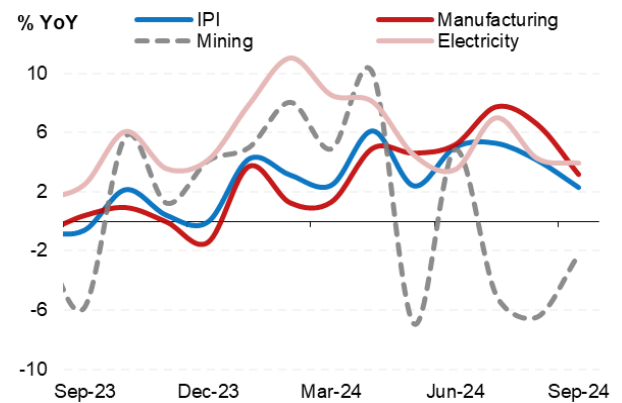


Malaysia Industrial Production

Lower output in September on a broad-based slowdown

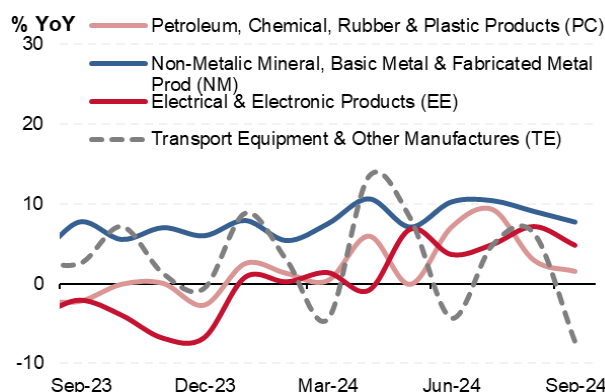
- Industrial Production Index (IPI) slowed further to 2.3% YoY (Aug: 4.1%), lower than expectations (consensus: 3.5%; KIBB: 3.9%)**
 - The slower growth was mainly due to a broad-based slowdown across all sectors, chiefly led by weak mining output and a modest growth in the manufacturing output.
 - On MoM, growth fell by 0.7% (Aug: 1.7%).
 - 3Q24 (3.9%; 2Q24: 4.5%): moderated to a two-quarter low.
- Manufacturing index slowed to a six-month low (3.2% YoY; Aug: 6.5%) amid lower output in domestic and export-oriented sectors. However, it registered a strong quarter (5.8%; 2Q24: 4.9%)**
 - Domestic-oriented:** moderated sharply (2.7%; Aug: 7.1%). The slower growth was mainly due to a contraction in the output of motor vehicles, trailers & semi-trailers (-14.9%; Aug: 7.7%). This is mainly due to a temporary closure of Perodua plants, which also affects the car sales during the month. However, growth was supported by strong output in fabricated metal products, except machinery & equipment (9.9%; Aug: 10.3%).
 - Export-oriented:** slowed (3.4%; Aug: 6.3%), in line with a weak September export (-0.3%; Aug: 12.0%). This was mainly due to a broad-based slowdown across all sub-sectors, led by weak production of coke & refined petroleum products (-2.8%; Aug: -1.5%). However, growth was partially supported by the production of rubber products (8.6%; Aug: 11.1%) and computer, electronics and optical products (5.9%; Aug: 8.7%), albeit at a slower pace.
 - MoM (-1.1%; Aug: 4.0%): manufacturing output fell after a sharp rebound in the previous month.
- Mining index contracted for the third straight month (-2.2%; Aug: -6.4%), bringing the 3Q24 growth plunged (-4.6%; 2Q24: 2.4%) to a 15-quarter low**
 - This was led by weak crude oil production (-11.4%; Aug: -5.7%), but it was partially mitigated by a rebound in natural gas output (4.5%; Aug: -7.0%).
 - MoM (2.8%; Aug: -6.9%): however, it rebounded to a three-month high.
- Electricity index moderated to a three-month low in September (3.9%; Aug: 4.2%) and edged down slightly during the quarter (5.1%; 2Q24: 5.3%)**
 - MoM (-3.8%; Aug: -1.9%): contracted for the second month.
- Manufacturing index growth forecast maintained at 4.6% for 2024 (2023: 0.7%), with expected acceleration in the final quarter**
 - Year-to-date, the manufacturing index grew 4.3% YoY (Jan-Aug: 4.4%), slightly below our estimate. We expect a pick up in manufacturing output in 4Q24, backed by steady demand for electrical and electronics (E&E) demand and sustained domestic demand.
 - Likewise, we maintain the 3Q24 GDP forecast at 5.3% (2Q24: 5.9%), reflecting a slight moderation as the low base effect fades and economic activity normalises. This brings our full-year 2024 GDP growth forecast to 5.0% (2023: 3.6%), with growth expected to moderate further to 4.8% in 2025.

Graph 1: Industrial Production Growth Trend



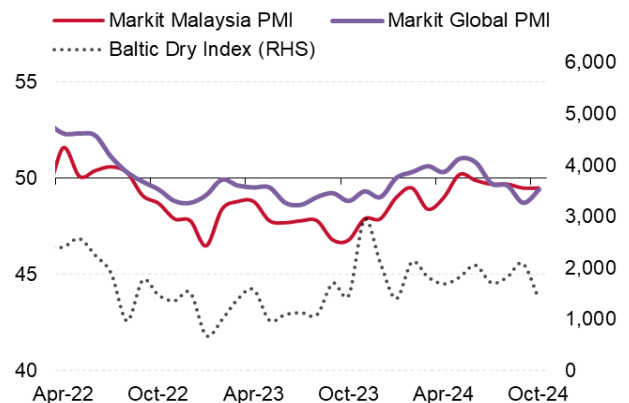
Source: Dept. of Statistics, Kenanga Research

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

11 November 2024

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

	Weight		2021	2022	2023	Sep-23	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
IPI	100.0	% YoY	7.4	6.7	0.9	-0.6	2.4	6.1	2.4	5.0	5.3	4.1	2.3
		% YoY SA	7.4	6.9	1.1	-0.6	2.4	6.2	2.5	4.9	5.4	4.2	2.2
		% MoM				1.1	7.6	-7.6	3.5	4.8	-1.5	1.7	-0.7
		3mma				-0.3	3.3	3.8	3.6	4.5	4.2	4.8	3.9
Manufacturing	68.3	% YoY	9.5	8.2	0.7	0.4	1.3	4.9	4.6	5.2	7.7	6.5	3.2
		% MoM				2.1	7.9	-8.2	6.7	6.1	-2.0	4.0	-1.1
		3mma				-0.1	2.1	2.4	3.5	4.9	5.8	6.5	5.8
Mining	25.1	% YoY	1.5	2.2	0.8	-5.8	4.9	10.0	-6.9	4.9	-5.0	-6.4	-2.2
		% MoM				-1.6	5.3	-6.3	-8.9	4.0	-2.1	-6.9	2.8
Electricity	6.6	% YoY	2.5	3.6	2.5	2.5	8.5	8.1	4.5	3.5	7.0	4.2	3.9
		% MoM				-3.5	11.1	-3.7	5.7	-6.2	5.4	-1.9	-3.8

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

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