

Malaysia 1Q24 Advance GDP

1Q24 growth climbs 3.9%, led by services sector and manufacturing recovery

- **The Department of Statistics (DOSM), in its third quarterly advance GDP release, showed 1Q24 GDP growth expanded to 3.9% (4Q23: 3.0%)**

- This is slightly higher than the house projection of 3.3% but matches Bloomberg's consensus of 3.9%. On a quarterly basis, growth declined by 3.4% (4Q23: 3.1%), versus house projection of -4.0%. The detailed 1Q24 GDP results will be released on May 17.

- **Resilient services sector, a manufacturing recovery, along with stronger construction and mining performance more than offset the moderation in agriculture**

- The **services** sector expanded to 4.4% (4Q23: 4.2%), led by growth in the wholesale & retail trade, transportation & storage, and business services sub-sectors, as well as a rebound in the finance & insurance sub-sector.
- The **manufacturing** sector rebounded to 1.9% (4Q23: -0.3%) following two consecutive quarters of decline. Growth for this sector was contributed by non-metallic mineral products, basic metal & fabricated metal products, and transport equipment, and other manufacturing & repair. However, growth was partially capped by the weakness in vegetable and animal oils & fats and food processing.
- The **mining and quarrying** sector expanded to 4.9% (4Q23: 3.8%), mainly driven by higher production in the natural gas sub-sector.
- The **construction** sector rose sharply to 9.8% (4Q23: 3.6%) supported by civil engineering, specialised construction activities and residential buildings. However, the momentum was partially capped by a decline in non-residential buildings.
- Nevertheless, the **agriculture** sector moderated to 1.3% (4Q23: 1.9%) as forestry & logging and fishing sub-sectors contracted during the quarter. Nonetheless, the weakness in this sector was partially supported by growth in the oil palm and livestock sub-sectors.

- **Despite the stronger-than-expected 1Q24 GDP performance, we maintain our growth forecast for 2024 at 4.5% - 5.0% as risk to growth persist. Momentum is likely to steadily pick up in the 2H24**

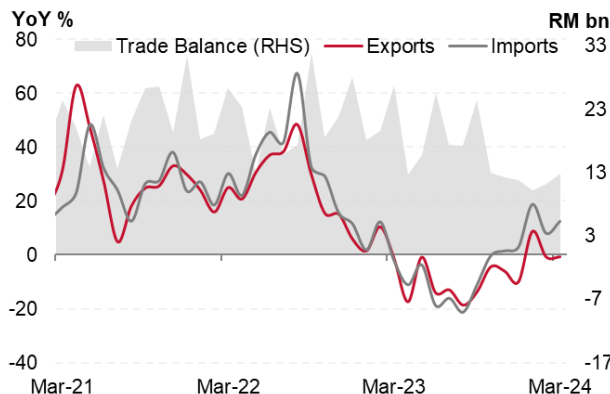
- While the 1Q24 GDP estimate by DOSM exceeded the house forecast, we maintain the overall 2024 GDP growth projection at 4.5% - 5.0% as downside risk remains in the 1H24. Export performance remains subdued due to China's fragile post-pandemic recovery, while escalating geopolitical tensions, notably in the Middle East, could potentially escalate into regional conflicts, adversely impacting the global supply chain and sentiment, and subsequently weighing on growth outlook. This is also reflected in the latest Manufacturing PMI for March at 48.4 (Feb: 49.5) which has remained in contraction since August 2022. Additionally, exports declined by 0.8%, matching February's decline. Domestically, the long-awaited targeted subsidy mechanism could also pose a threat to consumer spending given the expected rise in general prices amid higher fuel prices.
- Likewise, we anticipate that robust domestic demand will support growth, with a projected lower unemployment rate of 3.2% in 2024 (2023: 3.4%). This forecast is underpinned by continued expansion in the services sector and anticipated recovery in manufacturing sector, as well as further realisation of investment approved last year. This will also be partly backed the continued rise in tourist arrivals and spending, along with ongoing government fiscal spending and the imminent prospect of E&E upcycle especially in the 2H24. Against this backdrop, we retain our 2024 GDP growth forecast at 4.5% - 5.0%, aligning with the MoF and BNM projections of 4.0% - 5.0%.

Table 1: Malaysia GDP Growth (constant 2015 prices)

YoY %	3Q23	4Q23	DOSM 1Q24P	KIBB 1Q24E
By Sector				
Agriculture	0.9	1.9	1.3	1.5
Mining	-0.1	3.8	4.9	1.9
Manufacturing	-0.1	-0.3	1.9	1.1
Construction	7.2	3.6	9.8	3.1
Services	5.0	4.2	4.4	4.2
Real GDP	3.3	3.0	3.9	3.3

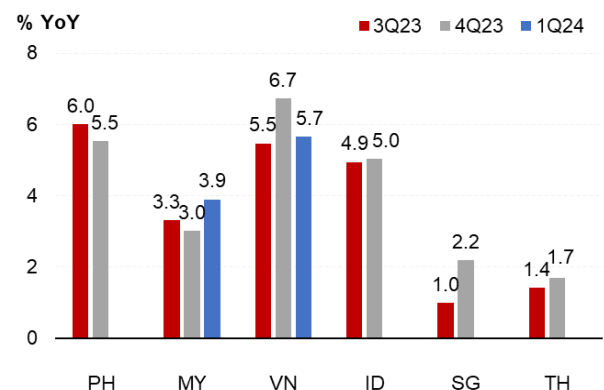
Source: DoSM, BNM, MoF, Kenanga Research. E: Denotes estimate

Graph 1: External Trade Growth (YoY %)



Source: Dept. of Statistics, Kenanga Research

Graph 2: ASEAN-5 (+VN) GDP Growth



Source: Dept. of Statistics, Kenanga Research

22 April 2024

Table 2: Malaysia GDP Growth (constant 2015 prices)

YoY %	2022	2023	1Q23	2Q23	3Q23	4Q23	1Q24F	Kenanga		2024F	MOF	BNM
								1H24F	2H24F		2024F	2024F
By Sector												
Agriculture	0.1	0.7	1.0	-1.0	0.9	1.9	1.5	1.4	1.8	1.6	1.2	-0.5
Mining	2.6	1.0	2.4	-2.3	-0.1	3.8	1.9	1.7	2.2	2.0	2.7	3.5
Manufacturing	8.1	0.7	3.2	0.1	-0.1	-0.3	1.1	2.3	6.6	4.5	4.2	3.5
Construction	5.0	6.1	7.4	6.2	7.2	3.6	3.1	3.3	4.6	3.9	6.8	6.7
Services	10.9	5.3	7.3	4.7	5.0	4.2	4.2	4.2	6.6	5.4	5.6	5.5
Real GDP	8.7	3.7	5.6	2.9	3.3	3.0	3.3	3.5	5.9	4.5 – 5.0	4.0 – 5.0	4.0 – 5.0
By Expenditure												
Consumption	9.9	4.6	4.5	4.2	4.8	4.9	4.0	4.1	6.1	5.2	5.1	5.2
Public	4.5	3.9	-2.2	3.8	5.8	7.3	1.3	1.5	2.5	2.1	2.6	3.2
Private	11.2	4.7	5.9	4.3	4.6	4.2	4.5	4.6	7.0	5.8	5.7	5.7
Investment	6.8	5.5	4.9	5.5	5.1	6.4	4.0	4.8	6.5	5.7	6.1	6.2
Public	5.3	8.6	5.7	7.9	7.5	11.3	5.5	5.8	6.3	6.1	8.3	6.2
Private	7.2	4.6	4.7	5.1	4.5	4.0	3.7	4.6	6.6	5.6	5.4	6.1
Public Spending	4.7	5.1	-0.3	4.6	6.2	8.4	2.3	2.5	3.5	3.1	4.1	4.0
Private Spending	10.3	4.7	5.6	4.5	4.5	4.2	4.3	4.6	6.9	5.8	5.6	5.8
Aggregate Demand	9.2	4.8	4.6	4.5	4.8	5.2	4.0	4.3	6.2	5.3	4.8	4.6
Exports	14.5	-7.9	-3.3	-9.4	-12.0	-6.3	3.1	3.7	4.9	4.3	4.1	4.0
Imports	15.9	-7.6	-6.5	-9.7	-11.1	-2.9	3.3	3.9	5.1	4.5	3.9	4.1
Net Exports	-1.0	-11.3	54.4	-3.7	-22.7	-35.6	0.9	0.9	2.3	1.6	5.5	2.1
Real GDP	8.7	3.7	5.6	2.9	3.3	3.0	3.3	3.5	5.9	4.5 – 5.0	4.0 – 5.0	4.0 – 5.0

Source: DoSM, BNM, MoF, Kenanga Research

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