

# Malaysia Manufacturing PMI

Remained subdued as output slows but relatively stable in September

- The Manufacturing Purchasing Managers' Index (PMI) fell slightly to 49.5 (Aug: 49.7), and below the neutral level for the fourth straight month**

- Despite the contraction, the levels indicate a stable manufacturing condition given its proximity to the neutral level of 50.0. September's performance was largely due to a persistent moderation in production levels amid a subdued new order.

- Lower output amid muted domestic demand**

- New orders slowed for the third straight month, though the pace of decline eased, suggesting a move toward stabilisation. This was partly offset by rising new export orders, driven by strong demand from Southeast Asia.
  - Stocks of purchases and finished goods were reduced as firms remained cautious with inventory amid subdued production.

- Inflation rises slightly amid persistent price pressure**

- The rate of input costs eased despite delivery delays and high raw material prices caused by weak input buying. Manufacturers passed these extra costs onto clients, though the rate of increase eased to a four-month low.

- Firms remained optimistic about future output, while employment edged up**

- The level of optimism remained solid and reached the highest level since the start of the year.
  - Meanwhile, employment levels increased slightly, the first expansion since May. Consequently, the level of backlogs eased amid greater workforce capacity.

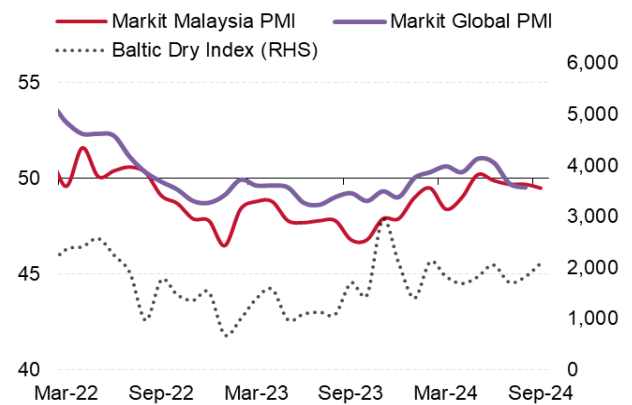
- Relatively subdued manufacturing conditions among regional economies**

- China (49.3; Aug: 50.4): The Caixin Manufacturing PMI contracted at the fastest pace in 14 months in September, mainly due to weak demand and a cooling labour market. Similarly, its official NBS Manufacturing PMI also remained in contraction at 49.8 (Aug: 49.1), albeit improving.
  - Japan (49.7; Aug: 49.8): edged down slightly, largely due to weak output and new orders amid falling overseas demand. The index has remained below a neutral level for the third straight month.

- Manufacturing sector to remain stable in the near term**

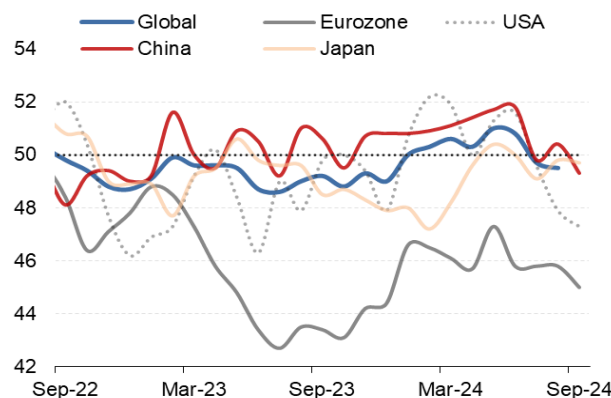
- With the Manufacturing PMI close to the neutral level of 50.0, we remain optimistic that the overall health of manufacturing conditions will gain further traction in the coming months. This outlook is supported by the expected positive impact of the upcoming Federal Budget 2025, along with increasing tourist arrivals and demand from Southeast Asia.
  - Notably, China's latest stimulus measures, including efforts to revive its property market, should also act as a positive catalyst for Malaysia's export-oriented manufacturing sector. However, downside risks persist due to geopolitical tensions, including the latest Israel-Lebanon crisis, ongoing Israel-Palestine and Russia-Ukraine conflicts, as well as renewed US-China trade tensions.
  - Against this backdrop, we maintain our 2024 GDP growth forecast at 5.0% (2023: 3.6%), supported by stronger-than-expected performance in the 1H24 (5.1%) and high-frequency indicators pointing to continued growth.

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



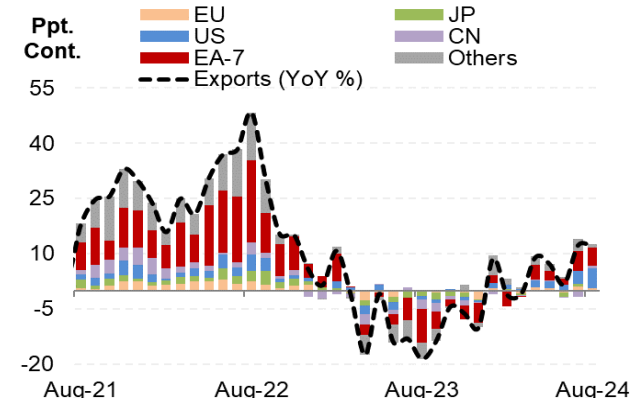
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

**Graph 2: Global PMI Trend**



Source: Bloomberg, S&P Global, Kenanga Research

**Graph 3: Malaysia's Exports by Destination**



Source: Dept. of Statistics, Kenanga Research

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**Table 2: Malaysia PMI Trend**

|                                  | 2021  | 2022  | 2023  | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 |
|----------------------------------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| <b>S&amp;P Malaysia PMI</b>      | 52.8  | 47.8  | 47.9  | 48.4   | 49.0   | 50.2   | 49.9   | 49.7   | 49.7   | 49.5   |
| New Orders*                      |       |       |       | Down   | Down   | Up     | Up     | Down   | Down   | Down   |
| Output*                          |       |       |       | Down   | Down   | Up     | Up     | Down   | Down   | Down   |
| Employment*                      |       |       |       | Down   | Flat   | Up     | Flat   | Down   | Down   | Up     |
| Stocks of Purchases*             |       |       |       | Down   | Down   | Down   | Down   | Down   | Down   | Down   |
| <b>S&amp;P Global PMI</b>        | 54.3  | 48.6  | 49.0  | 50.6   | 50.3   | 51.0   | 50.8   | 49.7   | 49.5   | N/A    |
| <b>Baltic Dry Index</b>          | 2,217 | 1,515 | 2,094 | 1,821  | 1,685  | 1,815  | 2,050  | 1,708  | 1,814  | 2,084  |
| <b>DoS Leading Index (% YoY)</b> | 4.6   | 1.0   | -0.9  | 2.3    | 4.4    | 3.8    | 3.8    | 5.2    | 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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