

Strong 2022 GDP

13 FEBRUARY 2023

- Malaysia's 4Q 2022 economic growth clocked in at **7.0% YoY** (3Q: 14.2%), exceeding market expectations (median Bloomberg) of 6.7% thanks to 1) seasonal spending such as year-end holidays, festive and election spending, 2) better income conditions, 3) recovery in tourism activities, among others. **All sectors recorded positive growth** - albeit at a slower pace compared to 3Q (refer Table 1). **On the expenditure side** (refer Table 2), the expansion was contributed by **still resilient domestic demand** mainly in the **private sector**.
- For the full year of 2022, **GDP growth registered an 8.7% YoY**, the highest growth in 22 years (2000: 8.9%). However, **on a QoQ seasonally adjusted basis, the economy shrank by 2.6%** (4Q: 1.9%), the **1st contraction** since the nationwide lockdown during 2Q 2021 and 3Q 2021.
- While the year 2022 has ended with a robust GDP growth, **only manufacturing (15.3%) and services (6.9%) sectors had fully recovered to pre-pandemic (2019) levels** while construction (-19.7), mining (-6.4%), and agriculture (-2.6%) still lags. Despite overall recovery in the services sector, several **sub-sectors have yet to return to the pre-pandemic level** which includes **accommodation (-16.0%), food & beverage (-12.4%), real estate (-8.8%), business services (-6.5%), and private education (-4.9%)**.
- For 2023, we expect **the GDP growth to moderate to a range of 4% - 5%** amid softer global trade activities and effects from OPR hikes gradually filters through the domestic economy. Nonetheless, **the economy will be driven by still resilient domestic demand** given a tight labour market, continuous policy support, easy credit (e.g. buy-now-pay-later schemes, credit cards), excess savings and China's economy reopening.
- On a side note, financing to the **SMEs segment** grew by 5.0% YoY (Non-SMEs: 1.8% YoY) in 2022 (2021: SMEs: 5.7%; Non-SMEs: 3.8%). Sharp moderation was observed in the application (4Q: +0.3% vs 3Q: +47.8%) and repayments (4Q: +14.6% vs 3Q: +32.9%) trend. This is because SMEs are cautiously managing their operations amid rising cost and interest rates, in anticipation of global and domestic economic slowdown.

Figure 1: Quarterly Real GDP

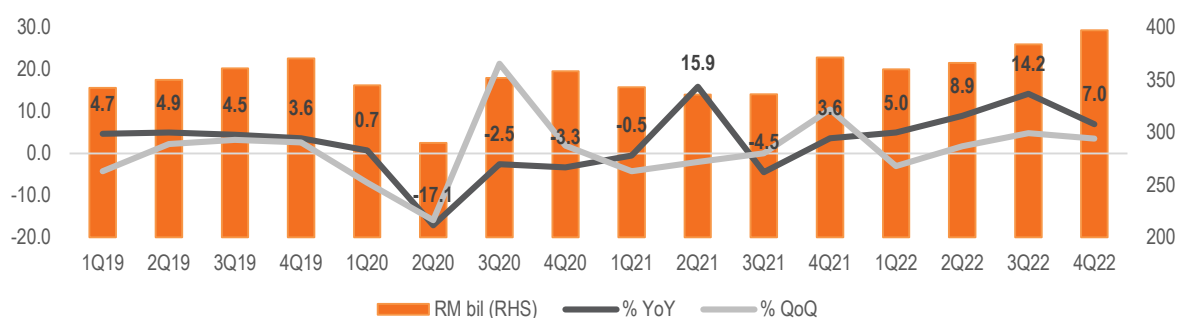


Table 1: GDP by economic activity (2015p)	Share 2022 (%)	2021		2022			
		4Q	Year	2Q	3Q	4Q	Year
Services	58.2	3.2	1.9	12.0	16.7	8.9	10.9
Manufacturing	24.2	9.1	9.5	9.2	13.2	3.9	8.1
Agriculture	6.6	2.8	(0.2)	(2.4)	1.2	1.1	0.1
Mining	6.4	(0.6)	0.3	(0.5)	9.2	6.8	3.4
Construction	3.5	(12.2)	(5.2)	2.4	15.3	10.1	5.0
Real GDP	-	3.6	3.1	8.9	14.2	7.0	8.7

Figure 2: Percentage point (ppt.) contribution to GDP by economic activities

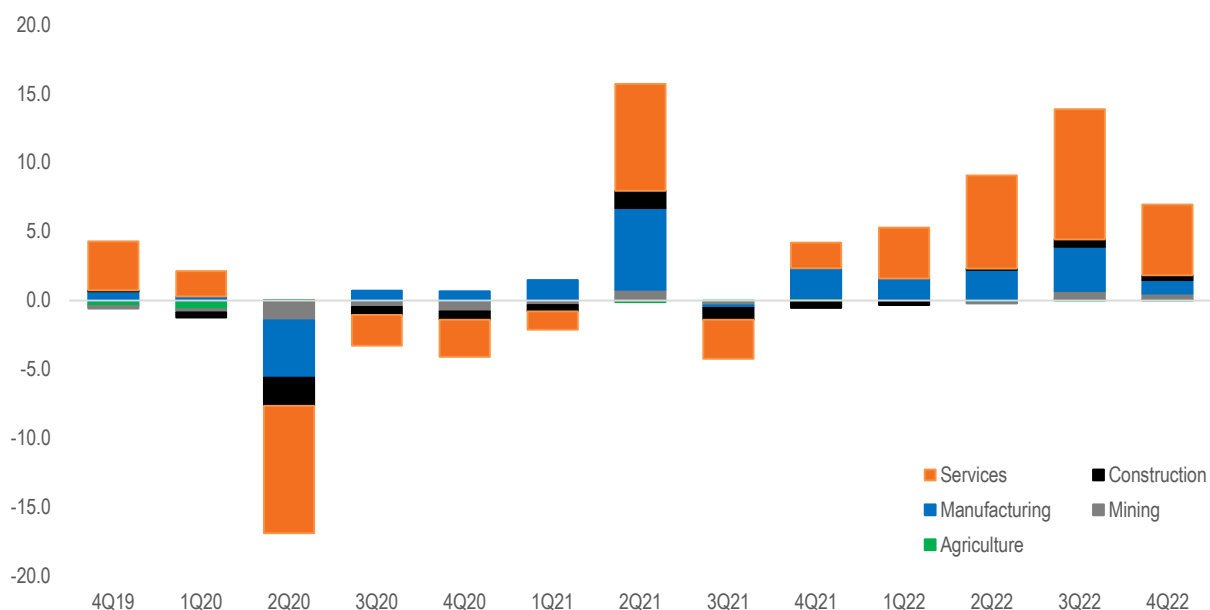
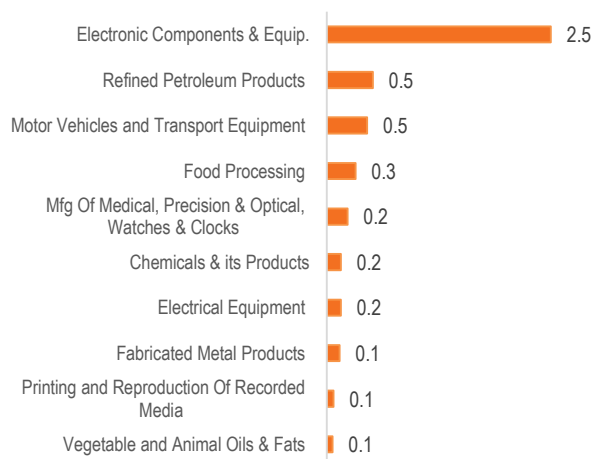


Figure 3: Top ten contributors to services GDP performance in 4Q 2022 (ppt.)



Figure 4: Top ten contributors to manufacturing GDP performance in 4Q 2022 (ppt.)



	Share 2022 (%)	2021		2022			
		4Q	Year	2Q	3Q	4Q	Year
Aggregate domestic demand	93.1	1.9	1.7	13.0	13.1	6.8	9.2
Private consumption	60.2	3.7	1.9	18.3	15.1	7.4	11.3
Private investment	15.4	(2.8)	2.6	6.3	13.2	10.3	7.2
Public consumption	13.2	1.6	5.3	2.6	4.5	2.4	3.9
Public investment	4.4	(3.4)	(11.3)	3.2	13.1	6.0	5.3
Net exports	5.4	0.8	(4.1)	(28.7)	18.7	23.4	(1.8)
Exports of goods & services	71.7	13.0	15.4	10.4	23.9	9.6	12.8
Imports of goods & services	66.3	14.5	17.7	14.0	24.4	8.1	14.2
Real GDP	-	3.6	3.1	8.9	14.2	7.0	8.7

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