

Malaysia Industrial Production

Growth accelerated in February due to a lower base in the manufacturing segment

- **Industrial Production Index (IPI) grew at a faster pace in February (1.5%; Jan: 1.2%), a tad below house expectation (KIBB: 1.6%; consensus: 2.0%)**

- Primarily reflecting the lower base in the preceding year, amid the onset of the COVID-19 pandemic.
- MoM (-6.4%; Jan: 0.1 %): steepest contraction in 10 months, in line with the seasonal dip in production activities due to the Lunar New Year holidays.

- **Manufacturing index expansion accelerated to an eight-month high (4.5%; Jan: 3.5%), in line with the higher manufacturing sales growth (6.4%; Jan: 4.1%)**

- Attributed to a surge in the production of petroleum, chemical, rubber & plastic products (8.9%; Jan: 4.5%) and electrical & electronics output (10.3%; Jan: 7.9%), with the latter buoyed by a low base effect.
- MoM (-5.8%; Jan: -0.2%): remained on a downtrend for two straight months, and the sharpest drop since April last year.

- **Mining index marked the steepest fall in three months (-6.0%; Jan: -4.5%)**

- The slowdown was broad based, led by the extraction of crude oil & natural gas output (-6.0%; Jan: -4.5%).
- MoM (-8.9%; Jan: 1.7%): slipped into a contraction, after expanding for two consecutive months.

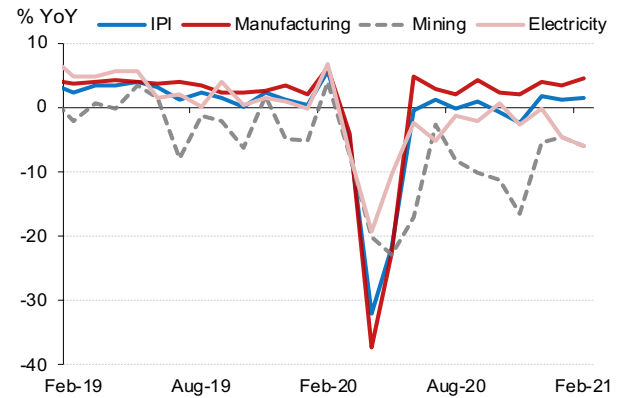
- **Electricity index recorded the largest drop since June 2020 (-5.8%; Jan: -4.6%)**

- MoM (-5.8%; Jan: -2.2%): mainly accounted by the shorter working days during the festive month.

- **2021 manufacturing production forecast retained at 6.5% (2020: -2.7%)**

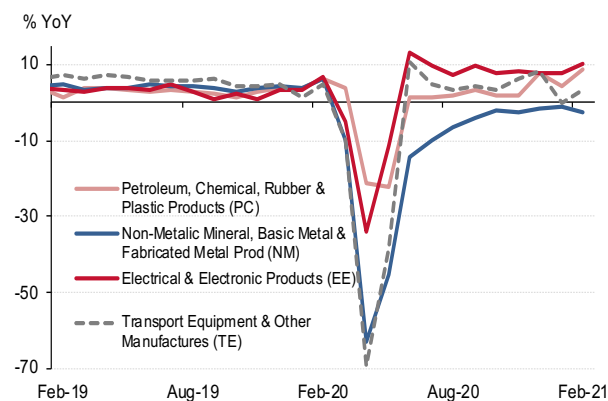
- Apart from the low base effect, production activities are projected to grow further in line with the gradual relaxation of lockdown measures since early-February, stronger foreign and domestic demand amid extended fiscal measures, ongoing technology upcycle and elevated commodity prices.
- The pick-up in manufacturing growth recovery momentum would help lift 1Q21 GDP growth, which we have revised to a smaller contraction of 0.4% (prev: -1.3%; 4Q20: -3.4%). Coupled with the vaccine-induced services sector recovery and the expected better global growth trend, we have revised our GDP growth for 2021 to register a stronger rebound of 6.5% (prev: 4.5%; 2020: -5.6%).

Graph 1: Industrial Production Growth Trend



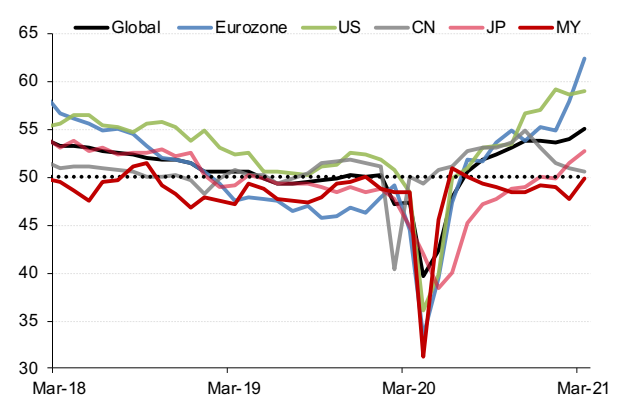
Source: Dept. of Statistics, Kenanga Research

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

12 April 2021

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

	Weight		2018	2019	2020	Feb-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
IPI	100.0	% YoY	3.1	2.4	-4.4	5.7	-0.2	0.9	-0.6	-2.4	1.7	1.2	1.5
		% YoY SA	3.1	2.4	-4.5	5.9	-0.3	0.9	-0.7	-2.4	1.7	1.1	1.6
		% MoM				-6.7	-1.3	0.5	1.7	-2.7	4.7	0.1	-6.4
		3mma				2.3	0.2	0.7	0.0	-0.7	-0.4	0.2	1.5
Manufacturing	65.9	% YoY	4.8	3.6	-2.7	6.2	2.2	4.3	2.4	2.0	4.1	3.5	4.5
		% MoM				-6.6	-2.1	2.1	0.1	-2.9	3.3	-0.2	-5.8
		3mma				3.8	3.3	3.1	2.9	2.9	2.8	3.2	4.0
Mining	28.9	% YoY	-2.1	-1.3	-10.4	4.0	-8.2	-10.2	-11.3	-16.4	-5.4	-4.5	-6.0
		% MoM				-7.5	0.3	-4.1	7.6	-0.7	10.8	1.7	-8.9
Electricity	5.2	% YoY	3.7	3.3	-3.7	6.8	-1.1	-2.1	0.8	-2.5	-0.2	-4.6	-5.8
		% MoM				-4.5	3.0	-3.7	3.9	-6.0	3.0	-2.2	-5.8

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

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