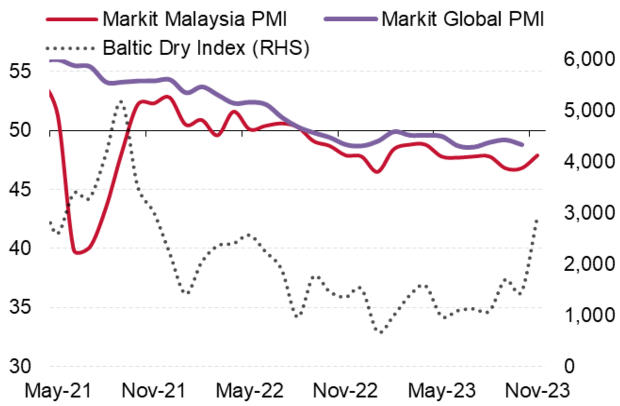
# Malaysia Manufacturing PMI

## Manufacturing activity edged up in November, but weak demand persist

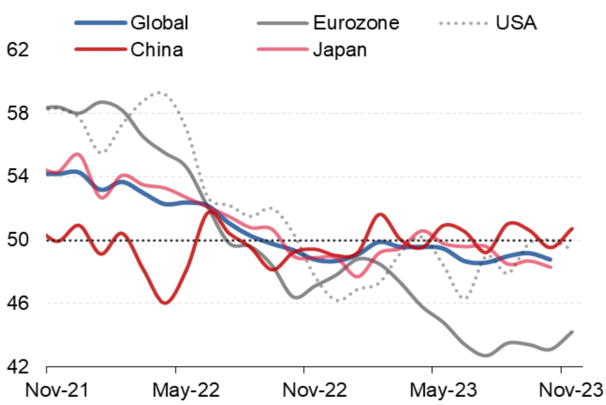
- **Manufacturing Purchasing Managers' Index (PMI) inched up in November (47.9; Oct: 46.8), as the slowdown softened**
  - While the index continues to signal contraction by remaining below the neutral threshold of 50.0, it has risen to a seven-month high, indicating a potential upturn in manufacturing activity in the near future. Overall, the ongoing slowdown is due to weak demand from domestic and international market.
- **Production moderated amid subdued demand conditions**
  - New orders and exports continue to ease due to a persistently weak demand environment. However, the pace of slowdown has eased since August.
  - Backlogs of work have continued to decrease, although the rate of depletion is weaker than in October.
- **Cost pressures continue to increase due to currency weakness and rising costs for raw materials**
  - Increases in input prices hit a one year high due to high material costs in the international market as well as weaker currency. Consequently, businesses increase their output charges for the fourth consecutive month.
- **Manufacturers remain confident on the outlook for production**
  - The latest increase in confidence signals a demand revival that have supported manufacturers' optimism.
  - Meanwhile, employment has stabilised, showing the mildest decline in the past seven months.
- **Mixed manufacturing conditions among major economies in November**
  - United States (49.4; Oct: 50.0): S&P Global Manufacturing PMI fell to a three-month low, driven by subdued demand conditions and businesses' cost-cutting effort in a persistently high-interest rate environment.
  - China (49.4; Oct: 49.5): NBS Manufacturing PMI remains at a contraction level as demand-driven challenges persist. This is mainly due to weakened demand, reflected in slower domestic and external orders rates affecting manufacturing activity.
- **Slowdown in manufacturing activity may reach its bottom and expected to gradually improve in the near term**
  - The recent uptick in Manufacturing PMI suggests a possible resurgence in the health of the manufacturing sector as the year draws to close, with positive momentum extending into 2024. This is partly attributed to the potential upswing in the technology sector and China's gradual recovery, both of which are expected to contribute to an improvement in Malaysia's export performance moving forward.
  - Consequently, we forecast that GDP growth will continue to expand in the final quarter, reaching 3.7% (3Q23: 3.3%), primarily driven by a resilient domestic demand, bolstered by year-end festive spending and a rise in tourist arrivals. Additionally, the growth would also be supported by increased fiscal spending, as the government typically ramps up spending towards the year's end. Overall, we are maintaining our GDP growth forecast for 2023 at 3.5% - 4.0% (2022: 8.7%) with the expectation that it will likely settle toward the upper end of our projected range and may expand to 4.9% in 2024.

**Graph 1: Global & Malaysia Manufacturing PMI**



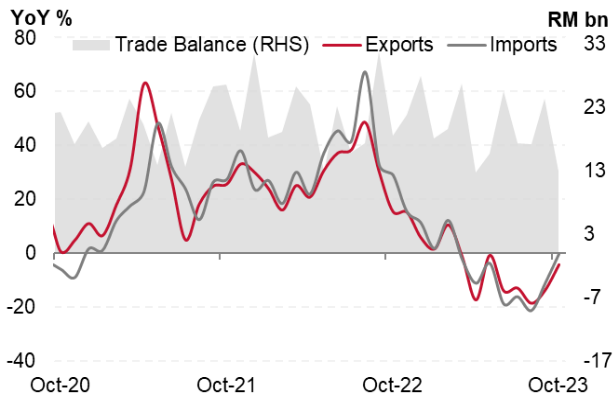

*Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research*

**Graph 2: Global PMI Trend**




*Source: Bloomberg, S&P Global, Kenanga Research*

**Graph 3: Malaysia External Trade Growth**




*Source: Dept. of Statistics, Kenanga Research*

## Table 2: Malaysia PMI Trend

| | 2020 | 2021 | 2022 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 |
|---|---|---|---|---|---|---|---|---|---|
| **S&P Malaysia PMI** | 49.1 | 52.8 | 47.8 | 47.7 | 47.8 | 47.8 | 46.8 | 46.8 | 47.9 |
| 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 | 48.7 | 48.6 | 49.0 | 49.2 | 48.8 | N/A |
| **Baltic Dry Index** | 1,230 | 2,217 | 1,515 | 1,091 | 1,127 | 1,086 | 1,701 | 1,459 | 2,937 |
| **DoS Leading Index (% YoY)** | 4.0 | 4.6 | 1.1 | -2.1 | -1.0 | -0.5 | -0.3 | 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*

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