Summary of BNM Annual Report 2024

This summary is prepared based on information from the following reports of Bank Negara Malaysia (BNM):
1. Annual Report 2024
2. Economic and Monetary Review 2024

Malaysia's Economic Performance in 2024

Malaysia's economy grew by 5.1% in 2024, an improvement from 3.6% in 2023, driven by stronger domestic demand and sustained private and public sector expenditure. Household spending increased, reflecting improvements in employment and income levels.

Public Sector Performance

- **Public consumption** expanded by 4.7% (2023: 3.3%), supported by higher spending on emoluments, supplies and services, particularly due to salary increments and new hirings in the public sector.
- **Public investment** grew by 11.1% (2023: 8.6%), driven by Government fixed asset spending and expansion by public corporations, particularly in transportation, oil and gas (O&G) and utilities.

Private Sector Contribution

- **Private consumption** rose by 5.1% (2023: 4.7%), supported by higher employment and wage growth. Overall employment increased by 2.6%, while aggregate nominal wages expanded by 2.9% in the private sector and 5% in the public sector.
- **Private investment** surged by 12.3%, marking its highest growth in a decade (2023: 4.6%). This reflects steady project implementation, amid the high investment approvals in 2023.
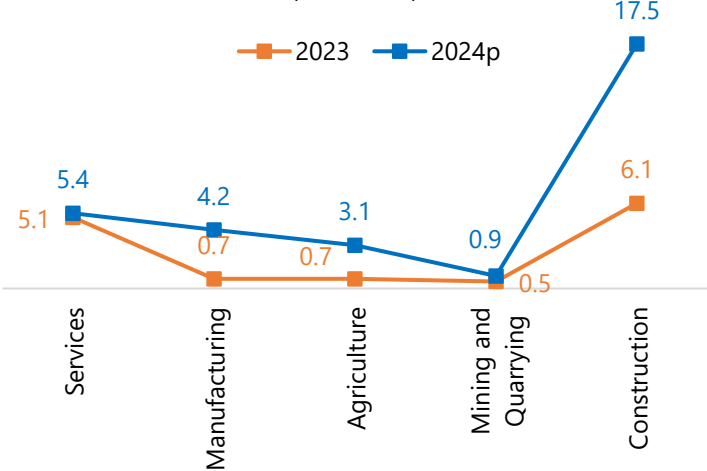
Inflation Trends

- **Headline inflation** moderated to an average of 1.8%, below the historical average of 2.2% (2011–19), as cost pressures eased. Notably, inflation slowed for food and non-alcoholic beverages to 2% (2023: 4.8%) and restaurants and hotels to 3.1% (2023: 5.6%).
- **Underlying inflation**, as measured by core inflation, also eased to 1.8% (2023: 3%), indicating stable demand conditions despite strengthened domestic consumption.
- While private consumption growth improved, it remained below its long-term average (2024: 5.1%; 2011–19 average: 7.1%), suggesting that demand conditions remained moderate rather than overheated.

Economic Sector Performance

All economic sectors posted higher growth in 2024, particularly for the services and manufacturing sectors.

Real GDP by Kind of Economic Activity
(2015=100)

Legend: 2023, 2024p

	Services	Manufacturing	Agriculture	Mining and Quarrying	Construction
2024p	5.4	4.2	3.1	0.9	17.5
2023	5.1	0.7	0.7	0.5	6.1

Source: BNM
Note: p = preliminary

Services Sector

- Expanded by 5.4% (2023: 5.1%), mainly driven by business-related subsectors.
- Real estate and business services grew in tandem with strong construction activity.
- Transport and storage subsector benefited from trade recovery and increased air passenger traffic.
- Finance and insurance subsector rebounded, mainly due to higher net interest income and stronger financing activity.

Manufacturing Sector

- Grew by 4.2% (2023: 0.7%) due to a rebound in export-oriented clusters following stronger global trade and tech upcycle.
- Electrical and electronics (E&E) industry benefited from higher semiconductor sales, driven by demand in consumer electronics, computing, and data centres.
- Consumer-related industries expanded due to higher crude palm oil production and increased motor vehicle output.

Agriculture Sector

- Recorded a growth of 3.1% (2023: 0.7%), driven by higher oil palm output.
- Increased yields due to better-trained workers and higher fertiliser application during 2022–23 period.

Mining Sector

- Expanded by 0.9% (2023: 0.5%), mainly due to increased gas production from existing fields and new fields (such as Jerun & Kasawari, Sarawak).

Construction Sector

- Posted a decade-high growth of 17.5% (2023: 6.1%), mainly driven by special trade and civil engineering subsectors.
- The special trade growth supported by site preparation and electrical installation for industrial and civil engineering projects.
- The civil engineering subsector boosted by progress in multi-year infrastructure projects, especially in transportation.
- The residential subsector saw higher activity due to new housing projects, aligned with stronger housing demand amid better income and employment conditions.
- The non-residential subsector rebounded strongly, led by industrial and commercial projects.

Annual Change (%) of GDP in Construction Sector

	2021	2022	2023	2024p	2025f
	-5.2	5.1	6.1	17.5	11.0
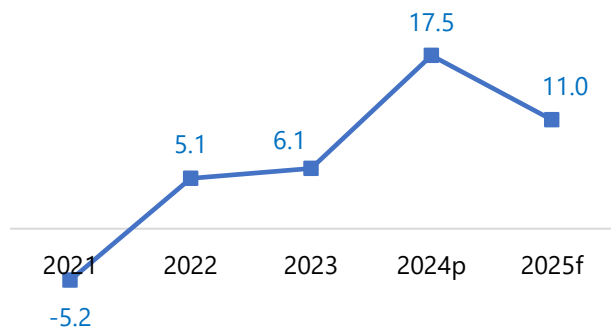
Source: BNM
Note: p = preliminary; f = forecast

Labour Market Condition

- **Employment grew** by 2.6% (+423,800 persons) in 2024, compared to 2.8% (+439,200 persons) in 2023.

- The services sector was the main driver of employment growth, particularly in wholesale and retail trade, as well as food and beverage subsectors.

- Overall **wage growth** was modest, with private sector wages increasing by 2.9% in 2024, down from 3.8% in 2023, due to cautious employer wage-setting behavior.

- **Labour productivity growth**, measured by real value-added per employment, improved significantly to 2.4% in 2024, up from 0.7% in 2023, with broad-based gains across all sectors, particularly manufacturing.

| Selected Labour Market Indicators	2023	2024
Employment ('000 persons)	16,201	16,625
Labour force rate (% of working age population)	70.0	70.5
Unemployment rate (% of labour force)	3.4	3.2
Jobless claims (persons)	49,982	57,719
Non-Malaysian citizens employment ('000 persons)	2,200	2,359

Note:
1. The employment, unemployment, labour force participation rates and non-Malaysian citizens employment are estimated based on quarterly averages from the Labour Force Survey.

2. Jobless claims refers to claims by insured person who had lost his employment and does not include voluntary resignations and retrenchment due to misconduct.

Source: Department of Statistics, Malaysia

Household Debt

- Household loan growth remained steady at 5.9% in 2024 (2023: 5.6%), driven by housing and vehicle purchases.
- Improved employment and income levels supported credit demand, while repayment capacity remained stable, with a declining share of borrowers requiring repayment assistance.
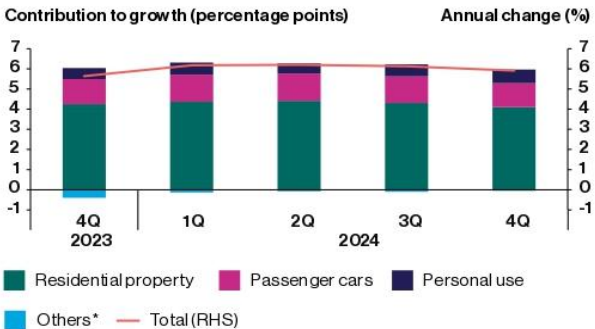
*Includes purchase of non-residential property, securities, credit card and others.

Source: Bank Negara Malaysia

Glossary

1. Headline inflation - the annual price increase for a basket of items that are commonly consumed by an average household. For Malaysia, headline inflation is computed based on the Consumer Price Index (CPI) basket.
2. Underlying inflation - the persistent trend component of inflation. It is typically constructed by removing the transitory and seasonal components from headline inflation.
3. Core inflation – computed by excluding price-volatile and price-administered items.