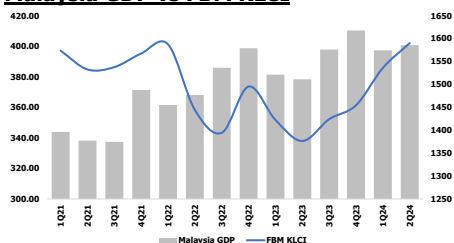


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1H24 GDP Growth Rate:	+5.1%
2024F GDP Growth Rate:	+5.2%
2025F GDP Growth Rate:	+4.6%
2024F Headline Inflation:	+2.6%
2024F Core Inflation:	+2.5%
End-2024 USD/MYR:	4.20-4.30
End-2024 OPR:	3.0%

Malaysia GDP vs FBM KLCI



Source: BNM, Apex Securities

2Q24 Malaysia Gross Domestic Product

Robust Economic Growth

Executive Summary

- Malaysia's GDP growth accelerated to +5.9% yoy in 2Q24 (1Q24 at +4.2% yoy), and came above advanced estimate of +5.8% yoy. For 1H24, the economy expanded +5.1% (1H23 at +4.1% yoy), which largely on track to meet the Government projection of +4.0%-5.0% for 2024 and surpassed our initial forecast of +4.1% yoy for end-2024.
- We expect Malaysia's Real GDP growth to remain steadfast in 2H24 to end at +5.2% in 2024 vs. 3.6% in 2023, supported by (i) stronger domestic spending, (ii) stability and gradual improving labour market conditions, (iii) progressive income growth, (iv) execution of multi-year projects from approved investments, (v) resumption of global technology upcycle and (vi) recovery in tourism spending. End 2025 target kept unchanged at +4.6% yoy.
- Headline and core inflation is projected to inch higher to +2.6% yoy and +2.5% yoy in 2024, which is in line with BNM's projection of 2.0%-3.5% and 2.0%-3.0% respectively, impacted by the implementation of the diesel subsidy rationalisation and hike of the SST to 8.0%.
- With expectations that BNM will maintain OPR at 3.0%, our 2024 year-end projection for USD/MYR is between 4.20-4.30, supported by the prospects of US interest rate cut(s) and steady economic improvements from structural reforms on the domestic front.

GDP Review

- GDP further accelerated at +5.9% yoy in 2Q24.** Malaysia's 2Q24 GDP further accelerated to +5.9% yoy in 2Q24 (1Q24 at +4.2% yoy), surpassing both ours and market expectations. This marked the strongest growth since 4Q22. The slight upward revision from the advanced estimate of +5.8% yoy was driven by stronger private consumption, firmer expansions in private investments and improved exports data.
- On quarter-to-quarter basis, Malaysia's seasonally adjusted GDP climbed +2.9% qoq, improved from +1.4% qoq recorded in 1Q24, anchored by the sequential rebound in both domestic and external demands. We reckon improving domestic demand will continue to spur Malaysia's economic growth in 2H24, further bolstered by the external trade recovery.

Malaysia Historical GDP Growth Rate

Growth Rate (yoy)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Malaysia GDP	8.8%	14.4%	7.4%	5.5%	2.8%	3.1%	2.9%	4.2%	5.9%
Agriculture	-1.7%	2.2%	2.4%	1.3%	-0.8%	0.4%	2.0%	1.7%	7.2%
Mining and quarrying	-1.7%	10.4%	7.1%	1.6%	-2.1%	-0.9%	3.5%	5.6%	2.7%
Manufacturing	9.2%	13.1%	3.9%	3.2%	0.2%	-0.1%	-0.2%	1.9%	4.7%
Construction	3.2%	15.3%	10.3%	7.8%	6.2%	7.4%	3.6%	12.2%	17.3%
Services	11.9%	16.8%	9.2%	7.1%	4.5%	4.9%	4.1%	4.7%	5.9%

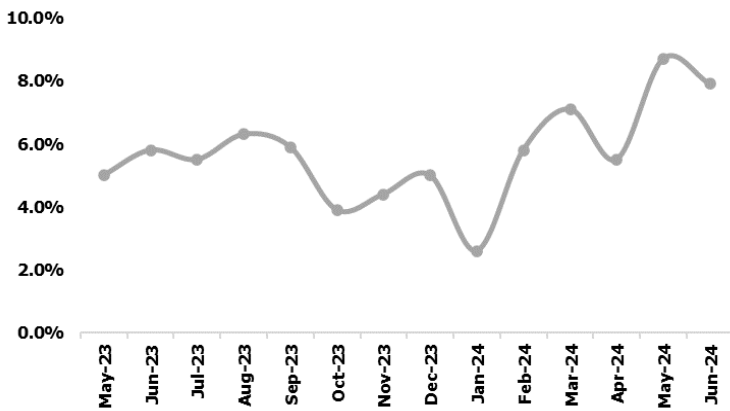
Source: Bank Negara Malaysia, Apex Securities

Malaysia economic growth accelerated to the strongest level since 4Q22

Aggregate Demand Performances

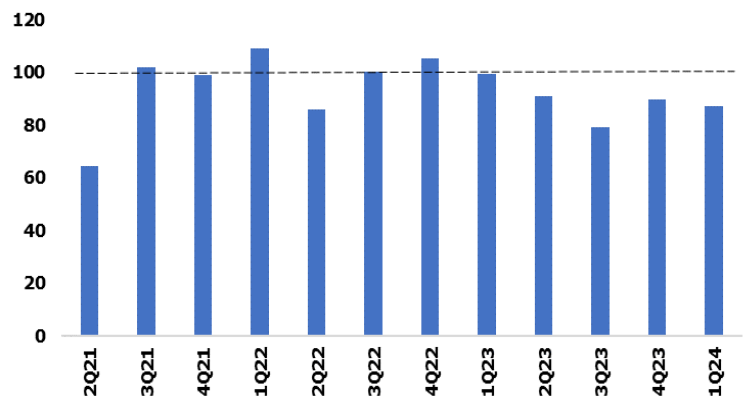
- Domestic demand** expanded +6.9% yoy in 2Q24, from +6.1% yoy in 1Q24. **Private consumption** climbed +6.0% yoy in 2Q24 vs. 1Q24: +4.7% yoy. We reckon the (i) solid jobs market with unemployment data remain relatively healthy at 3.3%, (ii) stable and modest inflation, which averaged at +1.9% yoy during the quarter, (iii) introduction of EPF Account 3 and (iv) payment of Sumbangan Tunai Rahmah Phase 2 in April 2024 remain supportive towards private consumption. **Public consumption** strengthened to +3.6% yoy, supported by continued support from Government spending on emolument and supplies & services. While retail sales continue to chart decent growth by rising +7.9% yoy in June 2024, consumer confidence remain tepid as household debt to GDP ratio remains elevated at 84.2%.

Malaysia Retail Sales Growth Rate (yoy)



Source: Bank Negara Malaysia, Apex Securities

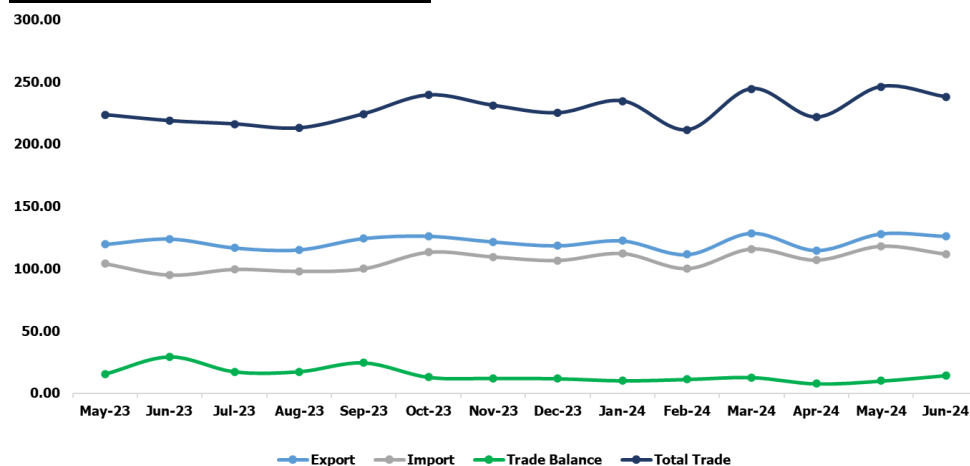
Malaysia Consumer Confidence



Source: Bank Negara Malaysia, Apex Securities

- Gross Fixed Capital Formation (GFCF)** jumped +11.5% yoy in 2Q24, compared to +9.6% yoy in 1Q24. Private investment recorded solid growth to +12.0% yoy from +9.2% yoy in the previous quarter on stronger expansion in investment activities particularly in manufacturing and services sectors. Public investment grew by +9.1% yoy against +11.5% yoy recorded in 1Q24, was driven by further expansion in fixed assets spending by the Government and public corporations.
- External Trade rebounded.** Malaysia’s external trade accelerated in 2Q24 with gross export growth +5.8% yoy vs. +2.0% yoy in 1Q24, while gross imports further expanded to +15.0% yoy (1Q24 at +12.5% yoy). The better export performance was largely attributed to recovery in electronics and electrical (E&E) and commodity exports. Likewise, improved import performance was anchored by firmer domestic demand for capital & consumption products. We gathered that trade growth improved in most of the regional countries such as South Korea, Thailand, Indonesia and China.

Malaysia Historical Trade Statistics



Remained in trade surplus position

Source: MATRADE, Apex Securities

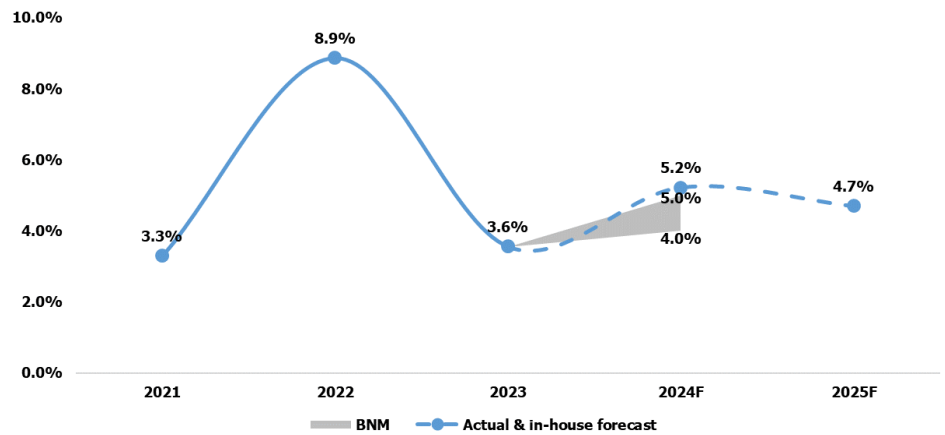
Aggregate Supply Performances

- Agriculture sector** accelerated to +7.2% yoy, compared to +1.7% yoy in the preceding quarter. The improvement was backed by the oil palm sub-sector at +19.0% yoy (vs 1Q24 at +2.5%) in tandem with the better performance in CPO production at 4.8m MT in 2Q24 vs 4.2m MT in 1Q24. The Oil Palm sub-sector also rode onto the recovery of CPO prices which averaged at RM3,974/MT in 2Q24 vs. RM3,945/MT in 1Q24, while palm oil exports rose to 3.8m MT in 2Q24 vs 3.7m MT in 1Q24 on rising global demand for Malaysian palm oil due to reduction in supplies from Indonesia.
- Mining and Quarrying sector** slowed to +2.7% yoy in 2Q24, retreating from +5.7% yoy in 1Q24. The slowdown was largely attributed to moderation in natural gas sub-sector, which eased to +2.9% yoy vs. 1Q24 at +9.0% yoy). The impact was not able cushion the better performances in crude oil and condensate sub-sector which improved +1.6% yoy vs. 1Q24 at +1.3% yoy. Meanwhile, other mining & quarrying and supporting services sub-sector grew +7.2% yoy vs. 1Q24 at +4.9% yoy.
- Manufacturing sector** rose +4.7% yoy as compared to +1.9% yoy expansion in the previous quarter. Growth was driven by all sub-sectors, particularly the petroleum, chemical rubber and plastic products sub-sector, which rose +4.1% yoy vs. +1.1% yoy in 1Q24. Also, the non-metallic mineral products, basic metal and fabricated metal products sub-sector accelerated to +9.4% yoy vs. 1Q24 at +7.2% yoy, while the electrical, electronic and optical products grew +3.0% yoy vs. 1Q24 at +0.7% yoy.
- Construction sector** continues to record a stellar growth performance of +17.3% yoy in 1Q24, climbing from +12.2% yoy in 1Q24. The extended upswing was bolstered by strong performance across all sub-sectors. Specialised construction activities sub-sector maintained its substantial growth of +23.6% yoy vs. 1Q24 at +23.5% yoy, while residential buildings sub-sector climbed +14.1% yoy vs. 1Q24 at +8.0% yoy). Meanwhile, non-residential buildings sub-sector grew +2.8% yoy against +1.6% yoy in 1Q24. Much of the improvement was stemmed by works in the construction of roads and railways as well as utility-related projects.
- Service sector** improved +5.9% yoy in 2Q24 vs. 1Q24 at +4.7% yoy. Improvement was underpinned by a decent growth in wholesale & retail trade sub-sector which rose +4.8% yoy vs. 1Q24 at +3.8% yoy. Meanwhile, the finance and insurance sub-sector recorded substantial growth of +10.1% yoy vs. +0.7% yoy in 1Q24, buoyed by improvements in the financial segment. Elsewhere, the transportation & storage sub-sector maintained robust growth at +10.5% yoy against +11.0% yoy in 1Q24.

Economic Outlook

- Upward revision with sustained growth prospects ahead.** Following the better-than-expected GDP data and expectations that the positive momentum will extend in subsequent quarters, we raised our 2024 Malaysia’s GDP growth forecast to **+5.2%** yoy (previous projection at +4.1% yoy) and keeping our 2025 projection unchanged at **+4.6%** yoy. We believe growth will remain resilient and will largely be supported by (i) stronger domestic spending, (ii) stability and gradual improving labour market conditions, (iii) progressive income growth, (iv) execution of multi-year projects from approved investments, (v) resumption of global technology upcycle and (vi) recovery in tourism spending. Given that political instability has taken a backseat, economic reformations along with the execution various government-link initiatives and and key economic blueprints will continue to spur growth.

Malaysia Annual GDP Growth Rate

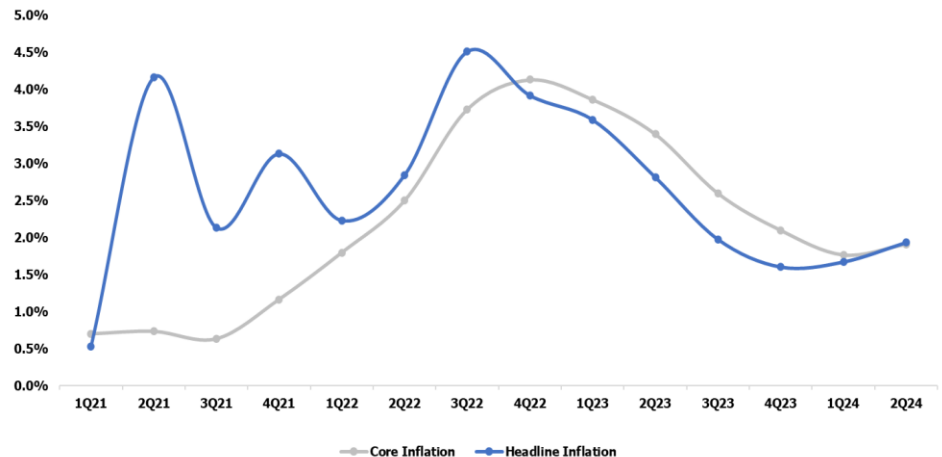


Growth to be driven by sustained household spending, robust investment activities

Source: BNM, Apex Securities

- Inflation inched up in 2Q24.** 2Q24 headline and core inflation both rose +1.9% yoy, was a slight uptick against previous quarter’s +1.7% yoy and +1.8% yoy increase respectively. The minor uptick was driven by higher housing and utilities amid water tariff adjustment and service tax on high electricity consumption as well as information and communication services on higher streaming services fee. We forecast headline inflation and core inflation at **+2.6%** yoy and **+2.5%** yoy respectively in 2024, which is in line with Bank Negara Malaysia (BNM)’s projection of **2.0%-3.5%** and **2.0%-3.0%** respectively, on the back of the implementation of the diesel subsidy rationalisation, hike of the SST to 8.0%, and resilient domestic demand.

Malaysia Quarterly Headline & Core Inflation Rate

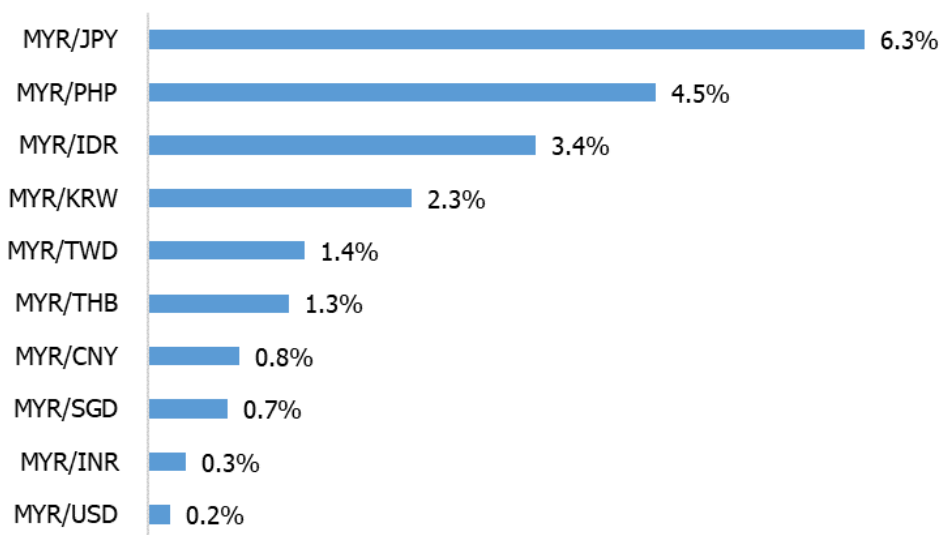


Mild uptick, driven by higher housing and utilities as well as information and communication services sectors

Source: BNM, Apex Securities

- Ringgit Outperformed.** In 2Q24, the MYR appreciated +0.2% qoq to MYR/USD at RM4.7150 as compared to a depreciation of -2.9% qoq at RM4.7222 in the previous quarter. The appreciation was mainly due to a more dovish expectations with consensus pricing in 90.0% chance of the potential rate cut to take place in the upcoming FOMC meeting in mid-September 2024. Against other regional peers, the MYR demonstrated resiliency, supported by steady economic improvements and positive impacts from domestic structural reforms. We anticipate that the MYR will continue to gain ground against the USD as we approach the end of the year, in expectation of more concrete US Federal Reserve's interest rate cut path. Our 2024 year-end projection for USD/MYR is between **4.20-4.30**.

MYR vs Selected Currencies



Ringgit appreciated against a basket of selected currencies on the positive prospects of domestic growth and impending narrowing interest rate differentials with USD

Source: BNM, Apex Securities

- OPR rate.** BNM maintained the overnight policy rate (OPR) at **3.0%** in the latest monetary policy committee (MPC) meeting in July 2024 which is in line with our in-house forecast. We are in view that the resilient domestic economy along with the manageable inflation and growth prospects will not warrant any changes in the OPR till end-2024.
- Key risks.** Downside risks to our projection include weaker-than-expected external demand amid accelerated inflationary pressure, larger declines in commodity production and shift in key economic policies. Externally, further escalation in geopolitical tension, higher-than-expected inflation and slowdown in global economic growth may dampen economic growth projections.

Figure 1: Malaysia GDP Growth Rate (%)

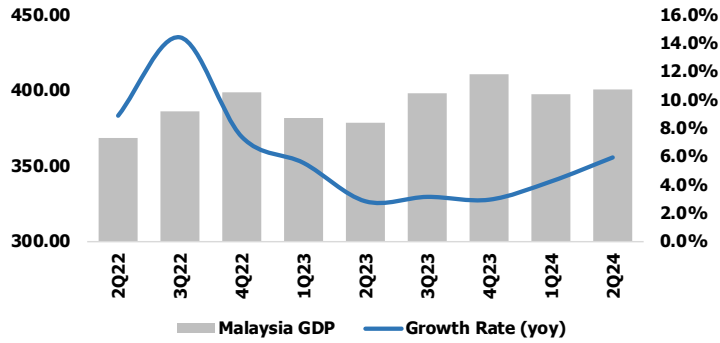


Figure 2: Malaysia Manufacturing Sector Growth Rate (%)

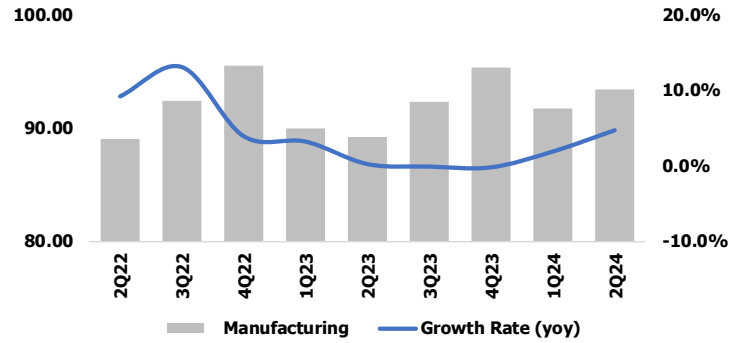


Figure 3: Malaysia Agriculture Sector Growth Rate (%)

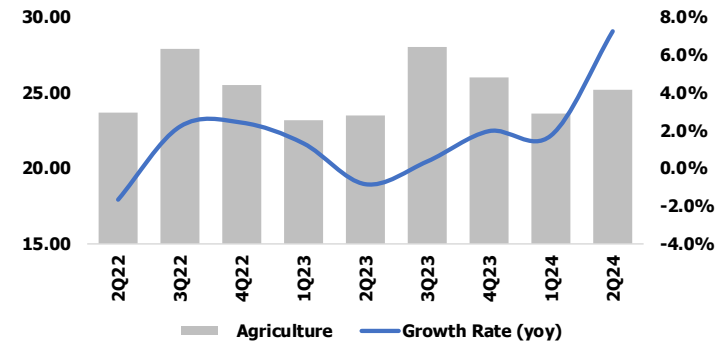


Figure 4: Malaysia Construction Sector Growth Rate (%)

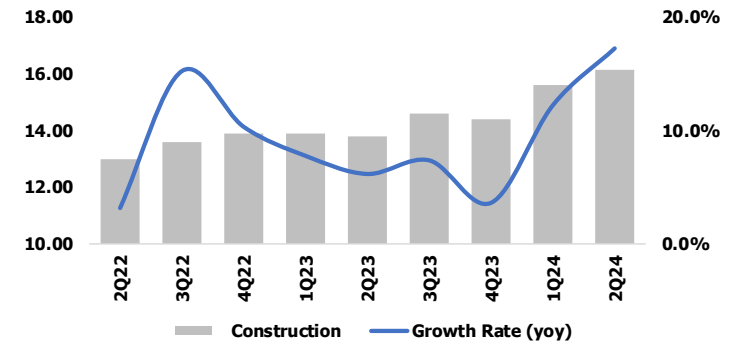


Figure 5: Malaysia Mining & Quarrying Sector Growth Rate (%)

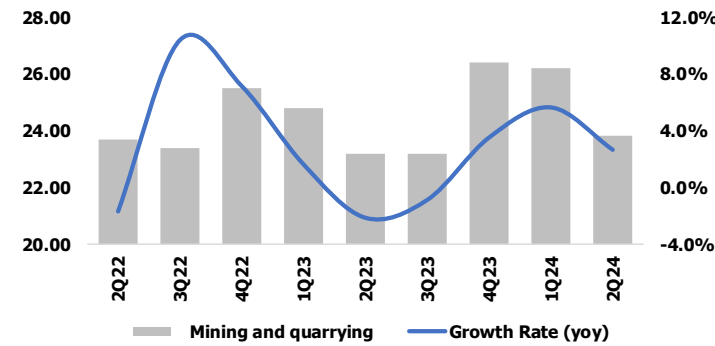


Figure 6: Malaysia Services Sector Growth Rate (%)

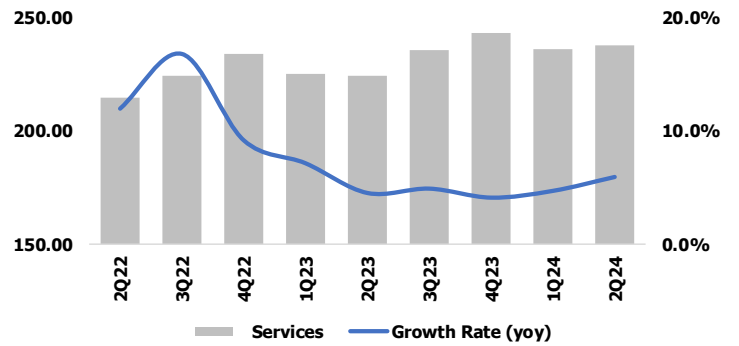


Figure 7: Malaysia PPI & IPI (% yoy)

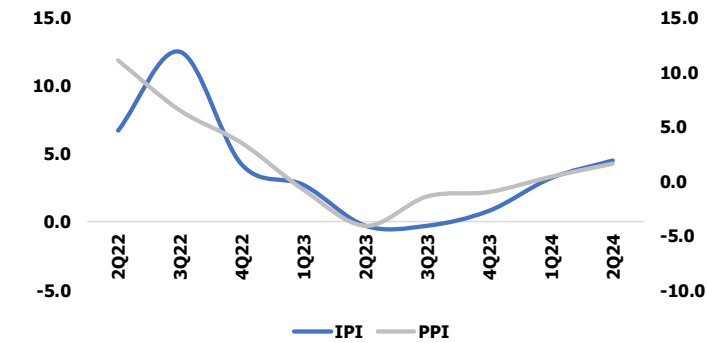
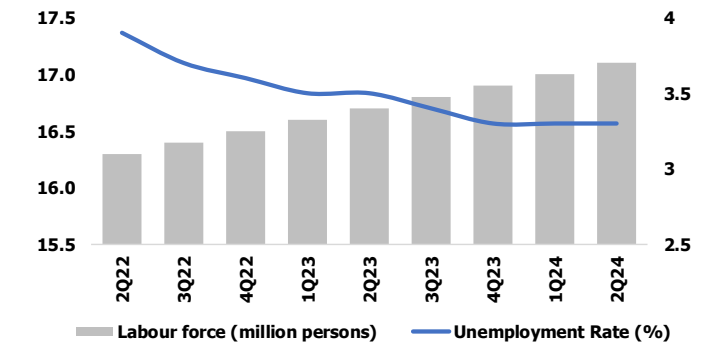


Figure 8: Labour Force & Unemployment Rate (%)



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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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