Exports by major products

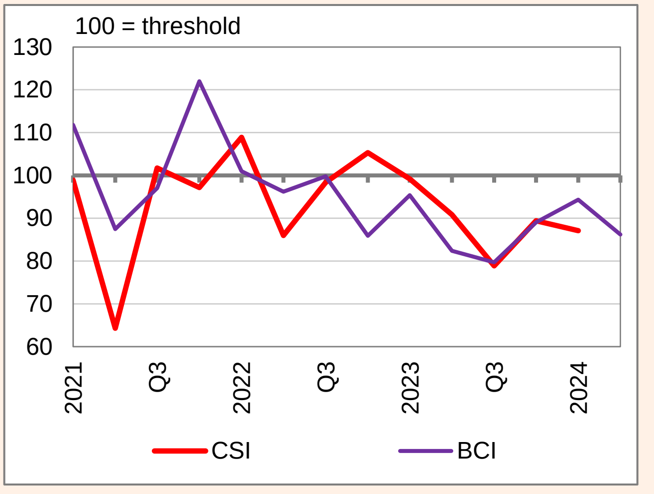


Domestic Demand

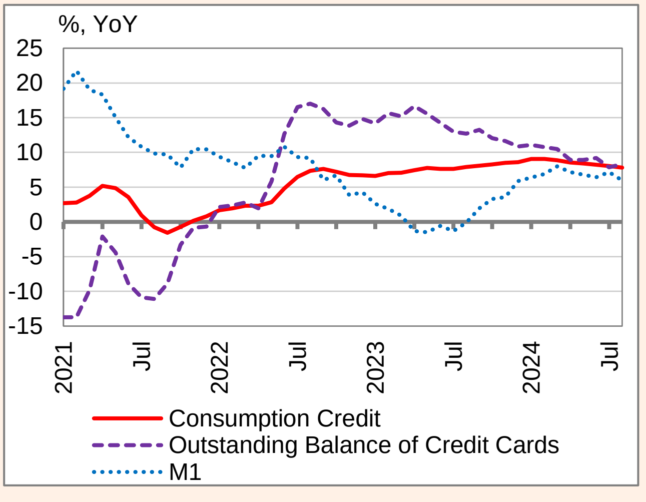
Wholesale and retail activities remained intact



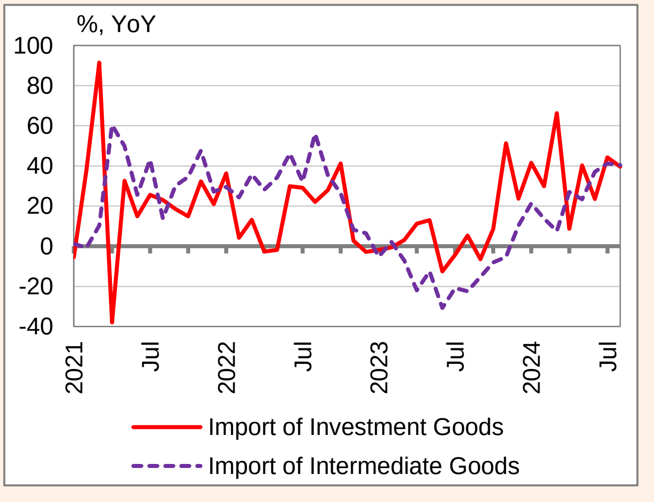
However, consumer and business sentiment remained downbeat



Selected private consumption indicators

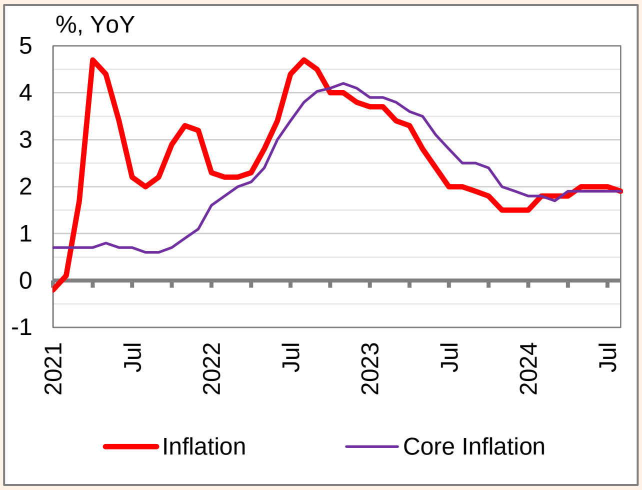


Selected private investment indicators

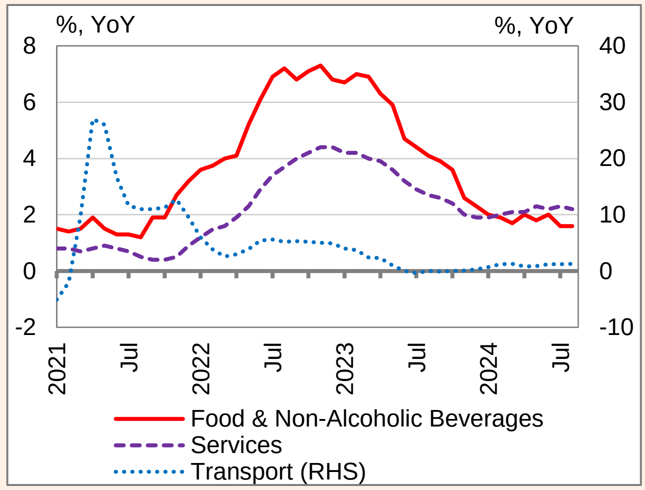


Price Indicators and Labour Market

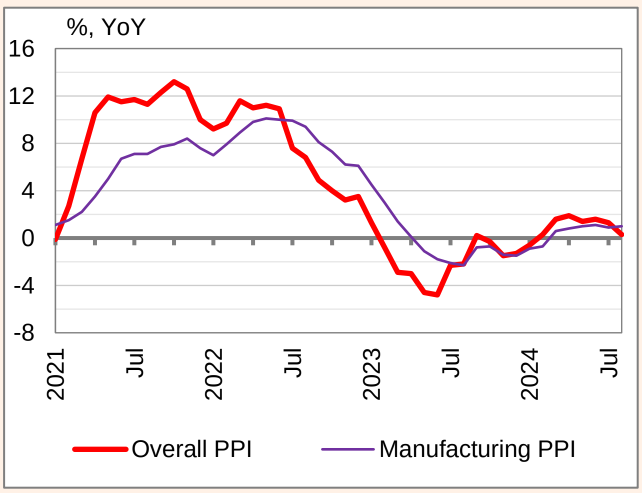
Inflation rate hovered between 1.8% and 2.0% in Feb-Aug



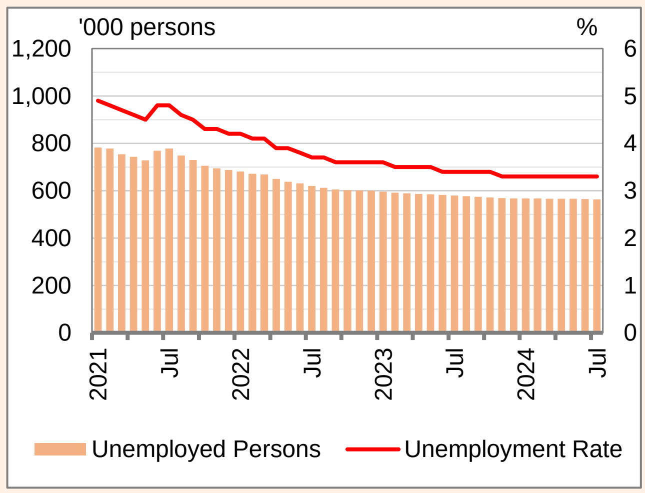
Food inflation eased to 1.6% in Jul-Aug, lowest since Aug 2021



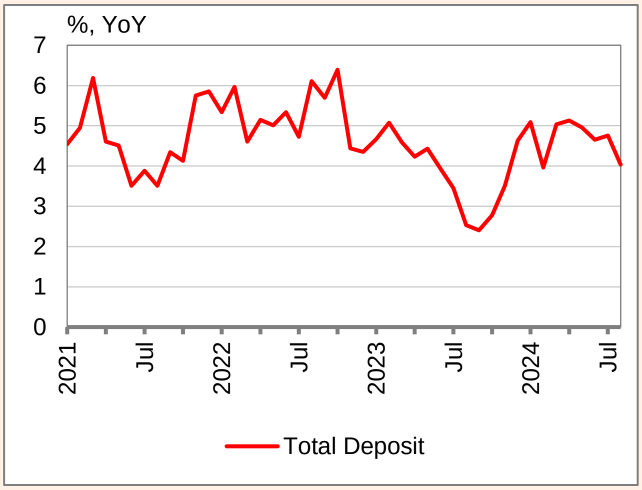
Producer prices increased marginally in Aug on declining crude material prices



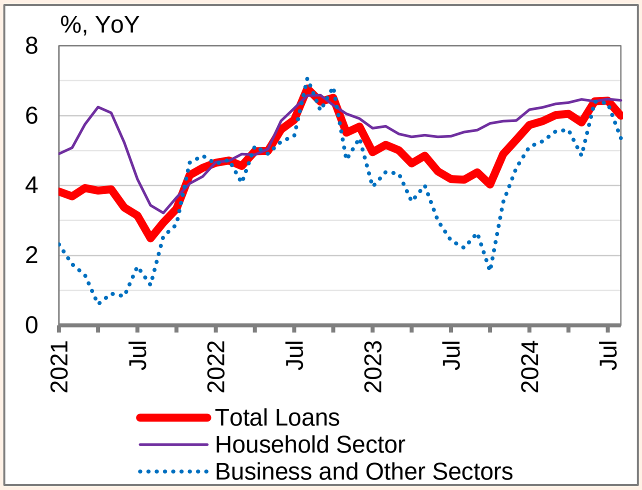
Labour force participation rate is climbing up and registered 70.4% in Jul



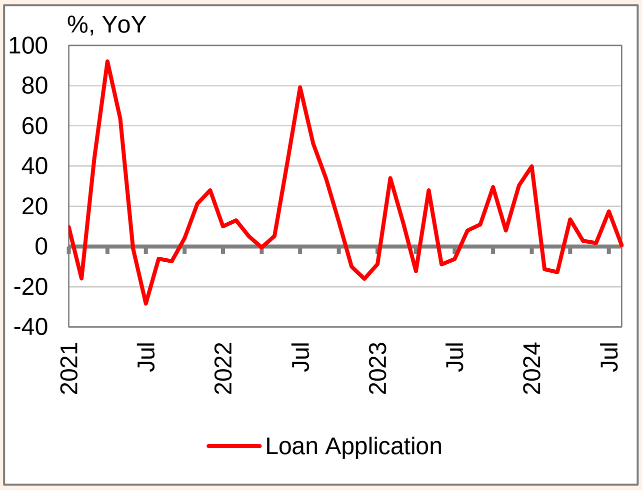
Banking deposit growth continues to moderate



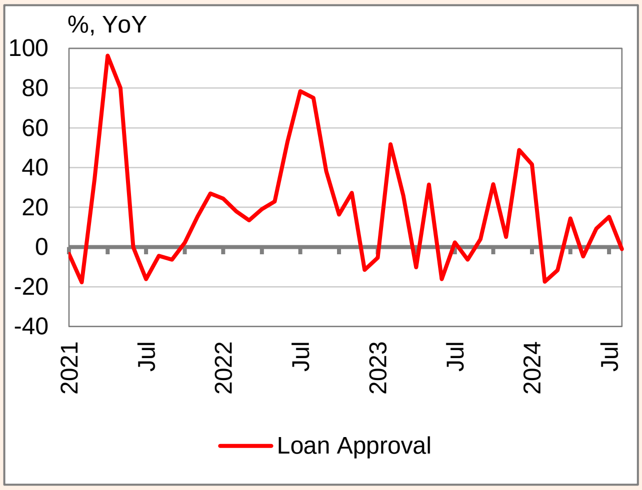
Continued business loan demand from the distributive trade and finance sectors



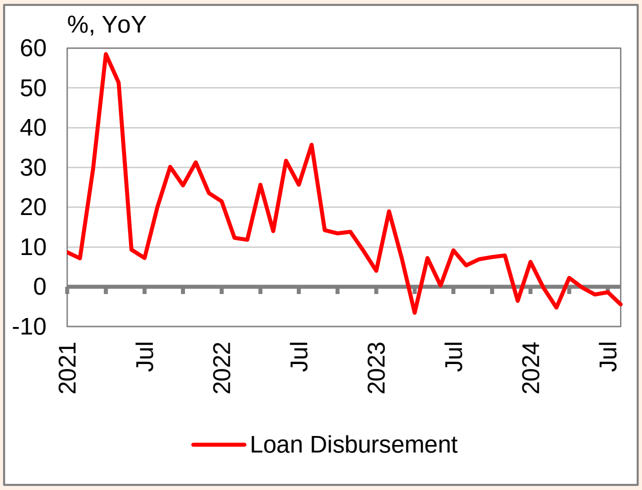
Loan applications growth



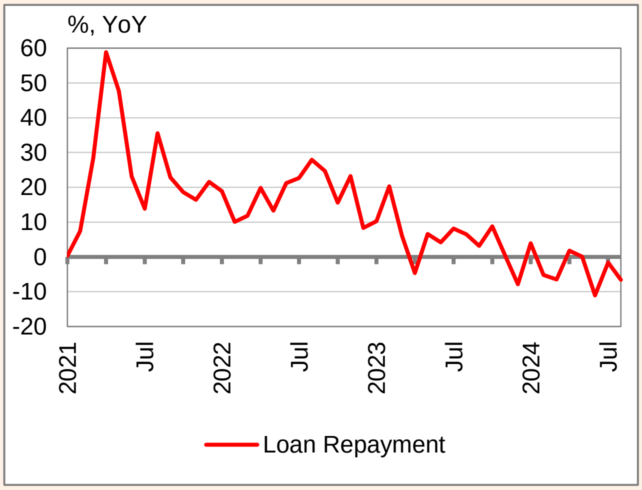
Loan approvals growth



Loan disbursements growth

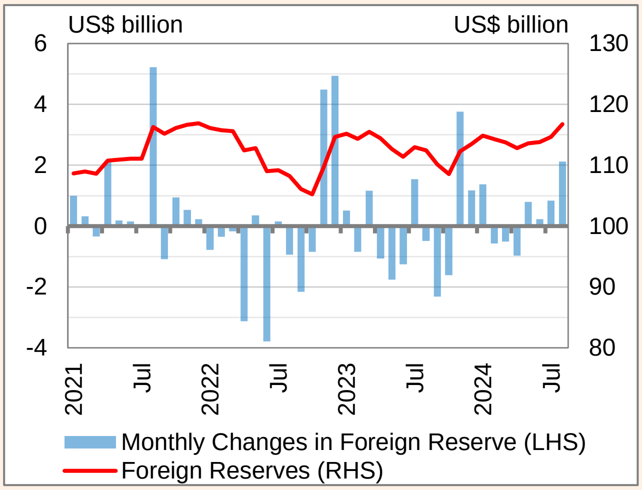


Loan repayments growth

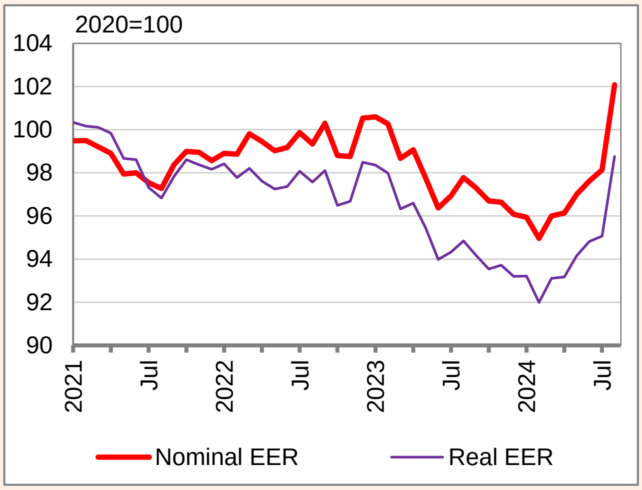


Note:: Loan data from July 2022 onwards was revised and expanded based on the latest requirements with more accurate data definition and reporting methodology. Outstanding loan excludes DFI.

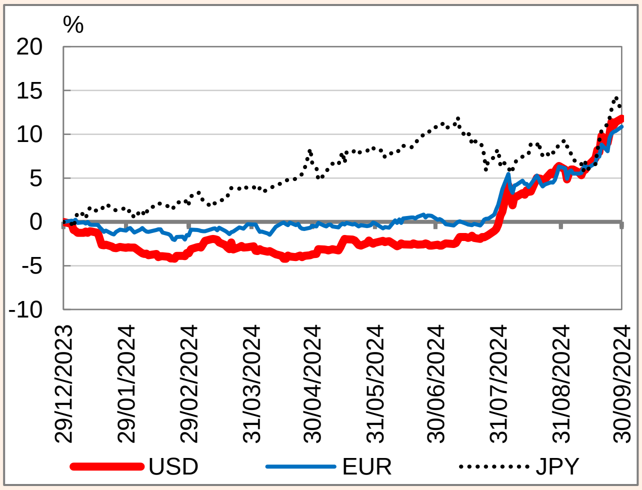
Foreign reserves rose to US$117.6 billion as at 13 Sep 2024



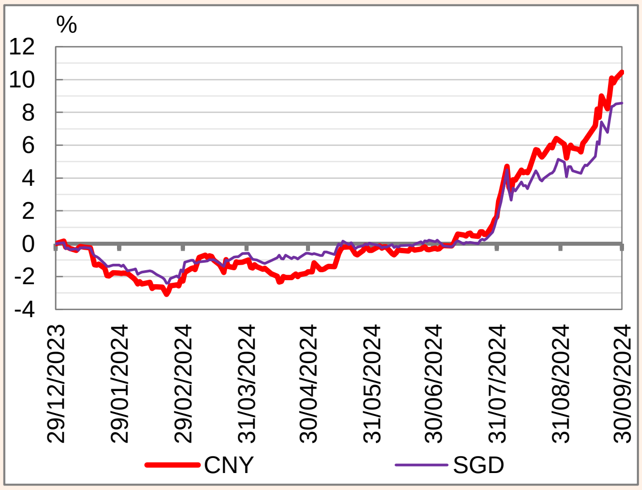
Ringgit's Effective Exchange Rate (EER)



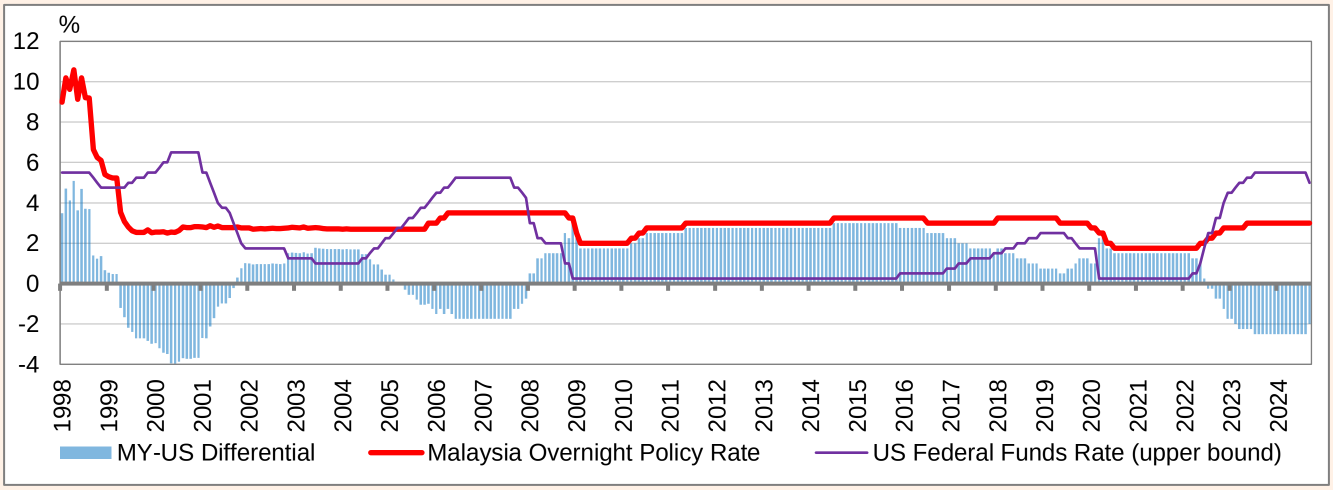
The Ringgit against the US dollar, euro and Japanese yen



The Ringgit against the Chinese renminbi and Singapore dollar



Malaysia-US's interest rate differentials



Source: Department of Statistics, Malaysia (DOSM); Malaysian Institute of Economic Research (MIER); Bank Negara Malaysia (BNM); Bank for International Settlements; Federal Reserve

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About SERC

The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)'s Socio-Economic Research Centre (SERC Sdn. Bhd.) was established as an independent and non-profit think tank on 19 October 2010. Officiated by YAB Prime Minister on 28 April 2011, SERC is funded by ACCCIM SERC Trust.

SERC is tasked with carrying out in-depth research and analysis on a wide range of economic, business and social issues in support of the formulation of public policies to shape Malaysia's national socio-economic and industrial development agenda.

The organization will identify and explore issues and future trends that impact domestic economic and business environments. It will also focus on sharing knowledge and promoting public understanding of socio-economic issues of national importance.

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