

# 3Q2022 GDP PREVIEW

10 November 2022

MENARA BANK ISLAM

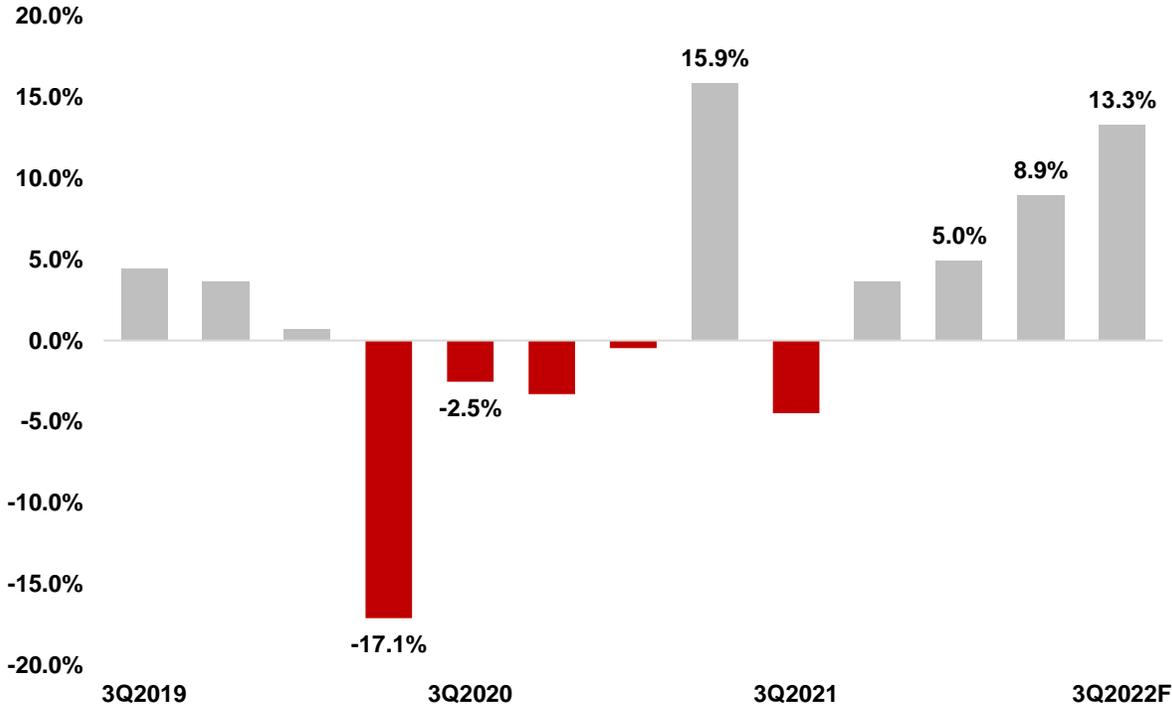
FIRDAOS ROSLI  
NOR JANNAH ABDULLAH  
RAJA ADIBAH RAJA HASNAN

BANK ISLAM

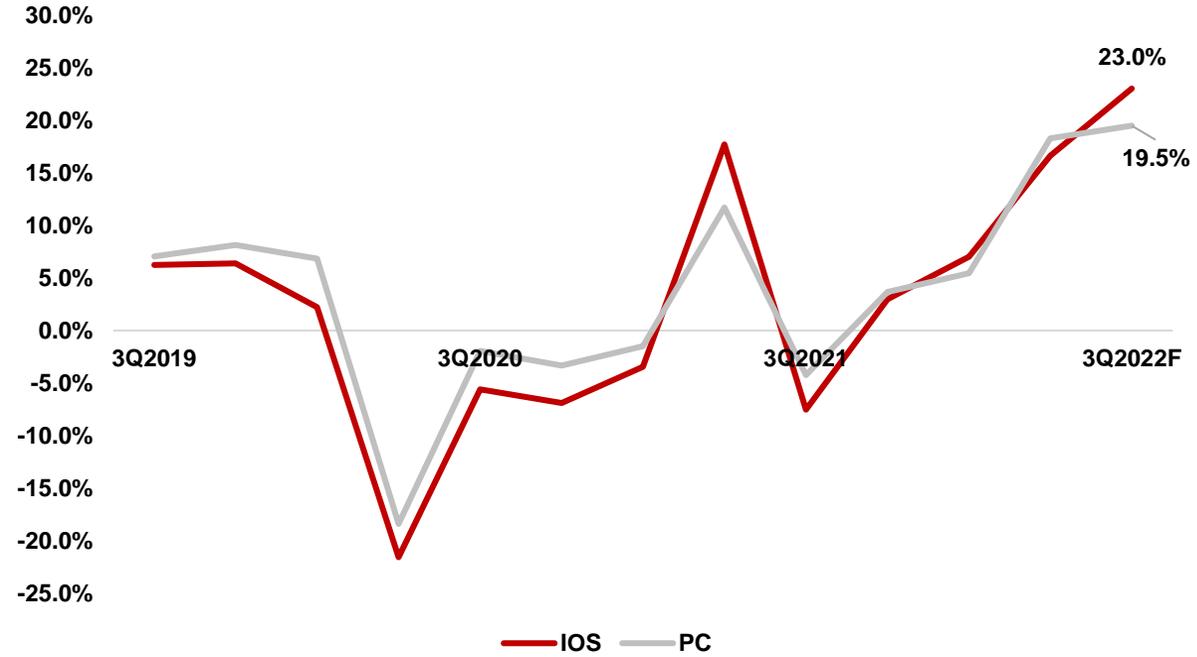
# STRONG GDP 3Q2022 PERFORMANCE



GDP growth, y-o-y%



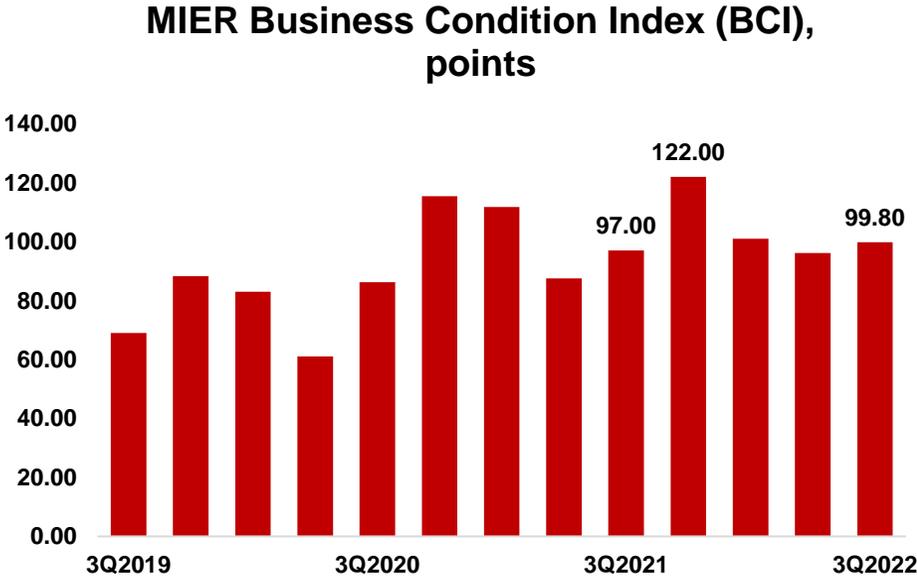
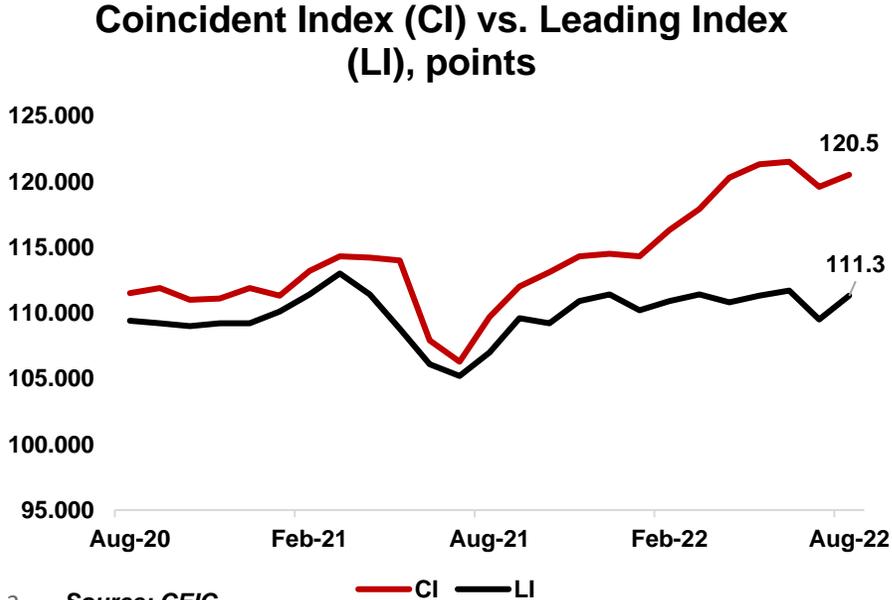
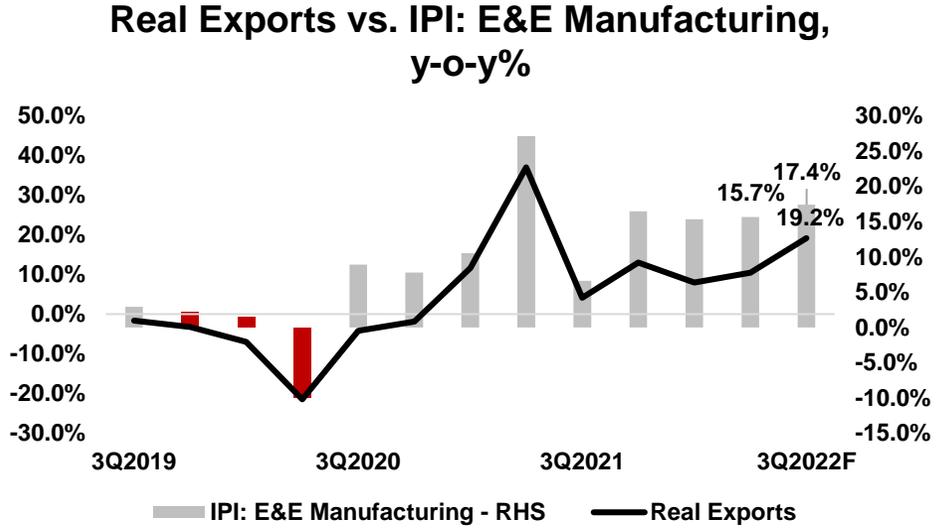
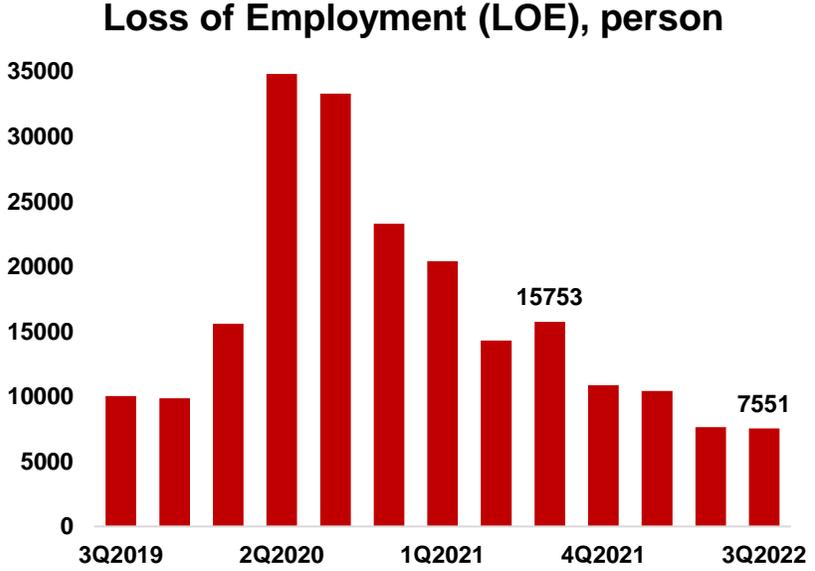
Index of Services (IOS) vs. Private Consumption (PC), y-o-y%



Source: CEIC

- Our latest estimates point to 3Q2022 GDP to come in at 13.3% y-o-y, compared with 8.9% in the previous quarter. Although the better-than-expected growth was primarily due to the last year’s low base effect, we posit that growth is also robust on a q-o-q amid full economic reopening.
- There will be another quarter of double-digit growth in private consumption (3Q2022F: 19.5% vs 2Q2022: 18.3%) due to improvements in business conditions and consumer sentiment. Discretionary spending is healthy owing to fiscal intervention to keep inflation relatively benign while the domestic monetary environment remains accommodative.

# PRIVATE CONSUMPTION AND EXTERNAL TRADE ARE THE KEY DRIVERS FOR 3Q2022 GROWTH

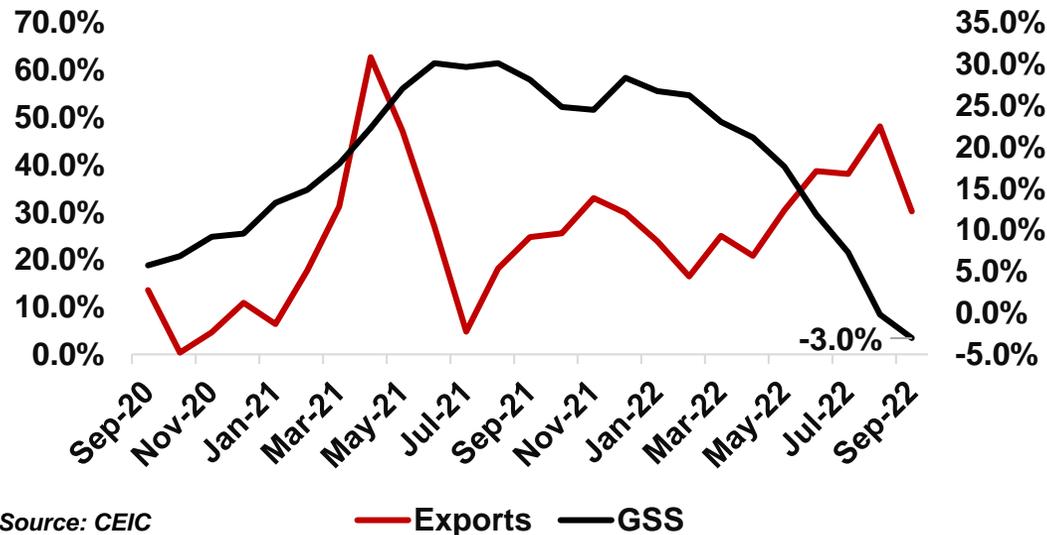


- Notwithstanding the continued supply-side constraints, we expect labour market recovery to be encouraging, as evident through the declining the unemployment rate and unemployment claims.
- We expect the trade balance is still in Malaysia's favour, although imports continue to outpace exports in 3Q2022. Exports are poised to remain strong, supported by robust external demand, particularly in the E&E manufacturing sector. The strong US dollar environment is a boon to Malaysia's export sector.
- The latest coincident and leading indices seem promising, while business conditions show marked improvements in the quarter.

# FY2022 COULD SURPASS THE OFFICIAL TARGET DESPITE THE WANING BASE EFFECT

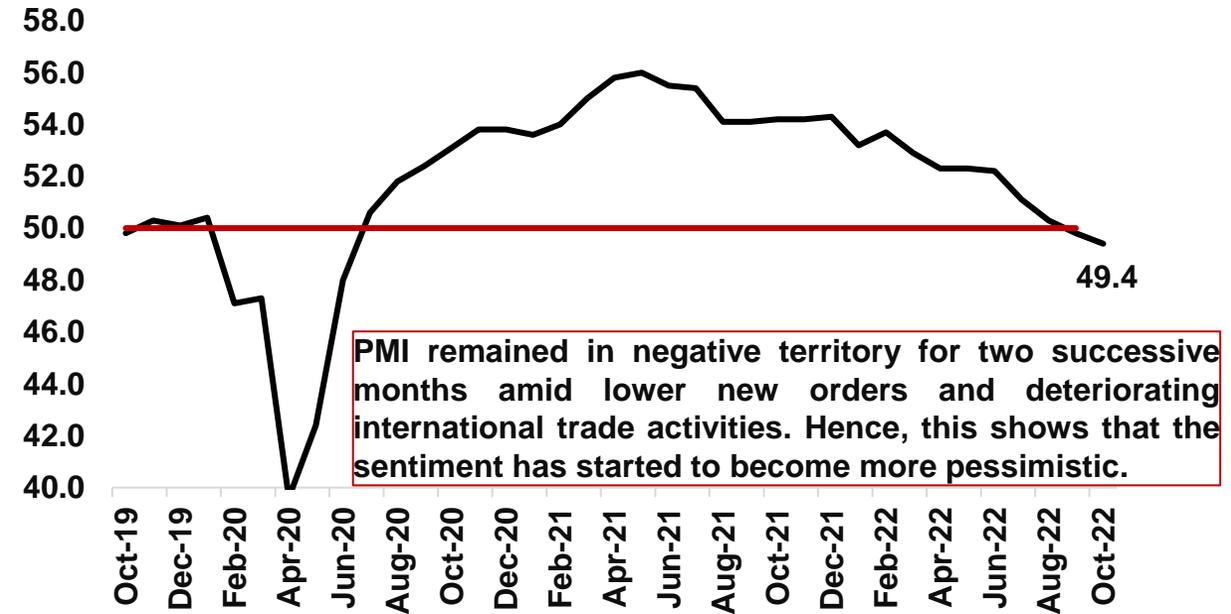
### Malaysia's Exports vs. Global Semiconductor Sales (GSS), y-o-y%

GSS recorded contraction for two straight months (September: -3.0% vs. August: -0.2%)



Source: CEIC

### JP Morgan Global Manufacturing Purchasing Manager's Index (PMI), points



- Economic activities have been resilient against external headwinds, growing by 6.9% in 1H2022 (1H2021: 7.0%).
- Despite the better-than-expected growth performance in 3Q2022, we believe that Malaysia's growth momentum to moderate in 4Q2022 due to the dissipating base effects. Furthermore, downside risks from the slowdown in external demand, global monetary tightening, and elevated commodity prices could weigh on domestic growth prospects in the coming quarter.
- The recent downward revision of global growth by the International Monetary Fund (IMF) – from 2.9% to 2.7% – does not help to improve the sentiments for Malaysia in 2023.
- We are penciling in FY2022 growth to come in at 7% amid the better-than-expected 3Q2022 performance. In 2023, we believe that Malaysia to be able to weather the storm amid economic reopening in China and the government's ongoing reforms.

Y-o-Y%	1Q2022	2Q2022	3Q2022F
<b>GDP</b>	<b>5.0%</b>	<b>8.9%</b>	<b>13.3%</b>
Domestic Demand (excluding stocks)	4.4%	13.0%	16.3%
<b>Private Sector</b>	<b>4.4%</b>	<b>15.4%</b>	<b>19.6%</b>
-Consumption	5.5%	18.3%	19.5%
-Investment	0.4%	6.3%	19.8%
<b>Public Sector</b>	<b>4.8%</b>	<b>2.8%</b>	<b>2.1%</b>
-Consumption	6.7%	2.6%	1.7%
-Investment	-0.9%	3.2%	3.7%
<b>Net Exports of Goods and Services</b>	<b>-26.5%</b>	<b>-28.7%</b>	<b>-35.7%</b>
-Exports	8.0%	10.4%	19.6%
-Imports	11.1%	14.0%	24.6%

**Thank you**