

ECONOMIC REVIEW | 2Q24 National Account**GDP Grew +5.9%yoy in 2QCY24, Slightly Higher than Advance Estimate**

- *GDP rose faster at +5.9%yoy in 2QCY24. Malaysia's GDP growth accelerated to +5.9%yoy in 2QCY24, marking the fastest expansion in 6 quarters (1QCY24: +4.2%yoy). This growth surpassed the advance estimate of +5.8%yoy but fell slightly below our projection of +6.1%yoy.*
- *Private consumption advanced the fastest in 5 quarters. On the demand side, private consumption surged by +6.0%yoy (1QCY24: +4.7%yoy), marking the highest growth in 5 quarters on the back of healthy labour market condition and stable inflation.*
- *Net exports contributed +0.1ppt to 2QCY24 GDP growth. On the external front, real exports accelerated by +8.4%yoy (1QCY24: +5.2%yoy) with goods exports rising faster by +5.5%yoy (1QCY24: +1.0%yoy), the fastest growth in 7 quarters. In addition, services exports surged by +24.6%yoy, extending a streak of double-digit growth for 11 consecutive quarters.*
- *Projection for 2024 GDP growth under review. Looking at the stronger growth of +5.1%yoy in 1HCY24, we are reviewing our full-year GDP forecast projection, likely to adjust upward from existing +4.7% (2023: +3.6%). The growth in domestic economic activities has been faster than expected, while the recovery in exports is expected to continue in 2HCY24.*

GDP rose faster at +5.9%yoy in 2QCY24. Malaysia's GDP growth accelerated to +5.9%yoy in 2QCY24, marking the fastest expansion in 6 quarters (1QCY24: +4.2%yoy). This growth surpassed the advance estimate of +5.8%yoy but fell slightly below our projection of +6.1%yoy. For 1CHY24, the economy expanded +5.1%yoy, stronger than +3.0%yoy in 2HCY23. The robust performance was driven by sustained resilience in domestic demand, improvements in manufacturing activities, and recovery in external trade. Looking ahead, the uptrend in the semiconductor industry and the rollout of various construction projects in 2HCY24 are expected to continue supporting Malaysia's economic growth. Against the previous quarter, Malaysia's seasonally adjusted GDP grew further by +2.9%qoq (1QCY24: +1.5%qoq), the fastest sequential growth since 2QCY22. The quarterly growth was supported by stronger growth in private consumption spending and gross fixed capital formation as well as a rebound in the government spending.

Private consumption advanced the fastest in 5 quarters. On the demand side, private consumption surged by +6.0%yoy (1QCY24: +4.7%yoy), marking the highest growth in 5 quarters. This reflects more robust rise in domestic spending on the back of healthy labour market condition, with the unemployment rate remained low at 3.3% during the quarter, and stable inflation even after the implementation of targeted diesel subsidies. Investment spending also showed strong momentum, with private and public sector investments growing by +12.0%yoy and +9.1%yoy, respectively. Public sector growth was notably reflected in the robust expansion of the construction sector, fueled by ongoing infrastructure projects under the 12MP. Looking ahead, this positive trend is expected to continue, supported by the government's commitment to an expansionary fiscal policy, including the annual RM90b development spending allocation through 2025. The increase in job creation and labor market participation will further bolster consumer spending in the 2HCY24.

Net exports contributed +0.1ppt to 2QCY24 GDP growth. On the external front, real exports accelerated by +8.4%yoy (1QCY24: +5.2%yoy) with goods exports rising faster by +5.5%yoy (1QCY24: +1.0%yoy), the

fastest growth in 7 quarters. In addition, services exports surged by +24.6%yoy, extending a streak of double-digit growth for 11 consecutive quarters. Net imports increased by +8.7%yoy (1QCY24: +8.0%yoy) and continued to surpass export growth. Despite the stronger import growth during the quarter, the export recovery led to net exports rebounding by +3.4%yoy (1QCY24: -24.5%yoy), breaking a year-long contraction. As a result, net exports contributed +0.1ppt to the overall GDP growth during the quarter. For 1HCY24, net exports soared by +6.8%yoy, recovering sharply from a -10.0%yoy decline in 2HCY23. We expect the export recovery to continue going into 2HCY24, and the turnaround in external trade will result in net exports contributing positively to growth this year.

Current account surplus fell from a 4-quarter high. Malaysia's current account (CA) surplus in 2QCY24 declined to +0.7% of GDP, significantly more moderate than the +4.1%yoy rise in 1QCY24. The CA surplus decreased to +RM3.0b, down from a 4-quarter high of +RM16.2b in 1QCY24, driven by a reduced trade surplus in both goods and services. Notably, deficits in the services trade narrowed to a post-pandemic low of -RM4.9b (1QCY23: -RM7.3b), supported by a stronger travel services surplus amidst the ongoing recovery in the tourism sector and higher exports in manufacturing and ICT services. However, the overall CA surplus was weighed down by a narrower trade surplus in goods, which fell to +RM24.6b (4QCY23: +RM32.0b), and a larger deficit in the primary income account, which widened to -RM15.5b (4QCY23: -RM8.8b), primarily due to larger deficits in employee compensation and a smaller investment income surplus. With the ratio of CA surplus to GDP falling to +0.6% in 2QCY24 (1QCY24: +3.5%), this presents a downside risk to our existing forecast where we predict the current account surplus will increase to around +3.7% of GDP this year (2023: +1.5%).

Table 1: Summary of GDP by Expenditure Approach

	Quarterly Basis (QoQ %) *				Yearly Basis (YoY %)			
	3Q23	4Q23	1Q24	2Q24	3Q23	4Q23	1Q24	2Q24
GDP	5.2	3.1	(3.1)	0.8	3.1	2.9	4.2	5.9
<i>Seasonally adjusted</i>	2.4	(1.0)	1.5	2.9	-	-	-	-
Domestic Demand	3.7	4.6	(3.9)	1.6	4.6	7.5	6.0	6.0
Private Consumption	7.5	(2.2)	1.9	(1.8)	4.1	4.2	4.7	6.0
Govt. Consumption	6.8	29.3	(24.5)	10.8	5.3	5.8	7.3	3.6
Private Investment	(6.7)	(15.5)	30.2	(4.0)	4.5	4.0	9.2	12.0
Govt. Investment	15.0	75.9	(39.0)	(5.0)	7.5	11.3	11.5	9.1
Real Exports	3.2	2.3	0.2	0.0	(12.0)	(7.9)	5.2	8.4
Real Imports	0.8	4.6	(0.8)	0.0	(11.3)	(2.6)	8.0	8.7
Net Exports	45.1	(26.3)	17.8	(0.2)	(19.9)	(52.9)	(24.5)	3.4

* Note: QoQ is non-seasonally adjusted

Source: Macrobond, MIDFR

Robust growth in the construction sector. On the supply side, the full-quarter data shows a much stronger growth in the services sector. The sector's +5.9%yoy growth, which is +0.3ppt higher than the advance estimate, is in line with the increased private consumption and growing domestic spending. This was underpinned by stronger growth in various sub-sectors such as retail trade, accommodation, finance, real estate and F&B services, including higher spending on motor vehicles. The agriculture growth was also revised slightly higher to +7.2%yoy (1QCY24: +1.7%yoy), largely explained by the +19%yoy surge in palm oil production. The growth of manufacturing sector accelerated to +4.7%yoy (1QCY23: +1.%yoy), in line with the better export performance with higher output growth seen in sub-sectors such as computers & peripheral equipment, electronic components, refined petroleum products and rebound in oil & fats production. With the encouraging progress in construction works done across segments, this contributed to the strong double-digit growth of +17.3%yoy (1QCY24: +11.9%yoy) for the construction sector. The mining sector growth was however revised lower to +2.7%yoy (advance estimate: +3.3%yoy), weighed down by the slower growth in natural gas output. We noticed that most

major economic sectors, excluding mining & quarrying, grew faster in 2QCY24 on the back of sustained expansion in domestic spending and recovering external demand.

Table 2: Summary of GDP by Supply-Side Approach

	QoQ%			YoY%		
	4Q23	1Q24	2Q24	4Q23	1Q24	2Q24
GDP	3.1	(3.1)	0.8	2.9	4.2	5.9
Agriculture, Forestry & Fishing	(7.1)	(9.2)	6.5	1.9	1.7	7.2
Rubber	1.6	(4.5)	(11.1)	3.7	3.4	(1.0)
Oil Palm	1.9	(24.9)	15.1	1.6	2.5	19.0
Livestock	(3.2)	(4.0)	(0.2)	3.6	4.9	5.5
Other Agriculture	(18.9)	10.3	6.0	2.5	0.6	0.6
Forestry & Logging	(8.2)	(8.7)	(7.8)	(5.6)	(10.5)	(14.5)
Marine Fishing	(15.3)	4.4	(8.8)	7.7	6.4	8.9
Aquaculture	(6.2)	(21.0)	24.2	(5.5)	(2.8)	0.1
Mining & Quarrying	14.1	(0.9)	(9.0)	3.5	5.7	2.7
Crude Oil	10.2	(1.3)	(3.8)	1.5	1.3	1.6
Natural Gas	16.0	1.3	(10.8)	5.3	8.9	2.9
Others	18.1	(11.0)	(18.8)	1.3	4.9	7.1
Manufacturing	3.2	(3.7)	1.8	(0.3)	1.9	4.7
Vegetable & Animal Oils & Fats	16.9	(30.8)	26.4	4.9	(9.9)	6.3
Food Processing	(7.7)	(10.1)	13.8	8.7	4.7	4.4
Beverages	2.1	(15.0)	28.1	5.3	5.7	5.9
Tobacco Products	18.4	27.5	26.1	5.7	7.5	10.5
Textile & Wearing Apparel	6.3	0.4	(7.1)	(1.2)	0.7	4.0
Leather Products	(13.2)	34.7	17.2	8.0	6.2	2.4
Wood Products	(0.9)	(2.0)	(1.5)	(0.3)	(0.2)	3.6
Paper Products	(15.0)	10.2	(1.0)	6.2	3.7	2.4
Printing	35.1	1.6	(16.9)	5.4	5.1	8.2
Refined Petroleum Products	(0.4)	(1.8)	(2.8)	(3.3)	0.4	3.9
Chemicals & Chemical Products	0.6	(9.1)	(2.6)	2.1	0.1	3.4
Rubber Products	(5.8)	(23.8)	36.1	(2.1)	5.6	6.4
Plastic Products	(25.3)	(6.9)	2.6	1.6	3.8	4.4
Non-Metallic Mineral Products	7.9	0.0	(4.1)	6.1	6.3	9.9
Basic Metals	6.1	(15.3)	20.2	2.5	1.8	6.6
Fabricated Metal Products	10.0	7.6	(0.9)	8.5	10.4	10.5
Machinery & Equipment	(9.6)	43.5	(23.1)	(3.2)	1.7	3.9
Computers & Peripheral Equipment	(4.5)	(13.7)	5.9	19.8	12.4	14.8
Electrical Equipment	22.7	(9.8)	18.3	0.3	(0.8)	(3.4)
Electronic Compo & Boards, Com Equip and Elect	0.1	12.6	(10.3)	(10.0)	(0.2)	3.2
Medical, Precision & Optical, Watches & Clocks	15.1	(41.3)	37.8	7.5	3.3	(2.5)
Motor Vehicles & Transport Equipment	36.9	(26.2)	25.0	2.2	1.9	5.7
Furniture	23.0	28.1	(0.7)	6.2	10.0	8.0
Other Mfg and Repair & Installation and Equipment	(0.1)	(24.6)	1.6	3.0	2.8	4.2
Construction	(1.5)	8.1	3.8	3.6	11.9	17.3
Residential	(2.4)	7.5	5.8	1.3	8.0	14.1
Non-Residential	14.0	(7.4)	7.4	(4.9)	1.6	2.8
Civil Engineering	(5.6)	17.6	(8.6)	16.9	23.5	23.6

	QoQ%			YoY%		
	4Q23	1Q24	2Q24	4Q23	1Q24	2Q24
Special Trades	(8.6)	12.8	14.5	0.8	11.4	27.0
Services	3.3	(3.0)	0.7	4.1	4.8	5.9
Electricity & Gas	1.9	(0.2)	2.9	4.8	9.4	5.3
Water, Sewerage and Waste Management	1.3	(8.9)	1.5	2.7	0.0	(4.0)
Wholesale Trade	(0.9)	(11.2)	5.1	4.8	3.8	3.0
Retail Trade	11.5	(6.9)	0.0	2.8	3.6	5.6
Motor Vehicles	(2.9)	(15.2)	0.1	9.9	5.1	8.2
Food & Beverage	1.7	2.4	(1.9)	2.9	3.5	3.7
Accommodation	14.6	(0.8)	0.5	9.9	12.1	12.5
Transportation & Storage	6.3	2.6	(1.2)	12.8	11.0	10.5
ICT	0.1	1.3	0.7	3.3	2.9	3.1
Finance	(3.3)	3.2	1.3	(2.8)	3.0	6.2
Insurance	(3.5)	15.1	(7.0)	(11.4)	(5.2)	24.4
Real Estate	1.6	0.9	3.2	6.5	10.0	11.8
Business Services	2.4	2.2	1.6	8.2	8.4	8.4
Private Health	3.5	1.6	(0.0)	10.0	9.1	8.5
Private Education	2.9	1.3	3.3	5.9	7.3	8.0
Other Services	(0.1)	3.7	(2.1)	3.8	5.5	3.5
Govt. Services	8.8	(8.0)	0.2	4.8	4.6	4.8
Import Duties	11.4	(11.5)	4.1	10.1	3.5	2.7

Note: QoQ is non-seasonally adjusted

Source: Macrobond, MIDFR

Sustained growth in 2QCY24 but several countries reported slower growth. While several countries reported slower growth in 2QCY24, economies like USA, the UK, Malaysia and the Philippines experienced stronger growth underpinned by increased domestic demand. In the US, the stronger GDP growth reflects continued resilience in the economy despite concerns that the high interest rates could curtail aggregate demand. The annualised growth picked up to +2.8%qoq, underpinned by rebounds in consumer spending on goods, and consequently pushing the US year-on-year GDP growth to +3.1%yoy in 2QCY24. Euro area GDP also grew faster at +0.6%yoy, with sustained growth of +0.3%qoq from previous quarter. The bloc's growth was backed by continued GDP expansion in countries like France, Italy, Spain, Ireland and Finland, against a -0.3%qoq decline in Germany's economic growth. In China, the GDP growth was slower at +4.7%yoy, with renewed concerns over the strength of domestic consumption amid ongoing challenges in the property market. In the East Asian region, stronger domestic spending supported stronger growth in Malaysia and the Philippines. In contrast, growth in regional countries like Taiwan, South Korea, Singapore and Indonesia moderated attributable to slower growth in external trade and household spending.

Table 3: GDP Growth by Selected Economies (YoY%)

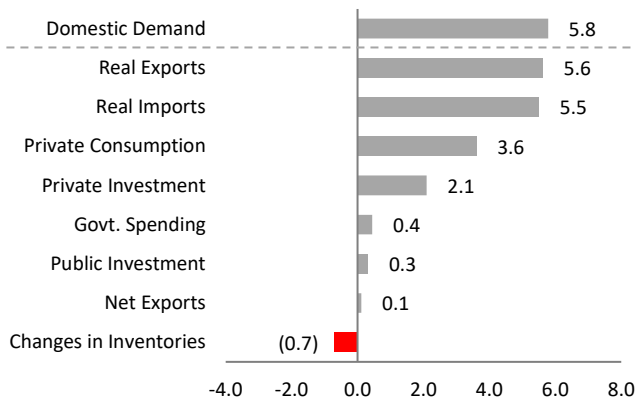
	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Malaysia	7.4	5.5	2.8	3.1	2.9	4.2	5.9
Indonesia	5.0	5.0	5.2	4.9	5.0	5.1	5.0
Philippines	7.1	6.4	4.3	6.0	5.5	5.8	6.3
Thailand	1.3	2.6	1.8	1.4	1.7	1.5	n.a.
Singapore	2.4	0.5	0.5	1.0	2.2	3.0	2.9
China	2.9	4.5	6.3	4.9	5.2	5.3	4.7
Taiwan	(0.7)	(3.5)	1.4	2.1	4.8	6.6	5.1
South Korea	1.1	1.1	1.0	1.4	2.1	3.3	2.3

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Japan	0.6	2.6	2.0	1.3	0.9	(0.9)	(0.8)
UK	0.6	0.3	0.2	0.2	(0.2)	0.3	0.9
Euro area	1.9	1.3	0.5	0.1	0.2	0.5	0.6
USA	0.7	1.7	2.4	2.9	3.1	2.9	3.1

n.a. = not yet available
Source: Macrobond, MIDFR

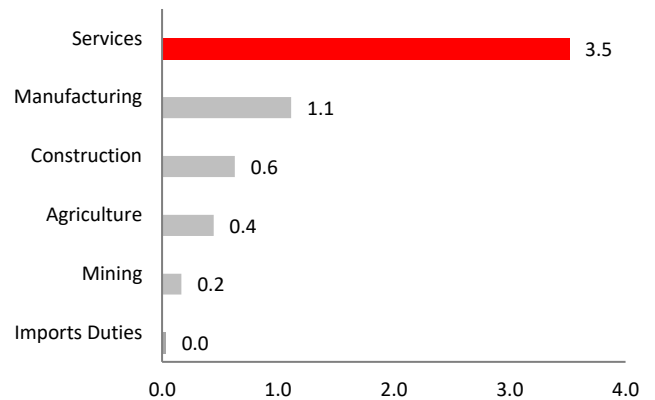
Projection for 2024 GDP growth under review. Looking at the stronger growth of +5.1%yoy in 1HCY24, we are reviewing our full-year GDP forecast projection, likely to adjust upward from existing +4.7% (2023: +3.6%). This is because the growth in domestic economic activities has been faster than expected, supported by positive income growth and with inflation remained under control. At the same time, the recovery in exports is expected to continue, with E&E exports to be more encouraging in the latter part of the year on top of increased demand for non-E&E products. As indicated in our [earlier report](#), we remain cautious that several downside risks could affect Malaysia’s growth outlook; weak growth in the US and China and escalation of geopolitical conflicts could weigh down on trade outlook, while higher inflation from government’s policy changes could hurt consumer spending plans. 📈

Chart 1: Contribution to 2QCY24 GDP Growth by Expenditure Components (%-point)



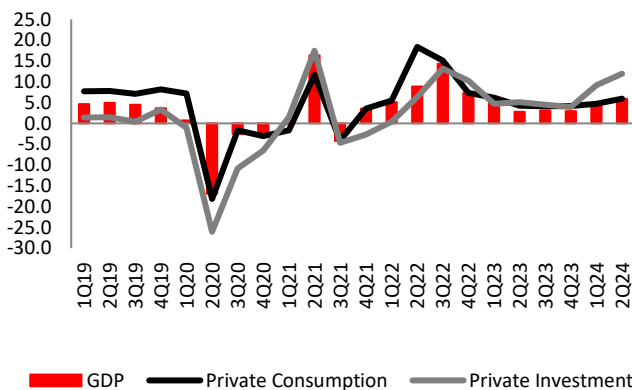
Source: Macrobond, MIDFR

Chart 2: Contribution to 2QCY24 GDP Growth by Supply-Side Components (%-point)



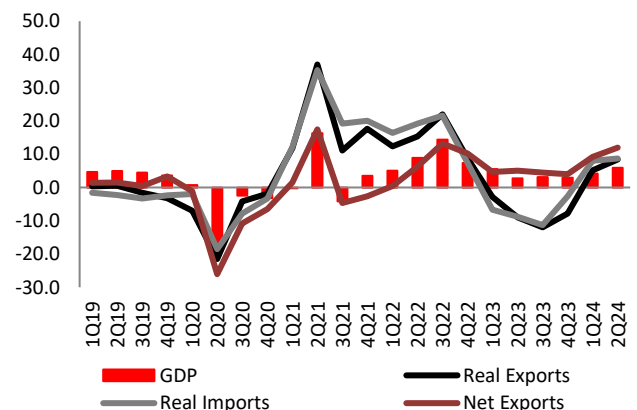
Source: Macrobond, MIDFR

Chart 3: GDP vs Private Sector (YoY%)



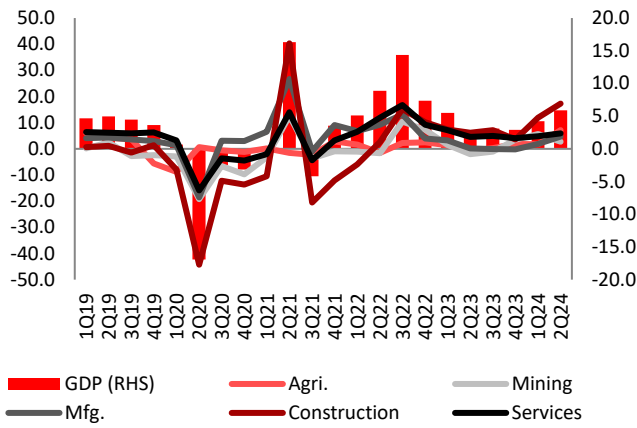
Source: Macrobond, MIDFR

Chart 4: GDP vs External Trade (YoY%)



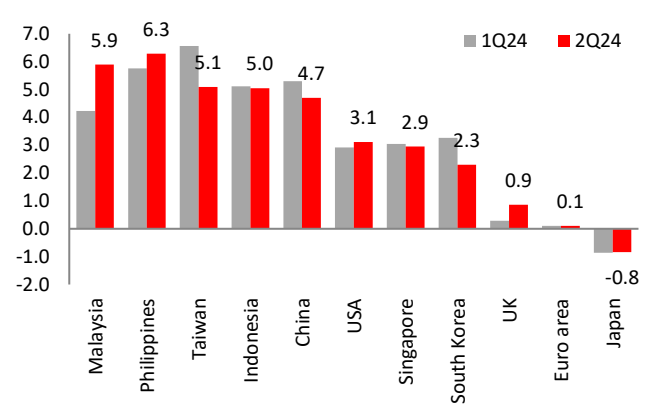
Source: Macrobond, MIDFR

Chart 5: GDP by Supply-Side (YoY%)



Source: Macrobond, MIDFR

Chart 6: GDP Growth for Selected Countries (YoY%)



Source: Macrobond, MIDFR

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