

## ECONOMIC REVIEW | November 2015 Industrial Production Index

### Industrial Production Index Moderated - Slowest Growth in 16 months

- *Manufacturing sector and electricity index registered weaker performance in November with year-on-year growth on multiple months low. Manufacturing Index figure of 4.1%yoy was the lowest in 6 months while reading of 2.0%yoy for Electricity Index was the weakest in 4 months. Mining Index continued to contract by 4.1%yoy as mining industries moderated due to sustained low prices of commodities.*
- *Overall, IPI growth moderated to 1.9%yoy, lowest in 16 months. On a monthly-seasonally adjusted basis, IPI declined by 1.1%yoy in November, the worst reading in 3 months as mining sector continued to be a drag.*
- *For 2016, we expected growth to moderate to 4.5% - 5.0%.*

**Consolidation in mining sector continued to be a huge drag.** IPI came in at 1.9%yoy in November which was the lowest reading in 16 months. Mining continued to consolidate, contracting by 4.1%yoy while manufacturing index also moderating to 4.1%yoy – a 6 months low figure. Additionally, Electricity Index also reflected the weaker industrial production this month to come in at 2.0%yoy – slowest in 4 months. On a seasonally adjusted basis, IPI contracted at 1.1% month-on-month in November and this was the 7<sup>th</sup> time it had contracted during the year.

**Weak export of E&E manufactured items were reflected in the weaker Manufacturing Index.** E&E export in November grew albeit marginally by 0.6%yoy – the lowest in 5 months. Such weak export performance was reflected in the sub-manufacturing indices of electrical and electronic products as well as computer and electronics products. The sub index dropped to a single digit growth in November which saw the index grew by only 9.32%yoy and 9.82% respectively. On a monthly basis, both sub-indices shrank declined by 5.75% and 5.78% respectively.


**Sustained low commodities prices dampened mining sector.** Production in the mining sector was largely subdued to the weaker commodities export recorded in November. On that month, the value of exports of LNG and crude petroleum exports had shrunk by 25.1%yoy and 21.4% respectively. Nonetheless, the manufacturing and electricity indices remain resilient which cushioned the impact of the declining mining sector.

**Table 1: Malaysia – Summary of Industrial Production Index**

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Jan-Nov 15 (Average)
<b>Industrial Production Index</b>	<b>122.3</b>	<b>120.8</b>	<b>119.7</b>	<b>123.2</b>	<b>126.0</b>	<b>120.7</b>	<b>120.7</b>
% YoY	4.4	6.1	3.0	5.1	4.2	1.9	4.7
% MoM	(0.1)	(1.2)	(1.0)	3.6	2.8	(4.6)	-
<b>Mining Index</b>	<b>100.3</b>	<b>101.5</b>	<b>95.5</b>	<b>101.1</b>	<b>102.9</b>	<b>103.0</b>	<b>103.3</b>
% YoY	3.9	14.0	(3.4)	4.3	(1.4)	(4.1)	4.7
% MoM	(7.6)	1.2	(5.9)	5.9	1.8	0.1	-
<b>Manufacturing Index</b>	<b>132.1</b>	<b>129.3</b>	<b>128.7</b>	<b>133.1</b>	<b>137.0</b>	<b>128.6</b>	<b>128.3</b>
% YoY	4.9	4.2	4.3	5.5	6.2	4.1	4.9
% MoM	3.0	(2.1)	(0.5)	3.4	2.9	(6.1)	-
<b>Electricity Index</b>	<b>120.1</b>	<b>121.4</b>	<b>140.2</b>	<b>121.4</b>	<b>125.8</b>	<b>118.3</b>	<b>120.9</b>
% YoY	(2.4)	(1.2)	15.9	2.6	4.3	2.0	2.1
% MoM	(3.5)	1.1	15.5	(1.9)	3.6	(6.0)	-

Source: Department of Statistics, Malaysia; MIDF Research

**Majority of the sub-manufacturing index declined in November on monthly basis.** On a detailed analysis, we noted that only 49 out of 130 manufacturing subsectors indices recorded month-on-month growth compared to 78 subsectors in the previous month. On this score, the figure was the lowest since February 2015 which saw only 29 manufacturing subsectors recorded month-on-month growth. While this may bring some concern of future manufacturing prospects, the reading in November could be in a seasonal swing mainly influenced by the performance of export oriented manufacturing.

**A rebound is expected in December - driven by improving external trade.** While the weak Ringgit has helped to push our export performance this year, the sustained low commodities prices remain a drag to the mining sector. We would expect the mining sector to continue to register weak performance should the commodities prices remain weak in the future. 

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