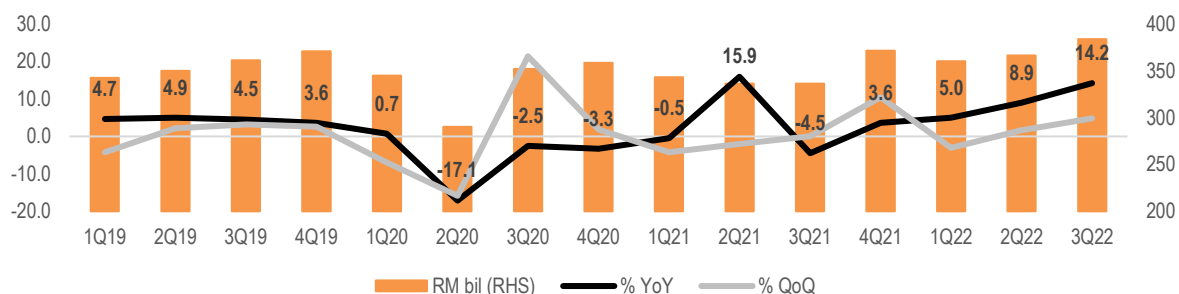


Stellar 3Q 2022 GDP

14 NOVEMBER 2022

- Malaysia economy posted **double-digit growth of 14.2% YoY** in 3Q 2022, (2Q: 8.9%), **matched in-house forecast of a strong expansion of 14%**. Full reopening of the economy, better income conditions, supportive policy measures, firm external demand as well as base effect factors (lockdowns in 3Q 2021) propelled the expansion. On a QoQ seasonally adjusted basis, the economy grew 1.9% (2Q: 3.5%).
- The stellar performance was **driven by services sector** (16.7% YoY), primarily **accommodation** (294.7%), **motor vehicles** (142.2%), and **transportation & storage** (41.4%). The robust growth is further sustained by the manufacturing and construction sector while the rebound in mining and agriculture sectors lent support.
- On the demand side, the expansion was contributed by **strong domestic demand** and **firm export**. Gross fixed capital formation jumped to double-digit growth (13.1% YoY) on the back of higher capital expenditure in both private (services & manufacturing) and public sectors (O&G and telco). Likewise, private consumption extended a double-digit growth – albeit slower than 2Q – while public consumption improved further (*refer table 2*). Exports growth was buoyed by E&E and resource-based products as well as Ringgit depreciation.
- With **9M 2022 economic growth at 9.3% YoY**, there is a **significant upside potential** to our full year forecast range of **6.4% - 7.4%** (BNM guided >7%). We expect **GDP growth in 4Q to moderate as low base effect dissipates and effects from OPR hikes filters through the economy**. Nonetheless, consumption activities via year-end sales and election spending will provide some impetus alongside improvement in income conditions (tight labour market) and continuous policy supports (subsidies & cash aids).
- On a side note, financing to the **SMEs segment** grew by 6.5% YoY (Non-SMEs: 3.7% YoY). Strong momentum was observed in the disbursement and repayments, up 34.6% YoY to RM127.4 bil and 35.1% to RM126.6 bil, respectively. Normalising economic activities and border reopening upheld business confidence, reflecting better demand for financing and repayment trend.

Figure 1: Quarterly Real GDP



| Table 1: GDP by economic activity (2015p) | Share 2021 (%) | 2021 | | | 2022 | | |
|---|-------------------|--------------|------------|------------|------------|-------------|------------|
| | | 3Q | 4Q | Year | 2Q | 3Q | 9M |
| Services | 57.0 | (4.9) | 3.2 | 1.9 | 12.0 | 16.7 | 11.7 |
| Manufacturing | 24.3 | (0.8) | 9.1 | 9.5 | 9.2 | 13.2 | 9.7 |
| Agriculture | 7.1 | (2.0) | 2.8 | (0.2) | (2.4) | 1.2 | (0.3) |
| Mining | 6.7 | (3.2) | (0.6) | 0.3 | (0.5) | 9.2 | 2.3 |
| Construction | 3.7 | (20.6) | (12.2) | (5.2) | 2.4 | 15.3 | 3.3 |
| Real GDP | - | (4.5) | 3.6 | 3.1 | 8.9 | 14.2 | 9.3 |

Sources: DOSM, CEIC, BNM, and SME Bank Economic Research

Figure 2: Percentage point (ppt.) contribution to GDP by economic activities

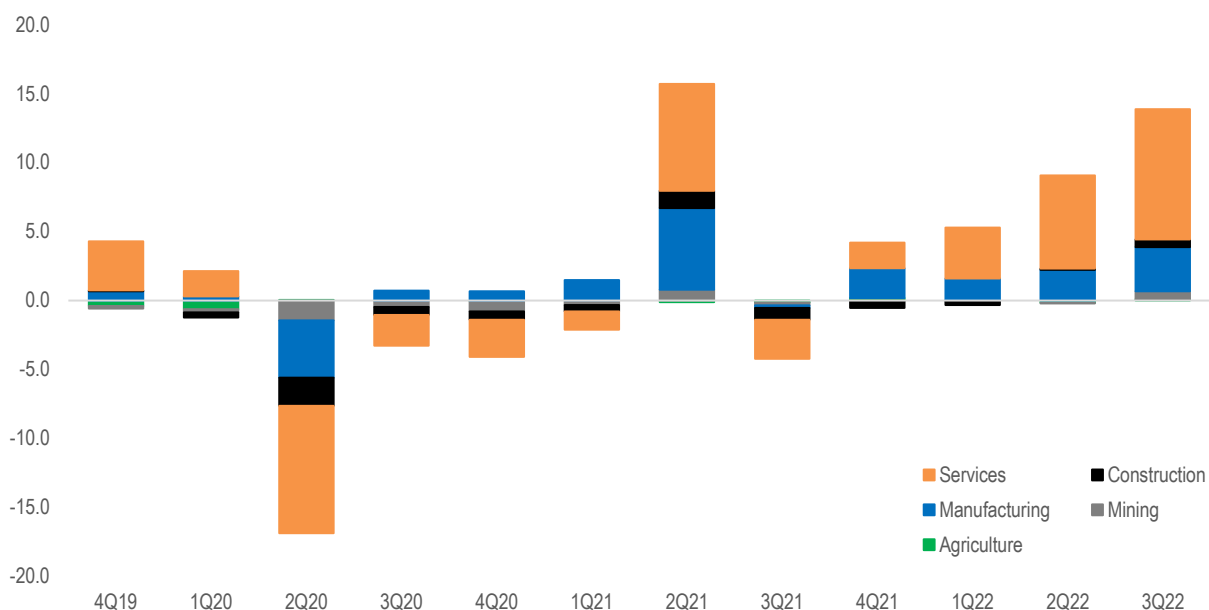
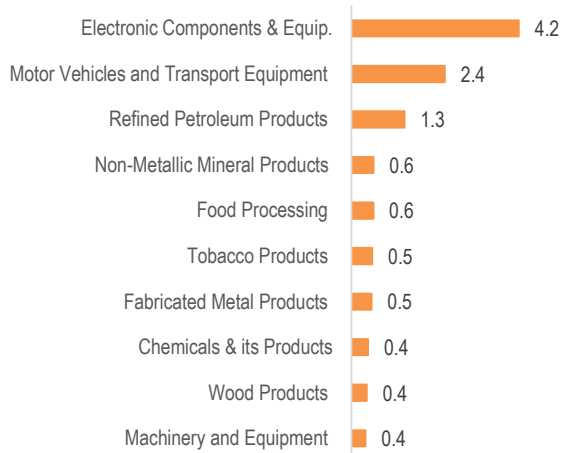


Figure 3: Top ten contributors to services GDP performance in 3Q 2022 (ppt.)



Figure 4: Top ten contributors to manufacturing GDP performance in 3Q 2022 (ppt.)



| Table 2: GDP by expenditure components (2015p) | Share 2021 (%) | 2021 | | | 2022 | | |
|--|-------------------|--------------|------------|------------|------------|-------------|------------|
| | | 3Q | 4Q | Year | 2Q | 3Q | 9M |
| Aggregate domestic demand | 92.7 | (4.2) | 1.9 | 1.7 | 13.0 | 13.1 | 10.1 |
| Private consumption | 58.8 | (4.2) | 3.7 | 1.9 | 18.3 | 15.1 | 12.7 |
| Private investment | 15.6 | (4.9) | (2.8) | 2.6 | 6.3 | 13.2 | 6.3 |
| Public consumption | 13.8 | 7.1 | 1.6 | 5.3 | 2.6 | 4.5 | 4.6 |
| Public investment | 4.5 | (28.9) | (3.4) | (11.3) | 3.2 | 13.1 | 4.9 |
| Net exports | 6.0 | (39.9) | 0.8 | (4.1) | (28.7) | 18.7 | (12.8) |
| Exports of goods & services | 69.1 | 4.2 | 13.0 | 15.4 | 10.4 | 23.9 | 14.0 |
| Imports of goods & services | 63.1 | 11.4 | 14.5 | 17.7 | 14.0 | 24.4 | 16.4 |
| Real GDP | - | (4.5) | 3.6 | 3.1 | 8.9 | 14.2 | 9.3 |

Sources: DOSM, CEIC, BNM, and SME Bank Economic Research

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