

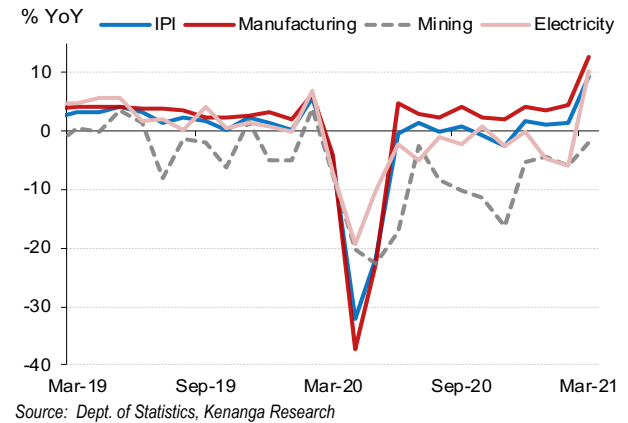
07 May 2021

Malaysia Industrial Production

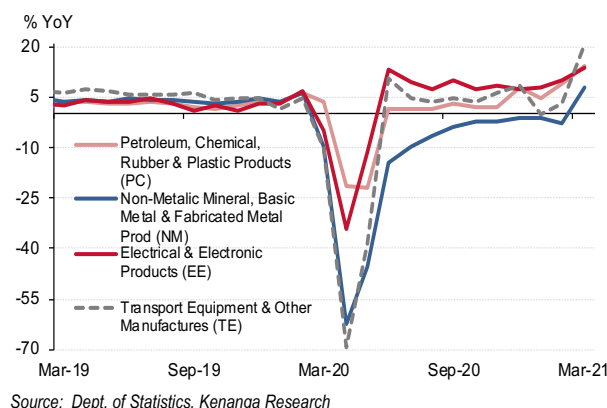
Surged in March to highest since 2013, partly on seasonal rise post-LNY holidays

- Industrial Production Index (IPI) growth accelerated in March (9.3%; Feb: 1.5%) to its highest since July 2013, outperforming house and market expectations (KIBB: 7.8%; consensus: 8.7%)**
 - This would mainly support our recently revised 1Q21 GDP estimate of 2.1% (previous: -0.4%).
 - The improvement was observed across indices, led by the manufacturing segment.
 - MoM (7.4%; Feb: -6.4%): recorded a positive turnaround, in line with the seasonal surge in production post-Lunar New Year holidays in February.
- Manufacturing index marked its first double-digit expansion since 2012 (12.7%; Feb: 4.5%), in line with the spike in exports (31.0%; Feb: 17.6%) and manufacturing sales growth (15.3%; Feb: 6.4%)**
 - Mainly attributed to a surge in the production of food, beverages and tobacco (7.2%; Feb: -7.4%) and petroleum, chemical, rubber & plastic products (14.1%; Feb: 8.9%). Electrical & electronics output also remained elevated (13.8%; Feb: 10.3%) amid robust global demand for tech products.
 - MoM (6.8%; Feb: -5.8%): fastest rise in nine months.
- Mining index contraction softened to a 13-month low (-1.9%; Feb: -6.0%)**
 - Largely underpinned by a smaller drop in extraction of crude oil & natural gas output (-1.9%; Feb: -6.0%) against the backdrop of higher global oil price (USD65.4/barrel; Feb: USD62.3).
 - MoM (7.0%; Feb: -8.9%): registered a positive flip.
- Electricity index growth charted the fastest expansion since 2016 (10.3%; Feb: -5.8%)**
 - MoM (16.2%; Feb: -5.8%): reflective of longer working days and higher capacity utilisation rate in tandem with the rising new orders.
- 2021 manufacturing production forecast revised up to 11.2% from 6.5% (2020: -2.7%) on strong 1Q21 performance (6.8%; 4Q20: 2.8%)**
 - Apart from the low base effect which is expected to be observed in April and May, manufacturing output would likely be supported by persistent economic recovery of major trading partners amid substantial progress in COVID-19 vaccinations, as well as the ongoing technology upcycle.
 - The sharp recovery in the manufacturing sector and external demand, coupled with extended fiscal measures would lift 1Q21 and 2021 GDP growth forecast to 2.1% (4Q20: -3.4%) and 6.5% (2020: -5.6%), respectively. Nonetheless, downside risks remain elevated especially following the recent resurgence of daily global COVID-19 cases and retightening of containment measures.

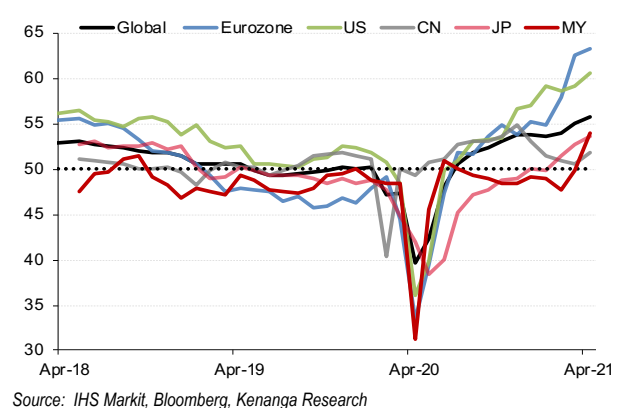
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



07 May 2021

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

	Weight		2018	2019	2020	Mar-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
IPI	100.0	% YoY	3.1	2.4	-4.4	-5.1	0.9	-0.6	-2.4	1.7	1.2	1.5	9.3
		% YoY SA	3.1	2.4	-4.5	-4.9	0.9	-0.7	-2.4	1.7	1.1	1.6	9.3
		% MoM				-0.2	0.5	1.7	-2.7	4.7	0.1	-6.4	7.4
		3mma				0.2	0.7	0.0	-0.7	-0.4	0.2	1.5	3.9
Manufacturing	65.9	% YoY	4.8	3.6	-2.7	-4.1	4.3	2.4	2.0	4.1	3.5	4.5	12.7
		% MoM				-1.0	2.1	0.1	-2.9	3.3	-0.2	-5.8	6.8
		3mma				1.3	3.1	2.9	2.9	2.8	3.2	4.0	6.8
Mining	28.9	% YoY	-2.1	-1.3	-10.4	-7.3	-10.2	-11.3	-16.4	-5.4	-4.5	-6.0	-1.9
		% MoM				2.6	-4.1	7.6	-0.7	10.8	1.7	-8.9	7.0
Electricity	5.2	% YoY	3.7	3.3	-3.7	-7.0	-2.1	0.8	-2.5	-0.2	-4.6	-5.8	10.3
		% MoM				-0.8	-3.7	3.9	-6.0	3.0	-2.2	-5.8	16.2

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

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Atiqa Noor Azlan
Economist
atiqa.noorazlan@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Zalman Basree
Research Assistant

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

kenanga

