

22 January 2024

Malaysia 4Q23 Advance GDP

4Q23 GDP grew 3.4% while 2023 growth moderated to 3.8%

- The Department of Statistics (DOSM), in its second quarterly advance GDP release, showed 4Q23 GDP growth edged up by 3.4% (3Q23: 3.3%), slightly lower than the house projection of 3.7%, while Bloomberg's consensus at 4.1%

- For the whole of 2023, GDP moderated to 3.8% in 2023 (2022: 8.7%), within our forecast range of 3.5% - 4.0% but slightly lower than the MoF forecast of ~4.0%. The final and full release of 2023 economic performance is scheduled on February 16.

- Growth rebounds in manufacturing, and mining & quarrying sectors, along with expansion in agriculture, nudged overall 4Q23 growth slightly higher despite weaker growth in services and construction sectors

- The **manufacturing** sector rebounded slightly to 0.1% (3Q23: -0.1%) following a marginal contraction in the previous quarter. The manufacturing of vegetable and animal oils & fats and food processing and non-metallic mineral products, basic metal & fabricated metal products supported the growth of this sector. However, the growth momentum was capped by the decline in electrical, electronics & optical products, and petroleum, chemical, rubber & plastic products.
- A broad-based expansion, particularly natural gas and crude oil & condensate contributed to the rebound in the **mining and quarrying** sector (3.7%; 3Q23: -0.1%).
- **Agriculture** sector expanded for the second straight quarter to 1.2% (3Q23: 0.8%), driven by improved production of palm oil.
- The **services** sector moderated slightly to 4.7% (3Q23: 5.0%), but growth was contributed by wholesale & retail trade, transport & storage, and business services sub-sectors.
- However, the **construction** sector moderated sharply to 2.5% (3Q23: 7.2%) with civil engineering and residential building sub-sectors being the main contributors.

- The final 2023 GDP growth figure, set to be released in February, is likely to match the advance GDP estimate and our house estimate growth range. We reiterate our 2024 projection of further GDP expansion to 4.9%

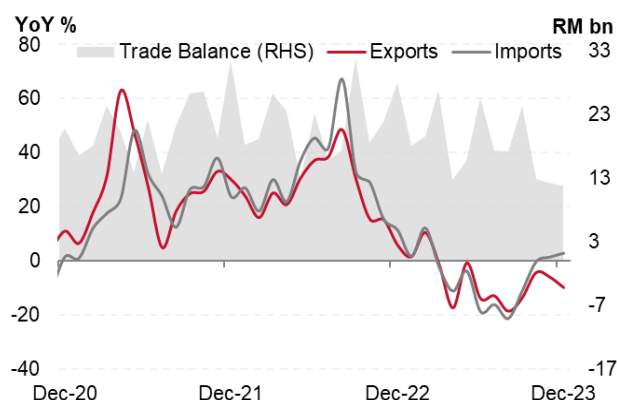
- Overall, growth performance in 2023 was mainly hindered by a weak manufacturing export-oriented sector, affected by China's fragile post-pandemic recovery. This was further worsened by the extended global supply chain disruptions due to escalating geopolitical tensions, notably the Russia-Ukraine war and Israel-Gaza conflict. This was evidenced by the subdued Manufacturing PMI in December (47.9; Nov: 47.9), staying in contraction since August 2022. In addition, exports have been in a decline since March 2023, with the full-year growth contracting by 8.0% (2022: 24.9%).
- Nevertheless, we expect domestic demand to continue to support GDP growth, backed by a projected lower unemployment rate of 3.3% in 2024 and sustained growth in distributive trade sales due to rising tourist arrivals and spending. Additionally, the recovery in the manufacturing sector possibly driven by an E&E upcycle especially in the 2H24, along with China's gradual recovery, augurs well for the domestic growth outlook. Against this backdrop, we retain the 2024 GDP growth forecast at 4.9%, within the MoF's projection of 4.0% - 5.0%.

Table 1: Malaysia GDP Growth (constant 2015 prices)

YoY %	2Q23	3Q23	DOSM 4Q23	KIBB 4Q23F
By Sector				
Agriculture	-1.0	0.8	1.2	0.9
Mining	-2.3	-0.1	3.7	1.3
Manufacturing	0.1	-0.1	0.1	1.5
Construction	6.2	7.2	2.5	5.7
Services	4.7	5.0	4.7	4.9
Real GDP	2.9	3.3	3.4	3.7

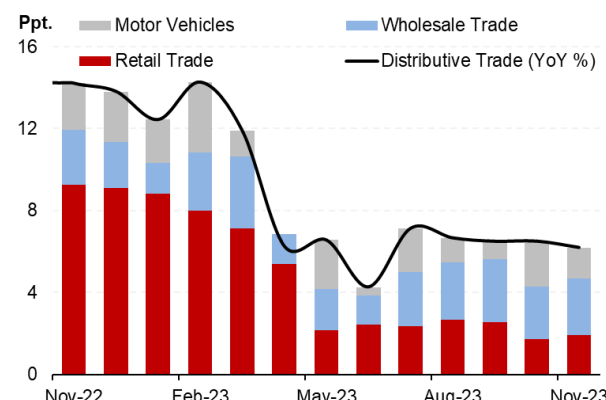
Source: DoSM, BNM, MoF, Kenanga Research

Graph 1: External Trade Growth (YoY %)



Source: Dept. of Statistics, Kenanga Research

Graph 2: Distributive Trade Sales (ppt)



Source: Dept. of Statistics, Kenanga Research

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Table 2: Malaysia GDP Growth (constant 2015 prices)

YoY %	2022	1Q23	2Q23	3Q23	4Q23F	Kenanga		2023F	2024F	MOF	
						1H23	2H23F			2023F	2024F
By Sector											
Agriculture	0.1	1.0	-1.0	0.8	0.9	0.0	0.8	0.4	1.3	0.6	1.2
Mining	2.6	2.4	-2.3	-0.1	1.3	0.1	-0.1	0.0	1.8	-0.8	2.7
Manufacturing	8.1	3.2	0.1	-0.1	1.5	1.7	0.7	1.2	5.3	1.4	4.2
Construction	5.0	7.4	6.2	7.2	5.7	6.8	6.5	6.6	1.6	6.3	6.8
Services	10.9	7.3	4.7	5.0	4.9	6.0	5.0	5.5	5.5	5.5	5.6
Real GDP	8.7	5.6	2.9	3.3	3.7	4.2	3.5	3.5 – 4.0	4.9	~4.0	4.0 – 5.0
By Expenditure											
Consumption	9.9	4.5	4.2	4.8	3.6	4.3	4.2	4.2	5.4	4.8	5.1
Public	4.5	-2.2	3.8	5.8	3.1	0.8	3.0	2.0	2.1	1.0	2.6
Private	11.2	5.9	4.3	4.6	4.3	5.1	4.4	4.8	6.2	5.6	5.7
Investment	6.8	4.9	5.5	5.1	5.6	5.2	5.3	5.3	6.2	5.1	6.1
Public	5.3	5.7	7.9	7.5	8.1	6.7	7.9	7.4	6.1	8.2	8.3
Private	7.2	4.7	5.1	4.5	4.3	4.9	4.4	4.7	6.3	4.3	5.4
Public Spending	4.7	-0.3	4.6	6.2	2.9	2.1	4.3	3.3	3.1	2.8	4.1
Private Spending	10.3	5.6	4.5	4.5	4.3	5.0	4.4	4.7	6.2	5.3	5.6
Aggregate Demand	9.2	4.6	4.5	4.8	4.0	4.5	4.4	4.5	5.6	4.0	4.8
Exports	14.5	-3.3	-9.4	-12.0	-4.9	-6.4	-8.5	-7.5	2.3	-6.2	4.1
Imports	15.9	-6.5	-9.7	-11.1	-4.5	-8.1	-7.9	-8.0	2.1	-6.8	3.9
Net Exports	-1.0	54.4	-3.7	-22.7	-8.3	24.7	-14.7	-1.3	5.1	1.1	5.5
Real GDP	8.7	5.6	2.9	3.3	3.7	4.2	3.5	3.5 – 4.0	4.9	~4.0	4.0 – 5.0

Source: DoSM, BNM, MoF, Kenanga Research

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