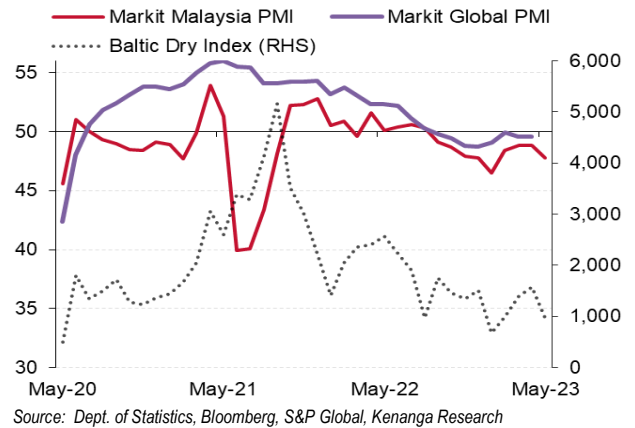


Malaysia Manufacturing PMI

Manufacturing activity remains pressured in May on subdued demand

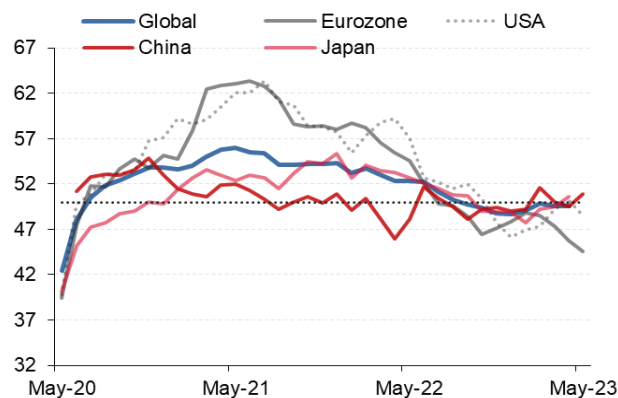
- Manufacturing Purchasing Managers' Index (PMI) fell to a four-month low in May (47.8; Apr: 48.8)**
 - The latest reading also indicates that the manufacturing sector remained in contraction (below the neutral level: 50.0) for nine consecutive months or since September 2022. This is largely attributable to weakness in demand conditions in line with the downtrend recorded in the external trade.
- Weak demand conditions led to a further slowdown in output production**
 - Output levels eased for a tenth straight month and at the fastest pace since January 2023.
 - New orders moderated for the ninth straight month and the steepest slowdown in three months.
 - Similarly, new export orders eased in May in line with global economic slowdown.
- Cost pressures persists on high input cost**
 - Input costs increased again in May due to the increase in the cost of raw materials purchased in global markets. Consequently, output prices edged up slightly, but the pace of inflation was relatively muted.
- Business sentiment dipped to the lowest since June 2022, but the outlook remained positive**
 - Some firms are concerned that the current weakness in demand will be prolonged, with some expecting the slowdown will continue until 3Q23.
 - Employment slowed, ending four straight months of hiring amid low workloads, resignations and higher costs.
- Mix manufacturing conditions among major economies in May**
 - US (48.5; Apr: 50.2): flash manufacturing PMI fell to a three-month low, reflecting a deterioration in the manufacturing sector amid weak demand conditions.
 - Japan (50.6; Apr: 49.5): returned to growth for the first time in seven months amid higher output and new orders.
 - China (50.9; Apr: 49.5): Caixin Manufacturing PMI expanded to an 11-month high, reflecting improved health in the manufacturing sector.
- 2023 GDP growth forecast maintain at 4.7% (2022: 8.7%) for now**
 - Despite a sustained decline in Manufacturing PMI, the average reading in 2Q23 (48.3) is still relatively better than 1Q23 (47.9). Besides, we still expect an upturn in the manufacturing conditions by end of the year as external demand is expected to improve, mainly backed by a steady rebound in the E&E sector and as the global economy recovers.
 - Therefore, we maintain the 2023 GDP growth forecast at 4.7%, as we expect domestic demand to remain resilient and supported by both private and public investment. This will be further underpinned by sustained improvement in the services sector, particularly the tourism and transport-related subsectors. Meanwhile, we expect China's economic recovery to pick up pace despite a recent lower-than-expected recovery in most leading indicators. Nevertheless, downside risk remains, especially from the external sector brought by the impact of further tightening of monetary policy led by the US Federal Reserve, which could weigh on the domestic growth outlook.

Graph 1: Global & Malaysia Manufacturing PMI



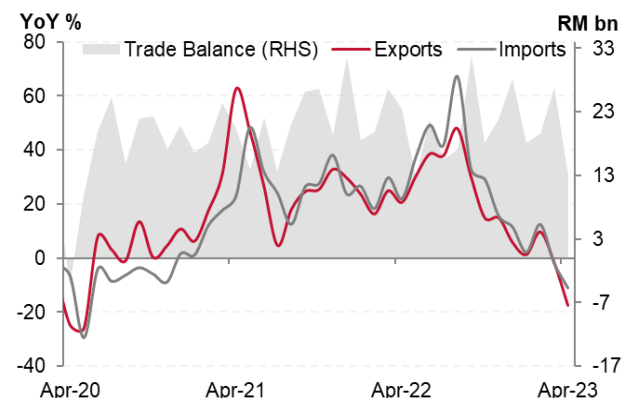
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

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 June 2023

Table 2: Malaysia PMI Trend

	2020	2021	2022	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
S&P Malaysia PMI	49.1	52.8	47.8	47.8	46.5	48.4	48.8	48.8	47.8
New Orders*				Down	Down	Down	Down	Down	Down
Output*				Down	Down	Down	Down	Down	Down
Employment*				Down	Up	Neutral	Up	Up	Down
Stocks of Purchases*				Down	Down	Down	Down	Down	Down
S&P Global PMI	49.2	54.3	48.6	48.7	49.1	49.9	49.6	49.6	N/A
Baltic Dry Index	1,230	2,217	1,515	1,515	681	990	1,389	1,576	977
DoS Leading Index (% YoY)	4.0	4.6	1.1	-1.1	-1.5	0.6	-1.2	N/A	N/A

Source: PMI by S&P Global, Bloomberg, 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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