

Malaysia Manufacturing PMI

Manufacturing downturn worsened in September as demand falters

- Manufacturing Purchasing Managers' Index (PMI) fell further in September (46.8; Aug: 47.8), reflecting no sign of demand revival at the end of 3Q23**

- The index remained in contraction level (below the neutral level: 50.0) for the thirteen-straight month, with manufacturing conditions eased the most since January. The extended slowdown in the manufacturing industry is highly attributed to a weaker demand in tandem with the global economic slowdown narrative.

- Production was scaled down due to lack of demand as new export orders continued to softened**

- New orders moderated for the thirteenth month and lowest in eight months.
 - Export demand eased further since May 2020, reflecting a persistent weakness in global trade.
 - Consequently, output levels fell for the fourteenth straight month owing to weaker demand.

- Cost pressures increase due to higher material costs**

- Increases in input prices were associated with greater costs for raw materials. Thus, September saw a greater increase in production prices, with the inflation rate being the highest in ten months.

- Manufacturers demonstrated a greater optimism on demand outlook**

- Malaysian manufacturers were increasingly confident that the present slump in demand would fade. This is evident by improvement in optimism, which rose to its highest level since May.
 - Meanwhile, employment continued to fall mainly due to lower workloads and employee resignations.

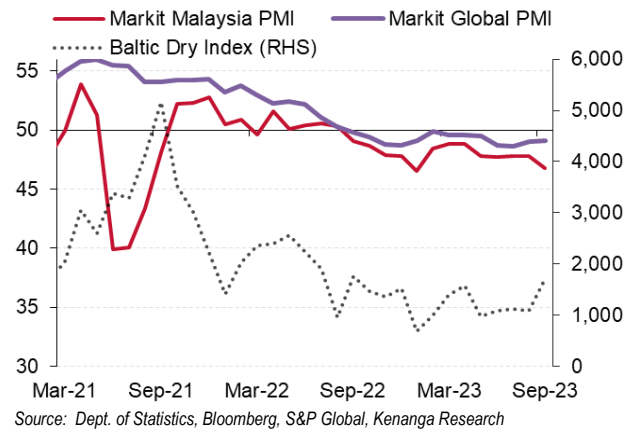
- Mixed manufacturing conditions among major economies in September**

- Japan (48.5; Aug: 49.6): au Jibun Bank manufacturing PMI deteriorates further due to domestic and global economic slowdown, causing a reduction in output and new orders amid a lack of incoming business.
 - China (50.6; Aug: 51.0): Caixin Manufacturing PMI expanded albeit at a slower pace largely as weaker external demand weighed on overall recovery.

- Weak external demand outlook in the near term is expected to extend the slowdown in manufacturing activity**

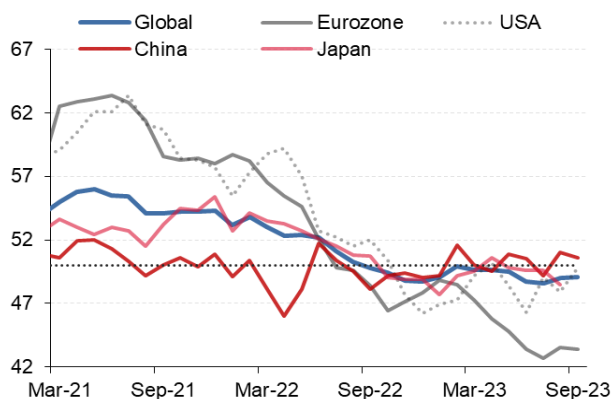
- The lower Manufacturing PMI reading in September reflects a persistent weakness in the manufacturing conditions amid weaker demand, mainly from the external sector. This is also partly due to the higher base effect recorded last year and as the economy return to normalcy.
 - Likewise, we maintain the 2023 GDP growth forecast at 3.5% - 4.0% (2022: 8.7%) as we continue to expect slower growth in the 2H23 (3.1%; 1H23: 4.2%) amid the high base effect recorded last year as well as weak China's post-pandemic recovery. This could be further weighed down by the impact of a higher interest rate environment among advanced economies. Nevertheless, growth is expected to be supported by resilient domestic demand amid stable capacity expansion and further improvement in the services sector.

Graph 1: Global & Malaysia Manufacturing PMI



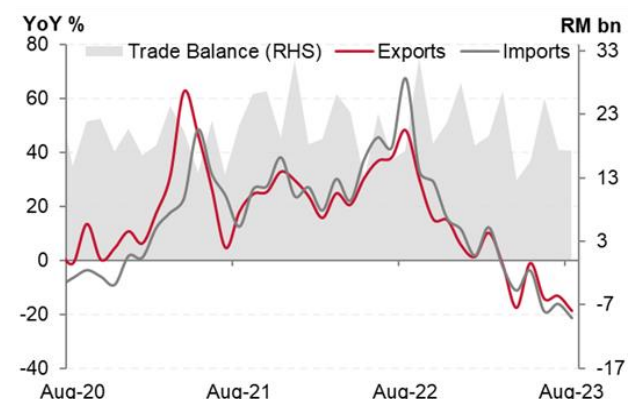
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

Graph 2: Global PMI Trend



Source: Bloomberg, S&P Global, Kenanga Research

Graph 3: Malaysia External Trade Growth



Source: Dept. of Statistics, Kenanga Research

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Table 2: Malaysia PMI Trend

	2020	2021	2022	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
S&P Malaysia PMI	49.1	52.8	47.8	48.8	47.8	47.7	47.8	47.8	46.8
New Orders*				Down	Down	Down	Down	Down	Down
Output*				Down	Down	Down	Down	Down	Down
Employment*				Up	Down	Down	Down	Down	Down
Stocks of Purchases*				Down	Down	Down	Down	Down	Down
S&P Global PMI	49.2	54.3	48.6	49.6	49.5	48.7	48.6	49.0	N/A
Baltic Dry Index	1,230	2,217	1,515	1,576	977	1,091	1,127	1,086	1,701
DoS Leading Index (% YoY)	4.0	4.6	1.1	-2.6	-1.1	-2.1	-0.9	N/A	N/A

Source: PMI by S&P Global, Bloomberg, Dept. of Statistics, Kenanga Research

*The "Up/Down/Flat" movements for sub-indicators are based on S&P Global own reports. Detailed and historical data are available on a subscription basis only.

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