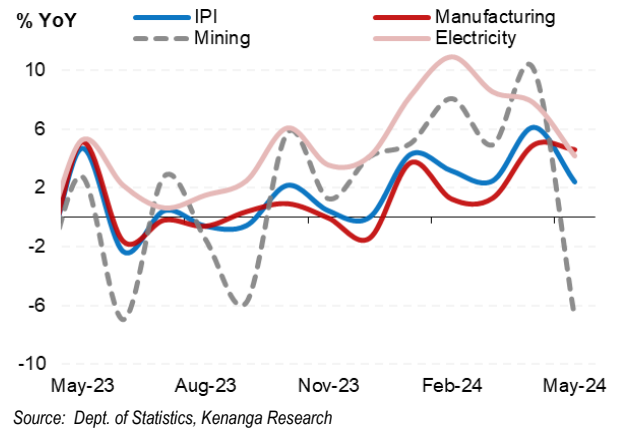


Malaysia Industrial Production

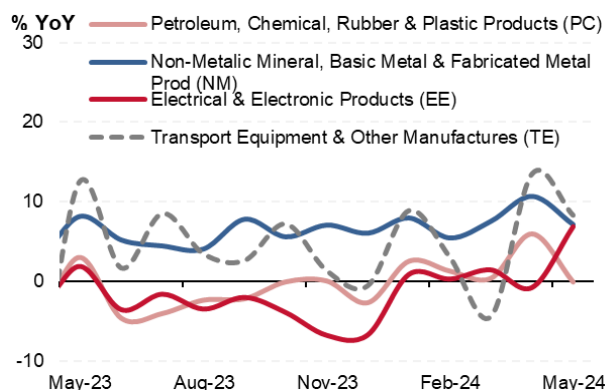
May output growth slows on base effect, but held up by manufacturing recovery

- Industrial Production Index (IPI) moderated 2.4% YoY in May (Apr: 6.1%), lower than expectations (KIBB: 3.0%; consensus: 3.6%)**
 - The slower growth was weighed down by weak mining output but partially offset by gains in the manufacturing and electricity sectors. Additionally, the high base effect from last year contributed to the slower growth rate.
 - On MoM, it rebounded by 3.5% (Apr: -7.6%) following a sharp decline in the previous month.
- The manufacturing index moderated slightly in May (4.6% YoY; Apr: 4.9%) partly due to the high-base effect**
 - Domestic-oriented:** slowed (6.4%; Apr: 9.5%) due to a broad-based slowdown, but remained supported by output of motor vehicles, trailers & semi-trailers (10.3%; Apr: 20.2%), followed by other non-metallic mineral products (9.8%; Apr: 11.2%) and fabricated metal products, except machinery & equipment (6.5%; Apr: 12.8%), albeit at a slower pace. Notably, output of other transport equipment (6.6%; Apr: 3.6%) and repair & installation of machinery & equipment (5.2%; Apr: 4.1%) registered a growth expansion.
 - Export-oriented:** expanded (3.7%; Apr: 2.6%) for the third straight month, led by a significant rebound in output of computer, electronics and optical products (8.4%; Apr: -1.4%) and followed by an increase in manufacture of vegetable and animal oils and fats products (4.8%; Apr: 2.7%).
 - MoM (6.7%; Apr: -8.2%): rebounded strongly, following a sharp contraction in the previous month.
- Mining index growth fell sharply (-6.9%; Apr: 10.0%) to an 8-month low, following a surge in the previous month**
 - It was a broad-based decline, led by lower output of extraction of natural gas (-10.3%; Apr: 14.9%), followed by crude petroleum (-1.9%; Apr: 3.5%).
 - MoM (-8.9%; Apr: -6.3%): fell sharply to a 13-month low, and for the second straight month.
- Electricity index moderated (4.2%; Apr: 7.8%) to a five-month low**
 - MoM (5.6%; Apr: -4.0%): rebounded to a two-month high.
- The manufacturing index forecast is retained at 4.6% (2023: 0.7%), banking on steady growth in the 2H24**
 - Despite the moderation in the manufacturing sector's output in May and the latest Manufacturing Purchasing Managers' Index (PMI) reading falling below 50.0 in June (49.9; May: 50.2), we expect the sector to sustain growth in the near term. This optimism stems from the anticipated recovery in exports, with the technology-related sub-sector likely benefiting from a tech upcycles. Additionally, the domestic-oriented industry is expected to remain robust, supported by strong domestic demand, driven by the EPF's Account 3 withdrawal, increased in tourist arrivals, and stable labour market conditions. However, growth faces downside risks from external factors such as the impact of the Red Sea crisis on global port congestion, renewed US-China trade tensions, and the ongoing Russia-Ukraine war.
 - Given the positive domestic industrial output in April and May (average: 4.2%) and strong domestic demand as reflected in distributive trade performance (average: 6.8%) during the same period, we expect GDP to expand strongly in 2Q24 by 5.1%. Consequently, we maintain our 2024 GDP forecast at 4.5% - 5.0% (2023: 3.6%).

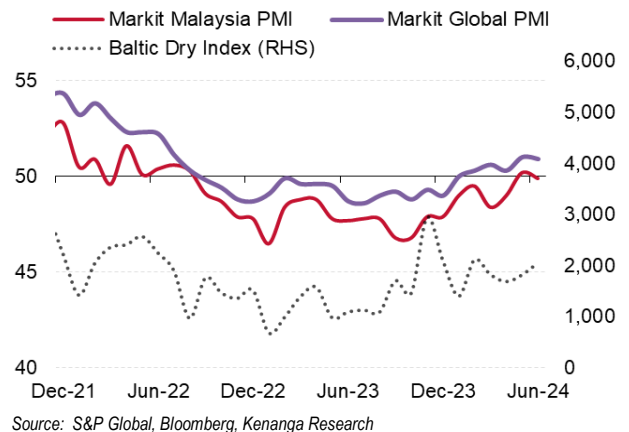
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Manufacturing PMI Trend



15 July 2024

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

	Weight		2021	2022	2023	May-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
IPI	100.0	% YoY	7.4	6.7	0.9	4.7	0.4	0.0	4.3	3.1	2.4	6.1	2.4
		% YoY SA	7.4	6.9	1.1	4.9	0.2	0.0	4.3	3.0	2.4	6.2	2.5
		% MoM				7.3	-0.9	-1.3	2.0	-6.3	7.6	-7.6	3.5
		3mma				1.6	0.6	0.8	1.5	2.4	3.3	3.8	3.6
Manufacturing	65.9	% YoY	9.5	8.2	0.7	5.1	-0.1	-1.4	3.7	1.2	1.3	4.9	4.6
		% MoM				7.0	-0.3	-2.6	1.8	-6.3	7.9	-8.2	6.7
		3mma				2.1	0.4	-0.2	0.7	1.1	2.1	2.4	3.5
Mining	28.9	% YoY	1.5	2.2	0.8	2.8	1.2	4.1	5.0	8.1	4.9	10.0	-6.9
		% MoM				7.6	-1.8	2.8	3.1	-6.9	5.3	-6.3	-8.9
Electricity	5.2	% YoY	2.5	3.6	2.5	5.2	3.5	4.1	8.3	10.9	8.5	7.8	4.2
		% MoM				9.3	-5.7	1.4	2.0	-4.5	11.2	-4.0	5.6

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

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