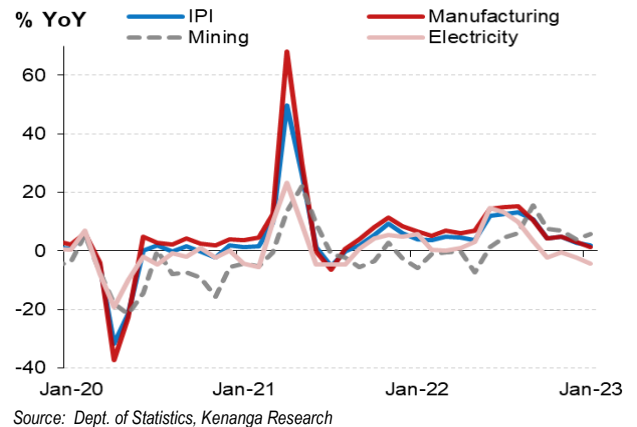


Malaysia Industrial Production

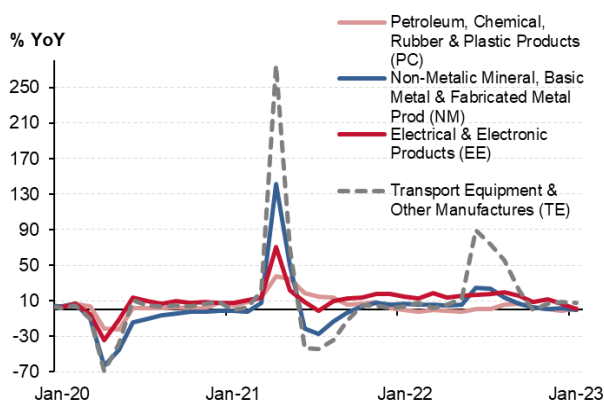
Expansion moderated in January due to weak manufacturing output and exports

- Industrial Production Index (IPI) growth eased to a 17-month low in January (1.8% YoY; Dec 22: 2.8%), registering above house forecast but below market estimates (KIBB: 1.5%; Consensus: 2.6%)**
 - The moderation was driven by a slowdown in the manufacturing index and a deeper contraction in the electricity index, which outweighed a greater expansion in mining output.
 - MoM (-2.3%; Dec 22: -0.6%): most significant monthly decline since July 2022 (-4.7%).
- Manufacturing index growth moderated to a 17-month low (1.3% YoY; Dec 22: 3.0%), in line with a further moderation in exports growth (1.6%; Dec 22: 5.9%) and manufacturing sales growth (6.5%; Dec 22: 8.8%)**
 - The slowdown was primarily driven by a sharp growth moderation in electrical & electronic products (0.4%; Dec 22: 7.2%), its lowest level since July 2021, which outweighed a returned to growth for petroleum, chemical, rubber & plastic products (2.0%; Dec 22: -0.9%), reaching a 3-month high.
 - MoM (-3.3%; Dec 22: -1.2%): a 6-month low, driven by notably weaker performance in export-oriented industries (-5.4%; Dec 22: -1.9%) and despite stronger growth in domestic-oriented industries (1.2%; Dec 22: 0.4%).
- Mining index growth expanded to a 2-month high (5.9% YoY; Dec 22: 3.9%)**
 - The expansion was led by greater growth in the extraction of crude oil & natural gas (5.9%; Dec 22: 3.9%), followed by better crude petroleum output (8.0%; Dec 22: 4.2%) and improved natural gas production (4.5%; Dec 22: 3.7%).
 - MoM (1.7%; Dec 22: 1.1%): expanded amid slightly higher global oil prices (USD82.5/barrel; Dec: USD81.0/barrel).
- Electricity index contraction worsened in January (-4.3% YoY; Dec 22: -2.2%), falling to a 17-month low**
 - MoM (-3.4%; Dec 22: 0.9%): plunged back to its November 2022 level.
- 2023 manufacturing index growth forecast has been revised down to 5.0% from 6.6% previously (2022: 8.2%)**
 - Manufacturing output is expected to be particularly weak in 1Q23 due to poor external demand and tepid economic conditions. However, there is potential for exports to recover in the short-term following the end of major festive periods, especially in China. Likewise, manufacturing growth should be supported by robust domestic demand, spurred by an expected increase in tourist arrivals. Malaysia's PMI showed a slight improvement in February (48.4; Jan: 46.5), indicating a fledgling recovery in output despite remaining in the contractionary zone.
 - We recently raised our 2023 GDP forecast to 4.7% (2021: 8.7%) from 4.3%, due to expectations of robust domestic demand, continued fiscal support, and tailwinds from China's reopening. However, 1Q23 growth may slow due to fragile global economic conditions and weaker external demand. Downside risks to overall growth remain from the Russia-Ukraine conflict, tenuous Sino-American relations, and possible recessions among major economies.

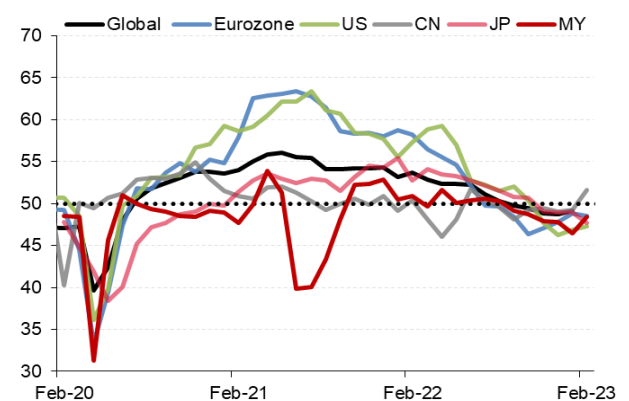
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



14 March 2023

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

	Weight		2020	2021	2022	Jan-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
IPI	100.0	% YoY	-4.1	7.2	6.7	4.0	12.7	13.2	10.8	4.4	4.9	2.8	1.8
		% YoY SA	-4.5	7.5	6.9	4.3	12.9	13.4	10.6	4.7	4.7	2.8	1.8
		% MoM				-1.4	-4.7	3.9	1.2	-1.0	0.9	-0.6	-2.3
		3mma				6.3	9.3	12.6	12.2	9.3	6.6	4.0	3.2
Manufacturing	65.9	% YoY	-2.7	9.5	8.2	6.8	14.9	15.2	10.4	4.2	4.8	3.0	1.3
		% MoM				-1.7	-5.7	5.6	1.1	-1.8	0.7	-1.2	-3.3
		3mma				8.8	12.1	14.9	13.4	9.8	6.4	4.0	3.1
Mining	28.9	% YoY	-8.9	0.9	2.2	-5.9	4.4	6.1	15.7	7.6	7.0	3.9	5.9
		% MoM				-0.2	-3.0	-1.6	3.8	1.8	3.5	1.1	1.7
Electricity	5.2	% YoY	-3.7	2.4	3.6	5.7	13.1	9.8	3.3	-2.2	-0.5	-2.2	-4.3
		% MoM				-1.3	3.1	-0.1	-4.5	2.0	-3.4	0.9	-3.4

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

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