

Malaysia Manufacturing PMI

Further eased in February due to the full impact of MCO 2.0

- **Manufacturing PMI continued to lose momentum and weakened to 47.7 (Jan: 48.9), a nine-month low**

- The manufacturing sector continued to remain under stress due to lack of consumer demand amid the full impact of Movement Control Order (MCO) 2.0 and renewed lockdown measures in most countries.

- **Output and new orders continued to decline**

- Both output and new order weakened in February as continued anti-COVID-19 measures has dampened demand in both domestic and international markets.
- New export sales fell, albeit at a softer pace than total new orders as foreign demand for Malaysian manufactured goods was muted due to stringent COVID-19 measures in key international markets.

- **Malaysian manufacturers increasingly optimistic for the next 12-month production outlook**

- Positive sentiment strengthened to a five-month high, signalling growing optimism about the post-pandemic demand. Manufacturers are hoping for a stable operating conditions and higher production and sales once COVID-19 restrictions are lifted.
- The pace of scaling back of jobs edged towards stabilisation and employment levels fell only marginally.

- **Cost pressure persisted due to increased demand and raw materials shortages**

- Firms reported a ninth consecutive month of rising input costs as the pace of input cost inflation remained markedly high overall. Output prices continued to rise as well as higher costs were partially passed onto customers as factory gate charges rose modestly.

- **Broadly solid manufacturing sector expansion among major and regional economies despite COVID-19 curbs**

- China (50.9; Jan: 51.5): expanded at the softest pace in nine months as COVID-19 pandemic had weighed on demand and impacted the business operations, resulting in a slower rise in both output and new work orders.
- US (54.8; Jan: 58.5): down slightly to a 2-month low as the expansions in production and new orders softened due to the supply chain disruption.

- **Brighter outlook for manufacturing sector as global vaccination drive fuel hopes for return to normalcy**

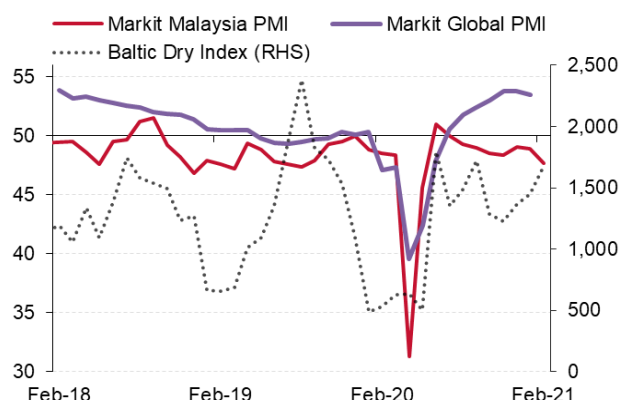
- Manufacturing activity in Malaysia started the first two months of 2021 on a weak note amid frail demand dynamics due to the reimposition of COVID-19 restrictions domestically and internationally. However, the weakness in the manufacturing sector is likely to be short lived as we are optimistic that COVID-19 lockdown measures would be eased soon on the back of a solid global vaccination progress.
- We have revised the value-added manufacturing growth forecast to 6.0% from 5.4% in 2021 (2020: -2.6%) on the back of improving economic prospects. Subsequently, we have revised our 2021 GDP growth forecast to 4.5% (2020: -5.6%) from 3.9% previously.

Table 1: ASEAN countries ranked by Manufacturing PMI

	Jan-21	Feb-21	Change signal
Philippines	52.5	52.5	Modest increase
Vietnam	51.3	51.6	Modest increase
Indonesia	52.2	50.9	Marginal increase
Malaysia	48.9	47.7	Modest decrease
Thailand	49.0	47.2	Modest decrease
Myanmar	47.8	27.7	Solid decrease
Singapore	52.9	n/a	n/a

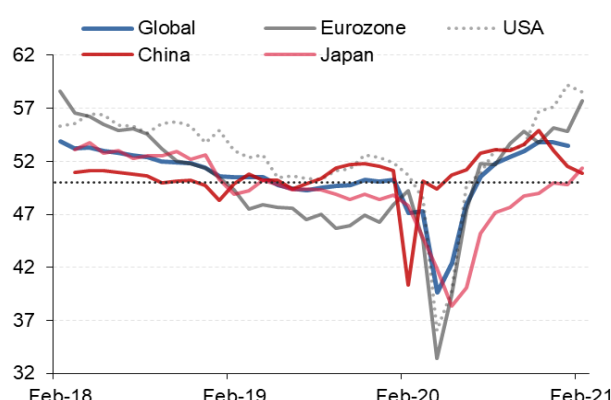
Source: IHS Markit, Kenanga Research

Graph 1: Global & Malaysia Manufacturing PMI



Source: Dept. of Statistics, Bloomberg, IHS Markit, Kenanga Research

Graph 2: Global PMI Trend



Source: Bloomberg, IHS Markit, Kenanga Research

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Table 2: Malaysia PMI Trend

	2019	2020	Feb-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Markit Malaysia PMI	48.4	49.1	48.5	49.0	48.5	48.4	49.1	48.9	47.7
New Orders*			Down	Down	Down	Down	Down	Down	Down
Output*			Down	Down	Down	Down	Down	Down	Down
Employment*			Down	Down	Down	Down	Up	Down	Down
Stocks of Purchases*			Down	Down	Down	Down	Down	Down	Down
Markit Global PMI	50.0		47.1	52.4	53.0	53.8	53.8	53.5	N/A
Baltic Dry Index	1,260	1,230	535	1,725	1,283	1,227	1,366	1,452	1,675
DoS Leading Index (% YoY)	0.0	3.5	1.7	8.6	6.3	7.1	7.1	N/A	N/A

Source: IHS Markit, Bloomberg, CEIC, Dept. of Statistics, Kenanga Research

*The "Up/Down/Flat" movements for sub-indicators are based on IHS Markit's own reports. Detailed and historical data are available on a subscription basis only.

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