

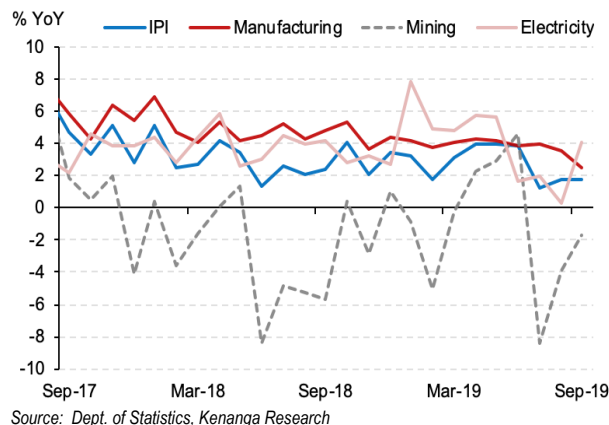
12 November 2019

Malaysia Industrial Production

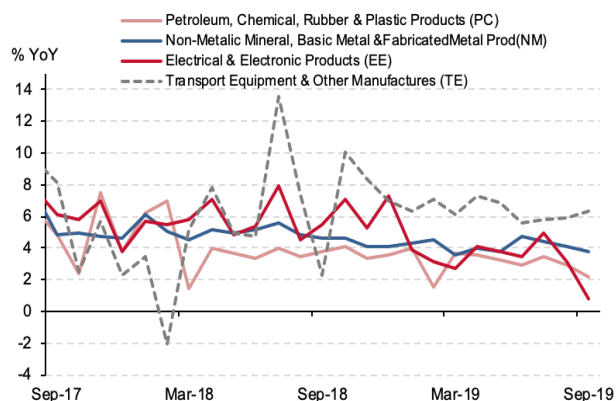
IPI sustained in September despite marked slowdown in manufacturing

- Industrial Production Index (IPI) sustained a growth of 1.7% YoY in September (consensus and house estimate: 1.9%)**
 - Rebound in electricity and lessened decline in mining equally outweighed further moderation in manufacturing.
 - MoM: remained in contraction for four straight months (-0.3%; Aug: -0.3%).
 - Year-to-date: softened to 2.7% YoY (Jan-Sep 2018: 2.9%), in line with expectation of growth slowdown.
- Manufacturing index YoY growth softened to a 41-month low (2.5%; Aug: 3.6%)**
 - Led by weakening in the export-oriented sub-sectors, in particular electrical & electronic products (E&E) (0.8%; Aug: 3.1%) and petroleum, chemical, rubber and plastic products (2.1%; Aug: 3.0%).
 - In line with the sluggish manufacturing sales (2.9%; Aug: 4.5%) and E&E (-12.2%; Aug: -7.4%) on the back of downturn in the global chip market.
- Mining index further narrowed its contraction (-1.6%; Aug: -3.9%)**
 - Steered by improvement in crude petroleum output (-4.7; Aug: -9.7%) and extraction of crude oil and natural gas (-1.6%; Aug: -3.9%), in part due to a low base.
 - Will remain pressured in the near term following OPEC+ compliance to trim about 1.2m barrels a day through March 2020.
- Electricity index rebounded to four-month high (4.1%; Aug: 0.3%)**
 - Spiked up as hazy conditions during the month led to higher usage of air-conditioners and air purifiers.
- Outlook of a subdued industrial production in the immediate term maintained**
 - Manufacturing PMI remained in contraction for 13 successive months (49.3; Sep: 47.9), albeit at a smaller pace in October.
 - Economic growth faltered in major markets, including China and the EU.
 - Elevated uncertainty regarding the signing of the phase-1 US-China trade deal, with existing tariffs expected to hamper trade activities.
 - As external weakness trickles down to the domestic side, GDP growth would likely extend its slowdown into the 3Q19 to 4.4% from 4.9% in 2Q19, adding to our whole year projection of 4.5% (2018: 4.7%).

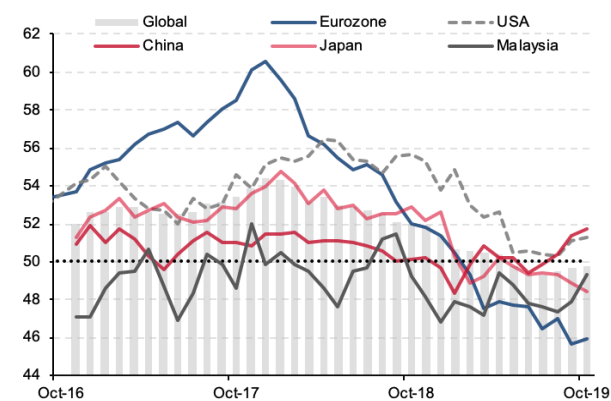
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



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

	Weight		2016	2017	2018	Sep-18	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
IPI	100.00	% YoY	4.1	4.4	3.0	2.4	3.1	4.0	4.0	3.8	1.2	1.7	1.7
		% YoY SA	4.3	4.3	3.1	2.3	3.1	3.9	4.0	3.8	1.2	2.2	1.7
		% MoM				-0.3	11.4	-2.7	3.2	-0.6	-0.4	-0.3	-0.3
		3mma				2.4	2.7	3.0	3.7	3.9	3.0	2.3	1.6
Manufacturing	65.89	% YoY	4.3	6.1	4.8	4.8	4.1	4.3	4.2	3.8	4.0	3.6	2.5
		% YoY SA	4.1	6.1	4.6	4.8	4.1	4.2	4.2	3.8	4.1	5.3	2.5
		% MoM				1.1	9.6	-2.0	3.1	1.2	2.0	-1.5	0.1
		3mma				4.8	4.0	4.1	4.2	4.1	4.0	3.8	3.4
Mining	28.92	% YoY	2.4	0.4	-2.4	-5.7	-0.2	2.3	3.0	4.6	-8.4	-3.9	-1.6
		% MoM				-3.2	16.4	-5.9	3.8	-3.9	-10.7	4.2	-1.0
Electricity	5.19	% YoY	8.5	2.6	3.7	4.2	4.8	5.8	5.7	1.7	2.0	0.3	4.1
		% MoM				-6.3	14.0	-0.2	2.4	-7.9	7.2	-1.1	-2.7

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

Notes: Figures rebased by Department of Statistics on 11 June 2018

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Published and printed by:

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