

ECONOMIC REVIEW | 3Q24 National Account – Advance Estimate

Malaysia's Economy Expanded +5.3%yoy in 3QCY24 Slightly Above Our Estimate

- Sustained GDP growth above +5.0%yoy in 3QCY24. Based on the advance estimate, Malaysia's economy expanded by +5.3%yoy in 3QCY24 (2QCY24: +5.9%yoy), sustaining growth above +5.0% for the second consecutive quarter. Growth during the quarter was supported by continued expansion in all economic sectors except the mining industry.
- GDP rebounded +0.7%qoq from the previous quarter. Compared to the previous quarter, Malaysia's GDP grew faster at +4.6%qoq driven by stronger expansion in all sectors, more than offset the contraction in the mining & quarrying sector.
- Keeping 2024 GDP growth forecast at +5.0% for now. With the 3QCY24 GDP growth still within our expectations, we maintain our projection that Malaysia's economy will grow stronger at +5.0% this year (2023: +3.6%). The sustained rise in domestic spending and export recovery will continue to the economic growth this year.

Sustained GDP growth above +5.0%yoy in 3QCY24. Based on the advance estimate, Malaysia's economy expanded by +5.3%yoy in 3QCY24 (2QCY24: +5.9%yoy), sustaining growth above +5.0% for the second consecutive quarter. The growth was generally in line with our expectations, although the pace of growth was slightly higher than our estimate, as we noticed slower expansion in IPI and we anticipate the weaker mining output will be a drag to 3QCY24 GDP growth. By sector, all economic sectors expanded except mining which dropped by -3.4%yoy, which can be attributable to weaker output of crude petroleum and natural gas. Continued growth in agriculture sector, albeit moderating to +4.0%yoy, was underpinned by increased output of crude palm oil and natural rubber. Meanwhile, construction sector recorded stronger expansion of +19.5%yoy, the fastest growth since 2QCY21, indicating continued progress in development projects. In line with stronger exports, the growth in manufacturing sector accelerated to +5.7%yoy. Based on IPI data, increased production was recorded in sub-sectors such as E&E products, transport equipment, F&B and tobacco, and machinery & equipment. The services sector grew further albeit at more moderate pace of +5.1%yoy, sustaining growth since 4QCY21 on the back of growing domestic spending. The moderation in growth was in line with slower expansion in distributive trade (+5.7%yoy; 2QCY24: +6.4%yoy), as a result of slower expansion in retail trade and motor vehicles. Services sector contributed 56.6% or +3.0ppt to the +5.3%yoy GDP growth during the quarter.

Table 1: Malaysia's Real GDP Growth by Major Sectors

	3Q23	4Q23	1Q24	2Q24	3Q24 ^a	3Q23	4Q23	1Q24	2Q24	3Q24 ^a
	QoQ% *					YoY%				
GDP	5.2	3.1	(3.1)	0.8	4.6	3.1	2.9	4.2	5.9	5.3
Agriculture	19.3	(7.1)	(9.2)	6.5	15.7	0.3	1.9	1.7	7.2	4.0
Mining & Quarrying	0.0	14.1	(0.9)	(9.0)	(6.0)	(1.1)	3.5	5.7	2.7	(3.4)
Manufacturing	3.5	3.2	(3.7)	1.8	4.5	(0.1)	(0.3)	1.9	4.7	5.7
Construction	6.1	(1.5)	8.1	3.8	8.1	7.2	3.6	11.9	17.3	19.5
Services	4.9	3.3	(3.0)	0.7	4.1	4.9	4.1	4.8	5.9	5.1

^a advance estimate

* non-seasonally adjusted

Source: DOSM, MIDFR

GDP rebounded +0.7%qoq from the previous quarter. Compared to the previous quarter, Malaysia's GDP grew faster at +4.6%qoq driven by stronger expansion in all sectors, more than offset the contraction in the mining & quarrying sector. The reduced extraction of crude oil and natural gas contributed to the weaker mining output. On the back of stronger external demand, manufacturing output grew faster by +4.5%qoq, while the more robust growth of +15.7%qoq in the agriculture sector was underpinned by higher palm oil production. Growth in the services and construction sectors also strengthened to +4.1%qoq and +8.1%qoq, respectively, which suggests more encouraging growth in the construction activities and domestic demand.

Continued expansion in domestic spending. Despite consumers expressing concerns over rising cost of living, domestic spending continued to be a major driver of growth as reflected in the sustained expansion in the services sector. This is in line with continued growth in retail trade (3QCY24: +6.1%yoy; 2QCY24: +7.4%yoy) and motor vehicles (3QCY24: +8.2%yoy; 2QCY24: +10.2%yoy) on the back of healthy labour market, positive employment and income growth as well as high labour force participation rate. This was underpinned by more encouraging business activities (as reflected in the sustained double-digit growth in the construction sector, stronger manufacturing output and growing business activity in the services sector) which resulted in increased demand for labour. In addition, continued rise in tourist arrivals and spending also contributed to the growing domestic spending activity. While we previously anticipated the possible rollout this year, the government recently announced that the targeted RON95 subsidies will be implemented from mid-2025. Therefore, the delayed hike in domestic petrol prices will support for sustained growth in consumer spending in 4QCY24 and going into 1HCY25.

Drag to GDP from net exports of goods. Although export recovery contributed to turnaround in net exports, contributing positively to 2QCY24, but the lower surplus in trade of goods could be a drag to GDP in 3QCY24. Looking at exports of goods alone, the uptrend continues with stronger expansion of +7.8%yoy (2QCY24: +5.8%yoy). However, stronger rise in goods imports (+20.8%yoy; 2QCY24: +15.0%yoy) contributed to lower trade surplus (3QCY24: +RM25.1b; 2QCY24: +RM32.0b). Taking into account the recovery in services trade on the back of increased tourist arrivals and spending, we expect net exports will likely improve further and potentially sustained positive contribution to GDP growth in 3QCY24.


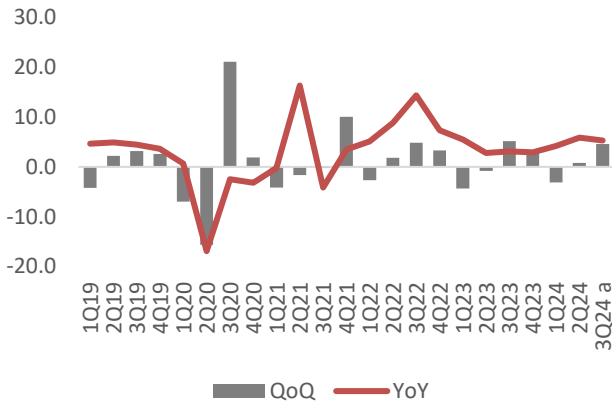
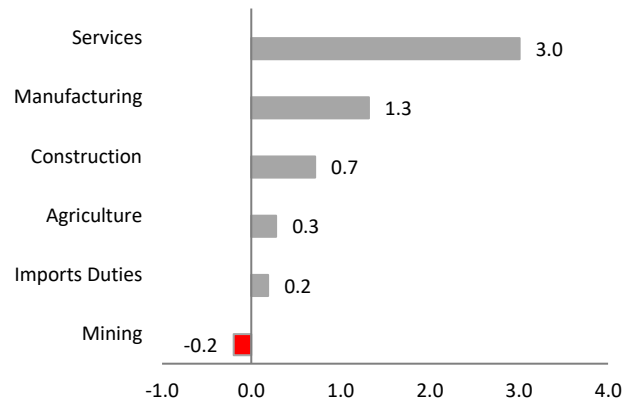
Keeping 2024 GDP growth forecast at +5.0% for now. With the 3QCY24 GDP growth still within our expectations, we maintain our projection that Malaysia's economy will grow stronger at +5.0% this year (2023: +3.6%). Sustained rise in domestic spending and export recovery will continue to the economic growth this year. A more robust expansion in domestic spending can be an upside surprise to our GDP forecast, given the positive labour market and the delay in RON95 subsidy rationalisation. Nevertheless, we are still cautious of potential downside risks to Malaysia's growth outlook from weaker final demand from major economies and possible disruptions to global supply chain and international trade from heightened geopolitical and trade tensions. 

Chart 1: Real GDP: YoY vs. QoQ (%)



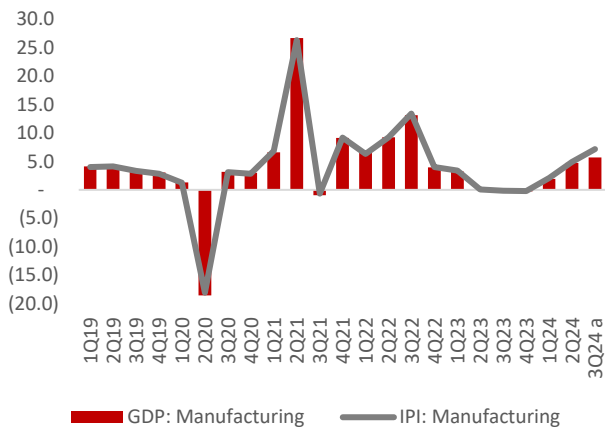
^a advance estimate
Source: DOSM, MIDFR

Chart 2: Contribution to 3QCY24 GDP Growth by Major Sector (%-point)



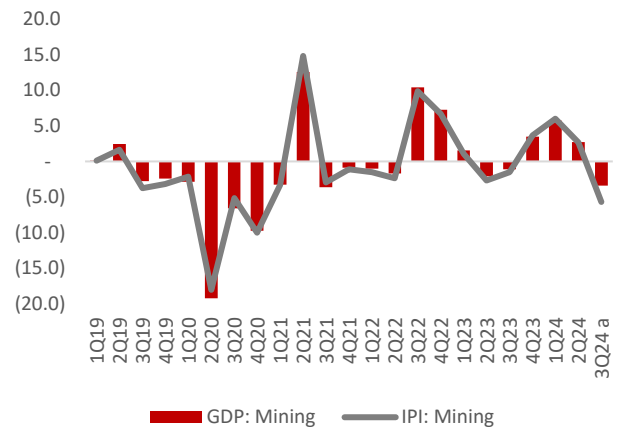
^a advance estimate
Source: DOSM, MIDFR

Chart 3: Manufacturing GDP vs. Manufacturing IPI (YoY%)



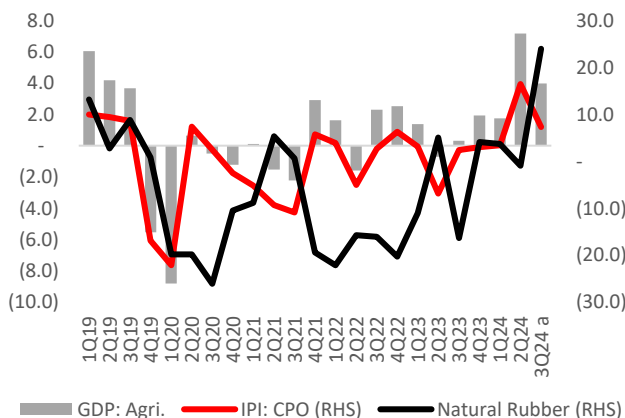
^a advance estimate
Note: Latest data for IPI: Manufacturing refers to Jul-Aug-24
Source: Macrobond, DOSM, MIDFR

Chart 4: Mining GDP vs. Mining IPI (YoY%)



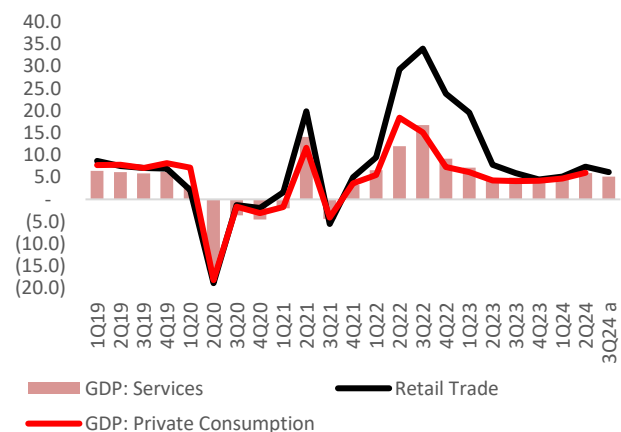
^a advance estimate
Note: Latest data for IPI: Mining refers to Jul-Aug-24
Source: Macrobond, MIDFR

Chart 5: Agriculture GDP vs. CPO IPI vs. Natural Rubber Output (YoY%)



^a advance estimate
Source: Macrobond, DOSM, MIDFR

Chart 6: Services GDP vs. Private Consumption vs. Retail Trade (YoY%)



^a advance estimate
Note: Latest data for Retail Trade refers to Jul-Aug-24
Source: Macrobond, MIDFR

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