

Malaysia 3Q24 GDP

3Q24 growth slows as expected; moderate trend likely to persist in 4Q24

- **GDP growth slowed to 5.3% YoY in 3Q24 (2Q24: 5.9%), matching house forecasts and market expectations (KIBB: 5.3%; Bloomberg consensus: 5.3%) as well as DOSM's advance estimates**

- The slowdown was driven by weaker household spending and weak mining sector, but partially offset by higher investment, rising manufacturing output, and a robust construction sector.
- Meanwhile, seasonally adjusted QoQ growth moderated (1.8%; 2Q24: 2.9%).
- Among ASEAN-5 (+VN, excluding TH) Malaysia recorded the second fastest 3Q24 growth, trailing Vietnam (7.4%; 2Q24: 7.1%).

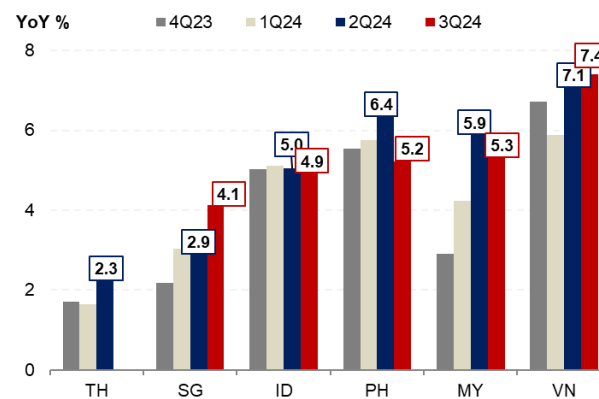
- **Strong investment partially offset slower consumption and weak net exports**

- **Domestic demand** (7.0%; 2Q24: 6.9%): reaching a seven-quarter high, driven by strong public sector growth, which slightly outpaced private sector spending. Domestic demand contributed 6.6 percentage points (ppts) to 3Q24 growth (2Q24: 6.5 ppts).
 - **Public spending** (7.1%; 2Q24: 4.9%): expanded, adding 1.2 ppts (2Q24: 0.8 ppts) to overall 3Q24 GDP growth, supported by higher public consumption (4.9%; 2Q24: 3.6%) and public investment (14.4%; 2Q24: 9.1%).
 - **Private spending** (7.0%; 2Q24: 7.3%): growth slowed due to modest expansion in private consumption (4.8%; 2Q24: 6.0%). Strong private investment (15.5%; 2Q24: 12.0%) partially offset this slowdown, contributing a lower 5.4 ppts to overall 3Q24 GDP (2Q24: 5.7 ppts).
- **Net exports** (-8.8%; 2Q24: 3.4%): fell sharply as imports, particularly intermediate and capital goods, outpaced export growth, dragging overall growth by 0.4 ppts (2Q24: 0.1 ppts).
 - **Exports** (11.8%; 2Q24: 8.4%): expanded to an eight-quarter high due to higher value-added exports of goods (9.2%; 2Q24: 5.5%) and services (27.3%; 2Q24: 24.6%), which have maintained double digit growth since 4Q21.
 - **Imports** (13.5%; 2Q24: 8.7%): also hitting an eight-quarter high, due to higher value-added imports of goods (15.4%; 2Q24: 9.0%), which offset a slowdown in services imports (6.0%; 2Q24: 7.2%).

- **Manufacturing recovery and a construction surge mitigate the overall slowdown due to moderate growth in services and agriculture as well as weak mining sector**

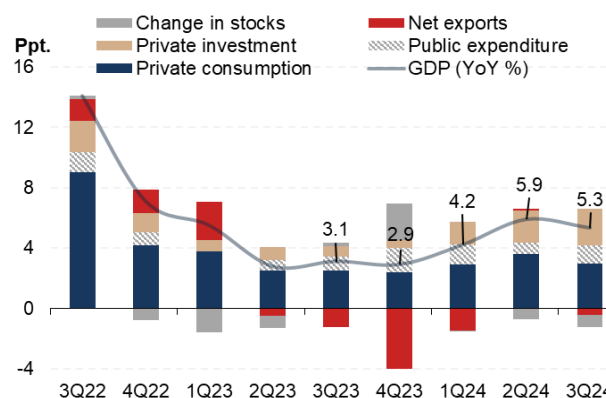
- **Manufacturing** (5.6%; 2Q24: 4.7%): expanded for the third straight quarter, exceeding our projection of 5.3% but slightly lower than DOSM's advance estimate of 5.7%. Growth was broad-based, led by key subsectors such as electrical, electronic and optical products (5.6%; 2Q24: 3.0%) and petroleum, chemical, rubber & plastic products (4.4%; 2Q24: 4.1%). Overall, the manufacturing sector's contribution to GDP growth expanded to 1.3 ppts (2Q24: 1.1 ppts), an eight-quarter high.
- **Construction** (19.9%; 2Q24: 17.3%): Achieved the highest growth since 2Q21, significantly surpassing our forecast of 14.4% but just slightly higher than DOSM's advance estimates of 19.5%. Growth was driven by strong performance in non-residential buildings (28.1% 2Q24: 2.8%) and residential buildings (22.7%; 2Q24: 14.1%). However, it was partially capped by a slowdown in specialised construction activities (21.7%; 2Q24: 27.0%) and civil engineering (10.7%; 2Q24: 23.6%). Construction contributed 0.7 ppts to the overall 3Q24 GDP (2Q24: 0.6 ppts).
- **Services** (5.2%; 2Q24: 5.9%): moderated, missing our 5.5% projection but slightly beating DOSM's 5.1% advance estimate. Retail trade (4.0%; 2Q24: 5.6%) and motor vehicles (3.5%; 2Q24: 8.2%) slowed, but wholesale trade (4.4%; 2Q24: 3.0%) provided some support. Services remained the largest contributor to GDP at 3.1 ppts (2Q24: 3.5 ppts).
- **Agriculture** (3.9%; 2Q24: 7.3%): growth moderated, slightly below DOSM's 4.0% advance estimates but above our forecast of 1.2%. Slower growth was mainly due to lower oil palm production (7.3%; 2Q24: 19.0%) amid lower fruit

Graph 1: ASEAN-5 (+VN) GDP Growth Performance



Source: DoSM, Kenanga Research

Graph 2: GDP by Expenditure Performance (Percentage Point Contribution to Growth)



Source: DoSM, Kenanga Research

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bunches production. Livestock sub-sector also moderated (2.7%; 2Q24: 5.8%). Nevertheless, higher production of other agriculture sub-sectors (1.8%; 2Q24: 0.6%) partially mitigated the slowdown. Agriculture contributed 0.3 ppts to GDP growth (2Q24: 0.5 ppts).

- **Mining** (-3.9%; 2Q24: 2.7%): contracted sharply due to temporary plant maintenance, below DOSM's advance estimates of -3.4% and contrary to our positive growth forecast of 1.3%. Crude oil & condensate fell (-7.3%; 2Q24: 1.6%), while natural gas (2.8%; 2Q24: 2.9%) and other mining & quarrying and supporting services (2.6%; 2Q24: 7.2%) posted modest growth. Mining contributed zero to GDP growth (2Q24: 0.1 ppt).
- **Growth to moderate further in the final quarter, bringing overall 2024 GDP growth to settle at 5.0% and is projected to moderate slightly to 4.8% in 2025**

- We maintain our 2024 GDP growth forecast at 5.0%, aligns with projections from the Ministry of Finance (MoF) and Bank Negara Malaysia (BNM) of 4.8% – 5.3% and 4.0% – 5.0%, respectively, for 2024.

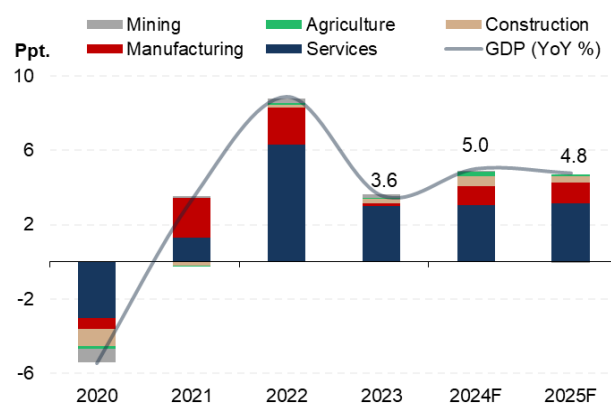
- **4Q24 Drivers:** Continued recovery in the manufacturing sector, led by export-oriented industries benefiting from the global tech cycle and rising AI demand. Better-than-expected growth in the US reflecting its resilient economy also supports Malaysian exports, with year-to-date export shipments to the US increasing. On the domestic front, the services sector remains a key growth driver, supported by steady domestic demand, higher tourist arrivals during the festive season, and resilient labour market conditions.

- **Risks to 2025 growth outlook:** Nevertheless, we foresee heightened uncertainty in the external sector towards the end of the year and going into 2025, particularly related to the lag effects of higher interest rates in advanced economies despite global central banks leaning towards easing. China's uneven economic recovery and post-US presidential election concerns over potential trade war escalation also pose downside risks. That said, we expect domestic growth to moderate to 4.8% next year.

- **BNM OPR outlook: maintain at 3.00% in 2025, barring unforeseen external shocks to the economy**

- We expect BNM to hold its policy rate steady at 3.00% in 2025, potentially extending into 2026, given the current stance's suitability for medium-term growth and price stability.
- While domestic growth is projected to remain positive, risks from the external sector pose potential headwinds. On the domestic front, government reforms, such as subsidy rationalisation, could impact inflation and consumer sentiment. However, we expect these effects to be relatively manageable, supported by continued and targeted government measures.
- **Inflation outlook:** inflation is forecast to expand modestly to 2.7% in 2025 from 1.9% expected this year, reflecting manageable impacts from subsidy reforms and external factors.

Graph 3: Growth Outlook by Sector (KIBB forecast)



Source: DoSM, Kenanga Research

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Table 1: Malaysia GDP Growth (constant 2015 prices) and Contribution to Growth by Sector (Supply) and Expenditure (Demand)

YoY %	2022	3Q23	4Q23	2023	1Q24	2Q24	3Q24	1H24	2H24F	2024F
By Sector										
Agriculture	1.3	0.3	1.9	0.7	1.7	7.3	3.9	4.6	2.2	3.3
Mining	3.5	-1.1	3.5	0.5	5.7	2.7	-3.9	4.3	-1.6	1.3
Manufacturing	8.1	-0.1	-0.3	0.7	1.9	4.7	5.6	3.3	5.3	4.3
Construction	5.1	7.2	3.6	6.1	11.9	17.3	19.9	14.6	15.2	14.9
Services	11.0	4.9	4.1	5.1	4.8	5.9	5.2	5.4	5.0	5.2
Real GDP	8.9	3.1	2.9	3.6	4.2	5.9	5.3	5.1	4.9	5.0
Ppt. Contribution										
Agriculture	0.1	0.0	0.1	0.0	0.1	0.5	0.3	0.3	0.2	0.2
Mining	0.2	0.2	0.1	0.2	0.0	0.1	0.0	0.2	-0.2	0.0
Manufacturing	2.0	0.0	-0.1	0.2	0.5	1.1	1.3	0.8	1.2	1.0
Construction	0.2	0.3	0.1	0.2	0.4	0.6	0.7	0.5	0.5	0.5
Services	6.3	2.8	2.4	3.0	2.8	3.5	3.1	3.2	3.0	3.1
Real GDP	8.9	3.1	2.9	3.6	4.2	5.9	5.3	5.1	4.9	5.0
By Expenditure										
Consumption	10.1	4.3	4.5	4.4	5.1	5.6	4.8	5.4	4.7	5.0
Public	5.1	5.3	5.8	3.3	7.3	3.6	4.9	5.5	1.3	3.1
Private	11.3	4.1	4.2	4.7	4.7	6.0	4.8	5.3	5.6	5.4
Investment	6.8	5.1	6.4	5.5	9.6	11.5	15.3	10.6	9.1	9.8
Public	5.3	7.5	11.3	8.6	11.5	9.1	14.4	10.3	9.0	9.5
Private	7.2	4.5	4.0	4.6	9.2	12.0	15.5	10.6	9.1	9.9
Public Spending	5.2	5.9	7.4	4.6	8.4	4.9	7.1	6.6	3.4	4.8
Private Spending	10.5	4.2	4.1	4.6	5.7	7.3	7.0	6.5	6.2	6.4
Domestic Demand	9.4	4.5	4.9	4.6	6.1	6.9	7.0	6.5	5.6	6.1
Exports	14.5	-12.0	-7.9	-8.1	5.2	8.4	11.8	6.8	8.5	7.7
Imports	16.0	-11.3	-2.6	-7.4	8.0	8.7	13.5	8.4	7.8	8.1
Net exports	-1.5	-19.9	-52.9	-16.2	-24.5	3.4	-8.8	-14.1	19.8	2.4
Real GDP	8.9	3.1	2.9	3.6	4.2	5.9	5.3	5.1	4.9	5.0
Ppt. Contribution										
Consumption	7.3	3.2	3.3	3.2	3.8	4.1	3.6	3.9	3.5	3.7
Public	0.7	0.7	0.9	0.4	0.9	0.4	0.6	0.7	0.2	0.4
Private	6.6	2.5	2.4	2.8	2.9	3.6	3.0	3.3	3.4	3.3
Investment	1.4	1.0	1.2	1.1	2.0	2.4	3.0	2.2	1.8	2.0
Public	0.2	0.3	0.7	0.4	0.5	0.3	0.6	0.4	0.5	0.4
Private	1.1	0.7	0.5	0.7	1.5	2.1	2.4	1.8	1.3	1.5
Public Spending	0.9	0.9	1.6	0.8	1.3	0.8	1.2	1.1	0.7	0.8
Private Spending	7.8	3.2	2.9	3.5	4.4	5.7	5.4	5.1	4.6	4.8
Domestic Demand	8.7	4.2	4.5	4.3	5.7	6.5	6.6	6.1	5.3	5.7
Exports	10.3	-9.2	-5.7	-6.0	3.5	5.6	7.8	4.5	5.6	5.1
Imports	10.4	-8.0	-1.7	-5.1	4.9	5.5	8.2	5.2	4.8	5.0
Net exports	-0.1	-1.2	-4.0	-0.9	-1.4	0.1	-0.4	-0.7	0.8	0.1
Real GDP	8.9	3.1	2.9	3.6	4.2	5.9	5.3	5.1	4.9	5.0

Source: DoSM, BNM, Kenanga Research
F: forecast, PPT: percentage point

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