

Malaysia

21 October 2024

**Solid 3Q24 GDP growth**

- The advance estimates show that 3Q24 GDP growth was solid at 5.3% YoY, versus 5.9% in 2Q24, beating expectations (Consensus: 5.3%; OCBC: 4.9%).
- Strong growth in the manufacturing and construction sectors supported growth in 3Q24 and we see some upside risks to our 2024 GDP growth forecast of 5.0%.
- In terms of monetary policy, our baseline is for Bank Negara Malaysia (BNM) to keep its policy rate unchanged at 3.00% for the rest of 2024 and 2025.

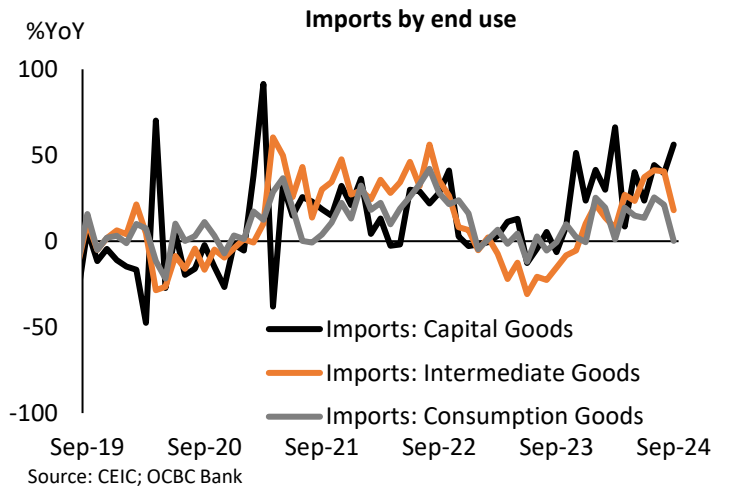
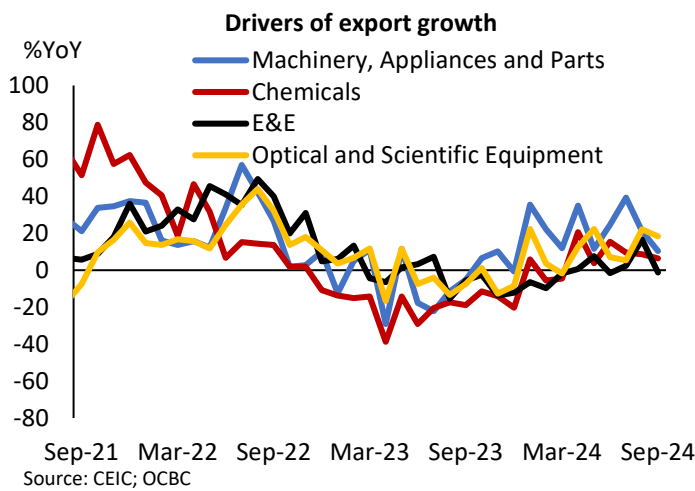
**Lavanya Venkateswaran**  
 Senior ASEAN Economist  
 +65 6530 6875  
[lavanyavenkateswaran@ocbc.com](mailto:lavyavenkateswaran@ocbc.com)

The advance estimates show that 3Q24 GDP growth was solid at 5.3% YoY, versus 5.9% in 2Q24, beating expectations (Consensus: 5.3%; OCBC: 4.9%). For 1Q24-3Q24, GDP growth averaged 5.1% YoY, within the government’s recently upwardly revised GDP growth forecast range of 4.8-5.3%.

The supply-side breakdown, the only one available, shows that growth was mainly supported by the manufacturing (5.7% YoY versus 4.7% in 2Q24) and construction (19.5% versus 17.3%) sectors while growth in the services (5.1% versus 5.9%) sector slowed but remained robust, nonetheless. By contrast, agriculture sector growth slowed sharply to 4.0% YoY versus 7.2% in 2Q24 while mining sector activities contracted by 3.4% YoY versus 2.7% in 2Q24.

%YoY	3Q23	4Q23	1Q24	2Q24	3Q24 (advance estimate)
<b>Headline GDP growth</b>	<b>3.1</b>	<b>2.9</b>	<b>4.2</b>	<b>5.9</b>	<b>5.3</b>
Agriculture, Forestry & Fishing	0.3	1.9	1.7	7.2	4.0
Mining & Quarrying	-1.1	3.5	5.7	2.7	-3.4
Manufacturing	-0.1	-0.3	1.9	4.7	5.7
Construction	7.2	3.6	11.9	17.3	19.5
Services	4.9	4.1	4.8	5.9	5.3
Source: CEIC; OCBC					

Meanwhile, on the external front, trade data released on 18 October showed that exports contracted by 0.3% YoY in September versus 12.0% in August. The decline was fairly broad-based across electronics (E&E), machinery & appliances and major commodities (petroleum, palm oil and rubber). Import growth also slowed to 10.9% YoY versus 26.2% in August. By end-use, capital goods imports rose by 56.3% YoY in September versus 39.4% in August while intermediate and consumer goods import growth slowed to 18.1% (August: 40.5%) and 0.2% (August: 21.2%), respectively.



For 2Q24, export growth slowed to 7.8% YoY versus 8.0% in 2Q24 while import growth picked up to 20.8% YoY versus 13.7% in 2Q24. The solid import growth print underscores the strength of domestic demand, which has been a crucial driver of growth so far this year.

The weakness in September export growth, however, and the continued volatility in electronics & electrical appliances exports have led us to maintain our 2024 GDP growth forecast of 5.0% for now. The risks admittedly are to the upside particularly if export growth rebounds in the coming months. In terms of monetary policy, our baseline is for Bank Negara Malaysia (BNM) to keep its policy rate unchanged at 3.00% for the rest of 2024 and 2025.

## Macro Research

**Selena Ling**  
Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

**Herbert Wong**  
Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[lavyanavenkateswaran@ocbc.com](mailto:lavyanavenkateswaran@ocbc.com)

**Ahmad A Enver**  
ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[jonathannq4@ocbc.com](mailto:jonathannq4@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyionq1@ocbc.com](mailto:shuyionq1@ocbc.com)

## FX/Rates Strategy

**Frances Cheung, CFA**  
Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## Credit Research

**Andrew Wong**  
Head of Credit Research  
[wongvkam@ocbc.com](mailto:wongvkam@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[mengteechin@ocbc.com](mailto:mengteechin@ocbc.com)

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