

Economic Focus

2Q24 GDP: Strong growth momentum

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Research Analysts

QUAH He Wei, CFA
+603 2604 3966
hewei@alliancedbs.com

- **2Q24 GDP growth of 5.9% y-o-y came in slightly higher than the advance estimate**
- **Strong growth momentum to sustain in 2H2024, underpinned by robust investment activities, firm household spending and improving exports**
- **We remain optimistic of Malaysia's prospects and upgrade our 2024 GDP growth projection to 4.7% y-o-y**

Firing on all cylinders

Malaysia's economy grew 5.9% y-o-y and 2.9% q-o-q on a seasonally adjusted (SA) basis in 2Q24 (1Q24: +4.2% y-o-y; 1.5% SA q-o-q), which was slightly above the advance estimate of 5.8%. The higher-than-expected 2Q24 GDP was largely driven by strong growth trajectory that further accelerated during the quarter, especially in the Services, Manufacturing and Construction sectors. This takes 1H24 GDP growth to 5.1%, thanks to the sustained domestic demand and a turnaround in external trade.

Promising growth prospects

Overall, 2Q24 domestic demand grew by 6.9% y-o-y – the strongest quarterly growth since 2022 while net exports (+3.4% y-o-y) contributed positively to the GDP for the first time in five quarters, reflecting the external trade recovery. 2Q24 domestic consumption remained firm due to the robust labour market with historic high labour force participation rate and possibly higher spending boosted by ~RM8bn EPF account 3 withdrawals during the quarter, resulting in strong private consumption growth of 6.0% y-o-y. It was earlier estimated that up to RM25bn withdrawals could be made from EPF account 3 in 2024 which may support a healthy consumption pattern in 2H24. In addition, 2Q24 capital expenditure sustained its stellar growth at 11.5% from a multi-year high growth of 9.6% in 1Q24. The positive impact arising from record-high approved investments in 2021-2023 and various government-led strategic developments under national blueprints is expected to provide further tailwinds in the subsequent quarters.

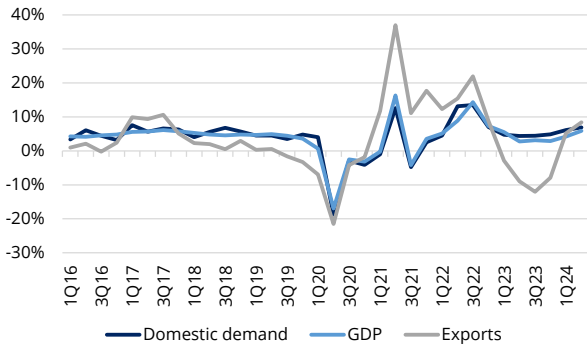
Robust domestic economy

Within the Services sector (59% of 2Q24 GDP; +5.9% y-o-y), the Wholesale & Retail Trade sub-sector grew by 4.8% y-o-y (vs 3.8% in 1Q24) while Transportation and Storage sub-sector growth remained strong at 10.5% y-o-y (vs 11.0% in 1Q24). Apart from continued strength in household spending, tourism industry also contributed to the growth momentum in the Services sector as international passenger traffic at KLIA recovered to 93% of pre-pandemic level in 2Q24 (vs 90% in 1Q24), charting successive quarterly improvement since the border reopening. Meanwhile, the Construction sector outperformed with an impressive 17.3% y-o-y growth given better progress of civil engineering projects and specialised construction activities. The Manufacturing sector increased by 4.7% y-o-y in 2Q24 (vs 1.9% in 1Q24), in line with the broad-based improvements for both domestic and export-oriented industries. Notably, the E&E industry posted a 3.2% y-o-y increase after four successive quarters of contraction, benefitting from the global tech upcycle.

Upgrade 2024 GDP growth to 4.7% (from 4.5%)

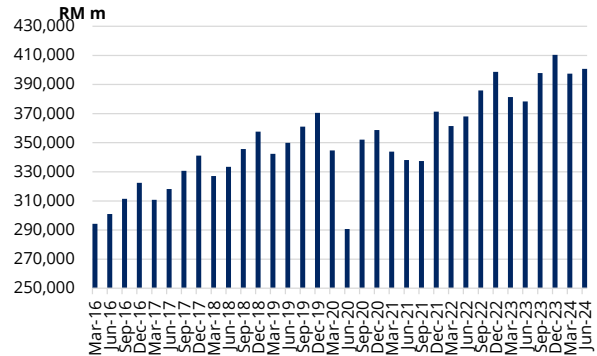
Malaysia is set to benefit from the firm domestic demand, underpinned by robust labour market and strong economic activities, especially tourism-related activities. Meanwhile, private investment is expected to benefit from improved external environment and positive response to the NETR and NIMP 2030 while the government continues with its expansionary fiscal policy to drive economic growth.

2Q24 GDP grew 5.9% y-o-y on strong domestic demand



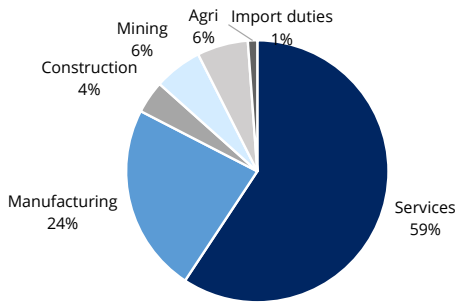
Source: Department of Statistics, AllianceDBS

Quarterly real GDP (RMm): Resilient economy



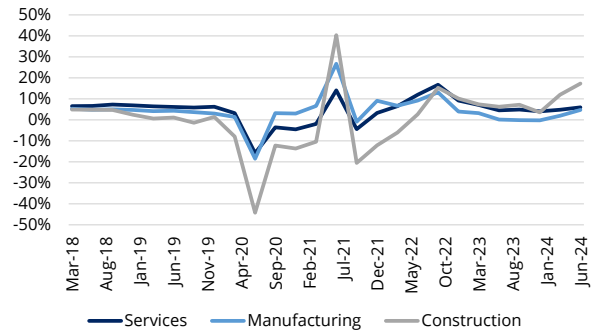
Source: Department of Statistics, AllianceDBS

Supply side: Composition of 2Q24 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 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 |
| Services | 59.2% | 7.1% | 4.5% | 4.9% | 4.1% | 4.8% | 5.9% |
| Manufacturing | 23.4% | 3.2% | 0.1% | -0.1% | -0.3% | 1.9% | 4.7% |
| Agriculture | 6.4% | 1.4% | -0.7% | 0.3% | 1.9% | 1.7% | 7.2% |
| Mining | 6.2% | 1.6% | -2.1% | -1.1% | 3.5% | 5.7% | 2.7% |
| Construction | 3.6% | 7.4% | 6.2% | 7.2% | 3.6% | 11.9% | 17.3% |
| GDP | | 5.5% | 2.8% | 3.1% | 2.9% | 4.2% | 5.9% |

Source: Department of Statistics, AllianceDBS

Demand side GDP components

| YoY % | 2023 | | | | | | |
|---------------------|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| | share | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 |
| Domestic Demand | 94% | 4.8% | 4.4% | 4.5% | 4.9% | 6.1% | 6.9% |
| Private Consumption | 61% | 6.1% | 4.2% | 4.1% | 4.2% | 4.7% | 6.0% |
| Private Investment | 16% | 4.7% | 5.1% | 4.5% | 4.0% | 9.2% | 12.0% |
| Public Consumption | 13% | -2.0% | 3.3% | 5.3% | 5.8% | 7.3% | 3.6% |
| Public Investment | 5% | 5.7% | 7.9% | 7.5% | 11.3% | 11.5% | 9.1% |
| Net exports | 4% | 71.3% | -11.9% | -19.9% | -52.9% | -24.5% | 3.4% |
| GDP | | 5.5% | 2.8% | 3.1% | 2.9% | 4.2% | 5.9% |

Source: Department of Statistics, AllianceDBS

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AllianceDBS Research Sdn Bhd (128540 U)
19th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.
Tel.: +603 2604 3915 email : general@alliancedbs.com