

Malaysia Manufacturing PMI

Manufacturing activity remains weak in October amid subdued demand

- Manufacturing Purchasing Managers' Index (PMI) was unchanged (46.8; Sep: 46.8) in October**

- The index also remained at a contraction level (below the neutral level: 50.0) for the fourteenth straight month, signalling a continued weakness of manufacturing activity. The slowdown is closely attributed to weaker demand, both from domestic and international levels.

- Production was scaled back amid weak demand conditions**

- New orders and new exports softened without sign of demand revival. Consequently, output levels fell for the fifteenth month, marked as the fastest since January.
 - Backlogs of work fell sharply to a record high as manufacturers transferred spare resources to work on outstanding business.

- Cost pressures persisted due to currency weakness and higher cost of raw materials**

- Increases in input prices were reflected by high material costs in the international market amid weaker Ringgit. Consequently, output charges increased for the third month as business passed on to consumers.

- Manufacturers demonstrated a greater confidence in the outlook for production**

- Optimism rose to a six-month high, hoping that the output and demand would improve. Nonetheless, the level is still below the long-term average.
 - Meanwhile, employment fell for the sixth month and at the fastest pace since June 2022.

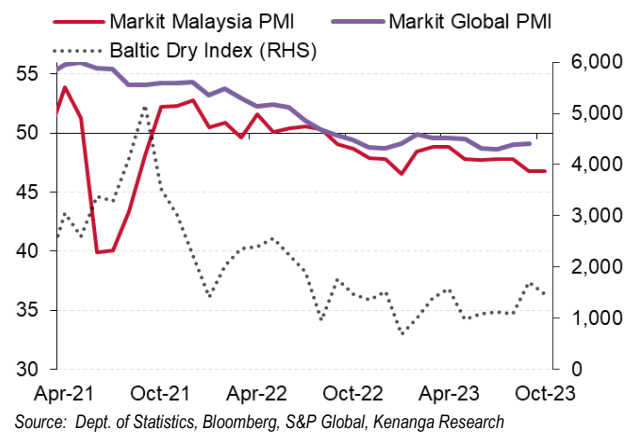
- Manufacturing conditions remain weak among major economies in October**

- Japan (48.7; Sep: 48.5): Manufacturing PMI remained at a contraction level, as output and new orders remained on downward trajectories. However, the downturn eased, indicating a slight deterioration in operating conditions.
 - China (49.5; Sep: 50.6): Caixin Manufacturing PMI dropped below the neutral level, reflecting a weak recovery in the manufacturing conditions amid weaker sales caused by weak external demand.

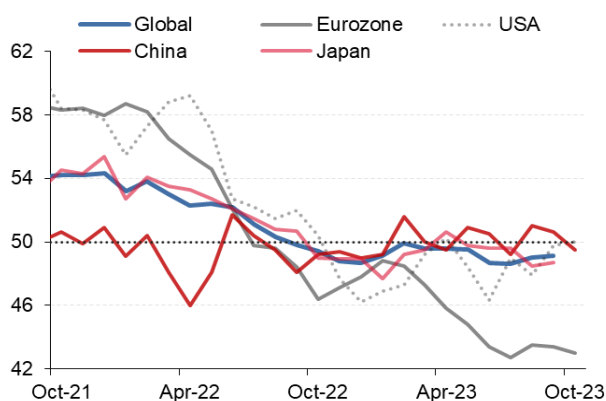
- Weak external demand outlook in the near term is expected to extend the slowdown in manufacturing activity**

- The latest weak Manufacturing PMI reading in October reflects a persistent weakness in the manufacturing conditions amid weaker demand from domestic and international market as evident by weak export. The performance was also partly due to the higher base effect recorded last year.
 - Despite a weak start in manufacturing conditions in the final quarter, we maintain the 2023 GDP growth forecast at 3.5% - 4.0% (2022: 8.7%). Growth is expected to be supported by a resilient domestic demand, given the sustain performance in the retail sales on the back of an increase in tourist arrivals and steady labour market conditions.

Graph 1: Global & Malaysia Manufacturing PMI

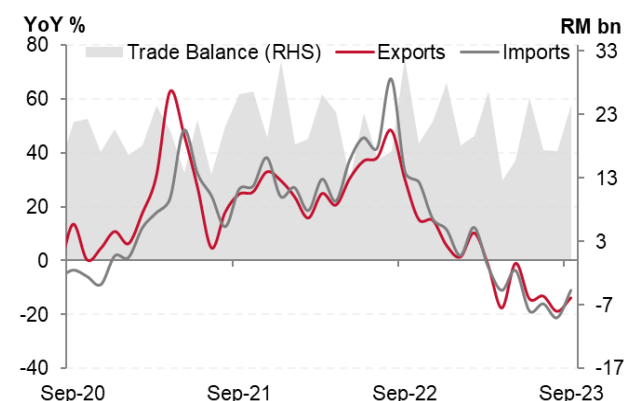


Graph 2: Global PMI Trend



Source: Bloomberg, S&P Global, Kenanga Research

Graph 3: Malaysia External Trade Growth



Source: Dept. of Statistics, Kenanga Research

02 November 2023

Table 2: Malaysia PMI Trend

	2020	2021	2022	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
S&P Malaysia PMI	49.1	52.8	47.8	47.8	47.7	47.8	47.8	46.8	46.8
New Orders*				Down	Down	Down	Down	Down	Down
Output*				Down	Down	Down	Down	Down	Down
Employment*				Down	Down	Down	Down	Down	Down
Stocks of Purchases*				Down	Down	Down	Down	Down	Down
S&P Global PMI	49.2	54.3	48.6	49.5	48.7	48.6	49.0	49.1	N/A
Baltic Dry Index	1,230	2,217	1,515	977	1,091	1,127	1,086	1,701	1,459
DoS Leading Index (% YoY)	4.0	4.6	1.1	-1.1	-2.1	-1.0	-0.5	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. O

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

