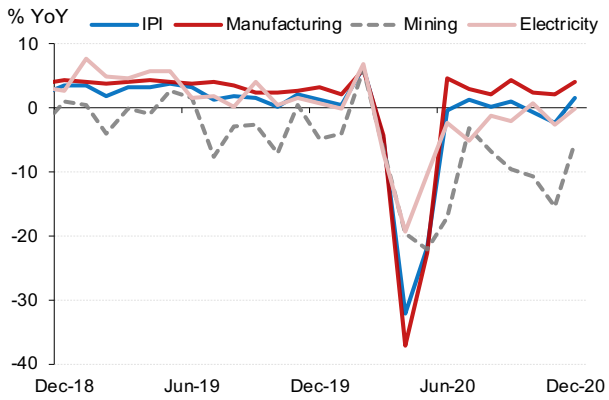
Malaysia Industrial Production

Rebounded to a 10-month high in December on a broad-based improvement

- **Industrial Production Index (IPI) rebounded in December (1.7%; Nov: -2.2%), registering the largest expansion in 10 months, exceeding market expectations (KIBB: 0.2%; consensus: -1.0%)**
  - Reflective of the double-digit expansion in exports (10.8%; Nov: 4.6%) amid the ongoing technology upcycle.
  - MoM (4.7%; Nov: -2.7%): largest growth in six months.
- **Manufacturing index grew at the fastest pace in three months (4.1%; Nov: 2.0%), in line with the surge in manufacturing sales growth (4.5%; Nov: 2.1%)**
  - Underpinned by a marked rise in the production of petroleum, chemical, rubber & plastic products (7.7%; Nov: 2.0%), likely lifted by continued strength in global demand for rubber gloves as many countries continued to fight the surge in COVID-19 cases.

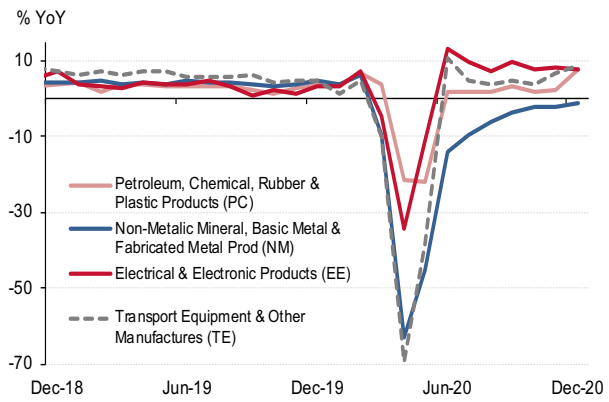
Graph 1: Industrial Production Growth Trend



Source: Dept. of Statistics, Kenanga Research

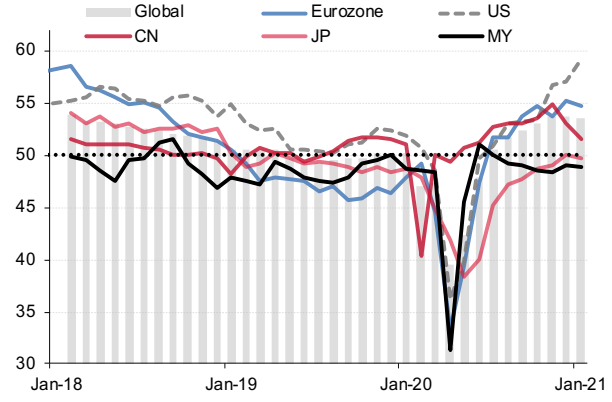
  - Meanwhile, electrical and electronics output grew at a slightly softer pace of 7.6% (Nov: 8.3%).
  - MoM (3.3%; Nov: -2.9%): soared to its highest in six months.
- **Mining index contraction narrowed to its smallest in five months (-5.4%; Nov: -15.4%)**
  - Broad-based improvement led by the extraction of crude oil & natural gas (-5.4%; Nov: -15.4%) against the backdrop of a higher average Brent crude oil price (USD50.0/barrel; Nov: USD42.7/barrel).
  - MoM (10.8%; Nov: -0.7%): spiked to the highest in almost two years.
- **Electricity index lessened its decline (-0.2%; Nov: -2.5%)**
  - MoM (3.0%; Nov: -6.0%): charted a positive swing as commercial electricity demand increased following the lifting of inter-district and inter-state travel ban on 7th December 2020.
- **Manufacturing production is projected to recover in 2021 (6.5%; 2020: -2.7%)**
  - Vaccine-led external demand recovery, further restoration of global supply chains and a positive global semiconductor cycle are expected to support manufacturing activities, offsetting the near term softness in domestic demand following the extension of the Movement Control Order by another two weeks up until 18 February.
  - This is in line with the expected rebound in 2021 GDP growth to 3.9%, from a forecasted contraction of -5.3% in the preceding year.

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

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

	Weight		2018	2019	2020	Dec-19	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
IPI	***100.0***	**% YoY**	**3.1**	**2.3**	**-4.2**	**1.3**	**-0.4**	**1.2**	**0.2**	**1.0**	**-0.5**	**-2.2**	**1.7**
		% YoY SA	3.1	2.3	-4.3	1.3	-0.4	1.2	0.0	1.1	-0.3	-2.2	1.8
		% MoM				0.7	26.3	1.3	-1.3	0.5	1.7	-2.7	4.7
		3mma				1.2	-17.9	-7.0	0.3	0.8	0.2	-0.6	-0.3
Manufacturing	***65.9***	**% YoY**	**4.8**	**3.6**	**-2.7**	**3.4**	**4.7**	**2.9**	**2.2**	**4.3**	**2.4**	**2.0**	**4.1**
		% YoY SA	4.8	3.6	-2.8	3.4	4.7	2.9	2.1	4.3	2.4	2.0	4.1
		% MoM				1.2	37.0	0.2	-2.1	2.1	0.1	-2.9	3.3
		3mma				2.8	-18.1	-4.9	3.3	3.1	2.9	2.9	2.8
Mining	***28.9***	**% YoY**	**-2.1**	**-2.0**	**-9.7**	**-4.9**	**-17.1**	**-3.0**	**-6.7**	**-9.6**	**-10.6**	**-15.4**	**-5.4**
		% MoM				-0.9	2.4	4.4	0.3	-4.1	7.6	-0.7	10.8
Electricity	***5.2***	**% YoY**	**3.7**	**3.3**	**-3.7**	**0.9**	**-2.4**	**-5.0**	**-1.1**	**-2.1**	**0.8**	**-2.5**	**-0.2**
		% MoM				0.5	0.2	4.2	3.0	-3.7	3.9	-6.0	3.0

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

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