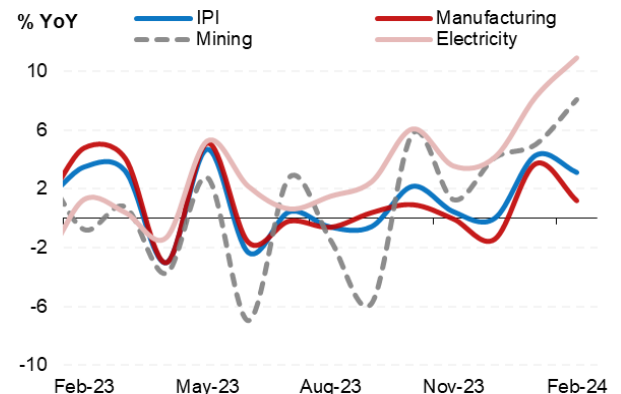


# Malaysia Industrial Production

Moderated slightly in February on slower manufacturing growth

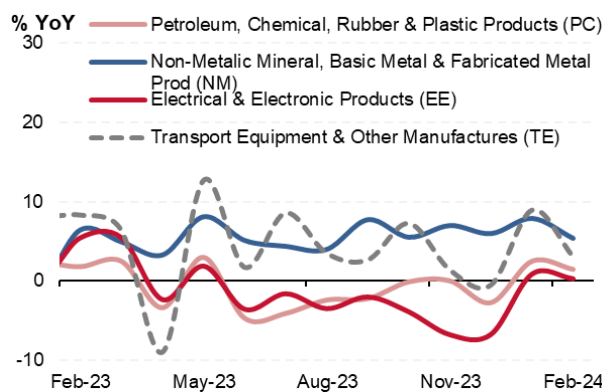
- Industrial Production Index (IPI) slowed in February (3.1% YoY; Jan: 4.3%), but beat expectations (KIBB: 1.8%; consensus: 1.8%)**
  - Overall, growth was partially weighed by a slowdown in the manufacturing sector but was mitigated by higher growth in the electricity and mining index and partly due to a lower base effect.
  - MoM (-6.3%; Jan: 2.0%): fell sharply to a ten-month low, partly attributable to a seasonal factor amid shorter working month and festive holidays.
- The manufacturing index moderated in February (1.2% YoY; Jan: 3.7%)**
  - Domestic-oriented:** slowed (3.8%; Jan: 8.0%) but remained supported by the manufacture of fabricated metal products (8.4%; Jan: 11.9%), followed by the manufacture of other non-metallic mineral products (5.1%; Jan: 6.6%)
  - Export-oriented:** contracted slightly (-0.1%; Jan: 1.6%) due to a sharp decline in the manufacture of vegetable & animal oils & fats (-13.5%; Jan: -2.6%), followed by chemicals & chemical products (-2.8%; Jan: 6.1%) and electrical equipment (-2.2%; Jan: 1.4%).
  - MoM (-6.3%; Jan: 1.8%): fell to a ten-month low, following a positive turnaround in the preceding month.
- Mining index growth expanded (8.1%; Jan: 5.0%) to a 16-month high**
  - Attributable to a higher output of natural gas (11.9%; Jan: 6.6%), followed by extraction of crude oil & natural gas (8.1%; Jan: 5.0%).
  - MoM (-6.9%; Jan: 3.1%): fell to an eight-month low.
- Electricity index accelerated (10.9%; Jan: 8.3%) to an 18-month high or the highest since August 2022**
  - MoM (-4.5%; Jan: 2.0%): fell to a three-month low, following two straight months of expansion.
- Manufacturing index forecast retained at 4.6% in 2024 (2023: 0.7%), as momentum may pick up pace in the 2H24**
  - We continue to believe that the manufacturing condition to improve further towards the end of the year, mainly driven by the expected upswing in the technology cycle and China's gradual recovery following a significant stimulus implemented by the country. Nevertheless, the manufacturing condition could experience a sluggish recovery in the near term, as reflected by the latest Manufacturing Purchasing Managers' Index (PMI) reading, which fell to 48.4 in March (Feb: 49.5) and remained at a contraction level since August 2022.
  - Our assumption is also premise on the positive growth trajectory supported by higher demand from regional peers and better-than-anticipated performance among advanced economies. With that said, we project 1Q24 GDP growth to expand to 3.3% (4Q23: 3.0%) and maintain overall growth forecast at 4.5% - 5.0% in 2024 (2023: 3.7%).

Graph 1: Industrial Production Growth Trend



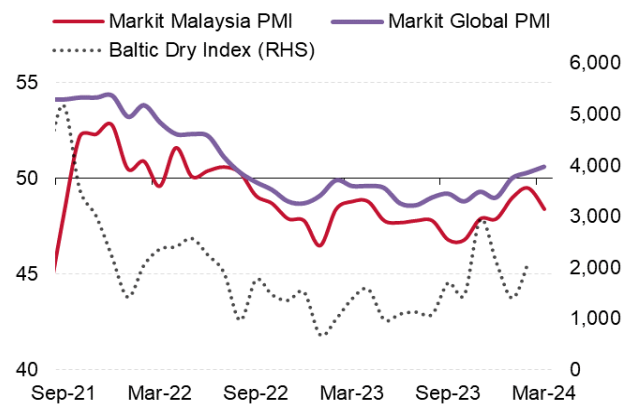
Source: Dept. of Statistics, Kenanga Research

Graph 2: Manufacturing Growth Trend by Sub-Sector



Source: Dept. of Statistics, Kenanga Research

Graph 3: Manufacturing PMI Trend



Source: S&P Global, Bloomberg, Kenanga Research

09 April 2024

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

	Weight		2021	2022	2023	Feb-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
<b>IPI</b>	<b>100.0</b>	<b>% YoY</b>	<b>7.4</b>	<b>6.7</b>	<b>0.9</b>	<b>3.5</b>	<b>-0.6</b>	<b>-0.6</b>	<b>2.1</b>	<b>0.4</b>	<b>0.0</b>	<b>4.3</b>	<b>3.1</b>
		<b>% YoY SA</b>	<b>7.4</b>	<b>6.9</b>	<b>1.1</b>	<b>3.1</b>	<b>-0.6</b>	<b>-0.6</b>	<b>2.1</b>	<b>0.2</b>	<b>0.0</b>	<b>4.3</b>	<b>2.9</b>
		<b>% MoM</b>				-5.3	2.8	1.1	1.9	-0.9	-1.3	2.0	-6.3
		<b>3mma</b>				2.5	-0.9	-0.3	0.3	0.6	0.8	1.5	2.4
<b>Manufacturing</b>	<b>65.9</b>	<b>% YoY</b>	<b>9.5</b>	<b>8.2</b>	<b>0.7</b>	<b>4.8</b>	<b>-0.6</b>	<b>0.4</b>	<b>0.9</b>	<b>-0.1</b>	<b>-1.4</b>	<b>3.7</b>	<b>1.2</b>
		<b>% MoM</b>				-4.0	5.1	2.1	-1.3	-0.3	-2.6	1.8	-6.3
		<b>3mma</b>				3.0	-0.8	-0.1	0.2	0.4	-0.2	0.7	1.1
<b>Mining</b>	<b>28.9</b>	<b>% YoY</b>	<b>1.5</b>	<b>2.2</b>	<b>0.8</b>	<b>-0.8</b>	<b>-1.5</b>	<b>-5.8</b>	<b>5.7</b>	<b>1.2</b>	<b>4.1</b>	<b>5.0</b>	<b>8.1</b>
		<b>% MoM</b>				-9.6	-5.4	-1.6	15.3	-1.8	2.8	3.1	-6.9
<b>Electricity</b>	<b>5.2</b>	<b>% YoY</b>	<b>2.5</b>	<b>3.6</b>	<b>2.5</b>	<b>1.3</b>	<b>1.5</b>	<b>2.5</b>	<b>6.1</b>	<b>3.5</b>	<b>4.1</b>	<b>8.3</b>	<b>10.9</b>
		<b>% MoM</b>				-6.8	0.7	-3.5	5.6	-5.7	1.4	2.0	-4.5

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

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