

Malaysia Industrial Production

Soared to a record high in April, due to low base effects from MCO 1.0

- **Industrial Production Index (IPI) growth surged in April (50.1%; Mar: 9.3%), its highest level on record; beating market expectations but below house forecast (KIBB: 55.4%; consensus: 47.9%)**

- Primarily reflecting the lower base of last year, amid the onset of the COVID-19 pandemic and nationwide Movement Control Order (MCO).
- MoM (-4.5%; Mar: 7.4%): returned to a contraction after last month's positive turnaround, as all three segments declined on a MoM basis.

- **Manufacturing index expansion accelerated to a record high (68.0%; Mar: 12.7%), in line with a surge in exports (63.0%; Mar: 31.0%) and manufacturing sales growth (72.5%; Mar: 15.3%), but largely due to a low base effect**

- Broad-based expansion among all subsectors, led by a surge in the production of electrical & electronics products (70.1%; Mar: 13.8%), non-metallic mineral, basic metal & fabricated metal products (141.0%; Mar: 8.0%), transportation equipment & other manufactures (275.2%; Mar: 20.9%), and petroleum, chemical, rubber & plastic products (37.5%; Mar: 14.1%).
- MoM (-4.3%; Mar: 6.8%): declined substantially, after rebounding last month.

- **Mining index expanded for the first time in 14 months (14.3%; Mar: -1.9%), reaching its highest level since July 2013, but also due to a lower base**

- Expansion was led by a rebound in the extraction of crude oil & natural gas (14.3%; Mar: -1.9%), followed by a surge in natural gas production (23.9%; Mar: 4.3%) and improving crude petroleum output (2.7%; Mar: -9.4%); even as global oil prices fell slightly (USD64.8/barrel; Mar: USD65.4).
- MoM (-5.7%; Mar: 7.0%): returned to contraction after recovering last month.

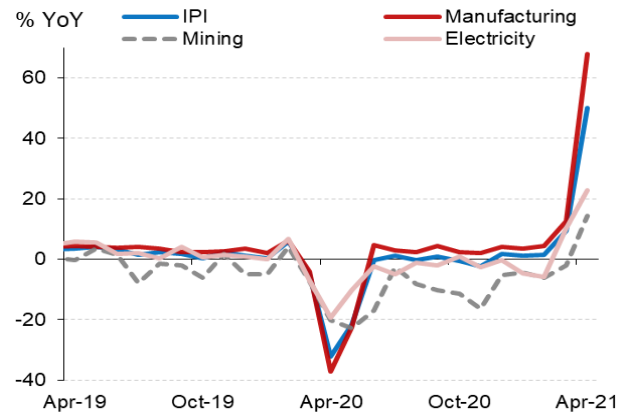
- **Electricity index recorded its largest expansion since March 2010 (22.9%; Mar: 10.3%), primarily due to a low base effect**

- MoM (-3.4%; Mar: 16.2%): fell back into contraction after last month's rebound.

- **2021 manufacturing production forecast revised down to 9.2% from 11.2% (2020: -2.7%) amid the full-scale MCO**

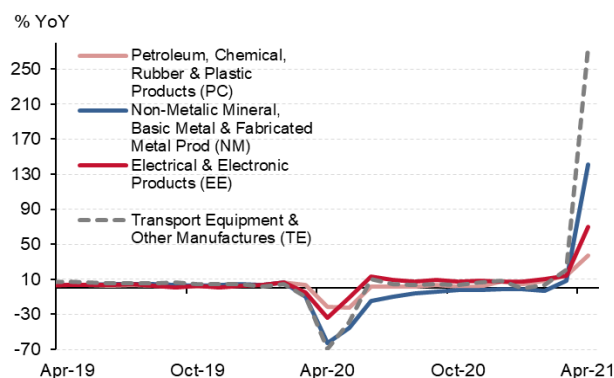
- Manufacturing output is expected to be mildly impacted by the tightening of MCO 3.0 and the extension of the full-scale lockdown until 28 June. Nevertheless, its impact will likely be softer than that of MCO 1.0 last year, as several key manufacturing sectors are still allowed to operate, albeit at a reduced capacity of 60.0% workforce. After MCO 3.0 is eased, we can expect manufacturing production to be supported by a potential rebound in domestic demand, the continuing recovery of major trading partners as COVID-19 vaccinations progress, and the ongoing technology upcycle.
- As a result of the tightening of MCO 3.0, we have revised down our 2Q21 GDP growth forecast to 11.7% from 14.3% (1Q21: -0.5%). We have also revised our 2021 GDP growth forecast range to 5.0% – 6.0% from 6.5% previously (2020: -5.6%).

Graph 1: Industrial Production Growth Trend



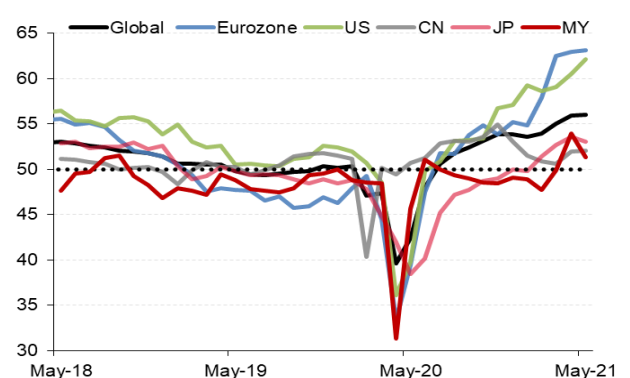
Source: Dept. of Statistics, Kenanga Research

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

14 June 2021

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

	Weight		2018	2019	2020	Apr-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
IPI	100.0	% YoY	3.1	2.4	-4.4	-32.1	-0.6	-2.4	1.7	1.2	1.5	9.3	50.1
		% YoY SA	3.1	2.4	-4.5	-32.0	-0.7	-2.4	1.7	1.1	1.6	9.3	50.1
		% MoM				-30.5	1.7	-2.7	4.7	0.1	-6.4	7.4	-4.5
		3mma				-10.8	0.0	-0.7	-0.4	0.2	1.5	3.9	16.9
Manufacturing	65.9	% YoY	4.8	3.6	-2.7	-37.2	2.4	2.0	4.1	3.5	4.5	12.7	68.0
		% MoM				-35.8	0.1	-2.9	3.3	-0.2	-5.8	6.8	-4.3
		3mma				-12.1	2.9	2.9	2.8	3.2	4.0	6.8	23.0
Mining	28.9	% YoY	-2.1	-1.3	-10.4	-20.2	-11.3	-16.4	-5.4	-4.5	-6.0	-1.9	14.3
		% MoM				-19.1	7.6	-0.7	10.8	1.7	-8.9	7.0	-5.7
Electricity	5.2	% YoY	3.7	3.3	-3.7	-19.3	0.8	-2.5	-0.2	-4.6	-5.8	10.3	22.9
		% MoM				-13.3	3.9	-6.0	3.0	-2.2	-5.8	16.2	-3.4

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

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

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

Zalman Basree
Economist
zalman@kenanga.com.my

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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

