

Global Markets Research

Malaysia - Economics

Acceleration in 1Q GDP growth

Quicker 1Q GDP growth of 4.2% y/y driven by improvement in domestic demand

Exports rebounded but contribution to growth was wiped out by a bigger increase in imports

Full year 2024 growth tweaked higher to 4.9%; underpinned by export recovery and domestic demand

Summary

The Malaysian economy picked up steam to increase at a faster pace of 4.2% y/y in 1Q24, surpassing its advance and consensus estimate of 3.9% y/y, and marked a pick-up from the revised 2.9% y/y gain in 4Q23 and its fastest in a year. We noted data series in the last three years have been revised, hence largely explained the slight upside surprises in today's final reading.

That said, the overall details were largely in line. Domestic demand, mainly catalysed by private consumption, remained the main growth engine during the quarter. This was further reinforced by improvement in investment activities and a turnaround in exports that has led to a smaller drag from net exports. The monthly momentum also came in as expected, with a notable slowdown in March after the seasonal boost in January and February (Figure 2).

Further improvement in domestic demand; smaller drag from net exports

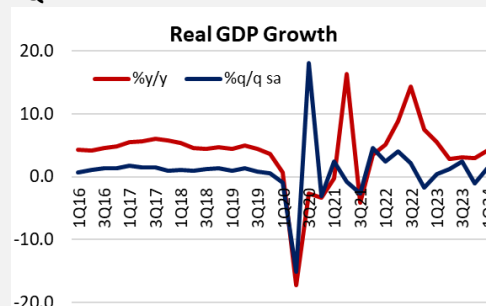
Domestic demand accelerated for the 3rd straight quarter, charting its best growth since 4Q22, expanding 6.1% y/y in 1Q (4Q: +4.9% y/y). Growth was broad-based underpinned by faster expansion across the board (Figure 5). Private consumption grew at a faster pace of 4.7% y/y in 1Q (4Q: +4.2% y/y) while growth in private investment more than doubled to 9.2% y/y (4Q: +4.0% y/y). Higher household spending was supported by continued wage and employment growth. The government sector also reported improved performance from both spending and investment fronts on the back of higher spending on supplies & services spending as well as fixed asset investment.

Net exports on the other hand, exerted a smaller drag on overall GDP in 1Q (-24.5% vs -52.9% y/y) following the rebound in exports of goods and services (+5.2% vs -7.9% y/y), but remained negative for the 4th straight quarter nonetheless, amid a bigger increase in imports (+8.0% vs -2.6% y/y) vis-à-vis exports.

Quicker growth from all sectors except agriculture

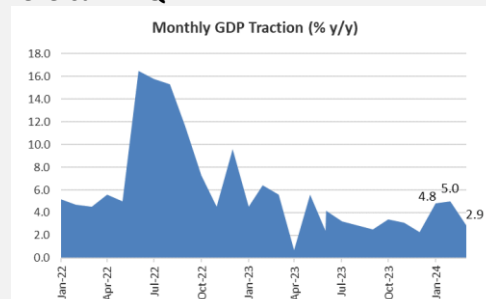
On the supply side (Figure 6), growth was broad-based and four out of the five sectors saw better growth momentum. Growth in the services industries quickened from +4.1% to +4.7% y/y, thanks to higher retail trade and continued support from the transport & storage subsector. Manufacturing value-added posted a rebound (+1.9% vs -0.3% y/y), driven by rebound in E&E, primary-related cluster as well as construction-related production. Led by faster progress in civil engineering projects and residential activities, the construction sector posted a 3-fold increase in its growth rate in 1Q (+11.9% vs +3.6% y/y). Growth in the mining sector was driven by higher natural gas output while the agriculture was the only sector experiencing slower growth, as hot weather dampened crop production.

Figure 1: Growth is picking up nicely in 1Q24



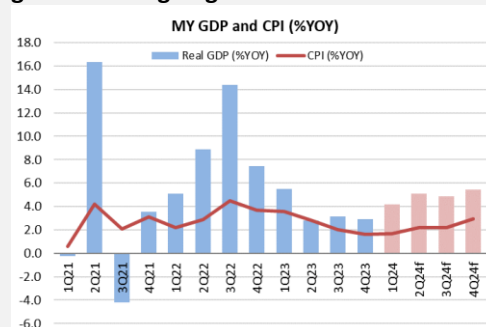
Source: DOSM, BNM

Figure 2: Sharp easing in growth momentum towards December saw a reversal in 1Q24



Source: DOSM, BNM

Figure 3: Expect growth and inflation to gain traction going forward



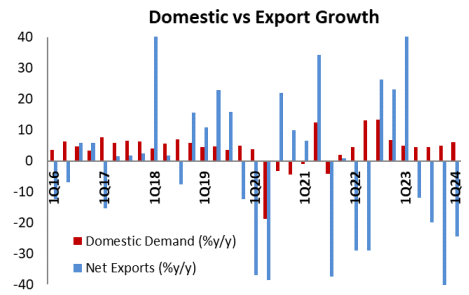
Source: DOSM, HLBB Global Markets Research

Outlook

The Malaysian economy is expected to gain further traction going into the remaining quarters of the year, piggybacking on continuous recovery in external demand reinforced by global tech upcycle, favourable commodity prices, and most importantly, further improvement in domestic economic activities, led by private consumption and anticipated pick-up in investment. Despite uneven growth outlook among major economies, the world economy looks poised to maintain a moderate growth path, underpinned by resiliency in the US economy.

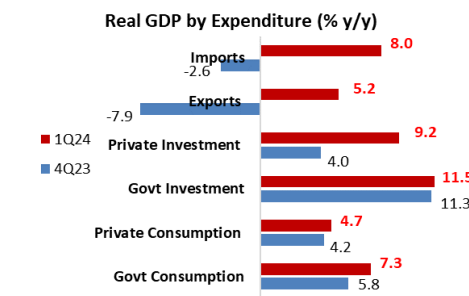
We are tweaking our full year growth forecast slightly higher to 4.9% (prior: 4.7%) to take into account the revision to past three years data series and foresee likelihood of some upside risk stemming from potential spending boost from EPF Account 3 withdrawal. Expectations for continued moderate economic expansion, coupled with manageable inflationary outlook despite ongoing subsidy rationalisation programmes, reinforced our view for OPR to stay unchanged at 3.00% for the year.

Figure 4: Pick-up in domestic demand and smaller drag from net exports quickened growth in 1Q24



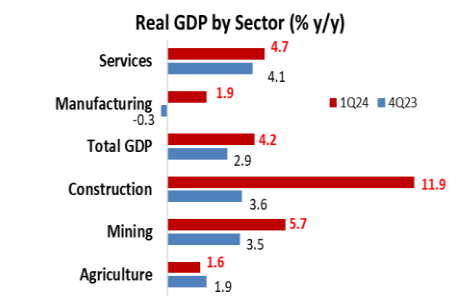
Source: DOSM, BNM

Figure 5: Faster growth across the board



Source: DOSM, BNM

Figure 6: Broad-based expansion with construction seeing the fastest growth



Source: DOSM, BNM

Malaysia Key Economic Metrics

| | 2022 | | | | | | | | | | | | 2023 | | | | | | | | | | | | 2024 | | | | |
|--------------------------|------|------|------|------|------|--------|-------|-------|------|------|------|------|------|------|------|-------|------|-------|-------|-------|-------|------|------|-------|------|------|------|-----|--|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | | |
| Real GDP | 5.2 | 4.7 | 4.5 | 5.6 | 5.0 | 16.5 | 15.8 | 15.3 | 11.6 | 7.3 | 4.5 | 9.6 | 4.5 | 6.4 | 5.6 | 0.7 | 5.6 | 2.4 | 4.2 | 3.2 | 2.5 | 3.4 | 3.1 | 2.3 | 4.8 | 5.0 | 2.9 | 4.2 | |
| Monthly Real GDP | 0.1 | -0.4 | -1.4 | -0.5 | 2.3 | 5.3 | 4.0 | 4.1 | 0.3 | 0.1 | -0.9 | -1.5 | -1.8 | 0.4 | -1.2 | -2.7 | -1.1 | -2.1 | -1.0 | -0.5 | -0.2 | -0.1 | -0.1 | 0.4 | 3.4 | 2.0 | | | |
| Leading indicator | 23.5 | 16.8 | 25.4 | 20.7 | 30.5 | 38.8 | 38.0 | 48.2 | 30.1 | 15.0 | 15.6 | 5.9 | 1.6 | 9.8 | -1.4 | -17.4 | -0.9 | -14.1 | -13.1 | -18.7 | -13.8 | -4.5 | -6.1 | -10.1 | 8.7 | -0.8 | -0.8 | | |
| Exports | 26.4 | 18.4 | 29.9 | 22.0 | 37.3 | 49.3 | 41.9 | 67.6 | 32.8 | 29.1 | 15.6 | 11.5 | 2.2 | 12.4 | -1.8 | -11.1 | -3.7 | -18.7 | -15.9 | -21.2 | -11.1 | -0.3 | 1.5 | 2.9 | 18.7 | 8.0 | 12.5 | | |
| Imports | 18.4 | 19.8 | 26.7 | 23.5 | 12.6 | 21.9 | 15.5 | 16.92 | 31.8 | 18.1 | 22.3 | 27.8 | 18.1 | 19.6 | 26.7 | 12.8 | 15.7 | 25.6 | 17.1 | 17.2 | 24.4 | 12.9 | 12.2 | 11.8 | 10.2 | 11.2 | 12.8 | | |
| Trade balance (RMbn) | 4.3 | 4.0 | 5.1 | 4.6 | 4.1 | 12.1 | 12.5 | 13.5 | 10.8 | 4.6 | 4.8 | 3.0 | 1.8 | 3.5 | 3.2 | -3.3 | 4.8 | -2.2 | 0.7 | -0.3 | -0.5 | 2.4 | 0.6 | -0.1 | 4.3 | 3.1 | 2.4 | | |
| Industrial production | 6.8 | 5.2 | 6.9 | 6.2 | 6.9 | 14.5 | 14.9 | 15.2 | 10.4 | 4.2 | 4.8 | 3.0 | 1.3 | 4.8 | 4.1 | -3.0 | 5.1 | -1.6 | -0.2 | -0.6 | 0.4 | 0.9 | -0.1 | -1.4 | 3.7 | 1.2 | 1.3 | | |
| Manufacturing production | 4.1 | 3.9 | 4.4 | 4.5 | 5.0 | 6.2 | 7.1 | 7.5 | 5.4 | 4.8 | 4.7 | 5.4 | 4.0 | 4.6 | 4.2 | 4.0 | 4.0 | 3.0 | 2.9 | 3.0 | 3.2 | 3.4 | 3.3 | 2.1 | 2.0 | 1.0 | 0.7 | | |
| Wages (manufacturing) | 4.2 | 4.1 | 4.1 | 3.9 | 3.9 | 3.8 | 3.7 | 3.7 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | | |
| Unemployment rate (%) | 5.7 | 6.2 | 8.6 | 11.5 | 11.7 | 19.3 | 20.6 | 16 | 13.3 | 7.3 | 5.6 | 4.7 | 3.1 | 5.9 | 7.6 | 3.2 | 4.4 | 3.1 | 5.7 | 6.2 | 6.9 | 5.7 | 6.2 | 4.4 | 5.5 | 5.2 | 4.0 | | |
| Wholesale trade | 7.3 | 10.2 | 10.8 | 20.9 | 29.9 | 38.4 | 37.5 | 34.5 | 30.0 | 26.0 | 22.8 | 22.7 | 21.7 | 19.2 | 17.7 | 12.9 | 5.0 | 5.8 | 5.5 | 6.3 | 5.9 | 3.9 | 4.4 | 5.0 | 2.6 | 5.8 | 7.1 | | |
| Retail trade | 16.6 | 2.4 | 14.6 | -5.3 | 4.1 | 2999.6 | 780.9 | 296.8 | 56.8 | -4.2 | 9.4 | 19.6 | 30.8 | 43.1 | 7.7 | -16.9 | 26.1 | -2.4 | 32.9 | 8.1 | 2.5 | 23.8 | 13.4 | 2.9 | 34.9 | 4.4 | 8.7 | | |
| Passenger car sales | 1.7 | 2.0 | 2.3 | 2.3 | 2.8 | 4.8 | 6.5 | 6 | 7.5 | 7.1 | 6.7 | 6.7 | 6.6 | 7.0 | 7.1 | 7.5 | 7.8 | 7.6 | 7.6 | 7.9 | 8.1 | 8.2 | 8.5 | 8.6 | 9.0 | 9.1 | 8.9 | | |
| Consumption credit | 2.3 | 2.2 | 2.2 | 2.3 | 2.8 | 3.4 | 4.4 | 4.7 | 4.5 | 4.0 | 4.0 | 3.8 | 3.7 | 3.6 | 3.4 | 3.3 | 2.8 | 2.4 | 2.0 | 2.0 | 1.9 | 1.8 | 1.5 | 1.5 | 1.5 | 1.8 | 1.8 | | |
| CPI | 9.2 | 9.7 | 11.6 | 11.0 | 11.2 | 10.9 | 7.6 | 6.8 | 6.8 | 4.9 | 4.0 | 3.2 | 3.5 | 1.3 | -0.8 | -2.9 | -3.0 | -4.6 | -4.8 | -2.3 | -2.2 | 0.2 | -0.3 | -1.5 | -1.3 | -0.6 | 0.3 | 1.6 | |
| PPI | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: BNM; DOSM; HLBB Global Markets Research

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