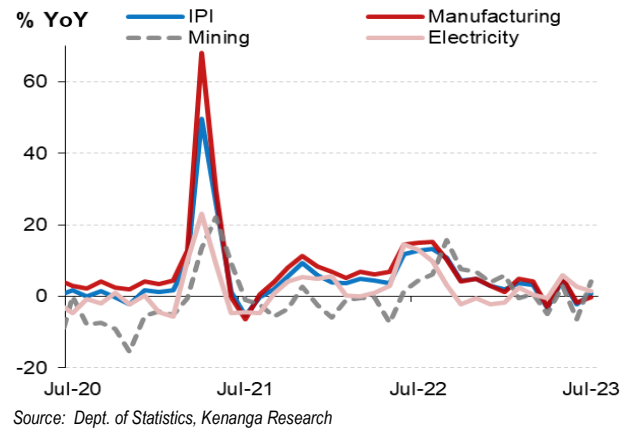


Malaysia Industrial Production

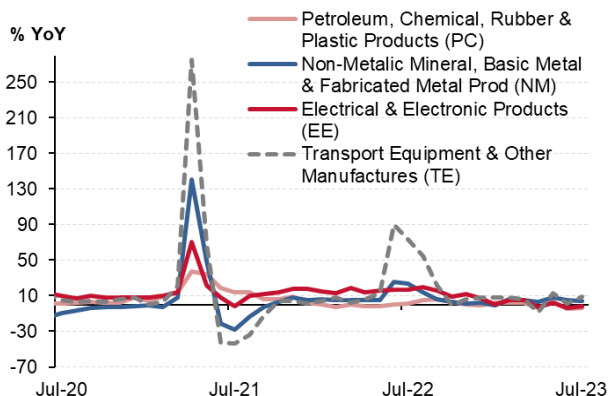
Rebounded slightly in July due to positive mining and electricity indices

- Industrial Production Index (IPI) growth slightly rebounded in July (0.7% YoY; Jun: -2.2%), beating expectations (KIBB & Consensus: -0.2%)**
 - The YoY positive growth was contributed by an expansion in the mining and electricity indices but was partially capped by weak manufacturing output and partly due to a low base (a sharp MoM contraction of 4.7% in July 2022).
 - MoM (-1.8%; Jun: 2.2%): fell to a three-month low, particularly due to a MoM contraction in the manufacturing output.
- Manufacturing index growth remained in a contraction (-0.2% YoY; Jun: -1.6%), albeit smaller, for the second straight month, in line with a sharp downturn in gross exports (-13.1%; Jun: -14.1%) and a weak manufacturing sales growth (-3.0%; Jun: -4.0%)**
 - The decline was led by a contraction in petroleum, chemical, rubber & plastic products (-4.1%; Jun: -4.6%) and electrical & electronic products (-1.6%; Jun: -3.6%), albeit at a smaller contraction than the previous month. Nevertheless, growth was partially mitigated by an expansion in food, beverages and tobacco (3.9%; Jun: 2.9%) and transport equipment and other manufacturers (8.5%; Jun: 1.7%).
 - MoM (-4.3%; Jun: 5.5%): growth fell to a three-month low.
- Mining index rebounded to a six-month high (4.2% YoY; Jun: -6.4%), following a sharp contraction in the previous month**
 - Growth was attributable to a broad-based improvement in all subsectors, led by a surge in crude petroleum output (11.8%; Jun: -4.5%), followed by extraction of crude oil & natural gas (4.2%; Jun: -6.4%), and a smaller contraction in natural gas production (-0.8%; Jun: -7.8%).
 - MoM (+8.0%; Jun: -7.7%): rebounded to a four-month high, largely due to higher crude oil prices (USD85.2/b; Jun: USD74.5/b) during the month.
- Electricity index growth eased to a three-month low in July (1.5% YoY; Jun: 2.8%) due to a high-base effect**
 - MoM (1.8%; Jun: -5.3%): growth rebounded, following a sharp contraction in the previous month.
- 2023 manufacturing index growth forecast revised down to 1.0% from 2.4% (2022: 8.2%) following a sharply lower 2Q23 GDP growth and subdued external demand**
 - We continue to expect a sluggish manufacturing output in the near term following a subdued PMI reading in August (47.8; Jul: 47.8) and falling exports in July (-13.1%; Jun: -14.1%) amid weak external demand, stemming from an ongoing global economic slowdown particularly the slower than expected China's post-COVID-19 recovery and the impact of higher interest rate environment among the advanced economies.
 - Against this backdrop, we maintain our 2023 GDP growth forecast at 3.5% - 4.0% (2022: 8.7%) due to the expectation of slower GDP growth in the 2H23 (3.1%; 1H23: 4.2%) amid the impact of global economic slowdown and partly due to higher base effect recorded last year. However, growth will remain supported by a resilient domestic demand amid steady labour market conditions and gradual improvement in the services sector.

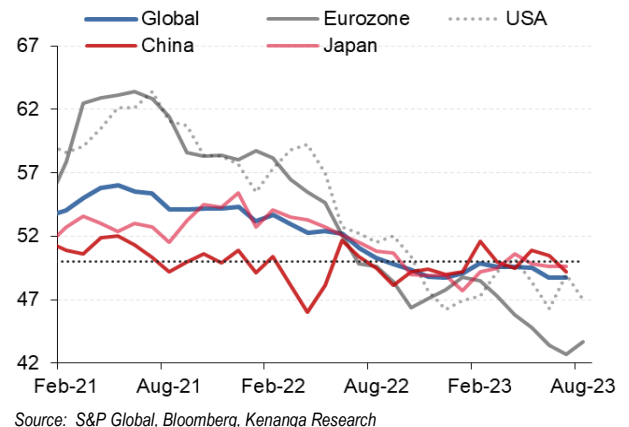
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Global Manufacturing PMI Trend



12 September 2023

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

	Weight		2020	2021	2022	Jul-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
IPI	100.0	% YoY	-4.1	7.2	6.7	12.7	2.0	3.6	3.2	-3.2	4.8	-2.2	0.7
		% YoY SA	-4.5	7.5	6.9	12.9	1.9	3.3	3.1	-3.2	5.1	-2.3	1.0
		% MoM				-4.7	-2.2	-5.3	8.3	-10.8	7.3	2.2	-1.8
		3mma				9.3	3.2	2.8	2.9	1.2	1.6	-0.3	1.0
Manufacturing	65.9	% YoY	-2.7	9.5	8.2	14.9	1.3	4.8	4.1	-3.0	5.1	-1.6	-0.2
		% MoM				-5.7	-3.3	-4.0	7.8	-11.4	7.0	5.5	-4.3
		3mma				12.1	3.1	3.0	3.4	2.0	2.1	0.1	1.0
Mining	28.9	% YoY	-8.9	0.9	2.2	4.4	5.9	-0.5	0.8	-4.9	2.9	-6.4	4.2
		% MoM				-3.0	1.7	-9.6	8.5	-10.7	7.6	-7.7	8.0
Electricity	5.2	% YoY	-3.7	2.4	3.6	13.1	-1.7	2.3	0.4	-0.4	5.9	2.8	1.5
		% MoM				3.1	-0.8	-6.8	13.7	-3.3	9.3	-5.3	1.8

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

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