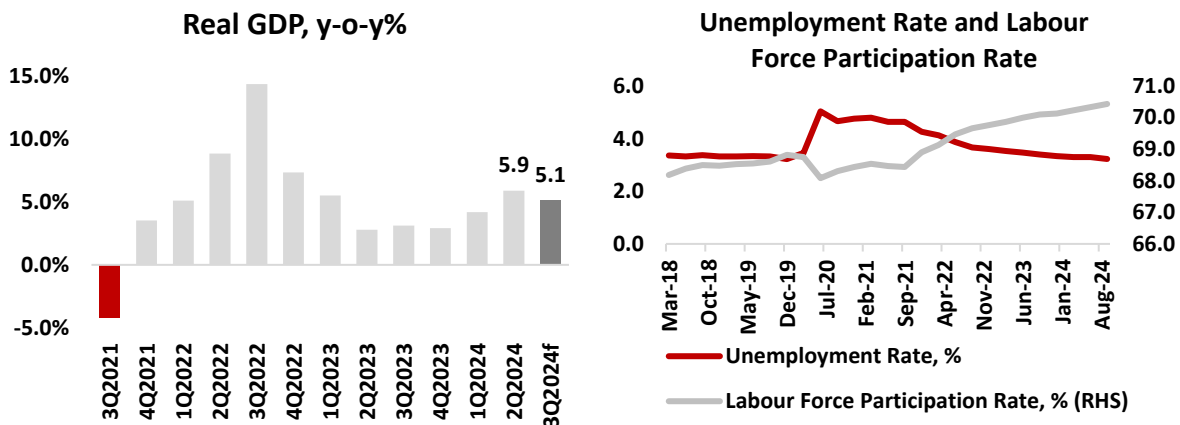


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## 3Q2024 GDP PREVIEW: MODERATION IN GROWTH EXPECTED



Sources: Department of Statistics Malaysia (DOSM), Bank Islam

- We foresee GDP growth to reach 5.1% in 3Q2024, slightly below DOSM's advance estimate of 5.3%**, suggesting a moderation in Malaysia's economic growth from the 5.9% y-o-y recorded in the previous quarter. Overall, private consumption has been the principal engine of growth in the third quarter, fueled by a stable labor market. The unemployment rate inched lower to 3.2%, from 3.3% in the previous quarter, while the labor force participation rate reached a record 70.5% in September. Tourism spending saw a strong boost, with 16.45 million foreign tourists visiting in 8M2024 (8M2023: 12.69 million), marking nearly a 30% y-o-y increase and achieving over 60% of the 27.3 million annual target. Despite expected moderation in private consumption due to subsidy rationalisation, growth has been sustained by government cash transfers and EPF Account 3 withdrawals.
- Robust domestic demand and favourable external conditions to boost the growth of Malaysia's manufacturing sector in 3Q2024.** The Industrial Production Index (IPI) for manufacturing increased by 5.8% in 3Q2024, up from 4.9% in 2Q2024, reflecting ongoing momentum. However, the Manufacturing Purchasing Managers' Index (PMI) remained in contraction territory at 49.5 points in October but inching closer to the expansion zone of 50.0 points. External demand surged, with exports growing by 7.8%, exceeding the 5.8% growth seen in the previous quarter. Exports to the U.S. (3Q2024: +27.9% vs. 2Q2024: +16.2%) and European Union (3Q2024: +8.1% vs. 2Q2024: +2.9%) maintained strength. However, China (3Q2024: -3.5% vs. 2Q2024: +1.2%) plunged into the negative territory.
- Construction sector is anticipated to expand further amid construction work done trending at a two-year high.** We remain optimistic of the construction sector's growth considering the rapid progress in a myriad of infrastructure development projects as well as the roll out of others. Notably, work done for the sector had marked a two-year high of 22.9% y-o-y in 3Q2024, sustaining its uptrend from 20.2% in 2Q2024. Several of key projects that had contributed to the momentum include the Rapid Transit System Link (RTS Link) between Johor Bahru and Singapore, the East Cost Rail Link (ECRL), the Pan-Borneo Highway projects, the Sabah-Sarawak Link Road Phase 2 and the Kuching Autonomous Rail Transit. In addition to these, other

mega infrastructure projects in the pipeline includes the Johor – Singapore Special Economic Zone (SEZ), the Miri Airport expansion, the the Penang Light Rail Transit (LRT) and Mass Rapid Transit (MRT) Circle Line. Such strength was attributable to the acceleration of investments in both private and public sectors. Moving forward, the government recently unveiled the Public-Private Partnership Master Plan 2030 (PIKAS 2030), listing 37 ongoing projects and 41 potential projects, which was aimed at providing good governance as well as intensifying public-private partnerships. We believe that the framework could spur on investment momentum as it will increase investor confidence amid the execution of this policy alongside other Madani documents.

- **Going forward, we anticipate that Malaysia's economy to continue its moderation in the final quarter of 2024**, given the global economic uncertainties particularly from U.S. and China and potential inflationary pressures, may persist. Nevertheless, Malaysia's economic fundamentals remain strong and we maintain our growth forecast for 2024 at 4.7%.