

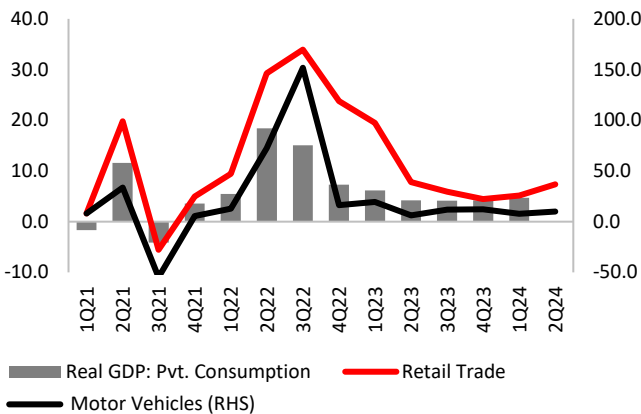
**ECONOMIC REPORT | National Account Preview - 2QCY24 GDP****Recent Indicators Point to 2QCY24 GDP Growing Faster Than the Advance Estimate**

- *Domestic spending stays robust. Domestic demand in Malaysia remains the key driver underpinning stronger growth momentum in 2QCY24. Consumer spending continued to increase as shown by the more robust rise in retail trade at +7.4%yoy in 2QCY24 (1QCY24: +5.2%yoy), the fastest expansion in 4 quarters.*
- *Recovering exports. External trade has been improving in recent quarters with exports of goods rising by +5.8%yoy in 2QCY24 (1QCY24: +2%yoy), sustaining growth for the second consecutive quarter. If we exclude re-exports, domestic exports recorded faster growth of +11.4%yoy (1QCY24: +5%yoy).*
- *Stronger production in line with the external trade recovery. Malaysia's industrial production rose by +4.5%yoy in 2QCY24, the fastest quarterly growth since 3QCY22. This was underpinned mainly by the growth in manufacturing output (+4.9%yoy; 1QCY24: +2.1%yoy).*
- *We estimate full-quarter GDP growth at +6.1%yoy for 2QCY24. Taking into account the recent indicators and sectoral updates, we estimate the full-quarter GDP growth for 2QCY24 will be around +6.1%yoy. We noticed more encouraging domestic spending as shown by the robust growth in the services sector.*

**Domestic spending stays robust...** Domestic demand in Malaysia remains the key driver underpinning stronger growth momentum in 2QCY24. Consumer spending continued to increase as shown by the more robust rise in retail trade at +7.4%yoy in 2QCY24 (1QCY24: +5.2%yoy), the fastest expansion in 4 quarters. In addition, spending on motor vehicle also grew faster at +10.2%yoy (1QCY24: +8.2%yoy). With more people being employed and unemployment rate staying at low levels, we believe the positive income growth and the growing size of income earners will support domestic consumption to remain on expansionary trend. Increased tourist arrivals, cash assistance from the government and ability to tap EPF Account 3 also contributed to the growing consumption expenditures.

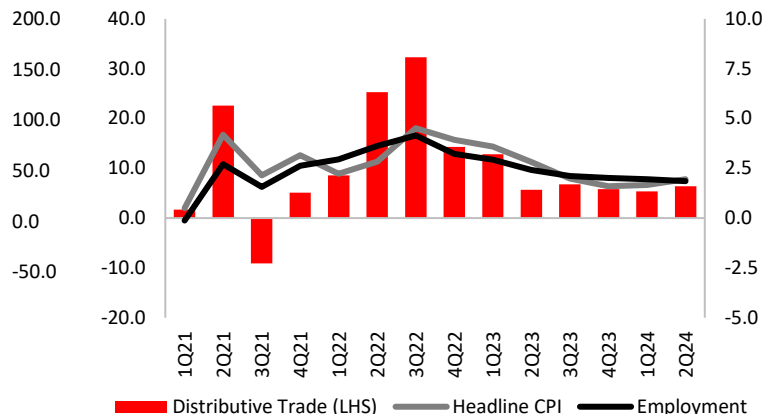
**...translating into stronger activities in the services sector.** The robust domestic demand is reflected in the stronger expansion in the services sector. Looking at the quarterly services index, we believe the robust growth in several sub-sectors could push the services sector growth in 2QCY24 to exceed the advance estimate of +5.6%yoy (1QCY24: +4.7%yoy), which was already the fastest growth in 5 quarters. In line with that, total revenue recorded by the services sector grew faster at +6.8%yoy (1QCY24: +6.1%yoy), underpinned by more encouraging sales increases in various sub-sectors such as wholesale & retail trade; F&B services; accommodation; arts, entertainment & recreation; private education; real estate; and administrative & support services. With inflation remaining under control, we foresee the growth to continue on the back of still healthy labour market and more robust business activities.

**Chart 1: Private Spending vs Inflation (YoY%)**



Note: 2QCY24 GDP data refers to advance estimate  
Source: Macrobond, MIDFR

**Chart 2: Private Spending vs. CPI and Employment (YoY%)**

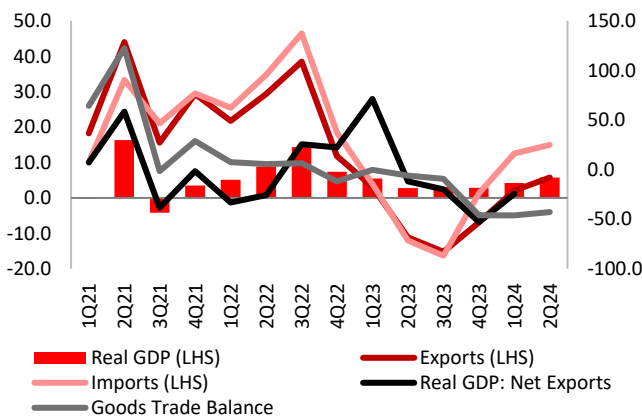


Source: Macrobond, MIDFR

**Recovering exports...** External trade has been improving in recent quarters with exports of goods rising by +5.8%yoy in 2QCY24 (1QCY24: +2%yoy), sustaining growth for the second consecutive quarter. If we exclude re-exports, domestic exports recorded faster growth of +11.4%yoy (1QCY24: +5%yoy). The growth in goods exports in 2QCY24 was underpinned by stronger shipments of manufactured goods (+5.2%yoy; 1QCY24: +2.4%yoy), among others underpinned by rebounds in exports of E&E products (+2%yoy; 1QCY24: +-5.8%yoy), marking the first expansion after 4 quarters of declines, and chemical products (+7.8%yoy; 2QCY24: -1.9%yoy). In addition, palm oil exports rebounded and surged by +14.1%yoy (1QCY24: -4.9%yoy), while crude petroleum exports rose faster at +18.6%yoy (1QCY24: +13.3%yoy). On another note, with the continued recovery in tourism sector and increased tourist arrivals, we foresee exports of services will continue to improve and therefore contributed to the overall pick-up in exports in 2QCY24.

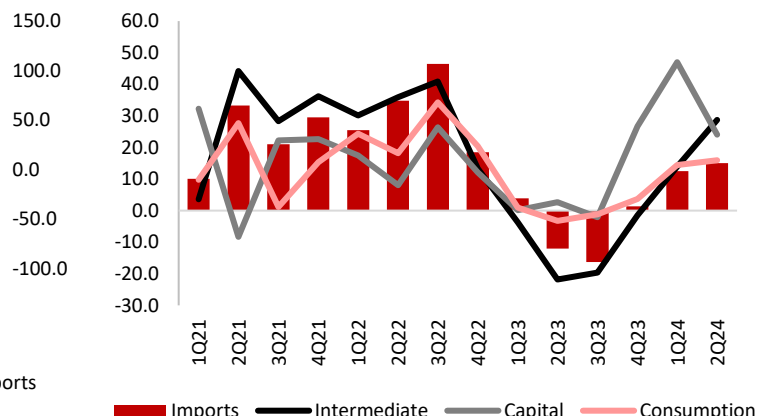
**...but net exports still a drag to GDP.** As the growth in imports has been relatively faster at +15%yoy (1QCY24: +12.5%yoy), this kept the size of surplus in trade of goods below last year level. In 2QCY24, goods trade surplus was at +RM32.0b or -42.7%yoy lower than 2Q las year (1QCY24: +RM34.1b or -46.2%yoy). The sustained double-digit growth in imports also reflected the more encouraging growth in the domestic economy, as shown by the faster growth in imports of intermediate (+28.7%yoy; 1QCY24: +13.9%yoy) and consumption goods (+15.9%yoy; 1QCY24: +14.5%yoy). Imports of capital goods also grew at double-digit (+24%yoy; 1QCY24: +47%yoy), which include purchases of equipment for the construction of data centres.

**Chart 3: GDP vs External Trade of Goods (YoY%)**



Note: 2QCY24 GDP data refers to advance estimate  
Source: Macrobond, MIDFR

**Chart 4: Imports of Goods by End-Use (YoY%)**



Source: Macrobond, MIDFR

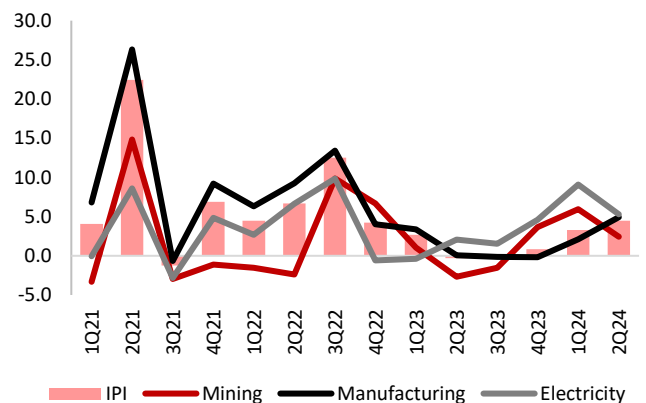
**Stronger production in line with the external trade recovery.** Malaysia's industrial production rose by +4.5%yoy in 2QCY24, the fastest quarterly growth since 3QCY22. This was underpinned mainly by the growth in manufacturing output (+4.9%yoy; 1QCY24: +2.1%yoy). The more resilient manufacturing IPI growth in Jun-24 suggests the actual growth for the manufacturing sector number could be stronger than +4.9%yoy in the advance GDP estimate. The mining sector could also grow faster than advance estimate +3.3%yoy because the Jun-24 IPI also indicated a rebound in the mining output by +4.9%yoy (May-24: -6.9%yoy) due to higher production of crude petroleum and natural gas. We expect IPI growth will continue to grow on the back of recovering external demand as well as growing domestic demand.

**Chart 5: IPI: Manufacturing vs GDP: Manufacturing (YoY%)**



Note: 2QCY24 GDP data refers to advance estimate  
Source: Macrobond, MIDFR

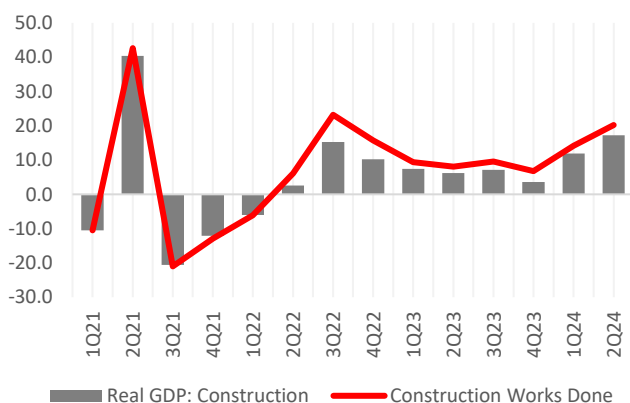
**Chart 6: IPI by Major Sector (YoY%)**



Source: Macrobond, MIDFR

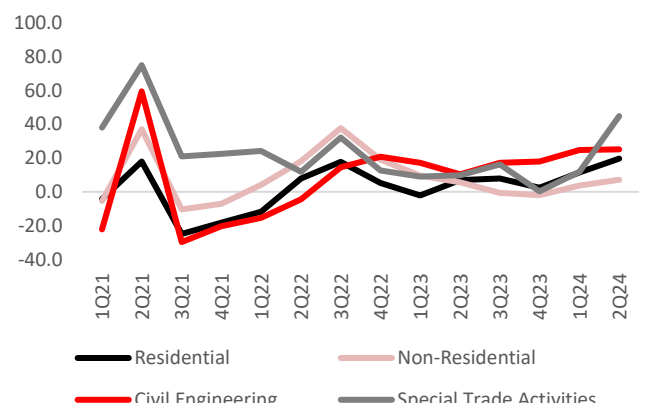
**Construction progress also contributed to higher GDP growth.** More encouraging activities in the construction sector also contributed to the stronger GDP growth in 2QCY24. In particular, the increase in construction jobs done at +20.2%yoy during the quarter (1QCY24: +14.2%yoy) indicates the progress in work done rose further at the fastest pace in 7 quarters. While bulk of the work done was in the civil engineering sub-segment which grew at +25.2%yoy (2QCY24: +24.7%yoy), the faster expansion was more visible in the special trade activities (+44.9%yoy; 1QCY24: +11.8%yoy) and residential buildings (+19.7%yoy; 1QCY24: +11.5%yoy). Given the encouraging work construction progress and positive business environment, we anticipate the official growth for the construction sector in 2QCY24 could surpass +17.2%yoy, as indicated by the advance estimate.

**Chart 7: Real GDP: Construction vs. Construction Works Done (YoY%)**




Note: 2QCY24 GDP data refers to advance estimate  
Source: Macrobond, MIDFR

**Chart 8: Construction Works Done by Segments (YoY%)**



Source: Macrobond, MIDFR

**We estimate full-quarter GDP growth at +6.1%yoy for 2QCY24.** Taking into accounting the recent indicators and sectoral updates, we estimate the full-quarter GDP growth for 2QCY24 will be around +6.1%yoy. We noticed more encouraging domestic spending as shown by the robust growth in the services sector. Other factors that will push GDP growth above +6%yoy was the encouraging progress in construction works and stronger output in the manufacturing and mining sectors. Export recovery also contributed to the 2QCY24 GDP growth, but we do not expect any big boost from net exports in view of more robust growth in imports. In general, we opine the growth momentum will continue in 2HCY24, backed by the growing domestic economic activities and recovering exports. Nevertheless, we are wary of several downside risks to Malaysia's growth outlook which could come from possible re-acceleration in inflation and uncertainties from the external front, such as weaker growth in China and the US and further escalation in geopolitical conflicts. 

**Table 1: Selected-Macroeconomic Data Updates**

YoY% Unless Stated Otherwise	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Distributive Trade (DT)	12.8	5.7	6.8	5.8	5.4	6.4
DT: Wholesale Trade	5.5	3.6	6.3	5.4	4.9	4.5
DT: Retail Trade	19.5	7.8	5.9	4.5	5.1	7.4
DT: Motor Vehicles	19.4	6.2	11.8	12.3	7.8	9.9
IPI	2.7	(0.3)	(0.3)	0.8	3.3	4.5
IPI: Mining	1.0	(2.7)	(1.5)	3.7	5.9	2.4
IPI: Manufacturing	3.4	0.1	(0.1)	(0.2)	2.1	4.9
IPI: Electricity	(0.4)	2.1	1.5	4.6	9.1	5.3
Manufacturing Sales	8.2	(1.0)	(2.9)	(2.7)	1.8	5.7
Gross Exports of Goods	3.1	(11.1)	(15.2)	(6.9)	2.0	5.8
Domestic Exports	(2.0)	(13.8)	(13.0)	(6.7)	5.0	11.4
Re-Exports	26.7	(1.2)	(22.1)	(7.5)	(8.5)	(12.6)
Gross Imports of Goods	3.9	(12.1)	(16.3)	1.3	12.5	15.0
Trade Balance (RM Billion)	63.4	55.8	59.0	36.9	34.1	32.0
Employment	2.9	2.4	2.1	2.0	2.0	1.8
Unemployment	(12.1)	(8.6)	(5.8)	(5.2)	(4.3)	(3.2)
Unemployment Rate (%)	3.5	3.5	3.4	3.3	3.3	3.3
Headline CPI Inflation	3.6	2.8	2.0	1.6	1.7	2.0
Core CPI Inflation	3.9	3.4	2.6	2.1	1.8	1.9
USDMYR, Average	4.39	4.53	4.63	4.70	4.72	4.73
USDMYR, End-period	4.42	4.67	4.70	4.59	4.73	4.72
Brent Oil (USD per barrel)	82.16	77.84	85.92	82.80	81.77	85.03
CPO (RM per tonne)	3,997	3,837	3,796	3,677	3,993	4,042

Source: Macrobond, Bloomberg, MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad  
197501002077 (23878-X).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

## **DISCLOSURES AND DISCLAIMER**

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.