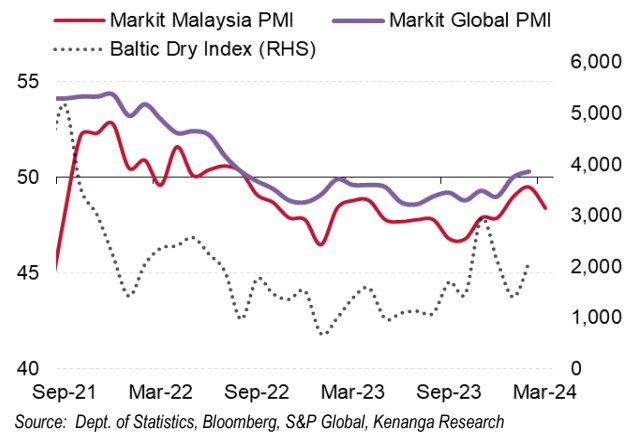


Malaysia Manufacturing PMI

Hit a three-month low in March amid fragile demand recovery

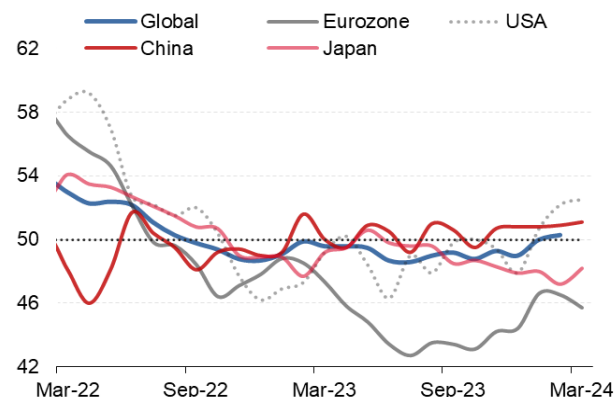
- The Manufacturing Purchasing Managers' Index (PMI) fell in March to 48.4 (Feb: 49.5), marking a three-month low, reflecting that the recovery in manufacturing conditions remains uncertain**
 - This is largely due to subdued demand conditions both in the domestic and international markets. Notably, the index has remained in contraction (below the neutral threshold of 50.0) since August 2022.
- Production eased significantly in three months amid subdued demand**
 - New orders eased for the 19th straight month with the fastest pace in three months. Similarly, export orders moderated for an 11th straight month amid muted external demand.
 - Meanwhile, purchasing activity was scaled back alongside stocks of inputs and inventories, reflecting less pressure on suppliers.
- Weak currency and higher prices for raw materials continue to exert input cost**
 - Input cost increased to the highest level in 2024. However, the output prices remained unchanged.
- Optimism and employment levels eased further**
 - Optimism eased to its lowest since August 2023 as manufacturers concerned about the timing of demand recovery.
 - Employment levels declined for the third straight month as firms reduced headcounts in tandem with capacity requirements. Nonetheless, the rate of job cuts was only marginal.
- Mixed manufacturing conditions among regional economies**
 - China (51.1; Feb: 50.9): The Caixin Manufacturing PMI expanded at the fastest pace in 13 months, driven mainly by increased new orders.
 - Vietnam (49.9; Feb: 50.4): Manufacturing PMI below the neutral level for the first time in three months, weighed by a weak demand environment.
- Manufacturing recovery may gradually pick up pace in the 2H24 on the back of expected technology upcycle**
 - We reiterate our outlook that domestic manufacturing conditions, especially in the export-oriented sector, to continue recovering in the coming months, especially in the 2H24, backed mainly by technology upcycle and China's gradual economic recovery following an expected significant stimulus injection from its government. Growth is also expected to be bolstered by the continued expansion among regional peers and stronger-than-expected demand from advanced economies, driven by resilient domestic demand.
 - However, our outlook's downside risk is linked to external factors, including escalating geopolitical tensions in the Middle East and Eastern Europe, and a possible renewed US-China tensions, which could disrupt the global supply chain and potentially lead to a prolonged slowdown in global trade. Conversely, Malaysia could benefit from trade diversion, thanks to a significant rise in approved manufacturing sector investments recorded last year, reaching RM152.0b (2022: RM84.3b). Therefore, we keep the 2024 GDP forecast of 4.5% - 5.0% (2023: 3.7%), aligning with BNM and MoF projections of 4.0% - 5.0%.

Graph 1: Global & Malaysia Manufacturing PMI



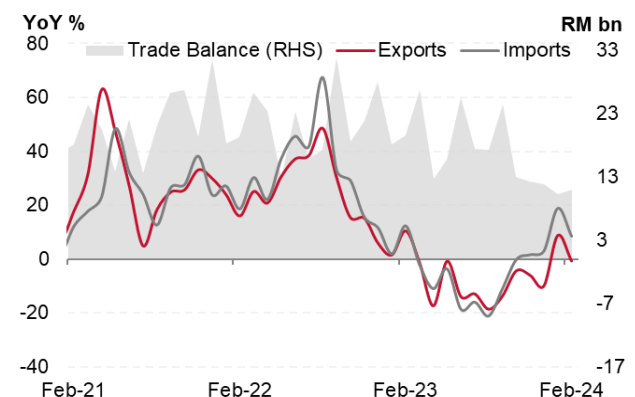
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

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 April 2024

Table 2: Malaysia PMI Trend

	2021	2022	2023	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
S&P Malaysia PMI	52.8	47.8	47.9	46.8	47.9	47.9	49.0	49.5	48.4
New Orders*				Down	Down	Down	Down	Down	Down
Output*				Down	Down	Down	Down	Down	Down
Employment*				Down	Down	Up	Down	Down	Down
Stocks of Purchases*				Down	Down	Down	Down	Down	Down
S&P Global PMI	54.3	48.6	49.0	48.8	49.3	49.0	50.0	50.3	N/A
Baltic Dry Index	2,217	1,515	2,094	1,459	2,937	2,094	1,398	2,111	N/A
DoS Leading Index (% YoY)	4.6	1.1	N/A	0.1	-0.1	0.4	3.2	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. 0

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