

22 July 2024

Malaysia 2Q24 Advance GDP

GDP grew by 5.8%, surpassing market expectations

- **The Department of Statistics (DOSM), in its fourth quarterly advance GDP release, estimated 2Q24 GDP growth to expand by 5.8% (1Q24: 4.2%), bringing 1H24 average growth to 5.0%**

- This is higher than the house projection of 5.1% and Bloomberg's consensus of 4.7% with 16 estimates looking at a range of 3.7% - 5.1%.
- On a quarterly basis, growth rebounded by 0.7% (1Q24: -3.1%), versus house projection of 0.1%. The actual 2Q24 GDP results, with detailed demand and supply breakdown, will be released on August 16.

- **Sustained expansion in services, ongoing manufacturing recovery, along with stronger performance in construction and agriculture offset slower growth in mining**

- The **services** sector expanded to 5.6% (1Q24: 4.7%), a five-quarter high, driven by broad-based growth in all sub-sectors, led by wholesale & retail trade, transportation & storage, and finance & insurance.
- The **manufacturing** sector rose to 4.7% (1Q24: 1.9%), a seven-quarter high and marking a second straight quarter of expansion. This was contributed by non-metallic mineral products, basic metal & fabricated metal products, petroleum, chemical, rubber & plastic products, and transport equipment, and other manufacturing & repair.
- The **construction** sector surged to 17.2% (1Q24: 11.9%) maintaining double-digit growth expansion for the second straight quarter, due to growth in all sub-sectors, particularly in civil engineering and specialised construction activities thanks to the ongoing government multiyear infrastructure projects.
- The **agriculture** sector rose to 7.1% (1Q24: 1.6%) thanks to higher growth in the oil palm and livestock sub-sectors. However, the momentum was capped by the weakness in the rubber and forestry & logging sub-sectors.
- The **mining and quarrying** sector moderated to 3.3% (1Q24: 5.7%), but growth was supported by higher production in the natural gas sub-sector.

- **Despite the stronger-than-expected 2Q24 advance GDP estimate by DOSM, we maintain our growth forecast for 2024 at 4.5% - 5.0% (2023: 3.6%) with an upside bias towards hitting the upper-end target**

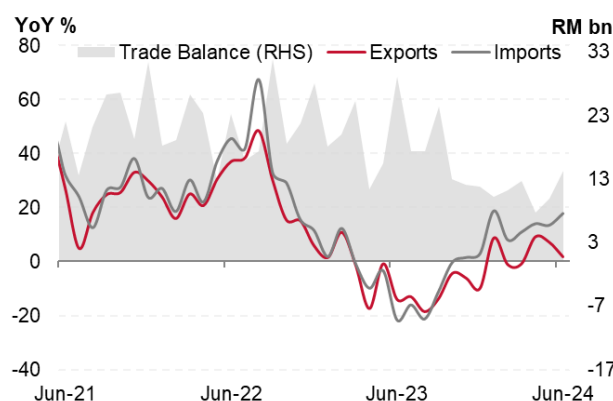
- While we anticipate steady growth in the 2H24, downside risk persists, primarily stemming from the external sector. These risks include a potential slowdown in advanced economies due to the impact of a higher interest rate environment as reflected in the easing labour market in the US. Meanwhile, export performance remains fragile and dependent on the economic recovery of China, and the performance of the US economy. Furthermore, escalating geopolitical tensions, notably the impact of the Red Sea crisis which has caused global port congestion and shipping delays, and renewed US-China tensions, as well as the uncertainty brought by global elections, particularly in the US, could impact the global supply chain and sentiment, subsequently weighing on the growth outlook. Domestically, the government's fiscal reforms, particularly fuel subsidy rationalisation, could threaten consumer spending but are necessary to improve the nation's fiscal health and rebuild future buffers.
- Likewise, we continue to expect domestic demand to remain the anchor supporting the growth trajectory, given the stable labour market and the positive impact of EPF's Account 3 withdrawal alongside the continued increase in tourist arrivals. Additionally, a gradual recovery in the manufacturing sector, particularly the export-oriented and technology-related segments, thanks to the technology upcycle, will further support domestic growth. This will be further bolstered by the realisation of previously approved foreign and domestic investments. Against this backdrop, we retain our 2024 GDP growth forecast at 4.5% - 5.0%, within the MoF and BNM projections of 4.0% - 5.0%.

Table 1: Malaysia GDP Growth (constant 2015 prices)

YoY %	4Q23	1Q24	DOSM 2Q24E	KIBB 2Q24F
By Sector				
Agriculture	1.9	1.6	7.1	1.3
Mining	3.5	5.7	3.3	3.9
Manufacturing	-0.3	1.9	4.7	4.4
Construction	3.6	11.9	17.2	8.6
Services	4.1	4.7	5.6	5.7
Real GDP	2.9	4.2	5.8	5.1

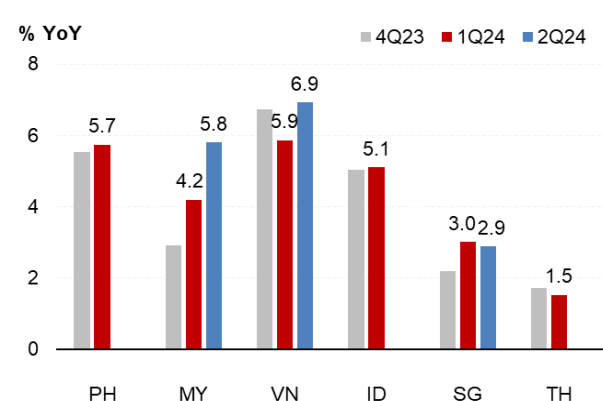
Source: DoSM, BNM, MoF, Kenanga Research. E: advance estimate

Graph 1: External Trade Growth (YoY %)



Source: Dept. of Statistics, Kenanga Research

Graph 2: ASEAN-5 (+VN) GDP Growth



Source: Dept. of Statistics, Kenanga Research

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Table 2: Malaysia GDP Growth (constant 2015 prices)

YoY %	2022	2023	2Q23	3Q23	4Q23	1Q24	2Q24F	Kenanga		2024F	MOF	BNM
								1H24F	2H24F		2024F	2024F
By Sector												
Agriculture	1.3	0.7	-0.7	0.3	1.9	1.6	1.3	1.4	1.2	1.3	1.2	-0.5
Mining	3.5	0.5	-2.1	-1.1	3.5	5.7	3.9	4.8	1.2	3.0	2.7	3.5
Manufacturing	8.1	0.7	0.1	-0.1	-0.3	1.9	4.4	3.2	5.0	4.1	4.2	3.5
Construction	5.1	6.1	6.2	7.2	3.6	11.9	8.6	10.3	6.0	8.1	6.8	6.7
Services	11.0	5.1	4.5	4.9	4.1	4.7	5.7	5.2	4.8	5.0	5.6	5.5
Real GDP	8.9	3.6	2.8	3.1	2.9	4.2	5.1	4.7	4.4	4.5 – 5.0	4.0 – 5.0	4.0 – 5.0
By Expenditure												
Consumption	10.1	4.4	4.1	4.3	4.5	5.1	5.2	5.2	4.6	4.9	5.1	5.2
Public	5.1	3.3	3.3	5.3	5.8	7.3	5.5	6.4	3.4	4.7	2.6	3.2
Private	11.3	4.7	4.2	4.1	4.2	4.7	5.1	4.9	4.9	4.9	5.7	5.7
Investment	6.8	5.5	5.5	5.1	6.4	9.6	5.6	7.6	5.8	6.7	6.1	6.2
Public	5.3	8.6	7.9	7.5	11.3	11.5	6.1	8.9	5.4	6.8	8.3	6.2
Private	7.2	4.6	5.1	4.5	4.0	9.2	5.5	7.3	5.9	6.6	5.4	6.1
Public Spending	5.2	4.6	4.3	5.9	7.4	8.4	5.6	7.0	4.0	5.3	4.1	4.0
Private Spending	10.5	4.6	4.4	4.2	4.1	5.7	5.2	5.4	5.1	5.3	5.6	5.8
Aggregate Demand	9.4	4.6	4.4	4.5	4.9	6.1	5.3	5.7	4.9	5.3	4.8	4.6
Exports	14.5	-8.1	-9.0	-12.0	-7.9	5.2	8.7	6.9	9.9	8.4	4.1	4.0
Imports	16.0	-7.4	-8.8	-11.3	-2.6	8.0	9.3	8.7	9.8	9.2	3.9	4.1
Net Exports	-1.5	-16.2	-11.9	-19.9	-52.9	-24.5	-2.1	-16.1	11.6	-2.6	5.5	2.1
Real GDP	8.9	3.6	2.8	3.1	2.9	4.2	5.1	4.7	4.4	4.5 – 5.0	4.0 – 5.0	4.0 – 5.0

Source: DoSM, BNM, MoF, Kenanga Research

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