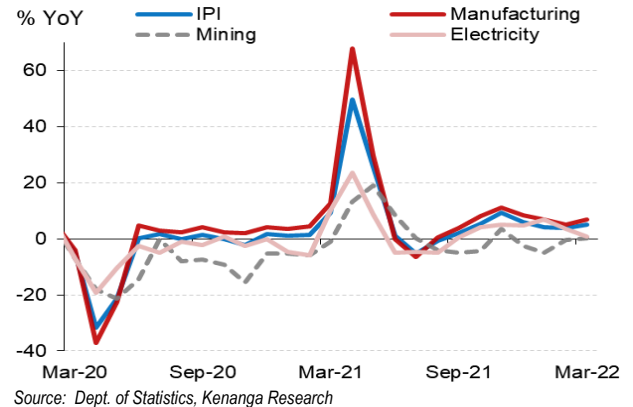


Malaysia Industrial Production

Expanded to a 3-month high of 5.1% in March on strong E&E shipments

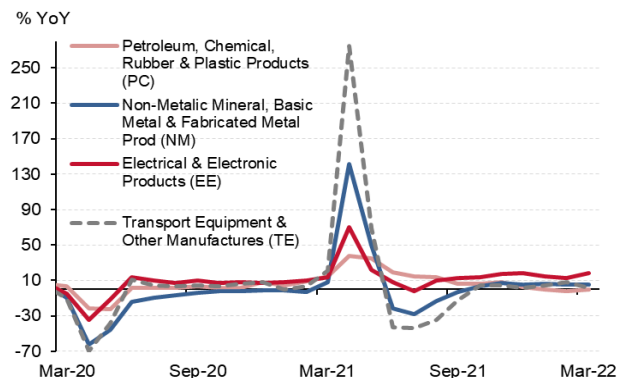
- Industrial Production Index (IPI) expanded to a 3-month high in March (5.1%; Feb: 4.0%), registering below house forecasts but above market expectations (KIBB: 5.4%; consensus: 4.8%)**
 - Attributable to a broad-based expansion of all three indices, driven in particular by robust growth in the manufacturing index.
 - MoM (8.6%; Feb: -6.6%): surged to its highest level since June 2020, amid a strong rebound in external demand.
 - 1Q22 (4.5%; 4Q21: 6.8%): growth moderated due to the spread of the Omicron variant locally and abroad early in the year.
- Manufacturing index growth expanded to a 3-month high in March (6.9%; Feb: 5.2%), in line with an expansion in exports growth (25.4%; Feb: 16.8%) and manufacturing sales growth (13.9%; Feb: 11.2%)**
 - Primarily led by an expansion in electrical & electronic products (18.6%; Feb: 12.9%), which reached a 10-month high, and a return to growth for petroleum, chemical, rubber & plastic products (0.1%; Feb: -2.3%), which outweighed a sizeable moderation in transport equipment & other manufactures (1.7%; Feb: 8.1%).
 - MoM (8.5%; Feb: -7.2%): rebounded significantly to 21-month high, driven by higher capacity utilisation.
 - 1Q22 (6.3%; 4Q21: 9.2%): moderated on weaker external and domestic demand amid the spread of Omicron.
- Mining index returned to an expansion for the first time in 8-months (0.3%; Feb: -0.4%)**
 - Driven by a further expansion in natural gas production (5.7%; Feb: 2.6%) and a rebound in the extraction of crude oil & natural gas (0.3%; Feb: -0.4%), even as output of crude petroleum continued to decline (-6.8%; Feb: -4.3%).
 - MoM (7.2%; Feb: -3.8%): soared to its highest level in 5-months.
- Electricity index moderated to 0.8% (Feb: 3.6%), mainly due to a high base from last year**
 - MoM (13.0%; Feb: -8.4%): rebounded to a 12-month high.
- 2022 manufacturing index forecast maintained at 7.0% (2021: 9.5%)**
 - Manufacturing outlook is positive overall, with Malaysia's PMI returning to an expansionary mode in April (51.6; Mar: 49.6) and domestic demand expected to gain further momentum as the country steadily transitions into the endemic phase. However, downside risks remain due to prolonged global supply chain issues stemming from China's COVID-19 condition, the ongoing Russia-Ukraine war, and the waning global growth outlook.
 - Against this backdrop, we retain our 2022 GDP growth forecast between 5.0 – 5.5% (2021: 3.1%), projecting a solid recovery momentum, albeit with some lingering external risks to growth.

Graph 1: Industrial Production Growth Trend



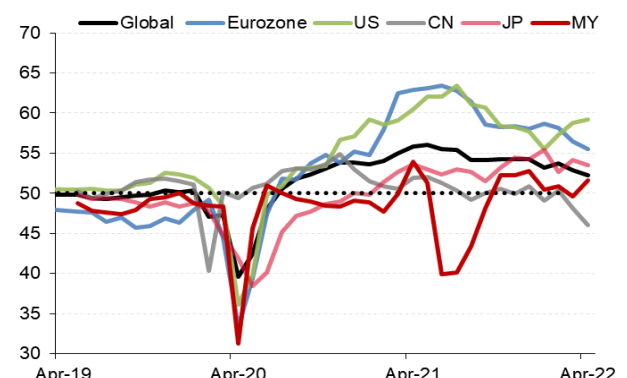
Source: Dept. of Statistics, Kenanga Research

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

11 May 2022

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

	Weight		2019	2020	2021	Mar-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
IPI	100.0	% YoY	2.4	-4.4	7.4	9.4	2.1	5.3	8.4	5.9	4.3	4.0	5.1
		% YoY SA	2.4	-4.5	7.5	9.2	2.3	5.5	9.4	5.6	4.4	4.3	5.4
		% MoM				7.3	3.8	4.9	-0.1	1.1	-1.3	-6.6	8.6
		3mma				3.9	-1.3	2.3	5.2	6.8	6.5	4.7	4.5
Manufacturing	65.9	% YoY	3.6	-2.7	9.5	12.7	4.0	8.0	10.0	8.4	6.8	5.2	6.9
		% MoM				6.8	5.5	4.0	-1.1	0.5	-1.7	-7.2	8.5
		3mma				6.8	-0.7	4.2	7.3	9.2	8.8	6.8	6.3
Mining	28.9	% YoY	-1.3	-10.4	1.5	-1.1	-5.1	-4.3	3.5	-2.6	-5.1	-0.4	0.3
		% MoM				6.5	-2.4	7.8	6.0	3.1	0.0	-3.8	7.2
Electricity	5.2	% YoY	3.3	-3.7	2.3	10.3	0.4	4.1	5.1	4.7	6.9	3.6	0.8
		% MoM				16.2	1.6	7.7	-5.0	2.7	-0.2	-8.7	13.0

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

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