

Malaysia: Brief Profile

2025

Domestic Economy

- ❖ The real GDP of Malaysia expanded at an estimated 5.1% in 2024 after recording a growth of 3.6% in 2023.
- ❖ In absolute terms, GDP of Malaysia stood at an estimated US\$ 419.6 billion in 2024, with per capita GDP of US\$ 12,540.7 (est.).
- ❖ Average consumer price moderated, and the country recorded an inflation of an estimated 1.8% in 2024, against an inflation of 2.5% in 2023.
- ❖ Services sector dominates the economy, accounting for 54.1% of Malaysia's GDP in 2023. It was followed by industrial sector (38.1% of GDP) and agricultural sector (7.8%).

BASIC FACTS

Land area: 330,252 sq km

Population: 33.5 million (2024; estimate)

Language: Malay, Chinese, English, Tamil, Iban (in Sarawak), Banjar (in Sabah)

Currency: Ringgit or Malaysian dollar (M\$ or RM)

GDP: US\$ 419.6 billion (2024; est)

Exports: US\$ 344.6 billion (2024; est)

Imports: US\$ 289.2 billion (2024; est)

Sovereign Rating: A- (S&P's)

Trade and Current Account Balance

- ❖ Malaysia's exports increased to an estimated US\$ 344.6 billion in 2024 from US\$ 313.0 billion recorded in the preceding year.
- ❖ Malaysia's imports also increased to an estimated US\$ 289.2 billion in 2024, as compared to US\$ 265.7 billion recorded in 2023.
- ❖ Accordingly, Malaysia's trade surplus increased to an estimated US\$ 55.4 billion in 2024, as compared to US\$ 47.3 billion recorded a year ago.
- ❖ Electrical machinery and equipment were the major export item of Malaysia, accounting for 36.8% of Malaysia's exports in 2024. Other products in Malaysia's export basket in the same year comprised mineral fuels, oils, distillation products (14.4% of the total exports), machinery and mechanical appliances (9.7%), animal, vegetable fats and oils (5.7%), optical, photographic, cinematographic and medical equipment (4.7%) and plastic and its articles (2.9%).

- ❖ Malaysia's major imports in 2024 included electrical equipment (26.7% of the total imports), mineral fuels, oils, distillation products (16.4%), machinery and mechanical appliances (13%), plastics and its articles (3%), vehicles other than railway and tramway (2.7%) and optical, photographic, cinematographic and medical equipment (2.4%).
- ❖ Singapore was the major export destination of Malaysia in 2024 accounting for 15.3% of Malaysia's total exports. Other major export destinations in the same year included USA (13.2% of the total exports), China (12.4%), Hong Kong (5.9%), Japan (5.5%), and Taiwan (4.4%).
- ❖ The main sources of Malaysia's imports in 2024 were China (21.3% of the total imports), Singapore (12.1%), USA (9.2%), Taiwan (8%), Japan (5.1%), and Indonesia (4.5%).
- ❖ Malaysia's current account surplus increased to an estimated US\$ 7.1 billion (1.7% of GDP) in 2024, as compared to US\$ 6.2 billion (1.6% of GDP) in 2023.

Foreign Direct Investment, Foreign Exchange Reserves, and Exchange Rate

- ❖ According to the *World Investment Report 2024* of the UNCTAD, foreign direct investment (FDI) inflows to Malaysia decreased from US\$ 16.9 billion in 2022 to US\$ 8.6 billion in 2023.
- ❖ According to the same report, FDI outflows from Malaysia during the same period also decreased to US\$ 7.6 billion in 2023, from US\$ 13.3 billion in 2022.
- ❖ Malaysia's foreign exchange reserves increased moderately to an estimated US\$ 116.2 billion in 2024, as against US\$ 113.5 billion in 2023. Reserves reflected an import cover of over 5.1 months.
- ❖ The Malaysian ringgit remained around M\$ 4.6: US\$ 1 during 2023 and 2024.

Country Rating

- ❖ *Standard & Poor's Sovereign Ratings* rated Malaysia as A- (more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong) with a 'stable' outlook.
- ❖ *Dun and Bradstreet's (DB) Country Risk Indicator*¹, February 2025 rates Malaysia as DB3d (slight risk, which implies – enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposure). The trend of D&B's ratings for Malaysia falls under the 'stable' category.
- ❖ According to *Organization for Economic Co-operation and Development (OECD)*² country risk classifications of January 31, 2025, Malaysia was placed at category '2', which is same as its previous ranking.
- ❖ *Moody's Investor Services*³, in its March 14, 2025, rating, Malaysia was placed in the A3 category (low level of credit risk: obligations are judged to be of the upper medium grade) with a 'stable' outlook.

Macroeconomic Outlook

- ❖ Real GDP growth is expected to expand at a decent pace of 4.1% in 2025, albeit easing slightly from 5.1% in 2024. Export growth is expected to ease from the rapid pace set in 2024, but to remain firmly in positive as demand for electronics remains robust. The outlook is clouded by tilt in US' trade policy. International tourist arrivals are expected to recover to pre-pandemic levels in 2025, supporting the services sector

¹ The DB risk indicator is divided into seven bands (DB1 to DB7, in the increasing order of risk). Each band is further divided into quartiles (a-d, ranging low to high), except the DB7 band.

² The OECD Country Risk Classification measures country credit risk, i.e. the likelihood that a country will service its external debt, on a scale of 0 -7 (where 0 is the lowest risk category and 7 is the highest).

³ Moody's Investor services ranks countries in nine categories Aaa, Aa, A, Baa, Ba, B, Caa, Ca and C, according to increasing order of risk. Numerical modifiers 1, 2, and 3 are appended to each generic rating classification. The modifiers 1, 2 and 3, respectively indicate that the obligation ranks in the higher end, mid-range, and lower end of its generic rating category.

and exports. Resilient private consumption and investment will continue to bolster economic growth this year.

- ❖ Consumer price inflation is estimated to average 2.4% in 2025, accelerating slightly from 1.8% in 2024. The increase mainly reflects domestic policies, such as the removal of petrol subsidies, higher wages for civil servants and the broadening of taxes. However, inflation at that level is unlikely to worry the central bank, which does not have a specific target but aims broadly to maintain price stability.
- ❖ The ringgit is estimated to appreciate marginally to M\$ 4.45 : US\$1 in 2025 and then depreciate to about M\$ 4.56:US\$1 in 2026. The currency movement largely stems from investors' concerns that protectionist policies globally are likely to weigh on the ringgit, affecting the currency via two channels. First, as a trade-dependent economy, Malaysia is directly exposed to trade tensions. Second, the potential inflationary impact of US' policies in the US which is leading to a reassessment of the future path of interest rates there and, hence, the US-Malaysia interest-rate differential.
- ❖ The external sector would persist as an important economic driver for Malaysia during 2025-29, with the country's goods trade surplus set to remain wide as a result of its increasing integration into global electronics supply chains. Malaysia enjoys competitive advantages in the manufacture and assembly of semiconductors, automotive and computer parts and other intermediate inputs. The authorities are expected to focus on the development of electric vehicle components (such as batteries), in order to capture supply-chain investment (and move Malaysia up the value chain) for new emerging industries.

Malaysia: Economic Structure

| Economic Indicators | 2020 | 2021 | 2022 | 2023 | 2024 ^e | 2025 ^f | 2026 ^f |
|-----------------------------------------------------------------------------------------|-------|-------|-------|-------|-------------------|-------------------|-------------------|
| GDP at market prices (US\$ bn) | 337.5 | 373.8 | 407.6 | 399.7 | 419.6 | 445.0 | 475.1 |
| Real GDP growth (%) | -5.5 | 3.3 | 8.9 | 3.6 | 5.1 | 4.1 | 3.8 |
| Consumer price inflation (avg., %) | -1.1 | 2.5 | 3.4 | 2.5 | 1.8 | 2.4 | 2.2 |
| Population (mn) | 32.4 | 32.6 | 32.7 | 33.1 | 33.5 | 33.9 | 34.2 |
| Exports of goods (US\$ bn)* | 234.8 | 299.4 | 352.1 | 313.0 | 344.6 | 365.4 | 378.1 |
| Imports of goods (US\$ bn)* | 190.9 | 238.2 | 293.8 | 265.7 | 289.2 | 309.5 | 330.0 |
| Current-account balance (US\$ bn) | 14.1 | 14.5 | 13.0 | 6.2 | 7.1 | 7.3 | 8.4 |
| Total International Reserves (US\$ bn)* | 107.6 | 116.9 | 114.7 | 113.5 | 116.2 | 118.4 | 122.4 |
| Exchange rate (avg.; M\$: US\$) (Local Currency: Ringgit or Malaysian dollar (M\$))* | 4.2 | 4.1 | 4.4 | 4.6 | 4.6 | 4.5 | 4.6 |

Note:* Sourced from EIU, ^e- Estimate; ^f- Forecast

Source: WEO, IMF (April 2025) & EIU Country Report.