

# Malaysia Industrial Production

Jumped to a five-month high in October, beating expectations

- Industrial Production Index (IPI) rebounded strongly in October (2.7% YoY; Sep: -0.5%), marking its highest in five months and surpassing consensus (2.4%) and house forecast (2.3%)**

- The positive performance primarily stemmed from a broad-based expansion, led by the mining sector and the waning of the high base effect noted last year. This suggests that the recovery could accelerate into 2024, backed by a rebound in the external sector led by China and other emerging economies.
- MoM (2.2%; Sep: 1.1%): Growth momentum expanded with the third straight month of positive expansion.

- The manufacturing index expanded (0.9% YoY; Sep: 0.4%) for the second consecutive month, mainly supported by domestic-oriented industry and a smaller contraction in the export-oriented sector**

- Domestic-oriented:** expanded to 6.7% (Sep: 5.8%) led by solid expansion in the manufacture of motor vehicles, trailers & semi-trailers (10.6%; Sep: 2.6%), and food processing products (9.4%; Sep: 8.2%).
- Export-oriented:** contracted for the fifth straight month albeit at a reduced rate (-1.5%; Sep: -2.0%). Growth continues to be hindered by weak electrical & electronic sector performance (-3.9%; Sep: -2.0%).
- MoM (-1.3%; Sep: 2.1%): growth fell to a three-month low.

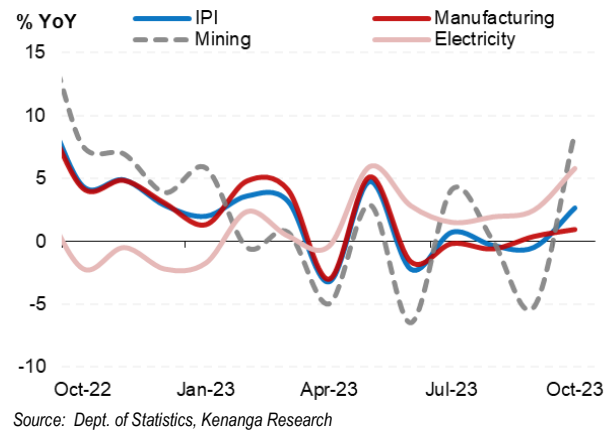
- Electricity index growth surged to a five-month high of 5.8% in October (Sep: 2.5%), marking its sixth consecutive month of positive expansion**

- MoM (5.3%; Sep: -4.0%): rebounded sharply to a five-month high.

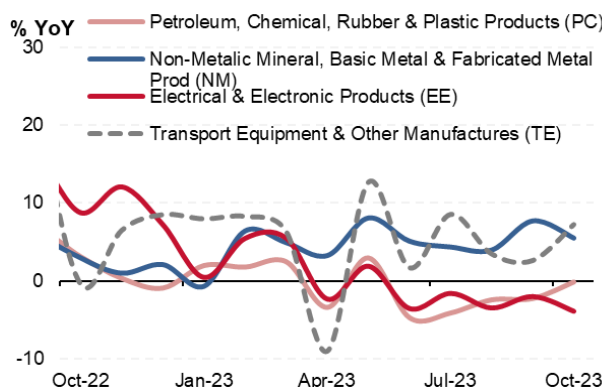
- 2023 manufacturing index growth is likely to settle around our forecast of 1.0% (2022: 8.2%), with further recovery expected next year at 3.2%**

- Year-to-date, IPI grew by 1.0% compared to 7.3% recorded in the same period last year, primarily due to weakened global trade impacted by geopolitical tensions, higher interest rates in advanced economies and China's slower-than-expected post-pandemic recovery. We expect the domestic-oriented sector will sustain growth in the remaining months of this year and throughout 2024. Meanwhile, a recent uptick in the Manufacturing PMI reading (47.9; Oct: 46.8), despite still being in contraction, coupled with a smaller contraction in October's exports (-4.4%; Sep: -13.8%), suggests a possible near-term recovery in the export-oriented manufacturing sector.
- Reflecting the latest IPI reading, we anticipate a continued manufacturing recovery and project a rebound in the value-added manufacturing GDP growth of 1.5% in 4Q23 (3Q23: -0.1%). This, along with a resilient services sector, is expected to propel overall 4Q23 GDP growth to 3.7% (3Q23: 3.3%). Consequently, we maintain our 2023 GDP growth forecast at 3.5% - 4.0% (2022: 8.7%) and foresee an expansion to 4.9% in 2024, supported by further domestic and global economic recovery.

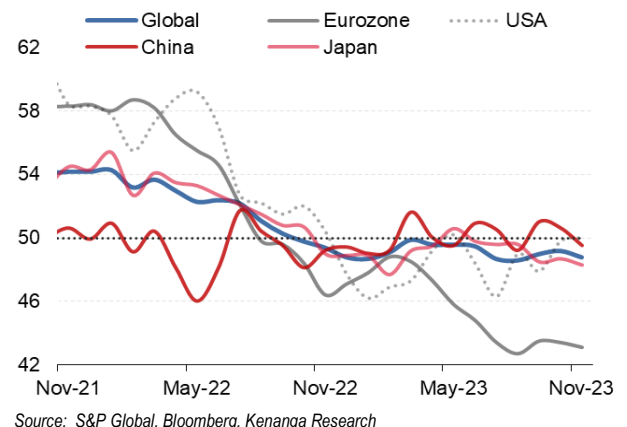
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



12 December 2023

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

	Weight		2020	2021	2022	Oct-22	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
<b>IPI</b>	<b>100.0</b>	<b>% YoY</b>	<b>-4.1</b>	<b>7.2</b>	<b>6.7</b>	<b>4.4</b>	<b>-3.2</b>	<b>4.8</b>	<b>-2.2</b>	<b>0.7</b>	<b>-0.3</b>	<b>-0.5</b>	<b>2.7</b>
		<b>% YoY SA</b>	<b>-4.5</b>	<b>7.5</b>	<b>6.9</b>	<b>4.7</b>	<b>-3.2</b>	<b>5.1</b>	<b>-2.3</b>	<b>1.0</b>	<b>2.3</b>	<b>-0.6</b>	<b>2.6</b>
		<b>% MoM</b>				<b>-1.0</b>	<b>-10.8</b>	<b>7.3</b>	<b>2.2</b>	<b>-1.8</b>	<b>2.8</b>	<b>1.1</b>	<b>2.2</b>
		<b>3mma</b>				<b>9.3</b>	<b>1.2</b>	<b>1.6</b>	<b>-0.3</b>	<b>1.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>0.6</b>
<b>Manufacturing</b>	<b>65.9</b>	<b>% YoY</b>	<b>-2.7</b>	<b>9.5</b>	<b>8.2</b>	<b>4.2</b>	<b>-3.0</b>	<b>5.1</b>	<b>-1.6</b>	<b>-0.2</b>	<b>-0.6</b>	<b>0.4</b>	<b>0.9</b>
		<b>% MoM</b>				<b>-1.8</b>	<b>-11.4</b>	<b>7.0</b>	<b>5.5</b>	<b>-4.3</b>	<b>5.1</b>	<b>2.1</b>	<b>-1.3</b>
		<b>3mma</b>				<b>9.8</b>	<b>2.0</b>	<b>2.1</b>	<b>0.1</b>	<b>1.0</b>	<b>-0.8</b>	<b>-0.1</b>	<b>0.2</b>
<b>Mining</b>	<b>28.9</b>	<b>% YoY</b>	<b>-8.9</b>	<b>0.9</b>	<b>2.2</b>	<b>7.6</b>	<b>-4.9</b>	<b>2.9</b>	<b>-6.4</b>	<b>4.2</b>	<b>0.1</b>	<b>-5.2</b>	<b>8.7</b>
		<b>% MoM</b>				<b>1.8</b>	<b>-10.7</b>	<b>7.6</b>	<b>-7.7</b>	<b>8.0</b>	<b>-5.4</b>	<b>-1.6</b>	<b>16.7</b>
<b>Electricity</b>	<b>5.2</b>	<b>% YoY</b>	<b>-3.7</b>	<b>2.4</b>	<b>3.6</b>	<b>-2.2</b>	<b>-0.4</b>	<b>5.9</b>	<b>2.8</b>	<b>1.5</b>	<b>1.9</b>	<b>2.5</b>	<b>5.8</b>
		<b>% MoM</b>				<b>2.0</b>	<b>-3.3</b>	<b>9.3</b>	<b>-5.3</b>	<b>1.8</b>	<b>0.3</b>	<b>-4.0</b>	<b>5.3</b>

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

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