

ECONOMIC REVIEW | 2QCY24 National Account – Advance Estimate

Malaysia's Economy Grew Stronger-than-Expected at +5.8%yoy in 2QCY24 Based on Advance Estimate

- GDP growth is estimated to have jumped to +5.8%yoy in 2QCY24. According to the advance estimate, Malaysia's economy grew faster than expected at +5.8%yoy in 2QCY24, the fastest annual growth expansion in 6 quarters. All major sectors registered stronger growth except the mining sector which experienced a more moderate expansion.
- GDP rebounded +0.7%qoq from the previous quarter. Against the previous quarter, Malaysia's GDP picked up and rebounded by +0.7%qoq (1QCY24: -3.1%qoq), with rebounds in the agriculture and manufacturing sectors.
- Keeping 2024 GDP growth forecast at +4.7% for now. Despite the stronger growth in 2QCY24 from the advance estimate, we are keeping our 2024 GDP growth forecast at +4.7% (2023: +3.6%) for now and will review our projection after the full 3-month data for 2QCY24 is released. Possible upside surprises to our forecast could come from more resilient growth in domestic spending.

GDP growth is estimated to have jumped to +5.8%yoy in 2QCY24. According to the advance estimate, Malaysia's economy grew faster than expected at +5.8%yoy in 2QCY24 (1QCY24: +4.2%yoy), the fastest annual growth in 6 quarters. The robust growth surpassed our and market expectations, where the stronger growth was also attributable to the lower base in 2QCY23. All major economic sectors registered stronger growth except the mining sector which experienced a more moderate expansion. The services sector growth accelerated to +5.6%yoy, the fastest growth in 5 quarters and underpinned by expansion in retail & wholesale trade; logistics & storage; and the finance & insurance sub-sectors. In line with the improved external trade, the manufacturing sector grew faster by +4.7%yoy, marking the fastest growth since 4QCY22. Meanwhile, construction output surged +17.2%yoy, the steepest rise since the post-pandemic +40.3%yoy recovery in 2QCY21, attributable to higher activities in all segments especially civil engineering and specialised construction. The agriculture sector also grew faster at +7.1%yoy as the growth in oil palm and livestock industries offset the decline in rubber and other sub-sectors. The mining and quarrying sector sustained 3 quarters of expansion, but the pace of growth moderated to +3.3%yoy supported mainly by increased natural gas output. While the pace of growth exceeded our estimate, the faster growth in 2QCY24 was still in line with our expectations that growth momentum continued to improve.

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

	2Q23	3Q23	4Q23	1Q24	2Q24 ^a	2Q23	3Q23	4Q23	1Q24	2Q24 ^a
	QoQ% *					YoY%				
GDP	(0.8)	5.2	3.1	(3.1)	0.7	2.8	3.1	2.9	4.2	5.8
Agriculture	1.1	19.3	(7.1)	(9.3)	6.6	(0.7)	0.3	1.9	1.6	7.1
Mining & Quarrying	(6.4)	0.0	14.1	(0.9)	(8.5)	(2.1)	(1.1)	3.5	5.7	3.3
Manufacturing	(0.9)	3.5	3.2	(3.7)	1.8	0.1	(0.1)	(0.3)	1.9	4.7
Construction	(0.9)	6.1	(1.5)	8.1	3.7	6.2	7.2	3.6	11.9	17.2
Services	(0.4)	4.9	3.3	(3.0)	0.5	4.5	4.9	4.1	4.7	5.6

^a advance estimate

* non-seasonally adjusted

Source: DOSM, MIDFR

GDP rebounded +0.7%qoq from the previous quarter. Against the previous quarter, Malaysia's GDP picked up and rebounded by +0.7%qoq (1QCY24: -3.1%qoq). By sector, the rebounds were also recorded in the growth for agriculture (1QCY24: +6.6%qoq; 1QCY24: -9.3%qoq) and manufacturing (1QCY24: +1.8%qoq; 1QCY24: -3.7%qoq) sectors. In the agriculture sector, the expansion was mainly underpinned by increased palm oil production. For the manufacturing sector, higher output was recorded in the E&E and automotive industries as shown in the IPI reports. On another note, the sustained growth of +3.7%qoq in the construction sector also contributed positively to the quarterly growth. The mining sector, on the other hand, contracted by -8.5%qoq during the quarter due to weaker production of LNG and crude petroleum. While the quarterly GDP growth may be influenced by seasonal factors such as the Hari Raya celebrations, the quarter-on-quarter growth was not as robust as more than +2%qoq average growth during the pre-pandemic years (from 2015 to 2019). In line with this, the services sector growth was relatively smaller at +0.5%qoq.

Robust spending despite concerns over rising cost of living. The stronger +5.6%yoy growth in the services sector suggests consumers continued to increase spending despite concerns over rising inflation. This is in line with the robust expansion in retail trade, which grew faster at +7.1%yoy in Apr-May-24 (1QCY24: +5.2%yoy). Consumers, however, continued to indicate concerns over rising prices and plans to hold spending as the MIER Consumer Sentiment Index eased to 87.1 in 1QCY24. In general, we expect the positive labour market condition, with more people being employed, and the continued recovery in the tourism sector to support domestic spending activity. However, we keep a cautious view that the inflationary effect following the planned policy changes would constrain consumer spending. On that note, we foresee inflation would trend higher in the latter part of the year (after accelerating to +2%yoy in May-24) mainly contributed by higher non-food inflation as a result of revisions to the fuel prices and utility charges.

Goods trade recovering but remained a drag. Although exports of goods are recovering and gradually improving from 2HCY23, the trade balance (of goods) remained a drag in 2QCY24 due to the relatively faster import growth. From the external trade data, the goods trade surplus decreased by -42.7%yoy to +RM32b in the quarter (1QCY24: +RM34.1b) on the back of more robust growth of +15%yoy in imports vis-à-vis +1.8%yoy in exports. On a positive note, we opine services trade will continue to improve further in line with the tourism sector recovery. Going forward, we still anticipate the trade recovery will be one of the factors that will contribute to stronger economic growth this year.


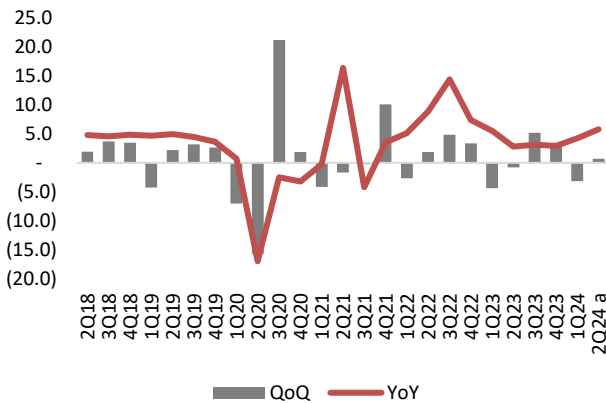
Keeping 2024 GDP growth forecast at +4.7% for now. Despite the stronger growth in 2QCY24 from the advance estimate, we are keeping our 2024 GDP growth forecast at +4.7% (2023: +3.6%) for now. We will review our projection after the full 3-month data for 2QCY24 is released. The robust growth in the services and construction sectors suggests possible upside surprises to our forecast could come from more resilient growth in domestic spending (by both households and businesses). However, we are concerned that the 2024 growth outlook may be constrained by risks of slowdown in the major markets (such as USA and China) and renewed constraint to global trade flow from escalation in the ongoing geopolitical conflicts. Moreover, the risk of higher inflation from policy changes could also hurt consumer sentiment. 

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



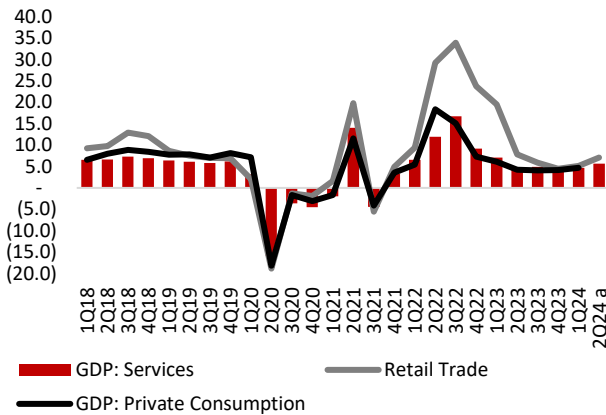
^a advance estimate
Source: DOSM, MIDFR

Chart 2: Manufacturing GDP vs. Manufacturing IPI (YoY%)



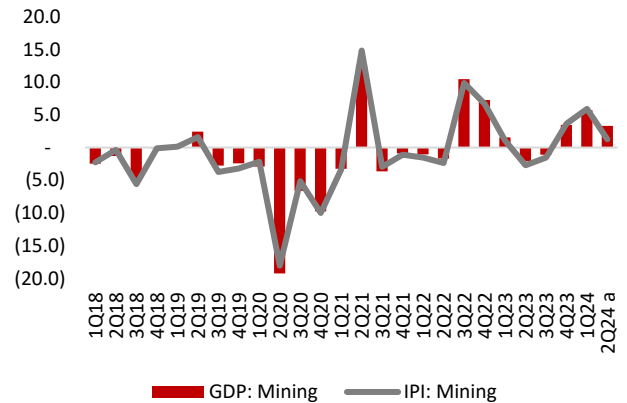
^a advance estimate
Note: Latest data for IPI: Manufacturing refers to Apr-May-24
Source: Macrobond, DOSM, MIDFR

Chart 3: Services GDP vs. Private Consumption vs. Retail Trade (YoY%)



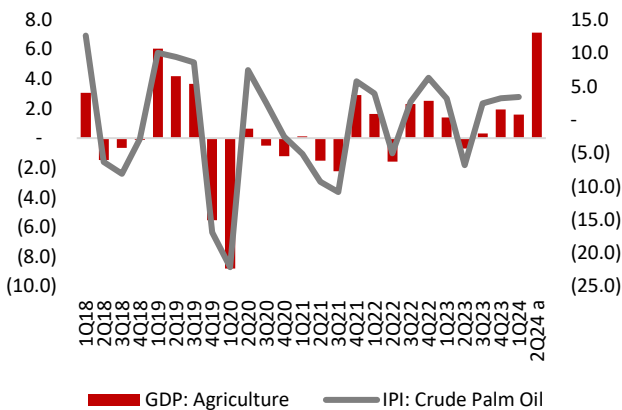
^a advance estimate
Note: Latest data for Retail Trade refers to Apr-May-24
Source: Macrobond, MIDFR

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



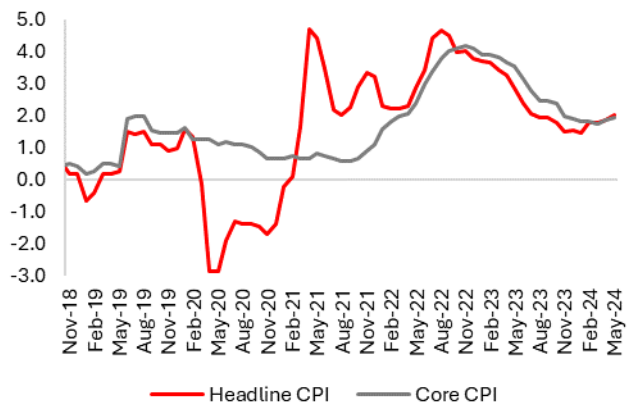
^a advance estimate
Note: Latest data for IPI: Mining refers to Apr-May-24
Source: Macrobond, MIDFR

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



^a advance estimate
Source: Macrobond, DOSM, MIDFR

Chart 6: Headline vs. Core CPI (YoY%)



Source: Macrobond, MIDFR

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