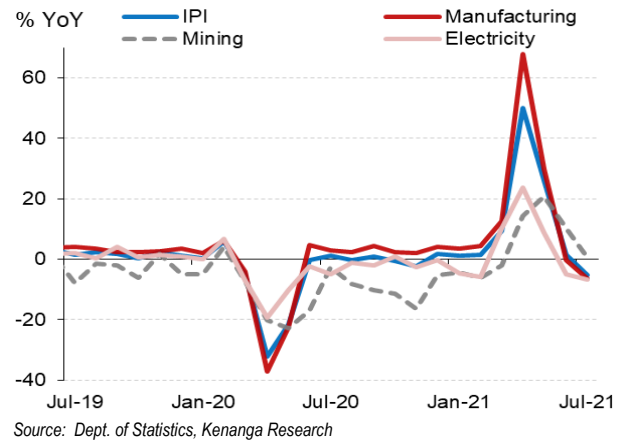


Malaysia Industrial Production

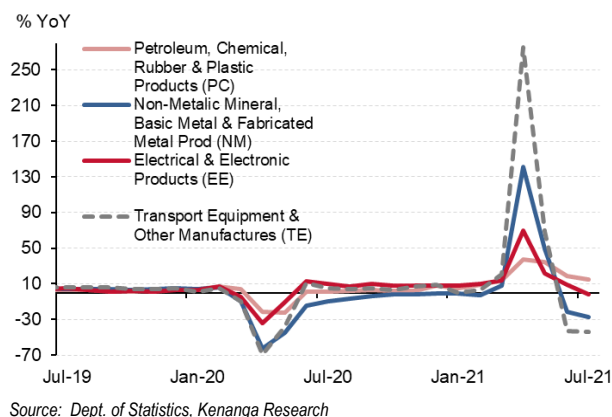
Fell 5.2% YoY in July, its first contraction in eight months

- Industrial Production Index (IPI) registered its biggest contraction in 14 months (-5.2%; Jun: 1.4%), falling considerably below expectations (KIBB: -0.8%; consensus: -0.7%)**
 - Attributable to the impact of prolonged lockdown measures, which led to a contraction in the manufacturing and electricity indexes. Furthermore, the global resurgence of COVID-19, amid the spread of the Delta variant, weighed heavily on external demand (exports: -7.7% MoM).
 - MoM (-5.3%; Jun: 1.6%): largest decline in 5 months.
- Manufacturing output contraction deepened to a 14-month low (-6.5%; Jun: -0.2%), in line with lower manufacturing sales growth (0.6%; Jun: 6.5%) and exports (5.0%; Jun: 27.7%)**
 - Due to a broad-based slowdown in almost all subsectors, driven by a contraction in the production of electrical & electronic products (-1.7%; Jun: 8.4%), a 14-month low, a further moderation in output of petroleum, chemical, rubber & plastic products (14.3%; Jun: 19.0%), and a deeper contraction among non-metallic mineral, basic & fabricated metal products (-27.7%; Jun: -21.3%).
 - MoM (-6.1%; Jun: 5.4%): plunged to its lowest level in 15 months.
- Mining index growth continued to moderate (0.6%; Jun: 10.3%), reaching a 4-month low**
 - Attributable to a broad-based slowdown, led by a further moderation in the extraction of crude oil & natural gas (0.6%; Jun: 10.3%), lower natural gas production (4.1%; Jun: 13.4%), and declining output of crude petroleum (-3.5%; Jun: 6.3%); in spite of higher global oil prices in July (USD75.2/barrel; Jun: USD73.2/barrel).
 - MoM (-4.7%; Jun: -6.4%): remained in contraction for the second consecutive month, albeit at a slower pace.
- Electricity index declined further to -6.6% (Jun: -4.8%), its lowest level in 14 months, but partly due to a higher base**
 - MoM (2.3%; Jun: -12.3%): rebounded to register its biggest expansion in 4 months.
- 2021 manufacturing production forecast maintained at 5.5% (2020: -2.7%) given the easing of lockdown restrictions**
 - Manufacturing output is expected to recover in the near term, as non-essential companies have been allowed to resume partial operation from August 16, and essential services have been permitted to increase capacity based on the vaccination of workers. Manufacturing production will also be supported by the further relaxation of restriction measures, as most states have progressed into Phase 2 and 3 of the National Recovery Plan (NRP). Downside risks remain, given the global resurgence of COVID-19, but we still expect external trade to recover amid sustained vaccination progress among advanced economies.
 - We have revised down our 2021 GDP growth forecast to 3.5 – 4.0% from 4.0 – 5.0% previously (2020: -5.6%) in order to reflect the impact of the prolonged NRP Phase 1 restrictions, particularly on domestic demand.

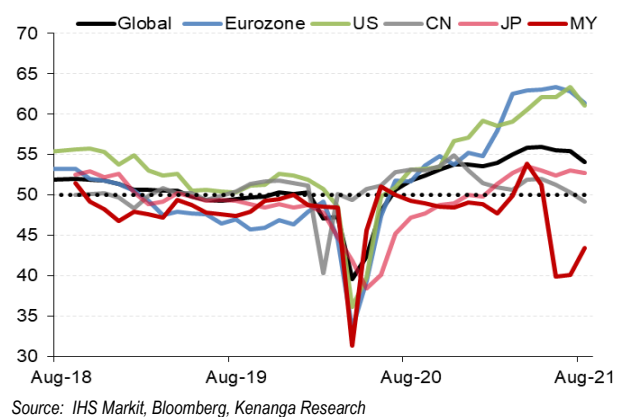
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



10 September 2021

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

	Weight		2018	2019	2020	Jul-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
IPI	100.0	% YoY	3.1	2.4	-4.4	1.3	1.2	1.5	9.3	50.1	26.1	1.4	-5.2
		% YoY SA	3.1	2.4	-4.5	1.3	1.1	1.6	9.3	50.1	26.1	1.5	-5.1
		% MoM				1.3	0.1	-6.4	7.4	-4.4	-0.2	1.6	-5.3
		3mma				-7.0	0.2	1.5	3.9	16.9	26.0	22.6	6.0
Manufacturing	65.9	% YoY	4.8	3.6	-2.7	2.9	3.5	4.5	12.7	68.0	29.8	-0.2	-6.5
		% MoM				0.2	-0.2	-5.8	6.8	-4.3	-2.0	5.4	-6.1
		3mma				-4.9	3.2	4.0	6.8	23.0	32.8	26.3	5.5
Mining	28.9	% YoY	-2.1	-1.3	-10.4	-2.5	-4.5	-6.0	-1.9	14.3	20.7	10.3	0.6
		% MoM				4.4	1.7	-8.9	7.0	-5.7	6.0	-6.4	-4.7
Electricity	5.2	% YoY	3.7	3.3	-3.7	-5.0	-4.6	-5.8	10.3	23.6	8.8	-4.8	-6.6
		% MoM				4.2	-2.2	-5.8	16.2	-2.9	0.2	-12.3	2.3

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

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

