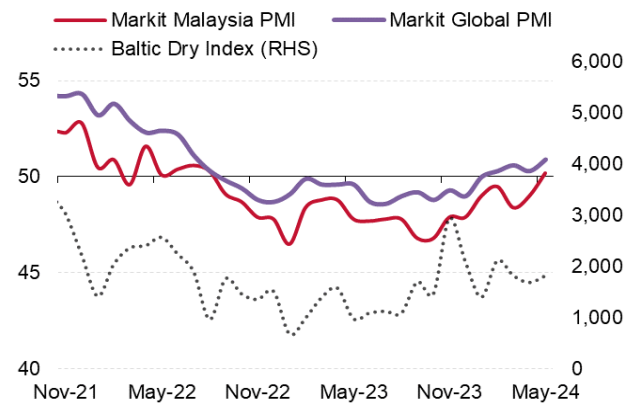


Malaysia Manufacturing PMI

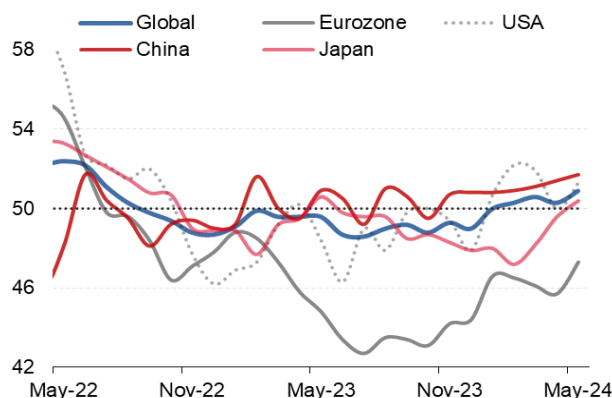
Turned positive in May after 20 months below growth threshold

- The Manufacturing Purchasing Managers' Index (PMI) increased to 50.2 in May (Apr: 49.0), marking the first expansion since July 2022**
 - The turnaround in the PMI was largely driven by the improvement in job creation, production and new businesses.
- Production marginally expanded backed by improved demand conditions**
 - New demand orders led by improved external demand following higher export orders boosted the PMI to nudge above the negative threshold.
 - Nonetheless, the purchasing levels remained subdued as firms were cautious in their inventory holdings. Subsequently, this has contributed to the further moderation in the purchase of inventories for the year.
- Persistent price pressures in May due to higher raw material, transport and financing costs**
 - Input cost remained inflated for four consecutive years.
 - Output prices inched up as manufacturers passed onto customers, to keep up with the continued rise in input costs.
 - Notably, the Suppliers' Delivery Times Index showed slightly longer lead times because of congestion at ports.
- Optimism among firms remained positive, but the level of confidence eased**
 - Confidence waned, marking the lowest level in nine months, but improved demand conditions in May provide a promising positive outlook ahead.
 - Nevertheless, employment levels increased with robust hiring activity in May, marking the first increase since the end of 2023. This is to accommodate the workloads while enabled firms to reduce their backlog orders.
- Mixed manufacturing conditions among regional economies**
 - China (51.7; Apr: 51.4): The Caixin Manufacturing PMI continued to expand for the seventh consecutive month at the fastest pace in 23 months. The increase was backed by the notable rise of new orders and inflows of new work coupled with better local and international demand.
 - Vietnam (50.3; Apr: 50.3): Manufacturing PMI retained its two-month streak of expansion, albeit the rate of increase for new orders slowed from the previous month.
- Manufacturing export recovery remains intact in the near term, but lingering downside risks pose a concern**
 - We continue to expect a robust recovery in the manufacturing sector and export-oriented industries in the second half of the year. Our outlook is mainly backed by the technology upcycle coupled with the expected recovery of China's economy and overall global trade activities. Nevertheless, the renewed trade tensions between China and the US alongside the ongoing tensions in the Middle East and the Russia-Ukraine war, would likely pose a significant downside risk to the economic outlook due to the impact on global supply chain and trade activities. However, given the better-than-expected 1Q24 GDP growth at 4.2%, we firmly stand with our bullish outlook on GDP, with the estimated projection of 4.5% - 5.0% for 2024, which is appear to be aligned with both MoF and BNM projection of 4.0% - 5.0%.

Graph 1: Global & Malaysia Manufacturing PMI

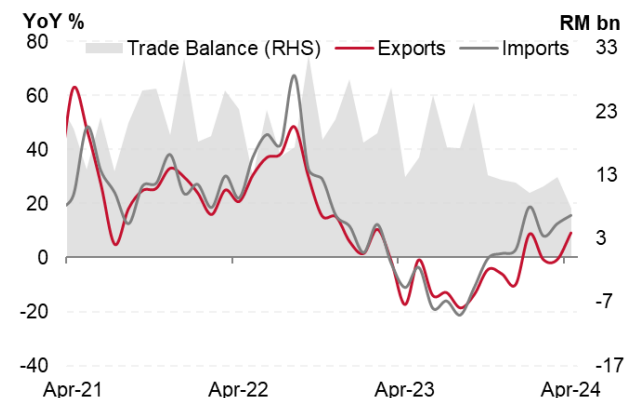


Graph 2: Global PMI Trend



Source: Bloomberg, S&P Global, Kenanga Research

Graph 3: Malaysia External Trade Growth



Source: Dept. of Statistics, Kenanga Research

05 June 2024

Table 2: Malaysia PMI Trend

	2021	2022	2023	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
S&P Malaysia PMI	52.8	47.8	47.9	47.9	47.9	49.0	49.5	48.4	49.0	50.2
New Orders*				Down	Down	Down	Down	Down	Down	Up
Output*				Down	Down	Down	Down	Down	Down	Up
Employment*				Down	Up	Down	Down	Down	Flat	Up
Stocks of Purchases*				Down	Down	Down	Down	Down	Down	Down
S&P Global PMI	54.3	48.6	49.0	49.3	49.0	50.0	50.3	50.6	50.3	50.9
Baltic Dry Index	2,217	1,515	2,094	2,937	2,094	1,398	2,111	1,821	1,685	1,815
DoS Leading Index (% YoY)	4.6	1.0	-0.9	-0.1	0.4	3.4	2.1	2.3	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. 0

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