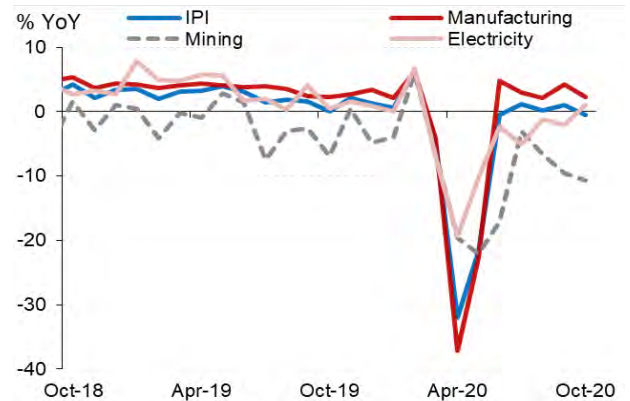


Malaysia Industrial Production

Growth slipped back into a contraction in October, mining fell sharply

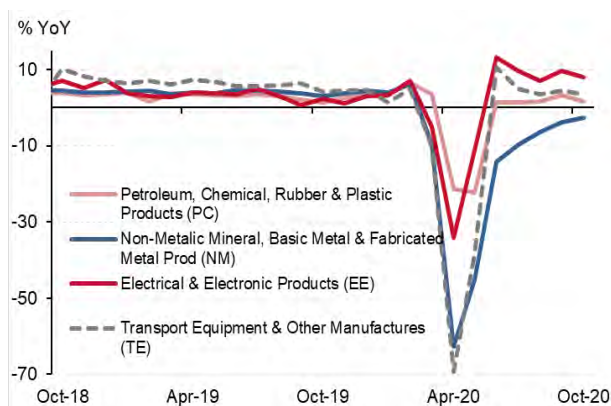
- Industrial Production Index (IPI) fell 0.5% YoY in October (Sep: 1.0%), marking the first negative growth in four months (KIBB: -1.2%; consensus: 0.2%)**
 - Attributable to the impact of renewed Conditional Movement Control Order (CMCO) and surging COVID-19 cases globally. It was also partly due to a high base effect.
 - MoM (1.7%; Sep: 0.5%): rose to a 4-month high.
- Manufacturing index registered a smaller expansion (2.3%; Sep: 4.3%), in line with a moderation in manufacturing sales growth (2.2%; Sep: 3.7%)**
 - Attributable to weaker growth in most subsectors, with food, beverages & tobacco (-3.4%; Sep: 4.9%) falling into contraction for the first time in five months. To add, electrical & electronic products saw moderated growth (8.1%; Sep: 9.8%), while the contraction in textiles, wearing apparel, leather & footwear softened (-2.6%; Sep: -4.1%).
 - MoM (0.1%; Sep: 2.1%): expansion moderated to a 2-month low (0.1%; Sep: 2.1%).
- Mining index contraction persisted for eight consecutive months, worsening to -10.6% YoY (Sep: -9.6%) largely due to a high base effect**
 - Broad-based slowdown among all subsectors; led by the declining extraction of crude oil & natural gas (-10.6%; Sep: -9.6%) and crude petroleum (-12.6%; Sep: -9.7%), and a softer decline in natural gas -9.0% (Sep: -9.5%).
 - The contraction in mining output may ease in the coming months due to a recovery in oil prices, with Brent crude oil price rising to USD42.7/barrel in November (Oct: USD40.2/barrel).
 - MoM: soared to a one year high after a sharp contraction last month (7.6%; Sep: -4.1%).
- Electricity index recovered (1.0%; Sep: -2.1%), reaching its highest level in eight months**
 - MoM (4.1%; Sep: -3.7%): rebounded to a three-month high after previous month's contraction.
- The pace of industrial production recovery is likely to taper off in the near term following the renewed measures to stem the spread of COVID-19 infection**
 - The reinstatement of anti-COVID-19 measures around the world due to the ongoing resurgence of COVID-19 infections could hinder production activities and reduced external demand. Nevertheless, rapid improvement in the global energy demand, due to the COVID-19 vaccine optimism, may provide some support to the industrial sector.
 - Against this backdrop, we retain our manufacturing IPI projection of -2.9% in 2020 (2019: 3.6%), in line with this year's projected -5.1% decline in GDP growth (2019: 4.3%).

Graph 1: Industrial Production Growth Trend



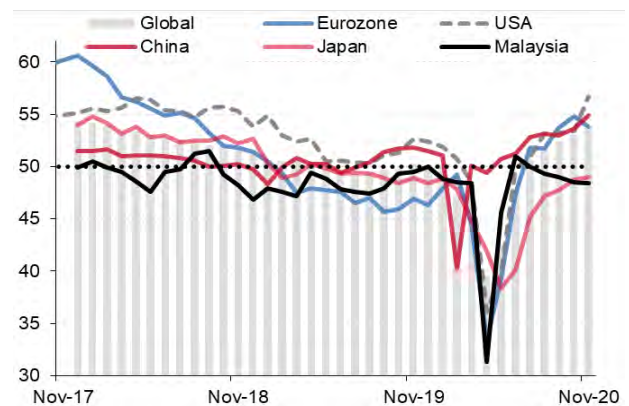
Source: Dept. of Statistics, Kenanga Research

Graph 2: Manufacturing Growth Trend by Sub-Sector



Source: Dept. of Statistics, Kenanga Research

Graph 3: Global Manufacturing PMI Trend



Source: IHS Markit, Bloomberg, Kenanga Research

14 December 2020

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

	Weight		2017	2018	2019	Oct-19	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
IPI	100.00	% YoY	4.4	3.1	2.3	0.1	-32.0	-21.6	-0.4	1.2	0.2	1.0	-0.5
		% YoY SA	4.4	3.1	2.3	0.2	-31.8	-21.6	-0.4	1.2	0.0	1.1	-0.2
		% MoM				3.3	-30.5	18.9	26.3	1.3	-1.3	0.5	1.7
		3mma				1.2	-10.6	-19.4	-17.9	-7.0	0.3	0.8	0.2
Manufacturing	65.89	% YoY	6.1	4.8	3.6	2.3	-37.2	-22.6	4.7	2.9	2.2	4.3	2.3
		% YoY SA	6.1	4.7	3.7	2.4	-37.2	-22.6	4.7	2.9	2.1	4.3	2.4
		% MoM				2.0	-35.8	26.9	37.0	0.2	-2.1	2.1	0.1
		3mma				2.8	-12.1	-21.2	-18.1	-4.9	3.3	3.1	2.9
Mining	28.92	% YoY	0.4	-2.1	-2.0	-6.9	-19.6	-22.2	-17.1	-3.0	-6.7	-9.6	-10.6
		% MoM				8.8	-19.1	0.4	2.4	4.4	0.3	-4.1	7.6
Electricity	5.19	% YoY	2.6	3.7	3.3	0.5	-19.3	-10.3	-2.4	-5.0	-1.1	-2.1	1.0
		% MoM				0.9	-13.3	13.8	0.2	4.2	3.0	-3.7	4.1

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

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