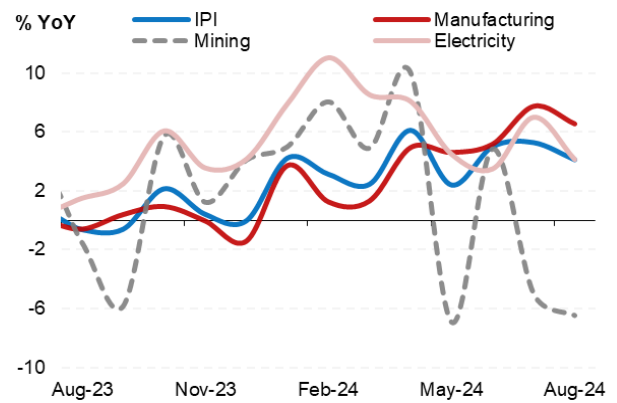


Malaysia Industrial Production

A broad-based slowdown in August weighed heavily by a fall in mining

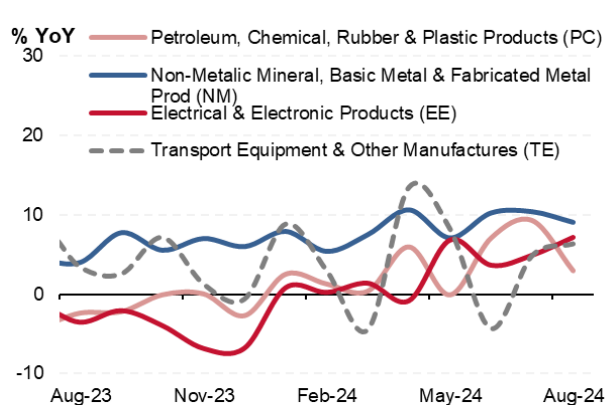
- Industrial Production Index (IPI) slowed to 4.1% YoY in August (Jul: 5.3%), lower than Bloomberg's consensus of 5.5%, but above the house estimate of 3.2%**
 - The slower growth was mainly due to a moderate increase in the manufacturing and electricity sectors' output and a continued decline in mining output, further impacted by a high base from last year.
 - On MoM, growth rebounded by 1.7% (Jul: -1.5%), following a contraction in the previous month.
- The manufacturing index slowed in August (6.5% YoY; Jul: 7.7%) amid lower output in both domestic and export-oriented sectors**
 - Domestic-oriented:** moderated (7.1%; Jul: 7.5%) but remained relatively high. The slower growth was due to a slowdown in the output of tobacco products (15.3%; Jul: 23.4%). However, growth was supported by higher output in fabricated metal products, except machinery & equipment (10.3%; Jul: 9.1%), and motor vehicles, trailers & semi-trailers (7.7%; Jul: 3.9%).
 - Export-oriented:** moderated (6.3%; Jul: 7.8%), in line with a slight moderation in August's export growth (12.1%; Jul: 12.3%). This is partly due to a contraction in the manufacture of coke & refined petroleum products (-1.5%; Jul: 11.7%). However, the growth was partially mitigated by higher production in vegetable & animal oils & fats (22.6%; Jul: 21.9%), rubber products (11.1%; Jul: 10.5%), and computers, electronics & optical products (8.7%; Jul: 5.0%).
 - MoM (4.0%; Jul: -2.0%): the index rebounded to a two-month high.
- Mining index remained weak (-6.4%; Jul: -5.0%), contracted for the second straight month**
 - Led by a broad-based decline in natural gas (-7.0%; Jul: -5.4%) and crude oil & condensate (-5.7%; Jul: -4.4%).
 - MoM (-6.9%; Jul: -2.1%): fell sharply to a three-month low, reflecting a weaker performance during the month.
- Electricity index moderated (4.1%; Jul: 7.0%)**
 - MoM (-2.0%; Jul: 5.4%): contracted, following a sharp rebound in the previous month.
- Manufacturing index growth forecast maintained at 4.6% for 2024 (2023: 0.7%)**
 - Year-to-date, the manufacturing index grew 4.4% YoY (Jan-Jul: 4.1%), showing an uptrend since 2Q24. The resilient domestic-oriented sector largely drives this growth, while the export-oriented sector continues its gradual recovery, backed by a steady pick up in global electrical and electronics demand. Looking ahead, we expect the sector to continue expanding, benefiting from both the low base and ongoing recovery in external demand. Despite the Manufacturing Purchasing Managers' Index (PMI) dipping slightly in September (49.5; Aug: 49.7), staying below the neutral 50.0 mark for the fourth straight month, the index still indicates stable manufacturing conditions.
 - Hence, we maintain our 3Q24 GDP forecast at 5.3% (2Q24: 5.9%) with potential upside, as recent high-frequency macro indicators point to steady growth. However, we retain the full-year 2024 GDP growth forecast at 5.0% (2023: 3.6%) due to persistent downside risk, particularly from the external sector.

Graph 1: Industrial Production Growth Trend



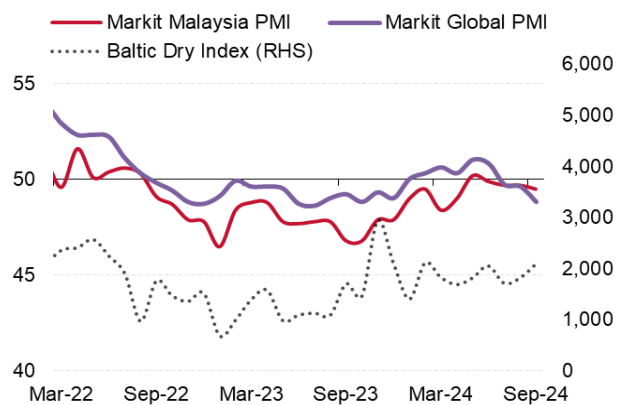
Source: Dept. of Statistics, Kenanga Research

Graph 2: Manufacturing Growth Trend by Sub-Sector



Source: Dept. of Statistics, Kenanga Research

Graph 3: Manufacturing PMI Trend



Source: S&P Global, Bloomberg, Kenanga Research

14 October 2024

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

	Weight		2021	2022	2023	Aug-23	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
IPI	100.0	% YoY	7.4	6.7	0.9	-0.6	3.1	2.4	6.1	2.4	5.0	5.3	4.1
		% YoY SA	7.4	6.9	1.1	-0.6	3.0	2.4	6.2	2.5	4.9	0.0	0.0
		% MoM				2.8	-6.3	7.6	-7.6	3.5	4.8	-1.5	1.7
		3mma				-0.9	2.4	3.3	3.8	3.6	4.5	4.2	4.8
Manufacturing	68.3	% YoY	9.5	8.2	0.7	-0.6	1.2	1.3	4.9	4.6	5.2	7.7	6.5
		% MoM				5.1	-6.3	7.9	-8.2	6.7	6.1	-2.0	4.0
		3mma				-0.8	1.1	2.1	2.4	3.5	4.9	5.8	6.5
Mining	25.1	% YoY	1.5	2.2	0.8	-1.5	8.1	4.9	10.0	-6.9	4.9	-5.0	-6.4
		% MoM				-5.4	-6.9	5.3	-6.3	-8.9	4.0	-2.1	-6.9
Electricity	6.6	% YoY	2.5	3.6	2.5	1.5	11.0	8.5	8.1	4.5	3.5	7.0	4.1
		% MoM				0.7	-4.1	11.1	-3.7	5.7	-6.2	5.4	-2.0

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

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

Nurul Hanees Hairulkama
Economist
nurulhanees@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

