14 November 2024

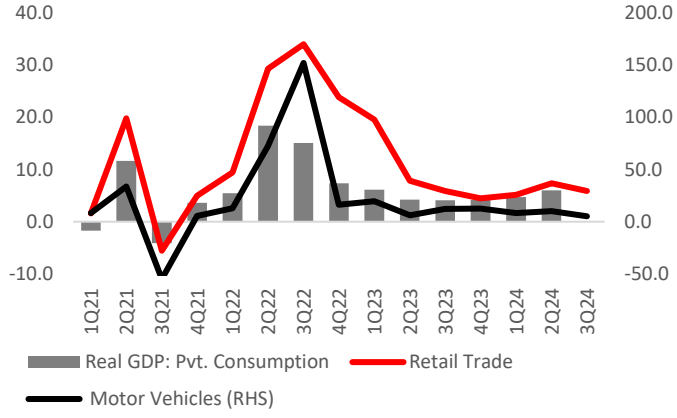
ECONOMIC REPORT | National Account Preview - 3QCY24 GDP

Malaysia's GDP Expected to Expand at +5.3%yoy in 3QCY24

- *Major growth driver from increased domestic consumption. Sustained growth in domestic consumption remained the key driver of growth of Malaysia's GDP in 3QCY24. Consumer spending continued to expand albeit the rise in retail trade moderated to +5.9%yoy in 3QCY24 (2QCY24: +7.4%yoy).*
- *Stronger export growth. Continued recovery in exports remained one of the key factors which sustained Malaysia's GDP growth above +5% in 3QCY24. Exports of goods grew faster at +7.8%yoy in 3QCY24 (2QCY24: +5.8%yoy), underpinned by more robust growth in domestic exports (+14.2%yoy; 2QCY24: +11.4%yoy) and slower fall in re-exports (-7.5%yoy; 2QCY24: -12.6%yoy).*
- *Stronger manufacturing in line with continued recovery in exports. Although IPI growth moderated to +3.9%yoy in 3QCY24 (2QCY24: +4.5%yoy), the growth in manufacturing output was faster at +5.8%yoy (2QCY24: +4.9%yoy) in line with the stronger export growth during the quarter.*
- *Full quarter 3QCY24 GDP growth at around +5.3%yoy. Taking into accounting the recent indicators and updates, we estimate the full-quarter GDP growth for 3QCY24 will be around +5.3%yoy, similar to the advance estimate.*

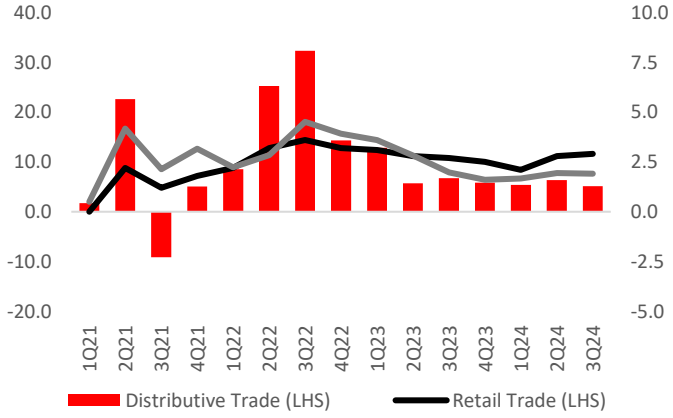
Major growth driver from increased domestic consumption. Sustained growth in domestic consumption remained the key driver of growth of Malaysia's GDP in 3QCY24. Consumer spending continued to expand albeit the rise in retail trade moderated to +5.9%yoy in 3QCY24 (2QCY24: +7.4%yoy). This in a way was in line with the more moderate growth in the services sector, at +5.1%yoy (2QCY24: +5.9%yoy) in the advance GDP estimate. In other words, the robust but more moderate GDP growth in 3Q reflected the moderation in the growth of domestic spending. Apart from the weaker retail sales, we believe this was also explained by the slower growth in spending on motor vehicles. Overall, the sustained growth was underpinned by increased employment, growing income and the recovery in tourist spending. Apart from the ability to tap part of retirement savings, spending growth was also supported by the cash assistance from the government received during the quarter.

Chart 1: Private Spending vs Inflation (YoY%)



Note: 3QCY24 GDP data refers to advance estimate
Source: Macrobond, MIDFR

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

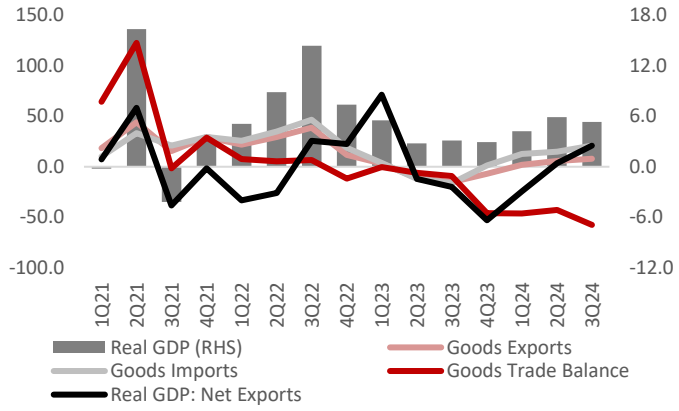


Source: Macrobond, MIDFR

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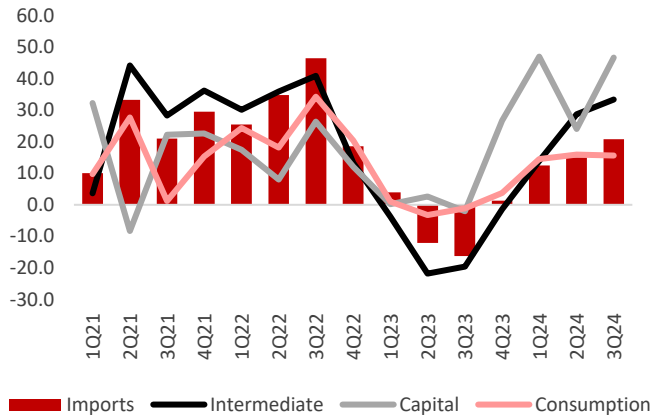
Stronger export growth. Continued recovery in exports remained one of the key factors which sustained Malaysia's GDP growth above +5% in 3QCY24. Exports of goods grew fasater at +7.8%yoy in 3QCY24 (2QCY24: +5.8%yoy), underpinned by more robust growth in domestic exports (+14.2%yoy; 2QCY24: +11.4%yoy) and slower fall in re-exports (-7.5%yoy; 2QCY24: -12.6%yoy). The stronger growth was driven by increased demand for various products (such as E&E, palm oil products, rubber products and transport equipment), which offset the weaker exports of mining commodities. Despite sustained strength in goods imports, we expect net exports contribution will remain positive in 3Q because we anticipate further improvement in services exports in view of the recovery in the tourism sector and increased tourist arrivals (and spending).

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



Note: 3QCY24 Real GDP refers to advance estimate
Source: Macrobond, MIDFR

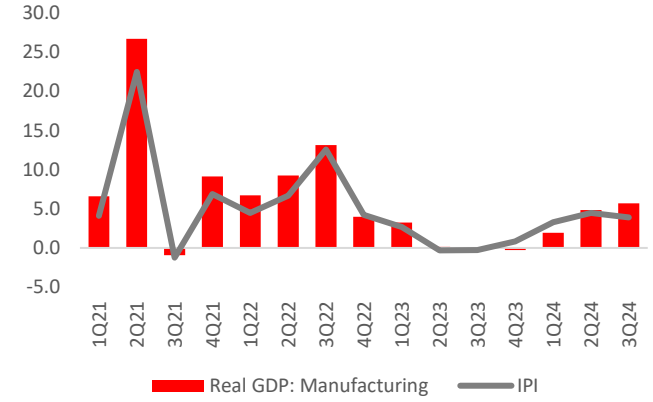
Chart 4: Imports of Goods by End-Use (YoY%)



Source: Macrobond, MIDFR

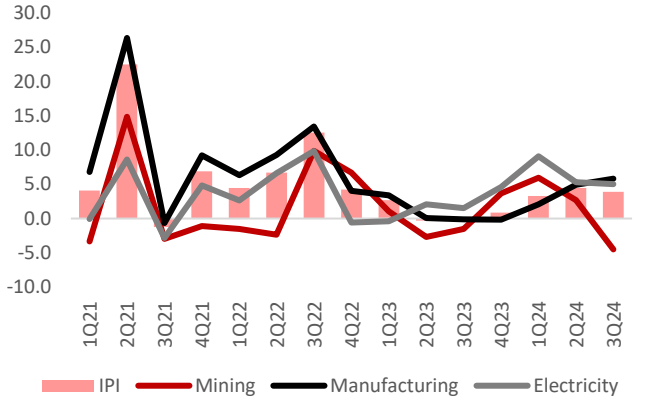
Stronger manufacturing in line with continued recovery in exports. Although IPI growth moderated to +3.9%yoy in 3QCY24 (2QCY24: +4.5%yoy), the growth in manufacturing output was faster at +5.8%yoy (2QCY24: +4.9%yoy) in line with the stronger export growth during the quarter. Based on this, we expect the manufacturing sector growth will be around +5.7%yoy (2QCY24: +4.9%yoy), as indicated by the advance estimate. The mining sector, on the other hand, will be a drag to 3Q GDP growth as the mining production contracted by -4.5%yoy (2QCY24: +2.7%yoy) based on IPI data. The weakness was recorded in both production of crude petroleum (3QCY24: -7.2%yoy; 2QCY24: +1.7%yoy) and natural gas (3QCY24: -2.6%yoy; 2QCY24: +3.5%yoy). Looking at the IPI performance in Sep-24, the mining sector growth likely fell steeper than the advance estimate of -3.4%yoy (2QCY24: +2.7%yoy), weighed down by lower crude petroleum output.

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



Note: 3QCY24 GDP data refers to advance estimate
Source: Macrobond, MIDFR

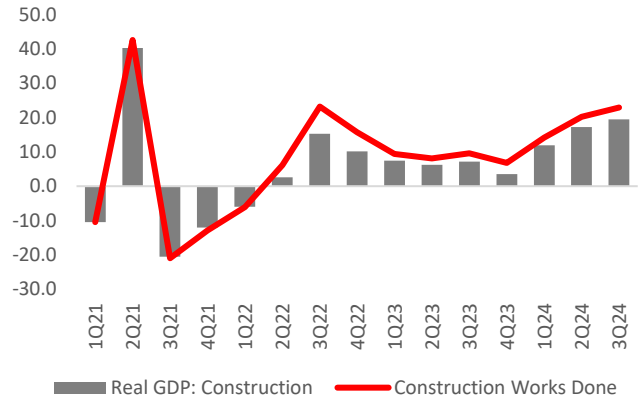
Chart 6: IPI by Major Sector (YoY%)



Source: Macrobond, MIDFR

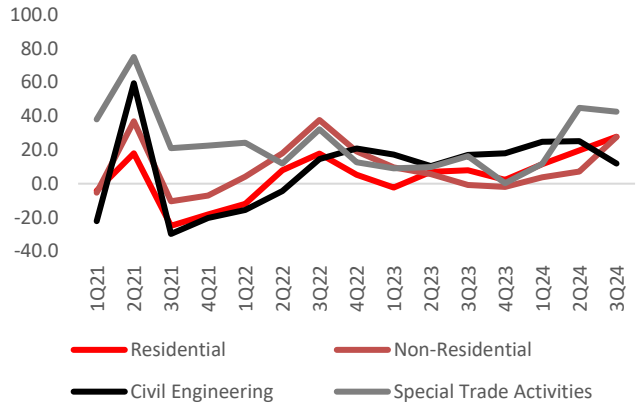
Another quarter of robust growth in the construction sector. Construction sector growth continued to be robust in 3QCY24. Based on the progress of construction works done, the growth accelerated to +22.9%yoy during the quarter (2QCY24: +20.2%yoy), the fastest expansion in 8 quarters. This was underpinned by faster progress in jobs carried out by the private sector (3QCY24: +33.3%yoy; 2QCY24: +15.8%yoy), with stronger growth in residential and non-residential segments as well as civil engineering. On that note, we expect the full-quarter growth for the quarter to be more or less in line with the stronger growth of +19.5%yoy (2QCY24: +17.3%yoy), the fastest pace in more than 3 years as shown in the advance estimate.

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



Note: 3QCY24 GDP data refers to advance estimate
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

Full quarter 3QCY24 GDP growth at around +5.3%yoy. Taking into accounting the recent indicators and updates, we estimate the full-quarter GDP growth for 3QCY24 will be around +5.3%yoy, similar to the advance estimate. Possible upside surprises could be a more robust recovery in services exports and the positive effects from stable inflation. In contrast, GDP growth could be weaker than anticipated potentially dragged down by moderation in domestic spending and weaker mining production. Going forward, we expect Malaysia's economic growth will continue to be driven by growing consumer and business spending and continued growth in external demand. However, we are wary of several downside risks to Malaysia's growth outlook particularly from the external front, such as re-acceleration in global inflation, weaker growth (and demand) in China and the US and further escalation in geopolitical and trade tensions, which could disrupt the international trade flows.

Table 1: Selected-Macroeconomic Data Updates

YoY% Unless Stated Otherwise	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Distributive Trade (DT)	5.7	6.8	5.8	5.4	6.4	5.1
DT: Wholesale Trade	3.6	6.3	5.4	4.9	4.5	4.3
DT: Retail Trade	7.9	5.9	4.4	5.2	7.4	5.9
DT: Motor Vehicles	6.8	12.2	12.6	8.2	10.2	5.1
IPI	(0.3)	(0.3)	0.8	3.3	4.5	3.9
IPI: Mining	(2.7)	(1.5)	3.7	5.9	2.7	-4.5
IPI: Manufacturing	0.1	(0.1)	(0.2)	2.1	4.9	5.8
IPI: Electricity	2.1	1.5	4.6	9.1	5.3	5.0
Manufacturing Sales	(0.9)	(2.9)	(2.8)	1.8	5.7	6.6
Gross Exports of Goods	(11.1)	(15.2)	(6.9)	2.0	5.8	5.8
Domestic Exports	(13.8)	(13.0)	(6.7)	5.0	11.4	14.2
Re-Exports	(1.2)	(22.1)	(7.5)	(8.5)	(12.5)	(7.5)
Gross Imports of Goods	(12.1)	(16.3)	1.3	12.5	15.0	20.8
Trade Balance (RM Billion)	55.8	59.0	36.9	34.1	32.0	25.1
Employment	2.8	2.7	2.5	2.1	2.8	2.9
Unemployment	(9.4)	(6.3)	(5.9)	(4.4)	(4.1)	(4.4)
Unemployment Rate (%)	3.5	3.4	3.3	3.3	3.3	3.2
Headline CPI Inflation	2.8	2.0	1.6	1.7	2.0	1.9
Core CPI Inflation	3.4	2.6	2.1	1.8	1.9	1.9
USDMYR, Average	4.53	4.63	4.70	4.72	4.73	4.46
USDMYR, End-period	4.67	4.70	4.59	4.73	4.72	4.12
Brent Oil (USD per barrel), Average	77.84	85.92	82.80	81.77	85.03	78.71
CPO (RM per tonne)	3,846	3,810	3,666	3,983	4,040	3,989

Source: Macrobond, Bloomberg, MIDFR

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