

# Malaysia 3Q23 Advance GDP

DOSM estimates 3Q23 GDP at 3.3% on strong services sector performance

- **The Department of Statistics (DOSM), in its first quarterly advance GDP release, showed that 3Q23 GDP expanded by 3.3% (2Q23: 2.9%). This is higher than our forecast of 1.7% and Bloomberg's consensus of 2.7%**

- According to the DOSM, the advance GDP estimates for 3Q23 are compiled based on data from the first two months of the quarter. It added that the GDP growth is subject to revision when more comprehensive data becomes available. The estimates, however, only showed the supply-side components of GDP.
- Overall, GDP grew by 3.9% in the first three quarters of 2023 versus 9.2% recorded in the same period of last year.

- **The services, construction, and agriculture sectors are the main contributors to 3Q23 advance GDP growth estimates. However, the growth momentum was partially capped by the contraction in the manufacturing and mining sectors**

- The **services** sector expanded to 5.1% (2Q23: 4.7%), contributed by growth in wholesale & retail trade, transport & storage, and business services sub-sectors. This was also due to expansion in the food & beverages, and accommodation sub-sectors. However, it was capped by a decline in finance & insurance sub-sectors.
- **Construction** sector is estimated to slow to 5.8% (2Q23: 6.2%), with growth mainly supported by civil engineering and specialised construction activities.
- **Agriculture** sector rebounded to 0.8% (2Q23: -1.1%) following a contraction in the preceding quarter. This was attributable to the performance of palm oil, livestock and other agriculture sub-sectors. However, the momentum was partially weighed by a decline in fishing, rubber, and forestry & logging sub-sectors.
- The **manufacturing** sector fell by 0.1% (2Q23: 0.1%) due to weak performance by electrical, electronic & optical products, followed by petroleum, chemical, rubber & plastic products as well as textiles, wearing apparel & leather products, following subdued external demand. Nonetheless, growth was partially supported by domestic demand, as reflected in the domestic-oriented manufacturing sectors such as beverages & tobacco products, transport equipment, and other manufacturing & repair.
- Similarly, the **mining and quarrying** sector also fell by 0.1% (2Q23: 2.3%), weighed by the decline in the production of natural gas sub-sector. Nonetheless, it was supported by an expansion in the other mining & quarrying and supporting services, and crude & condensate sub-sectors.

- **No change to our 3Q23 GDP forecast, remained at 1.7%**

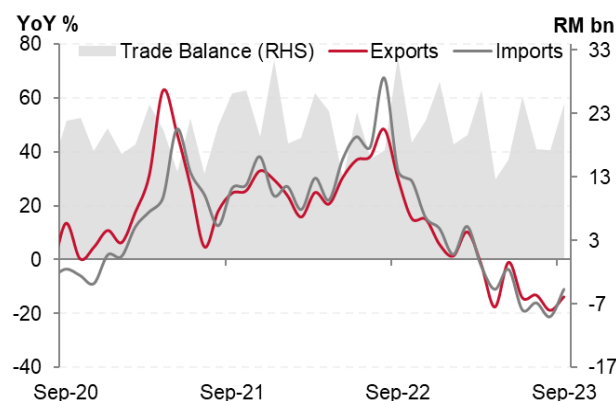
- At this juncture, we retain our cautious outlook, as we expect the manufacturing downturn amid weak external demand to weigh on GDP growth as reflected in the subdued Manufacturing PMI in September (46.8; Aug: 47.8). In addition, export growth has also contracted sharply in 3Q23 (-15.2%; 2Q23: -11.1%) for the second straight quarter, which could potentially drag the overall 3Q23 growth.
- Nevertheless, we expect domestic demand to support the GDP growth, backed by a lower unemployment rate (Aug: 3.4%; Jul: 3.4%) and sustained growth in distributive trade sales (Aug: 6.7%; Jul: 7.1%) amid an increase in tourist arrivals and spending. Meanwhile, distributive trade is expected to sustain growth in September, with overall 3Q23 growth to expand to 6.4% in 3Q23 (2Q23: 5.7%), thereby supporting the GDP growth.
- Likewise, we maintain the 2023 GDP growth forecast at 3.5% - 4.0%, within the MoF's latest projection of 4.0%.

Table 1: Malaysia GDP Growth (constant 2015 prices)

YoY %	1Q23	2Q23	DOSM 3Q23E	KIBB 3Q23F
<b>By Sector</b>				
Agriculture	1.0	-1.1	0.8	-2.2
Mining	2.4	-2.3	-0.1	1.1
Manufacturing	3.2	0.1	-0.1	-1.6
Construction	7.4	6.2	5.8	5.7
Services	7.3	4.7	5.1	3.0
<b>Real GDP</b>	<b>5.6</b>	<b>2.9</b>	<b>3.3</b>	<b>1.7</b>

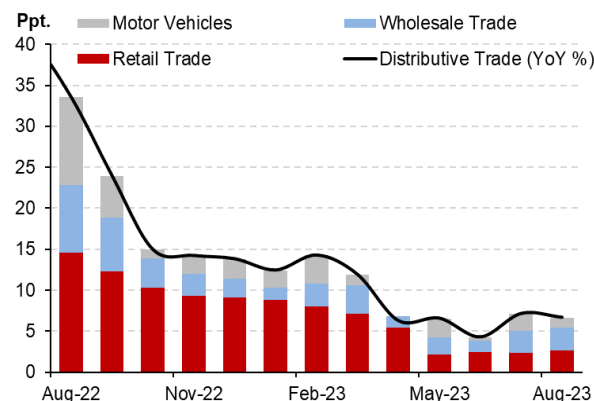
Source: DoSM, BNM, MoF, Kenanga Research

Graph 1: External Trade Growth (YoY %)



Source: Dept. of Statistics, Kenanga Research

Graph 2: Distributive Trade Sales (ppt)



Source: Dept. of Statistics, Kenanga Research

23 October 2023

Table 2: Malaysia GDP Growth (constant 2015 prices)

YoY %	2022	1Q23	2Q23	3Q23F	4Q23F	Kenanga		2023F	2024F	MOF	
						1H23	2H23F			2023F	2024F
<b>By Sector</b>											
Agriculture	0.1	1.0	-1.1	-2.2	0.6	-0.1	-0.9	-0.5	1.3	0.6	1.2
Mining	2.6	2.4	-2.3	1.1	1.3	0.1	2.0	1.1	1.8	-0.8	2.7
Manufacturing	8.1	3.2	0.1	-1.6	2.3	1.7	0.4	1.0	5.3	1.4	4.2
Construction	5.0	7.4	6.2	5.7	4.8	6.8	5.2	6.0	1.6	6.3	6.8
Services	10.9	7.3	4.7	3.0	5.5	6.0	4.2	5.1	5.5	5.5	5.6
<b>Real GDP</b>	<b>8.7</b>	<b>5.6</b>	<b>2.9</b>	<b>1.7</b>	<b>4.5</b>	<b>4.2</b>	<b>3.1</b>	<b>3.5 – 4.0</b>	<b>4.9</b>	<b>~4.0</b>	<b>4.0 – 5.0</b>
<b>By Expenditure</b>											
Consumption	9.9	4.5	4.2	4.9	4.2	4.3	4.6	4.5	5.4	4.8	5.1
Public	4.5	-2.2	3.8	2.5	2.1	0.8	1.3	1.1	2.1	1.0	2.6
Private	11.2	5.9	4.3	5.5	5.1	5.1	5.3	5.2	6.2	5.6	5.7
Investment	6.8	4.9	5.5	4.9	6.3	5.2	5.6	5.4	6.2	5.1	6.1
Public	5.3	5.7	7.9	7.1	8.7	6.7	8.1	7.5	6.1	8.2	8.3
Private	7.2	4.7	5.1	4.3	5.1	4.9	4.7	4.8	6.3	4.3	5.4
Public Spending	4.7	-0.3	4.6	3.3	3.1	2.1	3.1	2.7	3.1	2.8	4.1
Private Spending	10.3	5.6	4.5	5.3	5.1	5.0	5.2	5.1	6.2	5.3	5.6
Aggregate Demand	9.2	4.6	4.5	4.9	4.6	4.5	4.8	4.7	5.6	4.0	4.8
Exports	14.5	-3.3	-9.4	-2.9	1.3	-6.4	-0.8	-3.5	2.3	-6.2	4.1
Imports	15.9	-6.5	-9.7	-3.1	1.5	-8.1	-0.9	-4.4	2.0	-6.8	3.9
Net Exports	-1.0	54.4	-3.7	-0.7	-0.4	24.7	-0.5	8.1	4.9	1.1	5.5
<b>Real GDP</b>	<b>8.7</b>	<b>5.6</b>	<b>2.9</b>	<b>1.7</b>	<b>4.5</b>	<b>4.2</b>	<b>3.1</b>	<b>3.5 – 4.0</b>	<b>4.9</b>	<b>~4.0</b>	<b>4.0 – 5.0</b>

Source: DoSM, BNM, MoF, Kenanga Research

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