

Malaysia 3Q24 Advance GDP

Growth slows to 5.3% but still above market expectations

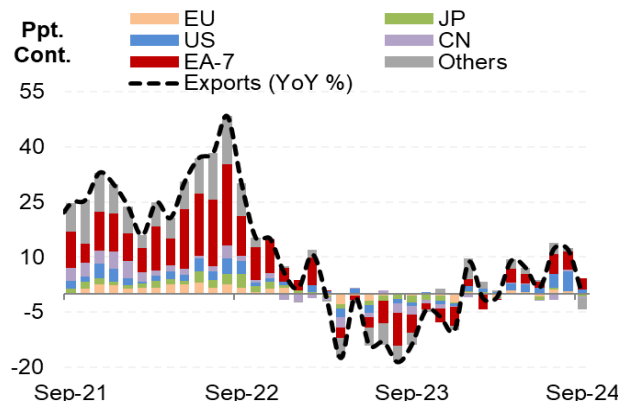
- The Department of Statistics (DOSM) 3Q24 advance GDP report shows growth slowed to 5.3%, easing after a strong 5.9% expansion in 2Q24 (1Q24: 4.2%)**
 - The advance growth estimate matches our house projection and slightly exceeds Bloomberg's consensus of 5.1%. The 20 estimates range from 4.3% to 5.8%.
 - On a quarterly basis, growth accelerated to 4.6% (2Q24: 0.8%). The actual 3Q24 GDP results, including a detailed breakdown of demand and supply, will be released on November 15.
- Slower growth due to a modest expansion in services and agriculture sectors, exacerbated by weakness in mining. However, this was partially offset by strong expansion in manufacturing and construction**
 - The **services** sector slowed to 5.6% (2Q24: 5.9%), with contributions from all sub-sectors, led by wholesale & retail trade, transportation & storage, and business services.
 - The **manufacturing** sector climbed to 5.7% (2Q24: 4.7%), an eight-quarter high, marking three consecutive quarters of expansion. Growth was driven by increased production of electrical, electronic & optical products, petroleum, chemical, rubber & plastic products, and non-metallic mineral products, basic metal & fabricated metal.
 - The **construction** sector surged to 19.5% (2Q24: 17.3%), maintaining double-digit growth for the third straight quarter. Strong performance across all sub-sectors, particularly in specialised construction activities and non-residential buildings, fueled this growth.
 - The **agriculture** sector slowed to 4.0% (2Q24: 7.2%) but remained supported by growth in oil palm, other agriculture and livestock sub-sectors. However, the fishing sub-sector contracted, dampening overall momentum.
 - The **mining and quarrying** sector fell 3.4% (2Q24: 2.7%), its lowest since 3Q21 (-3.6%), due to lower production in the natural gas and crude oil & condensate sub-sectors.
- Given that DOSM's 3Q24 advance GDP estimate aligns with our expectation, we maintain our 5.0% growth forecast for 2024 (2023: 3.6%) and project growth to moderate to 4.8% in 2025**
 - We anticipate growth to slow further in the final quarter to around 4.6%, as growth momentum typically eases on a QoQ basis. The growth outlook remains vulnerable to external factors, including potential slowdown in advanced economies due to the lag effects of higher interest rates. Heightened geopolitical tensions in the Middle East and Eastern Europe also pose risk, disrupting global supply chain.
 - Malaysia's exports remain fragile, heavily dependent on China's recovery and US economic performance. The expected ringgit appreciation against the USD could reduce export receipts, especially from the US. This is evident in September's export data, where total exports fell by 0.3% down from 12.0% rise in August, far below market expectations. Notably, exports to the US slowed sharply to 9.1% (Aug: 45.4%) as the ringgit appreciated by about 9.0% YoY, averaging RM4.26 in September (Sep 2023: RM4.68).
 - Overall, domestic demand remains the key growth driver, supported by a stable labour market, rising tourist arrivals, and ongoing realisation of approved investment. While we are cautious on the export outlook, we expect tech-related segments in manufacturing sector to benefit from the global tech cycle. Against this backdrop, we maintain our 2024 GDP growth forecast at 5.0%, in line with the latest Ministry of Finance (MoF) projections of 4.8% - 5.3%.

Table 1: Malaysia GDP Growth (constant 2015 prices)

YoY %	1Q24	2Q24	DOSM 3Q24E	KIBB 3Q24F
By Sector				
Agriculture	1.7	7.2	4.0	1.2
Mining	5.7	2.7	-3.4	1.3
Manufacturing	1.9	4.7	5.7	5.3
Construction	11.9	17.2	19.5	14.4
Services	4.8	5.9	5.1	5.5
Real GDP	4.2	5.9	5.3	5.3

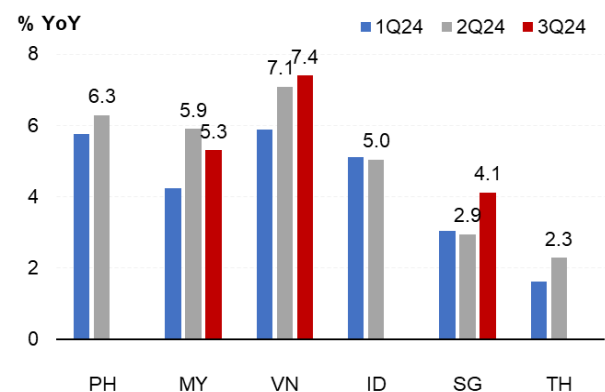
Source: DoSM, BNM, MoF, Kenanga Research. E: advance estimate

Graph 1: Exports by Destination (ppt contribution)



Source: Dept. of Statistics, Kenanga Research

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



Source: Dept. of Statistics, Kenanga Research

22 October 2024

Table 2: Malaysia GDP Growth (constant 2015 prices)

YoY %	2023	3Q23	4Q23	1Q24	2Q24	3Q24F	Kenanga			2024F	MOF	BNM
							4Q24F	1H24	2H24F		2024F	2024F
By Sector												
Agriculture	0.7	0.3	1.9	1.7	7.2	1.2	0.4	4.5	0.8	2.5	2.0	-0.5
Mining	0.5	-1.1	3.5	5.7	2.7	1.3	0.5	4.3	0.9	2.5	2.2	3.5
Manufacturing	0.7	-0.1	-0.3	1.9	4.7	5.3	5.0	3.3	5.2	4.3	4.1	3.5
Construction	6.1	7.2	3.6	11.9	17.2	14.4	10.4	14.6	12.4	13.5	14.1	6.7
Services	5.1	4.9	4.1	4.8	5.9	5.5	4.8	5.4	5.2	5.3	5.3	5.5
Real GDP	3.6	3.1	2.9	4.2	5.9	5.3	4.6	5.1	4.9	5.0	4.8 – 5.3	4.0 – 5.0
By Expenditure												
Consumption	4.4	4.3	4.5	5.1	5.6	5.1	4.7	5.4	4.8	5.1	5.5	5.2
Public	3.3	5.3	5.8	7.3	3.6	-2.1	-1.5	5.5	-1.8	1.5	0.3	3.2
Private	4.7	4.1	4.2	4.7	6.0	6.5	6.3	5.3	6.4	5.9	6.6	5.7
Investment	5.5	5.1	6.4	9.6	11.5	3.1	3.0	10.6	3.1	6.8	5.6	6.2
Public	8.6	7.5	11.3	11.5	9.1	7.1	5.9	10.3	6.3	7.9	7.8	6.2
Private	4.6	4.5	4.0	9.2	12.0	2.1	1.5	10.6	1.8	6.5	4.9	6.1
Public Spending	4.6	5.9	7.4	8.4	4.9	0.1	0.7	6.6	0.5	3.1	2.2	4.0
Private Spending	4.6	4.2	4.1	5.7	7.3	5.6	5.4	6.5	5.5	6.0	6.3	5.8
Aggregate Demand	4.6	4.5	4.9	6.1	6.9	4.6	4.3	6.5	4.5	5.5	3.9	4.6
Exports	-8.1	-12.0	-7.9	5.2	8.4	6.5	5.3	6.8	5.9	6.3	6.1	4.0
Imports	-7.4	-11.3	-2.6	8.0	8.7	3.3	2.3	8.4	2.8	5.5	4.6	4.1
Net Exports	-16.2	-19.9	-52.9	-24.5	3.4	46.6	58.6	-14.1	51.7	17.9	27.8	2.1
Real GDP	3.6	3.1	2.9	4.2	5.9	5.3	4.6	5.1	4.9	5.0	4.8 – 5.3	4.0 – 5.0

Source: DoSM, BNM, MoF, Kenanga Research

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