

Malaysia

17 May 2024

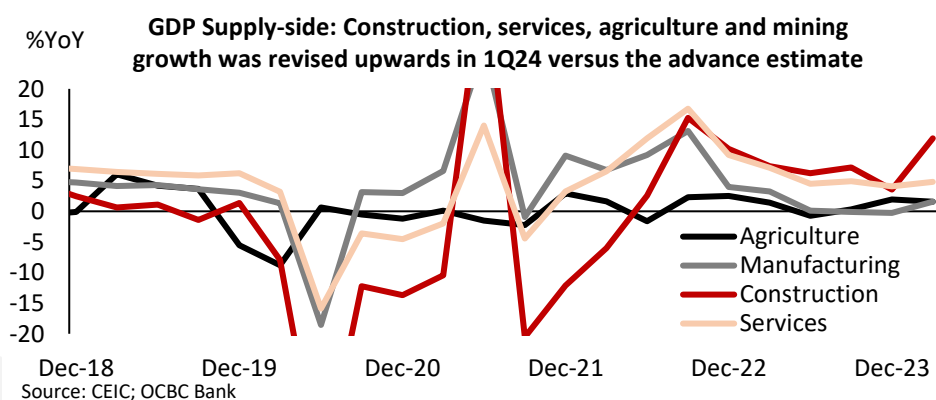
Growth On Solid Footing

- The 1Q24 GDP print was revised higher to 4.2%YoY compared to the advance estimate of 3.9% (4Q23: 2.9%YoY).
- The revisions to the construction and services underscore solid domestic demand, corroborated by higher investments and resilient household spending.
- This 1Q24 print is consistent with our full year 2024 GDP growth forecast of 4.2%. We continue to expect BNM to keep its policy rate unchanged in 2024.

Lavanya Venkateswaran
Senior ASEAN Economist
+65 6530 6875
[lavanyavenkateswaran@ocbc.com](mailto:lavyavenkateswaran@ocbc.com)

1Q24 GDP growth was revised higher to 4.2% YoY from the advance estimate of 3.9% (4Q23: 2.9%). This upward revision is broadly consistent with our view (OCBC: 4.0%; Consensus: 3.9%). The economy recorded sequential growth of 1.4% QoQ SA in 1Q24 from -1.0% in 4Q23.

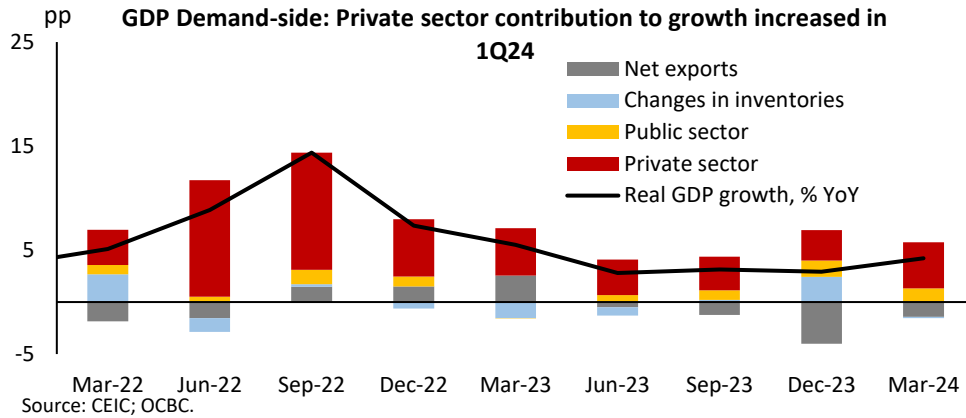
On the supply-side, upward revisions were made relative to the advance estimates for almost all key sectors. Growth in the services sector was revised higher to 4.7% YoY from 4.4% in the advance estimate along with growth in the construction (11.9% from 9.8%), mining (5.7% from 4.9%) and agriculture (1.6% from 1.3%) sectors. Manufacturing sector growth was unchanged at 1.9% YoY. Notably, growth in all sectors, except for agriculture, were higher compared to 4Q23.



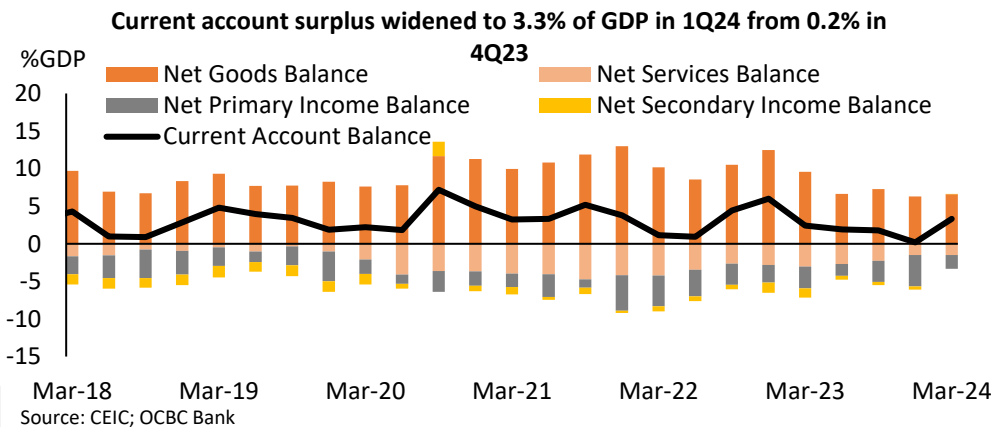
The upward revisions in the services and construction sectors underscore solid domestic demand conditions. This is corroborated by higher investment spending and resilient household spending. Investment spending rose to 9.6% YoY versus 6.4% in 4Q23 supported by the private and public sectors. Household spending growth picked up to 4.7% YoY versus 4.2% in 4Q23. Public consumption spending also picked up in 1Q24 but will likely need to moderate in subsequent quarters, in

line with the fiscal consolidation agenda. Domestic final demand contributed 5.7pp to 1Q24 GDP growth from 4.5pp in 4Q23.

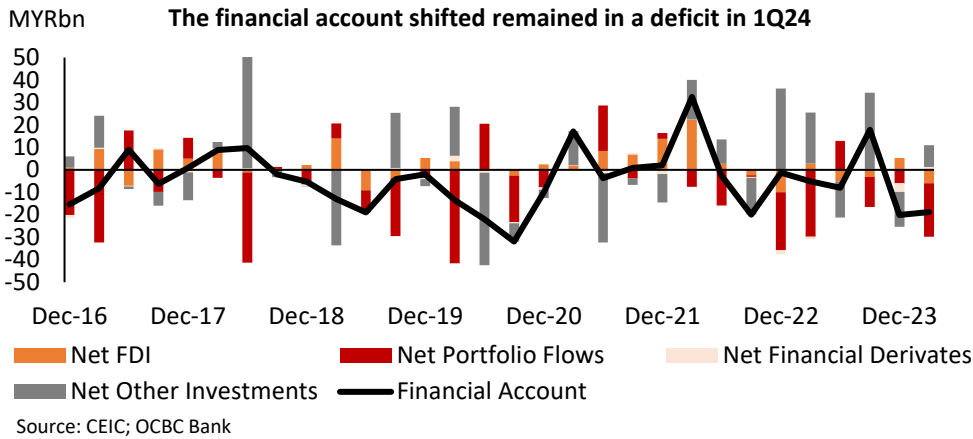
Mirroring this, import growth was solid (8.0% YoY in 1Q24 versus -2.6% in 4Q23) while export growth picked up to 5.2% versus -7.9% in 4Q23. As a result, the negative contribution of net exports narrowed to 1.4pp from 4.0pp in 4Q23.



Meanwhile, the current account surplus widened to MYR16.2bn (3.3% of GDP) in 1Q24 from MYR0.9bn (0.2%) in 4Q23. The secondary income account flipped to a surplus of MYR0.3bn from a deficit of MYR2.2bn in 4Q23 while the primary income deficit narrowed to MYR8.8bn from MYR20.3bn in 4Q23. The goods balance recorded a modestly higher surplus (MYR32bn from MYR30.8bn in 4Q23) while services deficit narrowed only slightly (MYR7.3bn from MYR7.4bn).



The capital and financial account deficit narrowed marginally to MYR18.7bn from MYR20.1bn in 4Q23. Net FDI recorded outflows of MYR6bn, more than reversing inflows of MYR5.2bn in 4Q23. Net portfolio outflows rose to MYR23.7bn from MYR6.0bn in 4Q23 while the net financial derivatives and other investments accounts shifted to surpluses from deficits in 4Q23.



The 1Q24 print suggests that our full year 2024 GDP growth forecast of 4.2% is achievable. The bottoming of the global electronics downcycle by 1H24, higher investment spending in line with the government’s medium-term economic development agenda and resilient household spending will be the main drivers of growth this year, in our view.

Resilient growth prospects and solid external balances amid benign inflationary pressures will allow Bank Negara Malaysia to keep its policy rate unchanged in 2024, under our baseline. The key risk to our forecasts is from the timing and mechanism regarding the introduction of targeted fuel subsidies.

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

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W