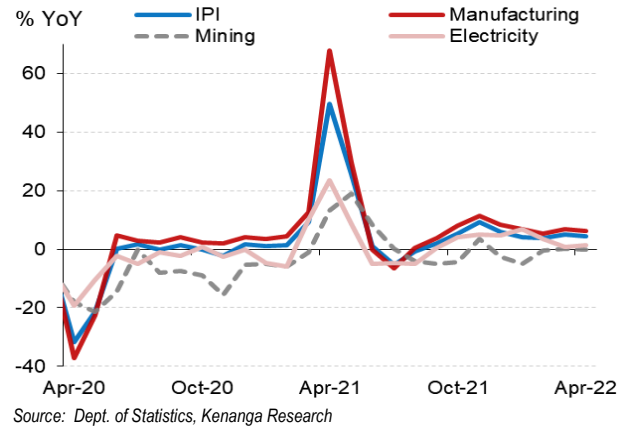


Malaysia Industrial Production

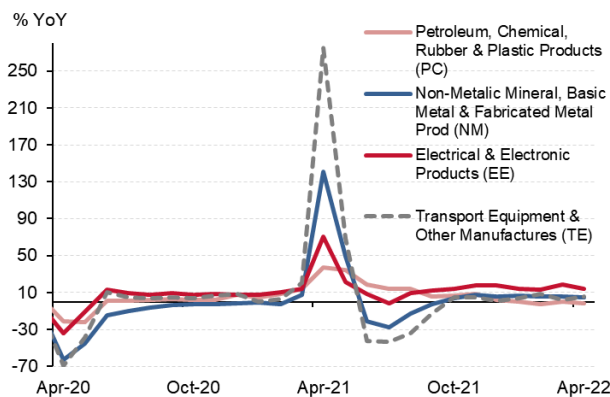
Moderated to 4.6% in April on a slowdown in the manufacturing index

- Industrial Production Index (IPI) eased to 4.6% in April (Mar: 5.1%), coming in below house and market expectations (KIBB: 5.5%; consensus: 5.5%)**
 - Attributable to slower YoY growth in the manufacturing index and a contraction in the mining index, which outweighed an expansion in the electricity index.
 - MoM (-4.8%; Mar: 8.6%): fell back into contraction amid a broad-based decline in all three indices.
- Manufacturing index growth moderated in April (6.2%; Mar: 6.9%), in tandem with slower exports growth (20.7%; Mar: 25.4%) and manufacturing sales growth (13.2%; Mar: 13.9%)**
 - The moderation was mainly attributable to slower growth of electrical & electronic products (14.2%; Mar: 18.6%) and petroleum, chemical, rubber & plastic products returning to a contraction (-1.2%; Mar: 0.1%), outweighing an expansion in wood products, furniture, paper products & printing (10.1%; Mar: 7.4%), which reached its highest level in 11 months.
 - MoM (-4.9%; Mar: 8.5%): plunged back into contraction following March's rebound, on lower capacity utilisation and weak external trade amid China's lockdown measures.
- Mining index slipped back into contraction (-0.1%; Mar: 0.3%), despite a significantly low base from last year**
 - Attributable to a slowdown in natural gas production (0.3%; Mar: 5.7%) and a decline in the extraction of crude oil & natural gas (-0.1%; Mar: 0.3%), which outweighed a smaller contraction in the output of crude petroleum (-0.8%; Mar: -6.8%), its highest level in 10 months; amid lower global oil prices (USD104.9/barrel; Mar: USD117.2/barrel).
 - MoM (-5.3%; Mar: 7.2%): fell to its lowest level in 8 months.
- Electricity index rose to 1.5% (Mar: 0.8%), primarily due to a low base effect**
 - MoM (-2.2%; Mar: 13.0%): a seasonally expected contraction following a strong rally in March.
- 2022 manufacturing index forecast retained at 7.0% (2021: 9.5%)**
 - The manufacturing index downturn in April was deeper than expected, mainly driven by weaker trade activity due to China's return to lockdown, and this may sustain in the near-term as evidenced by Malaysia's PMI slowing to 50.1 in May (Apr: 51.6). However, we believe the manufacturing outlook remains positive for 2H22 as Malaysia smoothly transitions into the endemic phase and domestic demand continues to gain momentum. Likewise, external demand should normalise given China's improving COVID-19 condition since May, although downside risks remain.
 - With that said, we maintain our 2022 GDP growth forecast between 5.0 – 5.5% (2021: 3.1%), on the expectation of strong recovery momentum but still cautious of external risks to growth.

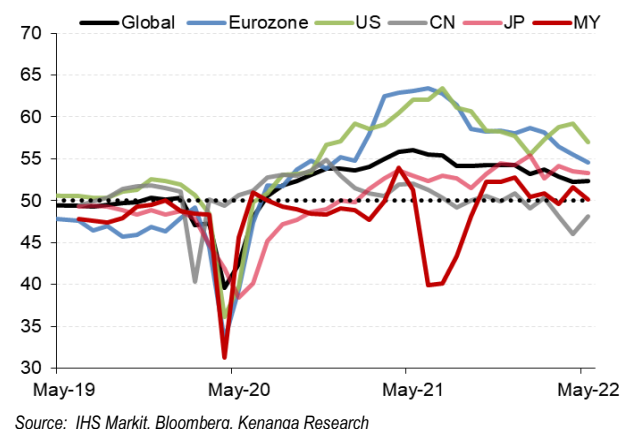
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



13 June 2022

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

	Weight		2019	2020	2021	Apr-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
IPI	100.0	% YoY	2.4	-4.4	7.4	49.6	5.3	8.4	5.9	4.3	4.0	5.1	4.6
		% YoY SA	2.4	-4.5	7.5	50.2	5.5	9.4	5.6	4.4	4.3	5.4	5.0
		% MoM				-4.3	4.9	-0.1	1.1	-1.3	-6.6	8.6	-4.8
		3mma				16.9	2.3	5.2	6.8	6.5	4.7	4.5	4.6
Manufacturing	65.9	% YoY	3.6	-2.7	9.5	68.0	8.0	10.0	8.4	6.8	5.2	6.9	6.2
		% MoM				-4.3	4.0	-1.1	0.5	-1.7	-7.2	8.5	-4.9
		3mma				23.0	4.2	7.3	9.2	8.8	6.8	6.3	6.1
Mining	28.9	% YoY	-1.3	-10.4	1.5	13.3	-4.3	3.5	-2.6	-5.1	-0.4	0.3	-0.1
		% MoM				-4.9	7.8	6.0	3.1	0.0	-3.8	7.2	-5.3
Electricity	5.2	% YoY	3.3	-3.7	2.3	23.6	4.1	5.1	4.7	6.9	3.6	0.8	1.5
		% MoM				-2.9	7.7	-5.0	2.7	-0.2	-8.7	13.0	-2.2

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

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