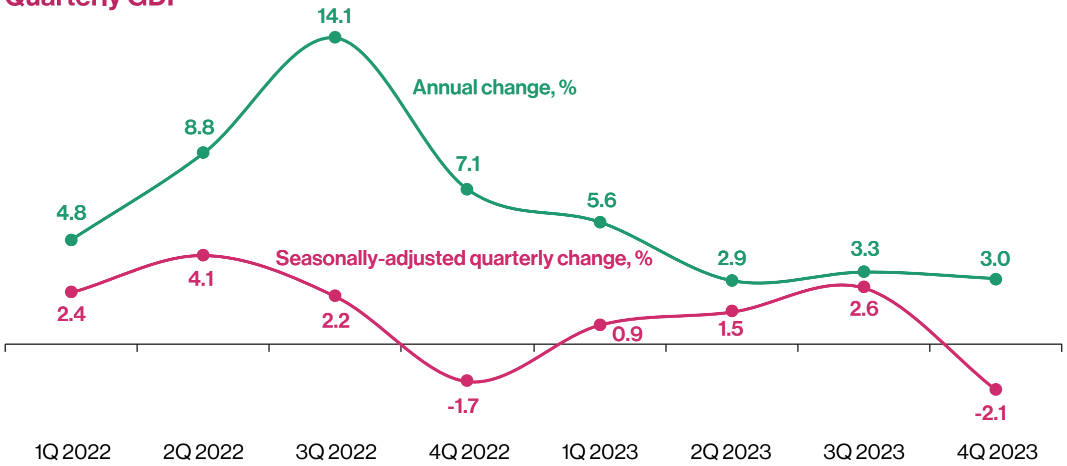
Developments in the Malaysian Economy

Gross Domestic Product

GDP grew by 3% in 4Q 2023. Overall 2023 growth normalised to 3.7% (2022: 8.7%)

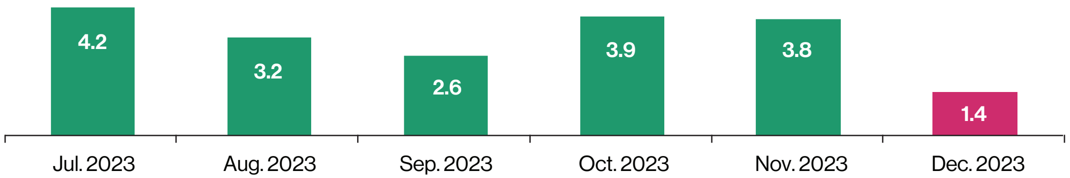
Quarterly GDP



Slower economic activity in December weighed on 4Q 2023 growth

Monthly GDP

Annual change, %



Source: Department of Statistics, Malaysia

What factors support growth in 4Q 2023?

Continued household spending

Improvement in labour market conditions

Further recovery in tourism activities

Sustained investment activity

Which sectors affected growth in December 2023?

Services (Dec: 3%)
Nov: 5.5%; Oct: 4.1%

Manufacturing (Dec: -1.5%)
Nov: -0.2%; Oct: 0.9%

Developments in the Malaysian Economy

Malaysia's Economic Performance

Higher domestic demand

Annual change, %

Private Consumption

4.2%
(3Q 2023: 4.6%)

Continued household spending in both necessities and discretionary items

Private Investment

4%
(3Q 2023: 4.5%)

Support from capacity expansion by firms and further progress in ongoing projects

Public Consumption

7.3%
(3Q 2023: 5.8%)

Higher supplies and services spending by the Government

Public Investment

11.3%
(3Q 2023: 7.5%)

Higher capital expenditure by Government and public corporations

Net Exports

-35.6%
(3Q 2023: -22.7%)

Higher imports outpaced exports

Expansion in most economic sectors

Annual change, %

Services

4.2%
(3Q 2023: 5%)

Ongoing recovery of tourism activities weighed by contraction in finance and insurance subsector

Manufacturing

-0.3%
(3Q 2023: -0.1%)

Continued weakness in E&E cluster amid tech downcycle, offsetting resilient growth in domestic-oriented clusters

Construction

3.6%
(3Q 2023: 7.2%)

Further expansion in civil engineering subsector weighed by weak non-residential activities

Mining

3.8%
(3Q 2023: -0.1%)

Improvement in natural gas and oil production

Agriculture

1.9%
(3Q 2023: 0.9%)

Expansion in oil palm production amid improved labour supply

Source: Department of Statistics, Malaysia

Developments in the Malaysian Economy

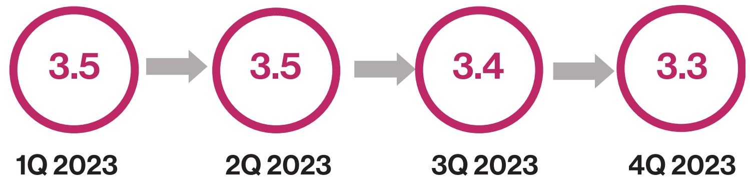
Labour Market Conditions

Labour market continued to improve

- The unemployment rate declined further to 3.3% in 4Q 2023 (3Q 2023: 3.4%), reaching pre-pandemic levels.
- Employment improved to 16.35 million persons in 4Q 2023 (3Q 2023: 16.25 million persons) amid continued demand for labour.
- Labour supply remained forthcoming as the labour force participation rate was sustained at 70.1% in 4Q 2023 (3Q 2023: 70.1%).

Lower unemployment rate

Unemployment rate, % of labour force



Source: Department of Statistics, Malaysia

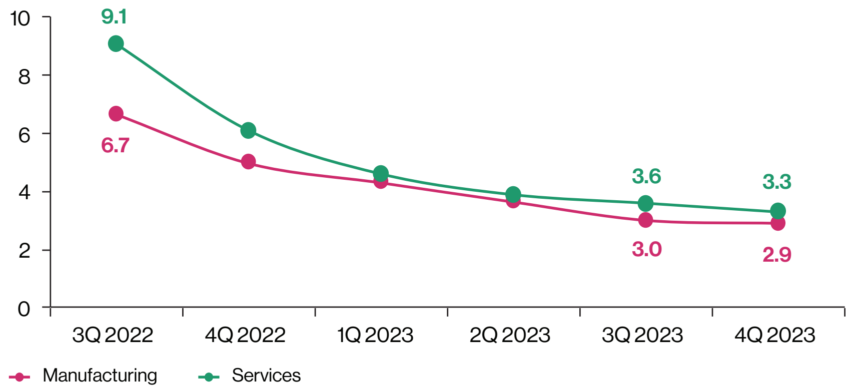
Higher real wages as inflation declines

Private sector wages, Annual change, %

Note: Private sector wages refers to wages of workers in the manufacturing and services sector.

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

Sectoral nominal wages, Annual change, %



Developments in the Malaysian Economy

Disinflation trend continued amid easing cost environment

Headline and core inflation continued to moderate during the quarter

Annual change, %

- *Headline inflation declined further, with core inflation moderating to its long-term average*

Selected Non-Core Item

Fresh food		**0.5%** (3Q 2023: 1.9%)

Selected Core Items

Food away from home		**4.3%** (3Q 2023: 6%)
Food at home		**1.6%** (3Q 2023: 2.8%)
Repair and maintenance of personal transport		**4.7%** (3Q 2023: 6.7%)

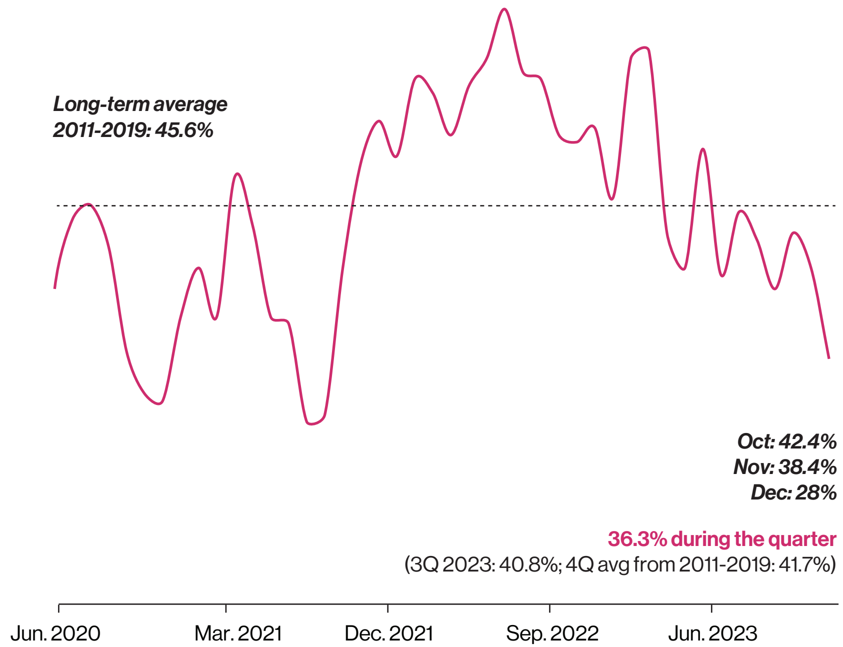
Note: Core inflation is computed by excluding price-volatile and price-administered items from headline inflation.

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

Inflation pervasiveness declined further

Share of CPI items recording month-on-month price increase, %

- *Fewer items recording higher prices in the quarter*



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

Developments in the Malaysian Economy

External Sector Development

Smaller decline in exports, while imports growth turned positive

Gross exports
-6.9% (3Q 2023: -15.2%)

Improving exports of non-E&E products and commodities

Gross imports
1.3% (3Q 2023: -16.3%)

Higher imports of capital and intermediate goods

Continued current account surplus with outflows in financial account

Current Account
RM0.3 bil; 0.1% of GDP
(3Q 2023: RM9.1 bil; 2% of GDP)

Driving factors:
- Marked increase in primary income deficit due to higher investment income accrued to foreign investors in Malaysia.

Which is offset by:
- Continued goods surplus underpinned by improvement in exports as demand from key trade partners improved.
- Narrower services deficit reflecting higher travel receipts amid the ongoing recovery in inbound tourism.

Financial Account
Net outflows RM19.9 bil
(3Q 2023: Net inflows RM14.9 bil)

Driving factors:
- Net outflows in other investment, driven mainly by higher repayment for interbank borrowing by onshore banks.
- Net outflows in portfolio investment due mainly to acquisition of debt securities abroad by resident investors.

Which offset:
- Higher FDI inflows particularly in the ICT and manufacturing sectors.

Source: Department of Statistics, Malaysia, Bank Negara Malaysia

External debt declined slightly

RM1.24 trillion or 68.2% of GDP
(3Q 2023: RM1.25 trillion or 69% of GDP)
- Lower interbank borrowings due to repayments by domestic banks.
- Maturity of bonds and notes.

External debt remained manageable

% of total external debt

CURRENCY	**Ringgit-denominated: 33.1%** *Unaffected by ringgit exchange rate fluctuations* **FCY-denominated: 66.9%** *of which 65% is subject to BNM prudential & regulatory requirements and 16.6% are due to intragroup loans*
MATURITY	**Medium- and long-term: 58.3%** *Limited rollover risks*

International Investment Position

RM119.4 billion (3Q 2023: RM94.9 billion)

International Reserves* USD114.8 billion

- **5.4 months** of imports of goods and services.
- **1 time** of short-term external debt.

* As at 31 January 2024.

Source: Ministry of Finance Malaysia, Department of Statistics Malaysia and Bank Negara Malaysia