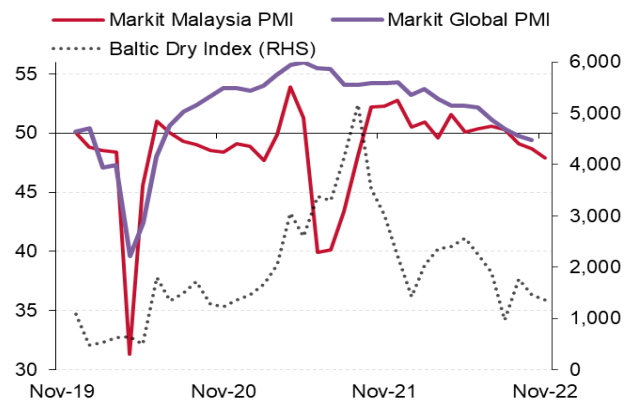


Malaysia Manufacturing PMI

Manufacturing activity dips to a 15-month low in November

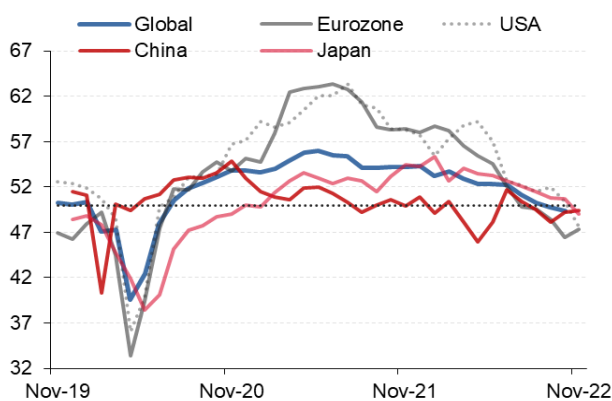
- Manufacturing PMI fell for the third straight month in November (47.9; Oct: 48.7), a 15-month low**
 - The manufacturing sector remained at the contraction level (below the neutral level: 50.0), reflecting a persistent weakness in demand amid subdued orders and output.
- Weak production output, signalling weak growth momentum in November**
 - New orders softened for a third straight month in November, the lowest level since September 2021, reflecting a muted demand condition.
 - The external demand also recorded a downtrend, with new export orders falling for the fifth straight month, in line with the rising risk of a global growth slowdown.
- Cost pressure persisted but at a slower pace**
 - Input costs increase at a slower pace due to higher raw material prices and are partly exacerbated by exchange rate weakness. Nonetheless, firms reportedly passed the burden partially via higher output costs to clients.
- Business sentiment over the coming year remained positive**
 - Optimism remained for the seventeenth straight month amid hopes that demand would normalise in the longer run. Nonetheless, the degree of confidence fell to a five-month low, weighed by concerns over the impact of the current economic condition.
 - Meanwhile, staffing level was broadly neutral as resignations in some firms were offset by increased hiring in others.
- Manufacturing activity eased further among major economies amid subdued demand**
 - US (47.6; Oct: 50.4): flash manufacturing PMI fell into contractionary reading for the first time since June 2020 amid subdued new orders.
 - Japan (49.0; Oct: 50.7): contracted for the first time in nearly two years amid weak demand and output brought on by the global economic slowdown and inflationary pressures.
- GDP growth forecast for 2023 retained amid expected economic slowdown and normalisation in the economic activities post-pandemic**
 - The recent slowdown in manufacturing activity, as reflected by the latest manufacturing PMI, matches our house expectation of a sharp slowdown in 4Q22 GDP growth (KIBB forecast: 6.6%). This was largely due to the high base effect, weak external demand from key trading partners, and the impact of China's zero-COVID policy.
 - Nonetheless, we continue to expect manufacturing growth to grow by 8.8% in 2022 (2021: 9.5%). Likewise, given the better-than-expected 3Q22 GDP growth (14.2%), we have revised earlier our 2022 GDP growth forecast to 8.6% from 6.5% - 7.0% (2021: 3.1%), considering the sustained momentum in the domestic demand on the back of various policy support and continued recovery in the tourism-related sub-sector. For 2023, we expect growth to moderate to 4.3% due to the global economic slowdown, tighter financial conditions, and rising external headwinds.

Graph 1: Global & Malaysia Manufacturing PMI



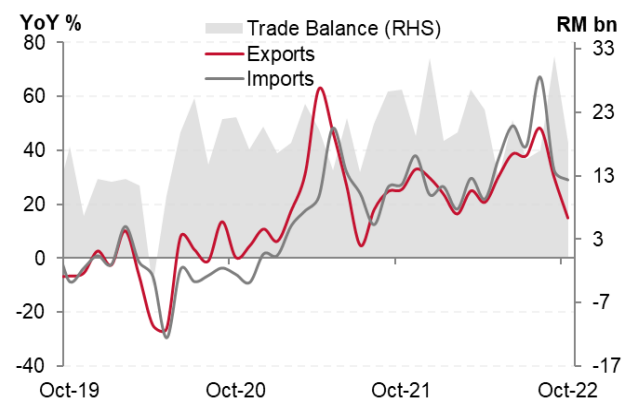
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

Graph 2: Global PMI Trend



Source: Bloomberg, S&P Global, Kenanga Research

Graph 3: Malaysia External Trade Growth



Source: Dept. of Statistics, Kenanga Research

02 December 2022

Table 2: Malaysia PMI Trend

	2020	2021	Nov-21	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
S&P Malaysia PMI	49.1	52.8	52.3	50.4	50.6	50.3	49.1	48.7	47.9
New Orders*			Down	Up	Up	Up	Down	Down	Down
Output*			Up	Up	Up	Down	Down	Down	Down
Employment*			Up	Down	Down	Down	Up	Down	Neutral
Stocks of Purchases*			Up	Up	Flat	Down	Down	Down	Down
S&P Global PMI	49.2	54.3	54.2	52.2	51.1	50.3	49.8	49.4	N/A
Baltic Dry Index	1,230	2,217	3,018	2,240	1,895	965	1,760	1,463	1,355
DoS Leading Index (% YoY)	4.0	4.6	1.6	5.3	4.0	4.1	0.3	N/A	N/A

Source: PMI by S&P Global, Bloomberg, CEIC, Dept. of Statistics, Kenanga Research

*The "Up/Down/Flat" movements for sub-indicators are based on S&P Global own reports. Detailed and historical data are available on a subscription basis only.

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