

Malaysia

Better Growth Momentum in 1Q24

- 1Q24 GDP growth improved to 3.9% YoY versus 3.0% in 4Q23, according to the advance estimates, driven by the services and manufacturing sectors as well as stronger trade.
- To that end, import growth picked up further to 12.5% YoY versus 8.0% in February while March export growth remained at -0.8% YoY. The trade surplus marginally widened to MYR12.8bn in March from MYR11.2bn in February.
- We continue to forecast better 2024 GDP growth of 4.2% YoY versus 3.9% in 2023, with Bank Negara Malaysia (BNM) expected to remain on hold.

Lavanya Venkateswaran
 Senior ASEAN Economist
 +65 6530 6875
lavanyavenkateswaran@ocbc.com

Advance estimates showed that GDP growth improved to 3.9% YoY in 1Q24 versus 3.0% in 4Q23, broadly in line with expectations (Consensus: 3.9%; OCBC: 4.0%). Growth in the services, manufacturing, construction, and mining & quarrying sectors improved in 1Q24 versus 4Q23. In addition, external trade underscored by export and import growth also picked up in 1Q24 versus 4Q23.

%YoY	1Q23	2Q23	3Q23	4Q23	1Q24
Headline GDP growth	5.6	2.9	3.3	3.0	3.9
Supply-side contributors					
Agriculture, Forestry & Fishing	1.0	-1.0	0.9	1.9	1.3
Mining & Quarrying	2.4	-2.3	-0.1	3.8	4.9
Manufacturing	3.2	0.1	-0.1	-0.3	1.9
Construction	7.4	6.2	7.2	3.5	9.8
Services	7.3	4.7	5.0	4.2	4.4

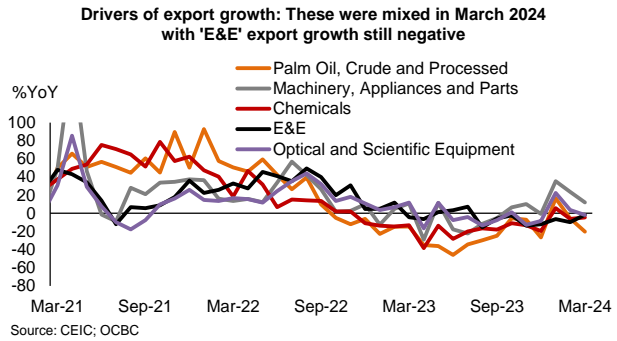
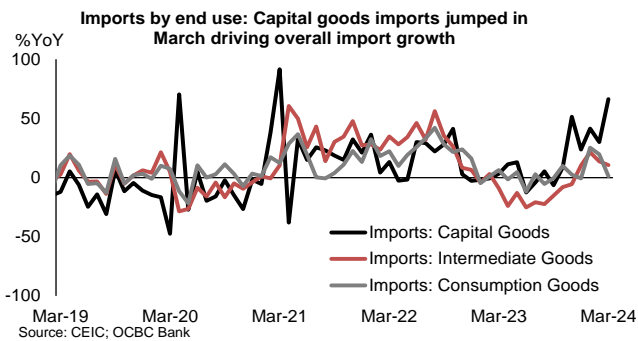
Source: CEIC; OCBC

Import growth was particularly strong rising to 12.5% YoY in March (Feb: 8.0%), taking 1Q24 growth to 13.1%YoY versus 1.3% in 4Q23. While capital goods imports (+66.2% YoY versus 30.0% in February) was the main driver of March imports, there was clear trend of better import growth across all major end-use categories in 1Q24 versus 4Q23, implicitly pointing to broadening domestic demand strength.

Exports continued to drop by 0.8% YoY in March, similar to February, below our expectations albeit marginally better than consensus (Consensus: -1.1%; OCBC: +2.5%). On a trend basis, however, there was improvement as export growth rose to +2.2% YoY in 1Q24 versus -6.9% in 4Q23 supported by commodities and certain manufactured goods exports such as machinery & appliances. However, electronics and electrical appliances (E&E) exports (-5.7%YoY in 1Q24 versus -9.5% in 4Q23) remained lacklustre. By region, exports to US, Korea, Taiwan, and India

rose strongly in 1Q24 versus 4Q23 while exports to Mainland China and HK SAR remained weak.

The trade surplus, as result, widened modestly to MYR12.8bn versus MYR11.2bn in February. For 1Q24, the trade surplus narrowed to MYR34.2bn from MYR36.9bn in 4Q23 supporting the broader current account surplus. We expect the current account surplus to widen to 2.5% of GDP in 2024 versus 1.2% in 2023.



We continue to expect 2024 GDP growth of 4.2%, underscoring improvements in the coming quarters, i.e., average growth of 4.3% YoY in 2Q-4Q24. This based on house view of a bottoming out of the global electronics export downcycle by 1H24, continued support from public sector infrastructure spending and stabilising household spending. The balance of risks is skewed to the downside from weaker external demand, heightened geopolitical tensions and delays in rate cuts from key central banks. On the domestic front, the impending fuel subsidy rationalisation announcement will be a risk to growth and inflation depending on the mechanism, timing, and magnitude of the announced measures.

Notwithstanding the risks, the improving growth outlook against a backdrop of well contained inflationary pressures supports our baseline for BNM to remain on hold in 2024.

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
Cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Macau Economist
HerbertWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

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