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Economic diversity sustains growth

STABLE GDP

ECONOMIC DIVERSITY SUSTAINS GROWTH

Major sectors have remained resilient in the third quarter, says minister

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MALAYSIA'S diverse economic base and resilient domestic demand are expected to keep growth on track, economists said, echoing the government's optimism about the country's progress in strengthening economic diversity.

This follows remarks by Finance Minister II and acting Economy Minister Datuk Seri Amir Hamzah Azizan that the government's diversification initiatives were bearing fruit.

Amir Hamzah yesterday said that all major sectors remained resilient in the third quarter, based on the Statistics Department advance estimate of 5.2 per cent gross domestic product (GDP) growth.

He cited strong showings in construction, private consumption and mining, which are projected to expand by 11 per cent, over five per cent and more than 10 per cent, respectively.

Bank Negara Malaysia is due to release the official third-quarter GDP data on Friday.

Construction Boom

Economist Doris Liew said the robust economic performance could be traced to two key factors: lower-than-expected reciprocal tariffs and continued front-loading by companies before Aug 7, as well as sustained strength in data centre construction and private consumption.

"Looking ahead, growth is likely to remain strong, led by the manufacturing and services sectors.

"Construction activity is expected to continue expanding, supported by the data centre boom and the realisation of previously pledged investments, which are injecting fresh capital into physical assets," she told *Business Times*.

Bank Muamalat Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said Malaysia's economy was well-diversified, with strong contributions across agriculture (6.3 per cent), mining (six per cent), manufacturing (23 per cent), construction (four per cent) and services (59.4 per cent).

"This is supported by various measures, particularly in infrastructure, as well as the inflow of foreign direct investment, which has driven the development of production facilities and data centres."

Afzanizam said these developments have spurred demand for raw materials, labour and support services, contributing to sustained economic activity and stronger fundamentals.

He expects Bank Negara Malaysia's official GDP data to align closely with the advance estimate of 5.2 per cent growth for the third quarter.

"The industrial production index (IPI) rose to 4.9 per cent in the third quarter from two per cent in the previous quarter, driven by stronger manufacturing and a sharp rebound in mining, which expanded by 10.3 per cent after four consecutive quarters of contraction."

He added that the labour market remained healthy.

Afzanizam said that Malaysia's external performance has improved, with exports to have potentially risen 6.7 per cent in the third quarter compared with 3.3 per cent in the preceding quarter, while the trade surplus would have widened significantly to RM50 billion.

"Overall, these indicators point to a resilient domestic economy," he said, projecting full-year GDP growth at around 4.5 per cent.

'Late Expansion Phase'

IPPFA Sdn Bhd director of investment strategy and country economist Mohd Sedek Jantan said the latest hard data broadly supports the minister's optimism, although the economy is now transitioning into a "late-expansion phase" rather than entering a new acceleration cycle.

"Malaysia's IPI grew 5.7 per cent year-on-year in September — the strongest since mid-2023 — while manufacturing and mining remained solid."

He said manufacturing sales reached RM169.3 billion, up 4.3 per cent year-on-year, while employment in the sector rose to 2.44 million, the highest since 2022.

"These are consistent with our MY36 Thermometer reading of 82.7, categorised as strong momentum."

However, Sedek cautioned that the S&P Global PMI, which stood at 49.8, signals some moderation in new orders and production momentum.

He expects GDP growth for the third quarter to come in between 5.1 and 5.3 per cent, consistent with advance estimates, and said the quarter would likely mark the economy's strongest period of the year.

Sedek identified electrical and electronics, advanced manufacturing, construction and infrastructure as the key growth drivers, while the property sector could underperform.

He added that Malaysia's current macro-policy mix remains sound and adequate to sustain growth near five per cent in the near term.