

Economic Focus

1Q24 GDP: Steady recovery

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- **1Q24 GDP grew +4.2% y-o-y driven by solid domestic spending and turnaround in external trade**
- **Strong 2024 prospects underpinned by robust investment activities, healthy household spending and improving exports**
- **We remain cautiously optimistic of Malaysia's prospects and maintain our 2024 GDP growth projection of 4.3% y-o-y**

Strong growth trajectory

Malaysia's economy grew 4.2% y-o-y and 1.4% q-o-q on a seasonally adjusted (SA) basis in 1Q24 (4Q23: +2.9% y-o-y; -1.0% SA q-o-q), which was higher than the advance estimate of 3.9%. The higher-than-expected 1Q24 GDP was largely due to the resilient domestic market, notably driven by the Services, Construction and Mining sectors. Overall, 1Q24 domestic demand grew by 6.1% y-o-y – the strongest quarterly growth since 2022 while net exports saw a narrower contraction amid the recovery in goods and services exports.

Favourable economic landscape

1Q24 domestic consumption continued to be boosted by sustained expansion in the labour market with historic high labour force participation rate, resulting in strong private consumption growth of 4.7% y-o-y. In addition, 1Q24 capital expenditure surged to a multi-year high growth of 9.6%, signifying the positive impact arising from record-high approved investments in 2021-2023 and various government-led strategic developments under national blueprints. Meanwhile, net exports fell 24.5% y-o-y in 1Q24 (vs -52.9% in 4Q23), but this is expected to improve steadily moving forward, in tandem with stronger external demand and inbound tourism.

Sustained expansion in domestic economy

Within the Services sector (59% of 1Q24 GDP; +4.7% y-o-y), the Wholesale & Retail Trade sub-sector grew by 3.8% y-o-y (vs 4.4% in 4Q23) while Transportation and Storage sub-sector growth remained strong at 11% y-o-y (vs 12.8% in 4Q23). Apart from continued strength in household spending, continuous improvement in the tourism industry also contributed to the growth momentum in the Services sector as international passenger traffic at KLIA recovered to 90% of pre-pandemic level in 1Q24 (vs 78% in 4Q23). Meanwhile, the Construction sector outperformed with a 11.9% y-o-y growth given better progress of civil engineering projects and residential developments.

Anticipating better manufacturing output

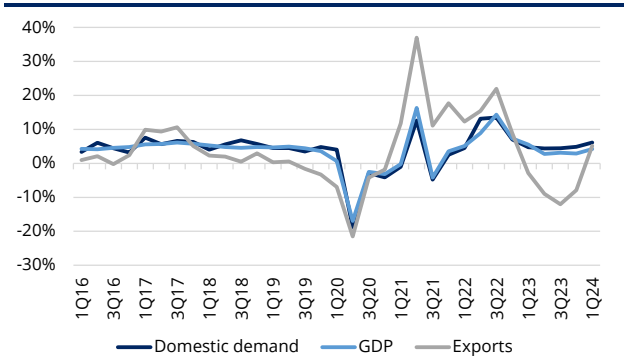
The Manufacturing sector increased by 1.9% y-o-y in 1Q24 (vs -0.3% in 4Q23) due to construction-related activities and petroleum-related products. Notably, the E&E industry has yet to pick up meaningfully despite the global tech cycle rebound due to Malaysia's large exposure in the back-end of the semiconductor value chain. Nevertheless, we are encouraged by the improving trend of global semiconductor shipments as well as positive trade data among key Asian trading hubs. Confidence indicators among manufacturers are also pointing toward a sustained recovery in 2024. Therefore, we believe Malaysia's manufacturing sector should register a marked improvement in 2H2024, leveraging on its diversified export base and deep integration into global supply chain.

Maintain 2024 GDP growth of 4.3%

Malaysia is set to benefit from the resilient domestic demand, underpinned by robust labour market and strong economic and social activities, especially tourism-related activities. Meanwhile, private investment is expected to benefit from improved external environment and

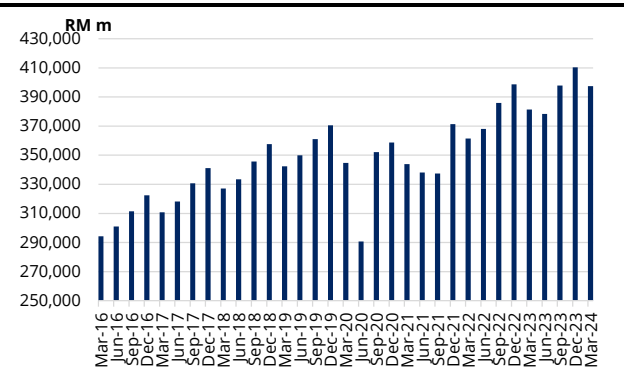
positive response to the NETR and NIMP 2030 while the government continues with its expansionary fiscal policy to drive economic growth.

1Q24 GDP grew 4.2% y-o-y on strong domestic demand



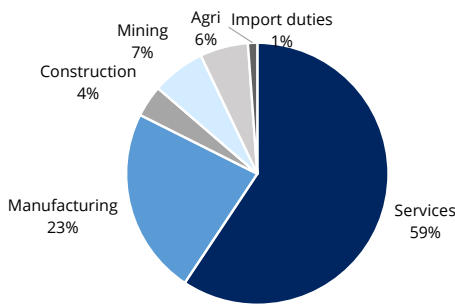
Source: Department of Statistics, AllianceDBS

Quarterly real GDP (RMm): Resilient economy



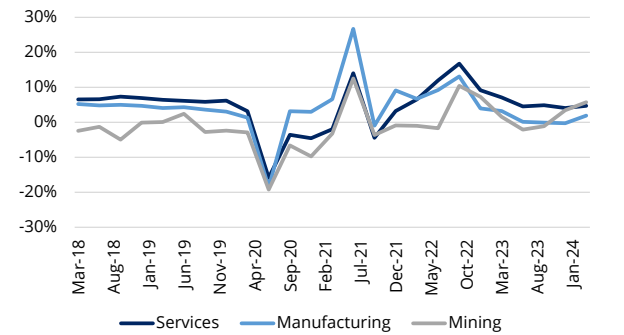
Source: Department of Statistics, AllianceDBS

Supply side: Composition of 1Q24 GDP



Source: Department of Statistics, AllianceDBS

Supply side: Y-o-y GDP growth by sector



Source: Department of Statistics, AllianceDBS

Supply side GDP components

	2023						
	share	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Services	59.2%	9.2%	7.1%	4.5%	4.9%	4.1%	4.7%
Manufacturing	23.4%	4.0%	3.2%	0.1%	-0.1%	-0.3%	1.9%
Agriculture	6.4%	2.5%	1.4%	-0.7%	0.3%	1.9%	1.6%
Mining	6.2%	7.3%	1.6%	-2.1%	-1.1%	3.5%	5.7%
Construction	3.6%	10.2%	7.4%	6.2%	7.2%	3.6%	11.9%
GDP		7.4%	5.5%	2.8%	3.1%	2.9%	4.2%

Source: Department of Statistics, AllianceDBS

Demand side GDP components

	2023						
YoY %	share	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Domestic Demand	94%	7.0%	4.8%	4.4%	4.5%	4.9%	6.1%
Private Consumption	61%	7.3%	6.1%	4.2%	4.1%	4.2%	4.7%
Private Investment	16%	10.3%	4.7%	5.1%	4.5%	4.0%	9.2%
Public Consumption	13%	3.8%	-2.0%	3.3%	5.3%	5.8%	7.3%
Public Investment	5%	6.0%	5.7%	7.9%	7.5%	11.3%	11.5%
Net exports	4%	22.3%	71.3%	-11.9%	-19.9%	-52.9%	-24.5%
GDP		7.4%	5.5%	2.8%	3.1%	2.9%	4.2%

Source: Department of Statistics, AllianceDBS

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