

ECONOMIC REVIEW | November 2023 Industrial Production Index

IPI Growth Slowed to +0.6%yoy in Nov-23 Due to Weaker Manufacturing Output

- IPI growth slowed to +0.6%yoy in Nov-23. Malaysia's IPI grew slower at +0.6%yoy in Nov-23 (Oct-23: +2.4%yoy), mainly due to weaker output in the manufacturing sector.
- Manufacturing sales fell sharper in Nov-23. The sales of manufactured goods declined faster at -2.6%yoy, with sharper drops in sales of refined petroleum and E&E products.
- Maintain IPI growth to ease to +1.1% in 2023. We maintain our estimate that the full-year IPI growth will ease to +1.1% in 2023 (2022: +6.7%). We expect IPI to pick up and grow stronger at +3.7% in 2024.

IPI growth slowed to +0.6%yoy in Nov-23. Malaysia's IPI grew slower at +0.6%yoy in Nov-23 (Oct-23: +2.4%yoy), in line with our expectations that output in trade-oriented sectors continued to fall, showing similar trend as weaker exports during the month. The Nov-23 IPI growth was, however, lower than +1.0% growth predicted by market consensus. Given its larger weightage (or 68.3%) in the IPI, the slower IPI growth was mainly due to weaker output in the manufacturing sector (Nov-23: -0.1%yoy; Oct-23: +0.9%yoy), especially a sharper decline in E&E output. In contrast to the marginal drop in manufacturing output, IPI growth in Nov-23 was mainly supported by higher production in the mining sector and electricity. The mining sector sustained the second month of positive output growth albeit slower at +1.9%yoy (Oct-23: +7.4%yoy), backed by increased production of crude and natural gas. Meanwhile, electricity generation grew by +4.2%yoy, growing for the 7th month in a row underpinned by increased energy consumption. Despite the weaker IPI growth in Nov-23, we expect production to improve this year backed by recovering external demand and growing domestic spending.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Aug-23	Sep-23	Oct-23	Nov-23	Aug-23	Sep-23	Oct-23	Nov-23
IPI	1.7	(2.8)	0.3	(0.2)	(0.3)	(0.5)	2.4	0.6
Mining	(6.4)	2.9	9.0	(6.4)	0.1	(5.2)	7.4	1.9
Manufacturing	4.0	(3.3)	(1.7)	1.0	(0.6)	0.4	0.9	(0.1)
Electricity	(0.7)	(0.9)	2.3	(1.0)	1.9	2.3	5.6	4.2

* MoM is seasonally adjusted

Source: Macrobond, DOSM, MIDFR

Small -0.2%mom decline from previous month. Based on the seasonally-adjusted data, Malaysia's IPI fell -0.2%mom in Nov-23, dragged down by weaker output in the mining (-6.4%mom) and electricity (-1.0%mom) sectors. For the mining sector, the weaker IPI was attributable to lower production of crude petroleum and natural gas, compared to the previous month. Nevertheless, the monthly decline was rather small, thanks to the rebound in manufacturing output (+1%mom) following higher production of E&E products and motor vehicles. The improving manufacturing output was as shown by increased manufacturing PMI in Nov-23 which rose to 47.9 from 46.8 in Oct-23. With the PMI highlighting optimism among manufacturers, we expect the recovery in external demand would be positive for the manufacturing goods and commodities. At the same time, energy demand will grow supported by continued growth in domestic spending and business activities.

Table 2: Changes in IPI Major Industries (YoY%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
IPI	4.8	(2.2)	0.7	(0.3)	(0.5)	2.4	0.6
Mining	2.9	(6.4)	4.2	0.1	(5.2)	7.4	1.9
Crude Petroleum	0.6	(4.5)	11.8	(3.3)	(1.4)	7.2	2.1
Natural Gas	4.5	(7.8)	(0.8)	2.6	(7.8)	7.6	1.7
Manufacturing	5.1	(1.6)	(0.2)	(0.6)	0.4	0.9	(0.1)
Food Products	10.3	2.2	3.5	3.9	5.1	6.5	9.6
Refined Petroleum Products	6.1	(10.8)	(10.1)	(7.5)	(7.7)	(4.0)	(1.8)
Chemicals & Chemicals Products	6.1	7.0	7.3	7.7	5.9	6.2	2.6
Rubber Products	(9.7)	(10.1)	(9.0)	(7.3)	(2.7)	(1.4)	(0.5)
Basic Metals	7.2	4.6	2.3	0.4	5.6	2.5	4.3
Electrical & Electronic Products	1.9	(3.6)	(1.6)	(3.5)	(2.0)	(3.9)	(6.8)
Computers & Peripheral Equipment	(6.4)	(10.3)	17.1	13.8	14.9	24.5	26.4
Machinery & Equipment	6.2	(3.0)	(3.9)	(4.8)	(4.9)	(1.8)	3.5
Motor Vehicles, Trailers & Semi-Trailers	16.1	(0.2)	11.9	3.8	2.6	10.6	0.4
Electricity	5.9	2.8	1.5	1.9	2.3	5.6	4.2

Source: Macrobond, MIDFR

Sharper fall in trade-oriented production... In line with the weaker exports, IPI for export-oriented sectors declined sharper at -2.7%yoy in Nov-23 (Oct-23: -1.6%yoy). Sectors which recorded annual declines among others were computer, electronic and optical products, refined petroleum, textiles, electrical equipment and wood & wood products. Chemicals & chemical products, oils & fats and furniture, in contrast, reported positive output growth. The declines generally indicated still sluggish recovery in the external demand. We expect the momentum of recovery to pick up in the coming months, although the growth will not be a very robust rebound. Given signs of stabilisation in regional trade, we expect the recovery this year will at least show a pick-up from the low levels recorded last year.

Table 3: Changes in IPI for Export-Oriented Industries (YoY%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
IPI: Export-Oriented Industries	2.9	(3.9)	(2.7)	(2.6)	(2.0)	(1.6)	(2.7)
Computer, Electronic and Optical Products	0.5	(4.0)	(1.6)	(3.8)	(1.9)	(4.3)	(8.6)
Electrical Equipment	7.6	(0.3)	0.7	0.4	(0.3)	(2.5)	(1.0)
Chemicals and Chemical Products	6.1	7.0	7.3	7.7	5.9	6.2	2.5
Coke and Refined Petroleum Products	6.1	(10.8)	(10.1)	(7.5)	(7.7)	(4.0)	(1.8)
Vegetable & animal oils & fats	13.0	(3.7)	(2.3)	0.9	0.4	2.7	7.8
Textiles	(1.0)	(5.9)	(6.3)	(5.1)	(6.8)	(5.9)	(4.8)
Wearing Apparel	10.2	13.1	8.2	3.9	4.7	6.2	3.3
Wood and Wood Products	(1.4)	(3.8)	(3.3)	(1.2)	(3.8)	1.7	(1.9)
Furniture	0.2	(4.7)	(3.9)	(3.5)	(6.1)	4.8	5.2
Rubber Products	(9.7)	(10.1)	(9.0)	(7.3)	(2.7)	(1.4)	(0.5)

Source: DOSM, MIDFR

...vs. continued rise in domestic-oriented output. Output for domestic-oriented sectors, in contrast, continued to grow albeit slower at +5.8 in Nov-23 (Oct-23: +6.7%yoy), growing for the 7th consecutive month. In particular, production for the construction-related sectors grew stronger at +7.1%yoy (Oct-23: +5.6%yoy) driven by stronger output of fabricated metal, iron & steel and non-metallic minerals. Consumer-oriented sectors, however, recorded more moderate output growth (Nov-23: +5%yoy; Oct-23: +6.8%yoy) as stronger food output

was offset by moderate output growth for motor vehicles, transport equipment and beverages. With retail spending continued to grow, we foresee domestic-oriented companies will continue to increase their production this year.

Table 4: Changes in IPI for Domestic-Oriented Industries (YoY%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
IPI: Domestic-Oriented Industries	10.1	4.2	6.0	4.2	5.8	6.7	5.8
Construction (CO)	8.1	5.2	4.4	4.0	7.8	5.6	7.1
CO: Non Metallic Mineral	3.7	3.5	3.0	3.4	8.0	6.6	6.9
CO: Iron and Steel	7.2	4.6	2.3	0.4	5.6	2.5	4.3
CO: Fabricated Metal	11.9	6.7	6.9	7.2	9.0	6.8	8.9
Consumer (CS)	11.1	3.6	6.7	4.3	4.8	7.4	5.0
CS: Food Products	8.7	5.8	7.0	5.7	8.2	9.4	10.8
CS: Motor Vehicles, Trailers and Semi-Trailers	16.1	(0.2)	11.9	3.8	2.6	10.6	0.4
CS: Other Transport Equipment	7.2	6.8	3.9	2.2	1.9	1.7	2.0
CS: Beverages	11.1	1.7	1.9	0.2	0.6	5.0	4.3
CS: Tobacco Products	36.2	19.9	17.2	12.1	12.5	10.0	3.8
CS: Paper and Paper Products	6.9	2.0	1.7	3.3	3.4	4.7	8.1
CS: Others	8.5	0.9	1.1	0.5	0.7	3.7	2.8

Source: DOSM, MIDFR

Manufacturing sales fell sharper in Nov-23. The sales of manufactured goods declined faster at -2.6%yoy. The decline marked the 6th consecutive month of contraction, but not as fast as -4%yoy in Jun-23. Sharper drops were recorded in sales of refined petroleum and E&E products. In addition, sales growth for consumer electronics moderated to a marginal growth of +0.2%yoy, the slowest growth in 7 months. Sales growth for motor vehicles also moderated but still robust at +10.9%yoy. In contrast, products which recorded stronger sales in Nov-23 were (i) computers & peripherals equipment and (ii) iron & steel products. Compared to previous month, manufacturing sales fell further by -0.2%mom (Oct-23: -1.5%mom) based on seasonally-adjusted data, due to weaker production in various products such as E&E, computers & peripherals, consumer electronics and refined petroleum. Sales of motor vehicles and iron & steel, on the other hand, recorded positive monthly growth from Oct-23. We expect the performance of manufacturing sales to also improve in line with the recovery in external trade, while products like iron & steel and motor vehicles will continue to grow by underpinned by increased demand from the local front.

Table 5: Manufacturing Sales (YoY%)

	MoM%			YoY%		
	Sep-23	Oct-23	Nov-23	Sep-23	Oct-23	Nov-23
Manufacturing Sales ¹	3.7	(0.7)	(1.1)	(2.4)	(1.4)	(2.6)
<i>Seasonally-adjusted month-on-month change (%)</i>	<i>1.1</i>	<i>(1.5)</i>	<i>(0.2)</i>	-	-	-
Refined Petroleum Products	(3.6)	1.8	(6.7)	(21.6)	(18.4)	(20.0)
Chemicals and Chemical Products	(5.9)	(1.9)	2.4	1.2	3.6	(0.5)
Rubber Gloves	4.4	2.6	(4.4)	(2.6)	(2.1)	(1.3)
Iron & Steel Products	23.9	(1.7)	5.9	5.0	4.6	9.9
Diodes, Transistor & Electronic Integrated Circuits Mic	7.5	(9.1)	(10.8)	(5.6)	(10.8)	(13.9)
Electrical Capacitor Resistor, Circuit Board & Display Comp	10.0	(9.7)	(2.7)	(7.5)	(5.6)	(12.7)
Computers & Peripherals Equipment	(34.7)	42.3	(7.7)	7.8	4.3	5.0
Consumer Electronics	14.1	(12.9)	(1.2)	5.4	6.7	0.2
Motor Vehicles	13.2	19.7	16.6	11.1	24.3	10.9

Source: Macrobond, DOSM, MIDFR

Global production looked mixed in Nov-23. IPI performance in selected countries was mixed in Nov-23. Global manufacturing activities still contracted although the global manufacturing PMI increased to 49.3 in Nov-23 (Oct-23: 48.8). In the US, IPI fell slower at -0.4%yoy, but the decline was due to lower output in the manufacturing and utilities sectors. In Taiwan and Japan, IPI weakened and fell sharper due to reduced output in the electronics sector (and motor vehicles for Japan). Thailand also recorded sharper IPI decline during the month. Meanwhile, IPI growth remained positive but moderated in Singapore, influenced by lower output in the biomedical manufacturing and precision engineering sub-sectors. South Korea and the Philippines, on the other hand, reported stronger IPI growth. For South Korea, the growth was from stronger chip production, while in the Philippines improvements were recorded in beverages, transport equipment, and chemical products. The situation may no change much in Dec-23 as the global manufacturing PMI fell to 49.0, but we noticed PMI surveys for several countries reported stabilization in demand from overseas and export markets. Although the recovery may be modest and not too robust, we expect production activities will recover and improve this year, supported by recovery in the external trade, turnaround in the E&E market, and pick-up in the global manufacturing activities.

Table 6: IPI for Selected Economies (YoY%)

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Malaysia	(3.2)	4.8	(2.2)	0.7	(0.3)	(0.5)	2.4	0.6
Philippines	9.4	7.9	2.2	3.5	7.5	10.1	1.1	2.2
Thailand	(8.7)	(3.0)	(5.0)	(4.7)	(7.7)	(6.3)	(4.3)	(4.7)
Singapore	(6.2)	(10.4)	(6.1)	(0.4)	(12.8)	(1.0)	7.6	1.0
S. Korea	(9.1)	(7.6)	(6.0)	(8.1)	(0.8)	3.0	0.9	5.3
Taiwan	(22.6)	(15.7)	(17.2)	(15.5)	(10.8)	(6.9)	(2.3)	(2.5)
India	4.6	5.7	3.8	6.0	10.3	6.2	11.7	n.a.
Japan	(0.7)	4.2	0.0	(2.3)	(4.4)	(4.4)	1.1	(1.4)
Euro area	(0.1)	(2.6)	(1.6)	(2.1)	(5.4)	(6.3)	(5.7)	n.a.
USA	0.3	0.1	(0.4)	0.1	(0.0)	(0.2)	(1.0)	(0.4)

*n.a.: not available

Source: Macrobond, MIDFR


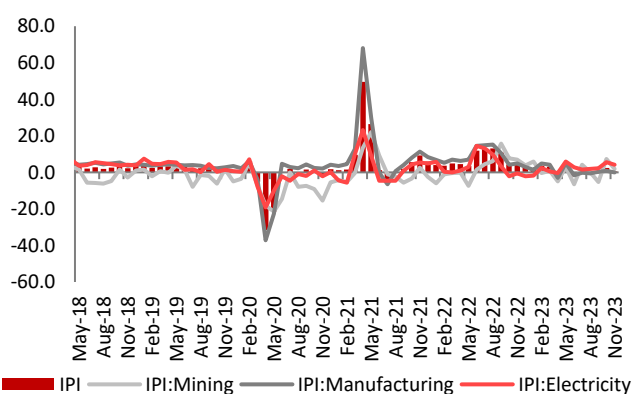
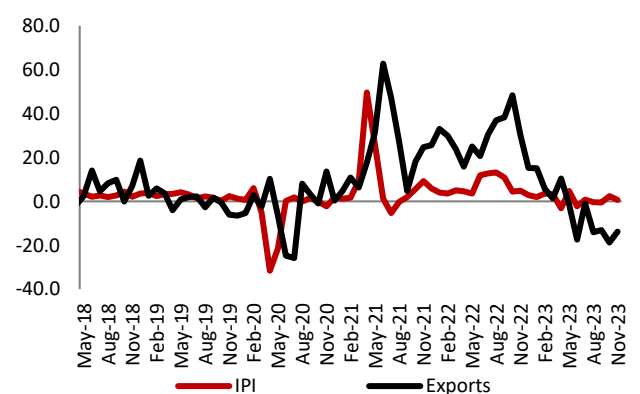
Maintain IPI growth to ease to +1.1% in 2023. Given the Nov-23 IPI came in close to our expectations, we maintain our estimate that the full-year IPI growth will ease to +1.1% in 2023 (2022: +6.7%). Going forward, we foresee recovering external demand and global manufacturing activities will result in stronger production. Together with the continued growth in domestic demand, we expect IPI to pick up and grow stronger at +3.7% in 2024. Nevertheless, outlook for production may be constrained by uncertainties in the external trade recovery, given the rise in geopolitical risks and anticipated slowdown in final demand from the advanced economies, because of the high borrowing costs. 

Chart 1: IPI Performance by Sector (YoY%)



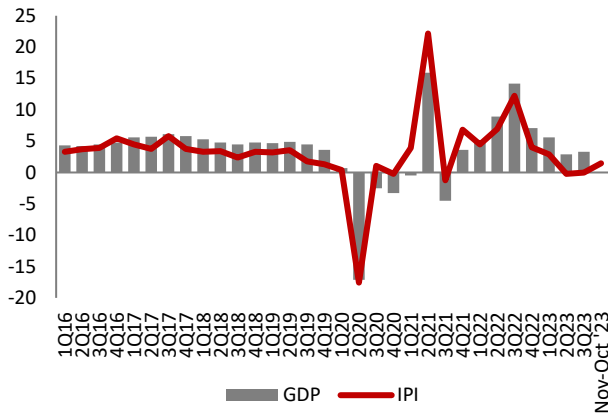
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



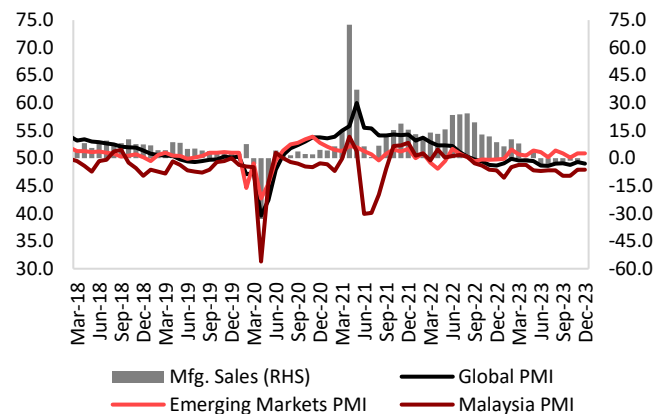
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



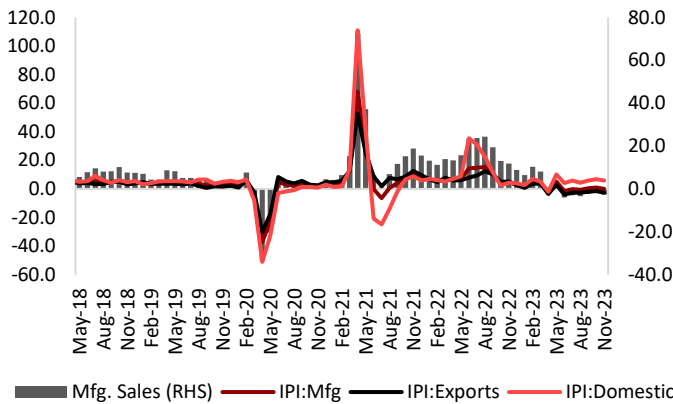
Source: Macrobond, MIDFR

Chart 4: Mfg. Sales (YoY%) vs PMI (Points)



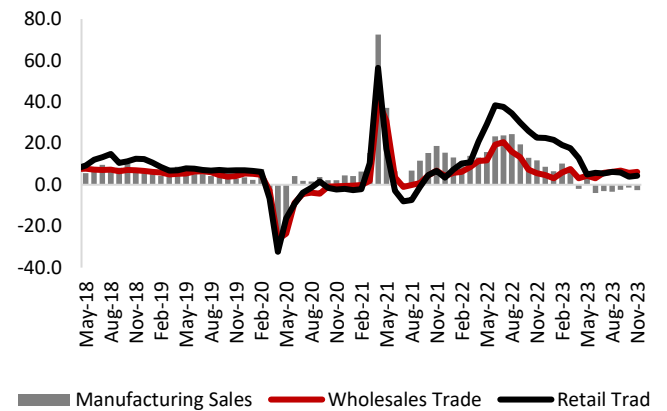
Source: Macrobond, Bloomberg, MIDFR

Chart 5: IPI & Mfg. Sales (YoY%)



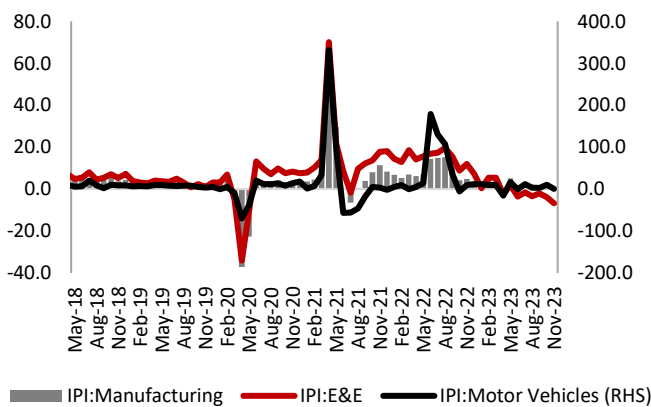
Source: Macrobond, DOSM, MIDFR

Chart 6: Mfg. Sales vs. Wholesale & Retail Trade (YoY%)



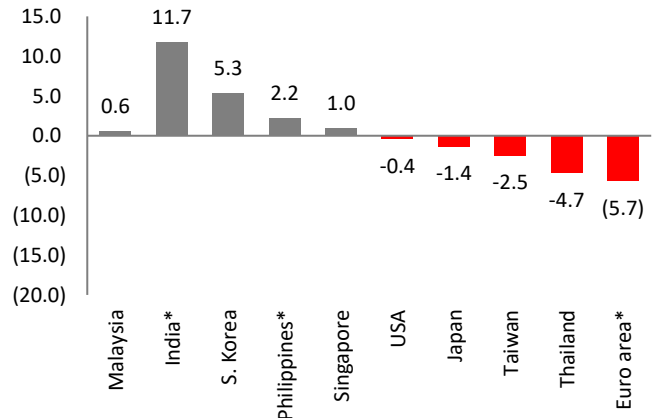
Source: Macrobond, MIDFR

Chart 7: IPI: Mfg. vs IPI: Motor Vehicles & IPI:E&E (YoY%)



Source: Macrobond, DOSM, MIDFR

Chart 8: Global IPI in Nov-23 (YoY%)



* refers to latest available data for Oct-23

Source: Macrobond, MIDFR

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