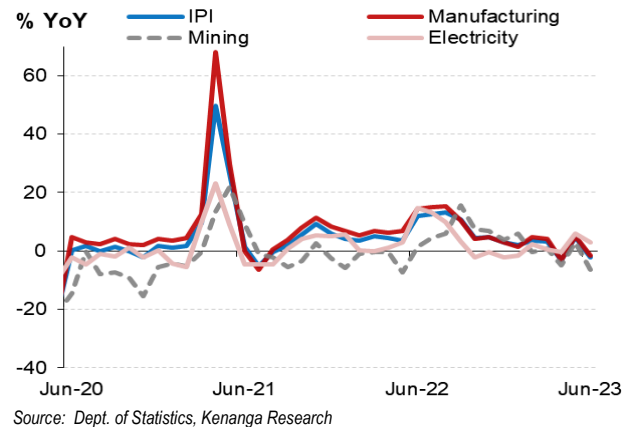


# Malaysia Industrial Production

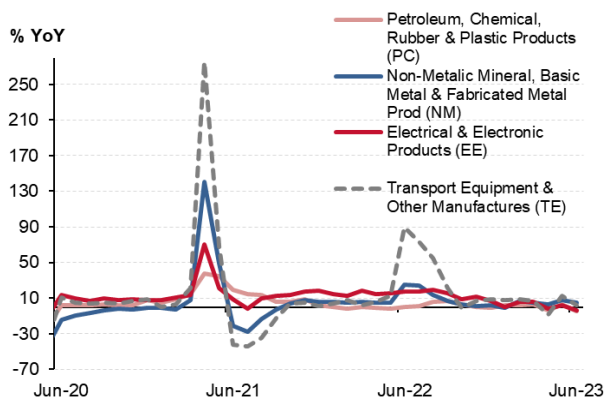
Fell 2.2% YoY in June on weak manufacturing, mining, and a high base effect

- Industrial Production Index (IPI) growth fell sharply in June (-2.2% YoY; May: 4.8%) registering above house estimate but below market expectations (KIBB: -3.3%; Consensus: -1.0%)**
  - The YoY contraction was driven by a sharp decline in the manufacturing and mining indices but was mainly attributable to a high base from June 2022.
  - MoM (2.2%; May: 7.3%): slowed to a two-month low, particularly due to a MoM contraction in the mining and electricity indices.
- Manufacturing index growth returned to a contractionary level (-1.6% YoY; May: 5.1%), driven by a sharp downturn in exports (-14.1%; May: -0.9%) and a similar contraction in manufacturing sales (-4.0%; May: 3.3%)**
  - The decline was led by a contraction in petroleum, chemical, rubber & plastic products (-4.6%; May: 3.0%) and electrical & electronic products (-3.6%; May: 1.9%), both of which reached a three-year low, as well as slower growth in the food, beverages & tobacco segment (2.9%; May: 11.6%).
  - MoM (5.5%; May: 7.0%): growth eased primarily due to a slowdown in export-oriented industries
- Mining index fell to its lowest level in 13-months (-6.4% YoY; May: 2.9%)**
  - The contraction was attributable to a broad decline in all subsectors, led by a downturn in extraction of crude oil & natural gas (-6.4%; May: 2.9%), a 13-month low, followed by natural gas production (-7.8%; May: 4.5%) and crude petroleum output (-4.5%; May: 0.6%), which reached its lowest level in 11 months.
  - MoM (-7.7%; May: 7.6%): fell to a two-month low as crude oil prices edged lower (USD74.8/b; May: USD75.5/b).
- Electricity index growth eased in June (2.8% YoY; May: 5.9%) on a low-base effect**
  - MoM (-5.3%; May: 9.3%): plunged to its lowest level in four months.
- 2023 manufacturing index growth forecast maintained at 2.4% (2022: 8.2%)**
  - Manufacturing output will likely remain sluggish in the near-term, as suggested by the subdued PMI reading in July (47.8; Jun: 47.7). This will primarily be due to weak external demand, stemming from a global economic slowdown. Advanced economies in North America and Europe are poised to experience a significant deceleration, potentially tipping into recession later in 2H23, whilst China's recovery remains uneven. Although manufacturing output should still be supported by robust domestic demand this year, a stronger recovery hinges on a reversal of fortunes in China, perhaps facilitated by new fiscal stimulus measures.
  - We maintain our 2023 GDP growth forecast at 4.7% (2022: 8.7%) but we expect 3Q23 growth to record a sharp moderation to 3.4% from an estimated 6.0% in 2Q23 (1Q23: 5.6%), weighed by the global economic slowdown.

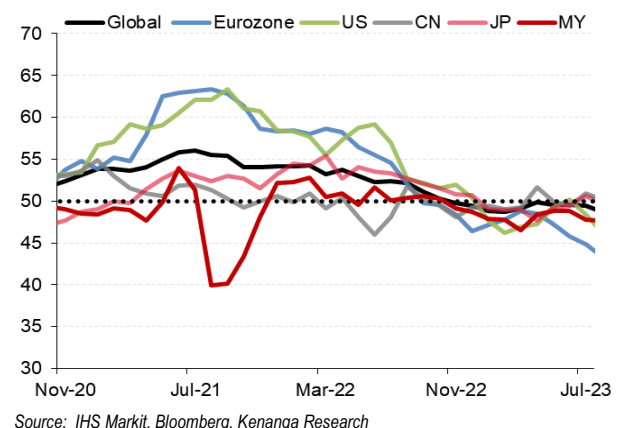
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



09 August 2023

**Table 1: Malaysia Industrial Production Trend (2015=100)**

	Weight		2020	2021	2022	Jun-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
<b>IPI</b>	<b>100.0</b>	<b>% YoY</b>	<b>-4.1</b>	<b>7.2</b>	<b>6.7</b>	<b>11.8</b>	<b>2.8</b>	<b>1.8</b>	<b>3.5</b>	<b>3.2</b>	<b>-3.2</b>	<b>4.8</b>	<b>-2.2</b>
		<b>% YoY SA</b>	<b>-4.5</b>	<b>7.5</b>	<b>6.9</b>	<b>12.0</b>	<b>2.8</b>	<b>1.8</b>	<b>3.3</b>	<b>3.1</b>	<b>-3.2</b>	<b>5.1</b>	<b>-2.3</b>
		<b>% MoM</b>				9.5	-0.6	-2.3	-5.2	8.4	-10.8	7.3	2.2
		<b>3mma</b>				6.7	4.0	3.2	2.7	2.8	1.2	1.6	-0.3
<b>Manufacturing</b>	<b>65.9</b>	<b>% YoY</b>	<b>-2.7</b>	<b>9.5</b>	<b>8.2</b>	<b>14.4</b>	<b>3.0</b>	<b>1.3</b>	<b>4.8</b>	<b>4.1</b>	<b>-3.0</b>	<b>5.1</b>	<b>-1.6</b>
		<b>% MoM</b>				12.8	-1.2	-3.3	-4.0	7.8	-11.4	7.0	5.5
		<b>3mma</b>				9.3	4.0	3.1	3.0	3.4	2.0	2.1	0.1
<b>Mining</b>	<b>28.9</b>	<b>% YoY</b>	<b>-8.9</b>	<b>0.9</b>	<b>2.2</b>	<b>1.3</b>	<b>3.9</b>	<b>5.9</b>	<b>-0.5</b>	<b>0.8</b>	<b>-4.9</b>	<b>2.9</b>	<b>-6.4</b>
		<b>% MoM</b>				1.6	1.1	1.7	-9.6	8.5	-10.7	7.6	-7.7
<b>Electricity</b>	<b>5.2</b>	<b>% YoY</b>	<b>-3.7</b>	<b>2.4</b>	<b>3.6</b>	<b>14.6</b>	<b>-2.2</b>	<b>-4.3</b>	<b>1.1</b>	<b>0.4</b>	<b>-0.4</b>	<b>5.9</b>	<b>2.8</b>
		<b>% MoM</b>				-2.5	0.9	-3.4	-5.5	15.1	-3.3	9.3	-5.3

Source: Dept. of Statistics, Kenanga Research, 3mma = 3-month moving average (YoY growth)

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