

ECONOMIC REVIEW | April 2024 Industrial Production Index

IPI Grew Faster in Apr-24 Underpinned by Stronger Manufacturing and Mining Output

- *IPI growth accelerated to +6.1%yoy in Apr-24. Malaysia's IPI grew faster at +6.1%yoy in Apr-24 (Mar-24: +2.4%yoy), driven by increased output in the mining (+10%yoy) and manufacturing (+4.9%yoy) industries.*
- *Manufacturing sales expanded stronger at +5.7%yoy. Sales of manufacturing goods also expanded faster at +5.7%yoy in Apr-24, sustaining positive sales growth for the 4th straight month underpinned by increased demand for among others motor vehicles; computers & peripheral equipment; and iron & steel products.*
- *Maintain our forecast for 2024 IPI growth at +3.7%. We maintain our projection that Malaysia's IPI will grow stronger at +3.7% this year (2023: +1.1%) as companies will increase production in view of growing demand from both domestic and external front.*

IPI growth accelerated to +6.1%yoy in Apr-24. Malaysia's IPI grew faster at +6.1%yoy in Apr-24 (Mar-24: +2.4%yoy). Although the pace of growth was the strongest since Sep-22, it was marginally lower than our and market expectations. Nevertheless, the stronger growth rate was in line with the pick-up in export growth in Apr-24. By major sector, the stronger IPI growth was driven by faster output growth in the mining (+10%yoy) and manufacturing (+4.9%yoy) industries. The increased mining output was driven by a surge in LNG production (+14.9%yoy) and a rebound in crude petroleum output (+3.5%yoy). Meanwhile, manufacturing output was stronger for most products (such as chemicals, computers, foods, refined petroleum and motor vehicles) except E&E products, which fell by -0.8%yoy after 3 months of growth. On another note, although the growth in electricity generation moderated to +7.6%yoy, the positive growth continued to indicate growing electricity consumption. Overall, the stronger IPI growth in Apr-24 was also attributable to the lower base effect. Consequently, the improved growth momentum pushed the IPI growth to +3.9%yoy in 4MCY24. We expect the positive IPI growth to continue the back of growing domestic and external demand.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Jan-24	Feb-24	Mar-24	Apr-24	Jan-24	Feb-24	Mar-24	Apr-24
IPI	2.6	1.3	(0.1)	(0.3)	4.3	3.1	2.4	6.1
Mining	(0.1)	1.9	(1.8)	2.1	5.0	8.1	4.9	10.0
Manufacturing	3.3	0.9	0.3	(0.7)	3.7	1.2	1.3	4.9
Electricity	2.9	4.7	(2.4)	(1.3)	8.3	10.9	8.5	7.6

* MoM is seasonally adjusted

Source: Macrobond, DOSM, MIDFR

IPI fell further by -0.3%mom from Mar-24. Against the previous month, Malaysia's IPI recorded another monthly decline of -0.3%mom in Apr-24 (Mar-24: -0.1%mom) as shown by the seasonally adjusted data. The lower growth reflected mainly the decreased output in the manufacturing sector and electricity generation, which fell at -0.7%mom and -1.3%mom, respectively. The declines in these 2 sectors more than offset the rebound in mining sector output which grew by +2.1%mom in Apr-24. We opine the weaker manufacturing output was generally in line with the manufacturing PMI reading which remained below 50 despite rising to 49.0 in Apr-24 (Mar-24: 48.4). With the PMI improved further to 50.2 in May-24, we expect local production will continue to grow on the back of improving global trade and manufacturing activities.

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

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
IPI	0.4	(0.0)	4.3	3.1	2.4	6.1
Mining	1.2	4.1	5.0	8.1	4.9	10.0
Crude Petroleum	(0.2)	1.6	2.6	2.5	(0.7)	3.5
Natural Gas	2.3	5.9	6.6	11.9	8.9	14.9
Manufacturing	(0.1)	(1.4)	3.7	1.2	1.3	4.9
Food Products	9.6	5.6	4.4	(3.7)	(2.8)	4.5
Refined Petroleum Products	(1.8)	(4.6)	(3.0)	2.2	1.9	5.9
Chemicals & Chemicals Products	2.6	(1.1)	6.1	(2.8)	(4.0)	5.0
Rubber Products	(0.5)	(4.0)	8.5	6.4	2.6	7.7
Basic Metals	4.3	1.1	2.6	1.4	2.2	7.0
Electrical & Electronic Products	(6.8)	(6.7)	0.9	0.3	1.4	(0.8)
Computers & Peripheral Equipment	26.4	9.3	13.7	6.5	17.2	17.0
Machinery & Equipment	3.5	(1.6)	4.1	2.9	1.5	4.7
Motor Vehicles, Trailers & Semi-Trailers	0.4	(2.5)	12.1	2.9	(10.0)	20.2
Electricity	3.5	4.1	8.3	10.9	8.5	7.6

Source: Macrobond, MIDFR

Export-oriented IPI rose stronger at +2.6%yoy... The pick-up in overall IPI growth in Apr-24 was supported by higher output growth in the export-oriented sectors, which strengthened to +2.6%yoy (Mar-24: +0.5%yoy). Although output for E&E declined, positive growth was recorded in other non-E&E sectors such as among others furniture, rubber products, chemicals, petroleum products, textiles, and oils & fats. We maintain our expectation that production of export products to continue growing, benefiting from the external demand recovery.

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

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
IPI: Export-Oriented Industries	(2.7)	(4.1)	1.6	(0.2)	0.5	2.6
Computer, Electronic and Optical Products	(8.6)	(7.2)	0.4	0.3	2.0	(1.4)
Electrical Equipment	(1.0)	(7.6)	1.4	(2.2)	(3.0)	(1.7)
Chemicals and Chemical Products	2.5	(1.1)	6.1	(2.8)	(4.0)	5.0
Coke and Refined Petroleum Products	(1.8)	(4.6)	(3.0)	2.2	1.9	5.9
Vegetable & animal oils & fats	7.8	4.7	(2.6)	(13.5)	(13.3)	2.7
Textiles	(4.8)	(6.1)	0.6	0.1	1.4	4.8
Wearing Apparel	3.3	(2.2)	1.5	(6.7)	7.7	4.3
Wood and Wood Products	(1.9)	(3.0)	0.7	(4.4)	2.6	4.7
Furniture	5.2	8.5	10.7	6.6	12.6	13.1
Rubber Products	(0.5)	(4.0)	8.5	6.3	2.6	7.7

Source: DOSM, MIDFR

...and production of domestic-oriented products also expanded faster at +9.5%yoy. Similarly, domestic-oriented sectors recorded faster IPI growth of +9.5%yoy, the strongest growth in 11 months. IPI for the construction-related segment grew faster at +10.7%yoy, with double-digit growth in output of fabricated metals (+12.8%yoy) and non-metallic minerals (+11.2%yoy). Meanwhile, output of consumer-oriented sectors also accelerated to +8.9%yoy, driven by increased output of motor vehicles, tobacco products, F&B products and transport equipment. We foresee the production of domestic-oriented products will grow further in line with the increased business and consumer spending.

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

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
IPI: Domestic-Oriented Industries	5.8	4.2	8.0	4.1	3.1	9.5
Construction (CO)	7.1	6.0	7.9	5.4	7.5	10.7
CO: Non Metallic Mineral	6.9	5.3	6.6	5.1	7.6	11.2
CO: Iron and Steel	4.3	1.1	2.6	1.4	2.2	7.0
CO: Fabricated Metal	8.9	9.7	11.9	8.4	11.1	12.8
Consumer (CS)	5.0	3.1	8.1	3.3	0.5	8.9
CS: Food Products	10.8	6.2	8.5	2.1	4.2	5.5
CS: Motor Vehicles, Trailers and Semi-Trailers	0.4	(2.5)	12.1	2.9	(10.0)	20.2
CS: Other Transport Equipment	2.0	(0.4)	5.2	4.2	2.8	3.6
CS: Beverages	4.3	6.7	7.2	3.7	6.2	5.6
CS: Tobacco Products	3.8	4.9	4.2	10.6	8.5	9.2
CS: Paper and Paper Products	8.1	5.8	6.9	3.6	0.7	3.4
CS: Others	2.8	6.1	1.9	1.4	3.8	5.2

Source: DOSM, MIDFR

Manufacturing sales expanded stronger at +5.7%yoy. Sales of manufacturing goods expanded faster at +5.7%yoy in Apr-24, sustaining sales growth for the 4th straight month. The increase in manufacturing sales was attributable to higher sales of motor vehicles; computers & peripheral equipment; iron & steel products; chemical products; and rubber gloves. However, sales for refined petroleum, consumer electronics and electrical components fell further during the month. On the month-on-month basis, the seasonal-adjusted data indicated the sales performance in Apr-24 increased +1.0%mom from Mar-24, with increases recorded in computer & peripheral equipment, refined petroleum, and rubber gloves. We expect manufacturing sales will grow in the coming months in line with growing consumer demand in the domestic markets and continue recovery in overseas demand.

Table 5: Manufacturing Sales (YoY%)

	MoM%			YoY%		
	Feb-24	Mar-24	Apr-24	Feb-24	Mar-24	Apr-24
Manufacturing Sales	(4.3)	8.4	(3.3)	0.7	1.4	5.7
<i>Seasonally-adjusted month-on-month change (%)</i>	<i>3.6</i>	<i>1.0</i>	<i>1.1</i>	<i>-</i>	<i>-</i>	<i>-</i>
Refined Petroleum Products	(11.5)	6.1	6.1	(8.8)	(6.7)	(5.2)
Chemicals and Chemical Products	(9.1)	5.5	(3.0)	(2.6)	(3.0)	9.9
Rubber Gloves	(7.9)	43.4	0.8	7.4	2.6	6.6
Iron & Steel Products	5.3	6.0	(10.8)	7.9	7.7	14.7
Diodes, Transistor & Electronic Integrated Circuits Mic	14.5	25.2	(26.4)	(2.8)	2.3	2.2
Electrical Capacitor Resistor, Circuit Board & Display Comp	17.8	11.8	(18.6)	(10.1)	(7.8)	(11.3)
Computers & Peripherals Equipment	11.9	(2.1)	35.0	17.8	25.3	29.4
Consumer Electronics	2.6	9.0	(16.5)	(0.3)	(8.9)	(9.6)
Motor Vehicles	(17.5)	(4.4)	(6.2)	19.6	0.8	43.0

Source: Macrobond, DOSM, MIDFR

Global IPI more encouraging in Apr-24. IPI trends across economies were more encouraging in Apr-24, in line with the global manufacturing PMI which remained above 50 and indicated expanding activities for the third straight month. In Production activities were generally stronger in the East Asian economies. Like Malaysia, Taiwan and South Korea recorded faster IPI growth at +14.6%yoy and +6.1%yoy, respectively, underpinned by pick-up in manufacturing output on the back of sustained growth in exports. In the Philippines, IPI growth rebounded to +5.9%yoy, with double-digit surge in electrical equipment, fabricated metal, textiles and paper &

paper products. Similarly, Thailand’s IPI growth rebounded to +3.4%yooy, marking the first expansion in 19 months following rebounds in production of rubber & plastic products, computers & peripherals, foods and apparels. In contrast, IPI the advanced economies weakened in Apr-24. In Japan and Singapore, IPI dropped further albeit at slower pace of -1%yooy and -1.6%, respectively, with declines in ICT and electronics equipment. Meanwhile, industrial production in the US contracted marginally by -0.4%yooy due to reduced output in the manufacturing and mining sectors. We continue to expect global production to pick up this year driven by recovering global trade, restocking of inventories and materials in anticipation of growing demand.

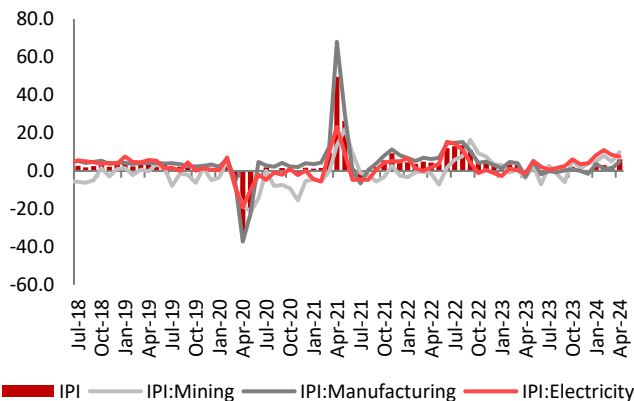
Table 6: IPI for Selected Economies (YoY%)

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Malaysia	(0.6)	2.1	0.4	0.0	4.3	3.1	2.4	6.1
Philippines	9.2	0.7	2.1	2.2	(2.2)	1.4	(6.8)	5.9
Thailand	(5.9)	(2.5)	(1.5)	(4.7)	(2.9)	(2.8)	(4.9)	3.4
Singapore	(1.2)	6.8	0.1	(1.6)	0.7	4.5	(9.2)	(1.6)
S. Korea	4.8	2.0	6.1	6.3	12.9	4.6	1.0	6.1
Taiwan	(6.9)	(2.2)	(1.8)	(3.9)	15.6	(1.3)	4.2	14.6
India	6.4	11.9	2.5	4.2	4.1	5.7	4.9	n.a.
Japan	(4.5)	0.9	(1.6)	(1.1)	(1.5)	(3.9)	(6.2)	(1.0)
Euro area	(6.8)	(6.2)	(5.2)	0.2	(6.5)	(6.3)	(1.0)	n.a.
USA	(0.2)	(0.8)	(0.2)	1.1	(0.7)	0.1	0.1	(0.4)

*n.a.: not available
Source: Macrobond, MIDFR

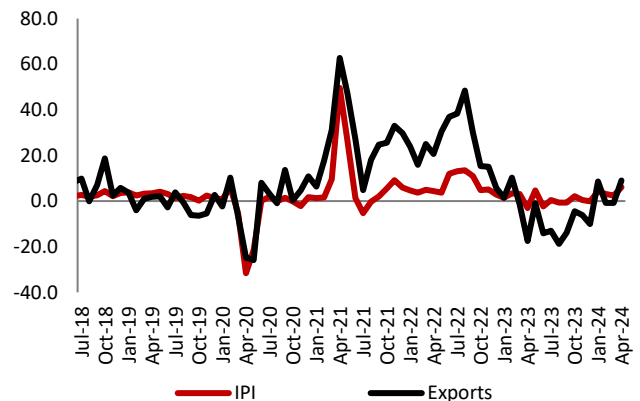
Maintain our forecast for 2024 IPI growth at +3.7%. We maintain our projection that Malaysia’s IPI will grow stronger at +3.7% this year (2023: +1.1%). We expect companies will increase production this year in view of growing demand from both domestic and external front, in line with the external trade recovery and growing domestic spending activities. Nevertheless, several downside risks could still constrain production activities in the coming months, such as weaker growth prospects in major trading partners (e.g. China and the US), heightened inflationary pressures and potential disruptions to global trade and supply from the heightened geopolitical and trade tensions. 📈

Chart 1: IPI Performance by Sector (YoY%)



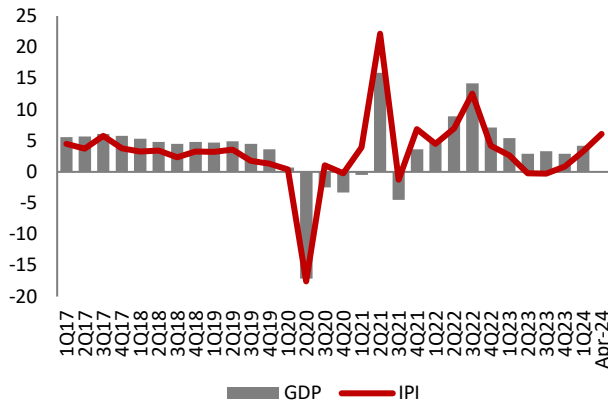
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



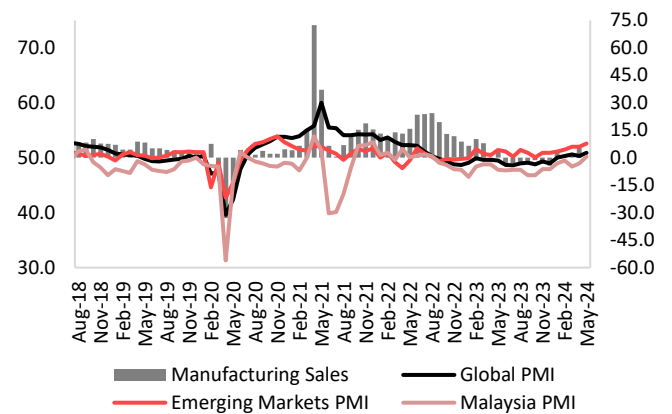
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



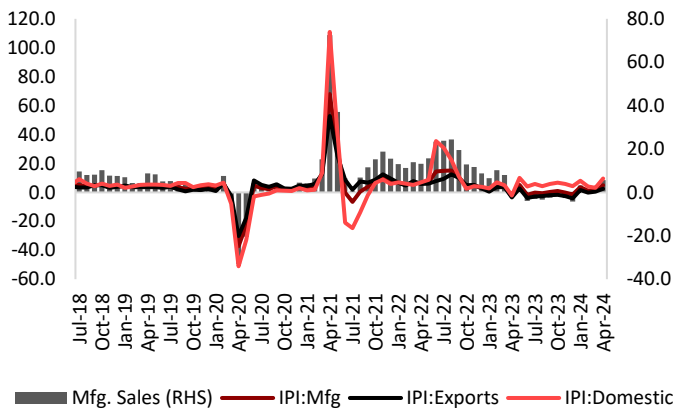
Source: Macrobond, MIDFR

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



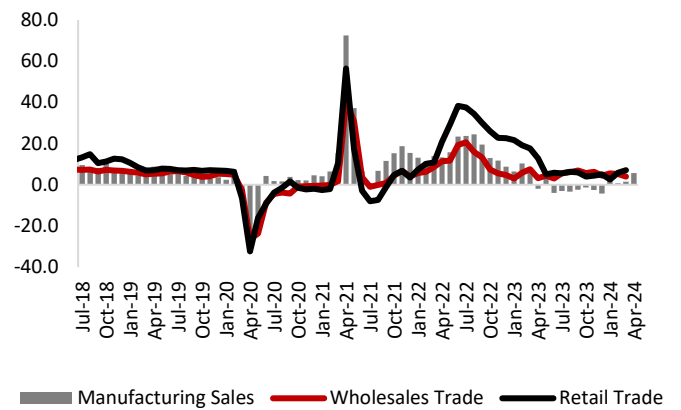
Source: Macrobond, Bloomberg, MIDFR

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



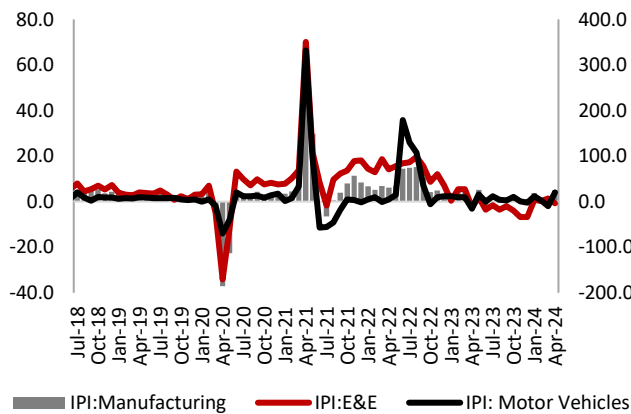
Source: Macrobond, DOSM, MIDFR

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



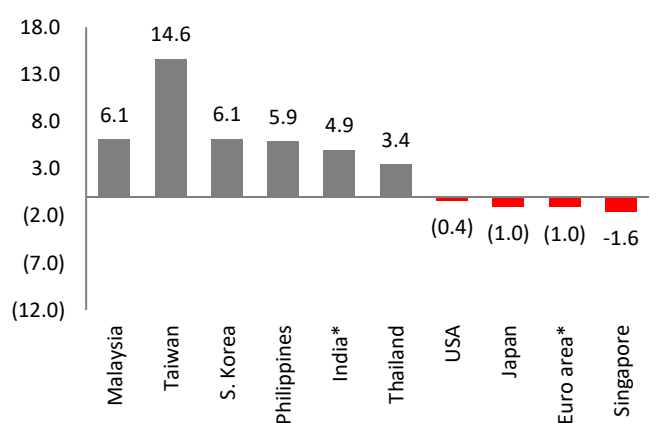
Source: Macrobond, MIDFR

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



Source: Macrobond, DOSM, MIDFR

Chart 8: Global IPI in Apr-24 (YoY%)



* refers to the latest available data for Mar-24
Source: Macrobond, MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad
197501002077 (23878-X).**

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.