12 August 2024

ECONOMIC REVIEW | June 2024 Industrial Production Index

IPI Growth More Robust in Jun-24 Lifted by Manufacturing and Mining Output

- *IPI growth increased to +5.0%yoy in Jun-24. Malaysia's IPI growth accelerated to +5.0%yoy in Jun-24 (May-24: +2.4%yoy), continuing its expansion since rebounding in the final quarter of last year. The pace of growth exceeded market expectations of +4.7%yoy.*
- *Manufacturing sales grew faster at +5.9%yoy. Sales of manufacturing goods sustained the 6th month of growth since Jan-24, growing faster at +5.9%yoy in Jun-24 which was the fastest growth since Mar-23. Sales of refined petroleum rebounded to +1.6%yoy, marking the first growth after 12 months of declines.*
- *Maintain 2024 IPI growth forecast at +4.2%. As production activities strengthened in 2QCY24, we keep our projection that IPI growth will accelerate to +4.2% this year (2023: +0.7%). We continue to expect the recovery in external demand will support production of various export products, including E&E products.*

IPI growth increased to +5.0%yoy in Jun-24. Malaysia's IPI growth accelerated to +5.0%yoy in Jun-24 (May-24: +2.4%yoy), continuing its expansion since rebounding in the final quarter of last year. The pace of growth exceeded market expectations of +4.7%yoy. By major sector, mining production rebounded to grow by +4.9%yoy (May-24: -6.9%yoy), supported by stronger crude petroleum (+3.5%yoy) and natural gas (+6.0%yoy) output. Meanwhile, manufacturing output surged +5.2%yoy (May-24: +4.6%yoy), the fastest pace of growth in its current 6-month expansionary sequence, driven by the rebound in refined petroleum productions and continued expansion of E&E-related productions. Electricity generation saw growth moderated to +3.5%yoy, reflecting steady electricity consumption. The faster expansion in IPI suggests an upbeat momentum in the economy, with the index registering positive growth throughout 1HCY24. Average IPI growth in 1HCY24 was relatively stronger at +3.9%yoy compared to +1.2%yoy in 1HCY23. The stronger GDP growth in 2QCY24 was also underpinned by stronger industrial production (2QCY24: +4.5%yoy; 1QCY24: +3.3%yoy), particularly due to stronger manufacturing output (2QCY24: +4.9%yoy; 1QCY24: +2.1%yoy).

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Mar-24	Apr-24	May-24	Jun-24	Mar-24	Apr-24	May-24	Jun-24
IPI	(0.1)	(0.3)	1.7	0.7	2.4	6.1	2.4	5.0
Mining	(1.8)	2.1	(12.1)	7.7	4.9	10.0	(6.9)	4.9
Manufacturing	0.3	(0.7)	5.7	(1.4)	1.3	4.9	4.6	5.2
Electricity	(2.5)	(0.9)	2.4	(1.8)	8.5	8.1	4.5	3.5

* MoM is seasonally adjusted
Source: Macrobond, DOSM, MIDFR

IPI continued its growth, increasing by +0.7%mom in Jun-24. On a month-on-month basis, Malaysia's IPI continued to expand, growing by +0.7%mom in Jun-24, as shown by seasonally-adjusted data. The monthly growth was driven by a significant rebound in mining output (+7.7%mom) after a sharp decline in the previous month, alongside continued growth in manufacturing output (+1.4%mom). However, electricity generation saw a decline of -1.8%mom. The improved IPI was despite the slight decrease in S&P Global Manufacturing PMI to 49.7 (Jun-24: 49.9), contracting for the second consecutive month. Due to weaker domestic demand, new orders eased on July 24, the first time in 3 months. Manufacturers optimism, however, rose to a 4-month high.

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

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
IPI	4.3	3.1	2.4	6.1	2.4	5.0
Mining	5.0	8.1	4.9	10.0	(6.9)	4.9
Crude Petroleum	2.6	2.5	(0.7)	3.5	(1.9)	3.4
Natural Gas	6.6	11.9	8.9	14.9	(10.3)	6.0
Manufacturing	3.7	1.2	1.3	4.9	4.6	5.2
Food Products	4.4	(3.7)	(2.8)	4.5	4.5	6.4
Refined Petroleum Products	(3.0)	2.2	1.9	5.9	(5.5)	12.5
Chemicals & Chemicals Products	6.1	(2.8)	(4.0)	5.0	2.7	2.1
Rubber Products	8.5	6.4	2.6	7.7	6.2	5.9
Basic Metals	2.6	1.4	2.2	7.0	5.4	8.0
Electrical & Electronic Products	0.9	0.3	1.4	(0.8)	6.9	3.7
Computers & Peripheral Equipment	13.7	6.5	17.2	17.0	13.6	14.9
Machinery & Equipment	4.1	2.9	1.5	4.7	2.5	4.0
Motor Vehicles, Trailers & Semi-Trailers	12.1	2.9	(10.0)	20.2	10.3	(10.7)
Electricity	8.3	10.9	8.5	8.1	4.5	3.5

Source: Macrobond, MIDFR

Export-oriented IPI growth accelerated to +5.4%yoy in Jun-24… export-oriented industries continued to underpin IPI expansion. The IPI for export-oriented sectors grew faster at +5.4%yoy (May-24: +3.7%yoy), with a rebound in refined petroleum products and faster output growth for vegetable & animal oils & fats and wood products. This aligned with the improvement in Malaysia's exports, which have maintained positive growth in recent months. The sustained growth in the production of computer, electronic components and optical products also signals growing external demand for manufactured goods, despite the slower export growth in Jun-24. With external demand expected to continue growing, we believe the production of export products will generally remain the key driver to IPI growth in the coming months.

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

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
IPI: Export-Oriented Industries	**1.6**	**(0.2)**	**0.5**	**2.6**	**3.7**	**5.4**
Computer, Electronic and Optical Products	0.4	0.3	2.0	(1.4)	8.4	4.9
Electrical Equipment	1.4	(2.2)	(3.0)	(1.7)	1.0	(5.3)
Chemicals and Chemical Products	6.1	(2.8)	(4.0)	5.0	2.7	2.1
Coke and Refined Petroleum Products	(3.0)	2.2	1.9	5.9	(5.5)	12.5
Vegetable & animal oils & fats	(2.6)	(13.5)	(13.3)	2.7	4.8	11.0
Textiles	0.6	0.1	1.4	4.8	8.0	6.6
Wearing Apparel	1.5	(6.7)	7.7	4.3	2.1	(1.1)
Wood and Wood Products	0.7	(4.4)	2.6	4.7	1.8	5.1
Furniture	10.7	6.6	12.6	13.1	5.9	4.4
Rubber Products	8.5	6.4	2.6	7.7	6.2	5.9

Source: DOSM, MIDFR

…while output growth for domestic-oriented sectors moderated to +4.6%yoy Despite extending output growth for the 14th consecutive month since May-23, IPI growth for the domestic-oriented sectors moderated to +4.6%yoy in Jun-24 (May-24: +6.4%yoy). For the construction-related sector, output growth picked up to +10.3%yoy in Jun-24, particularly due to stronger output of fabricated metals and iron & steel. Meanwhile, output of consumer-oriented products grew slower at +1.6%yoy (May-24: +6.1%yoy) dragged down by decline in production of motor vehicles, while other consumer products registered sustained growth during the month. We anticipate that growing domestic demand will continue to drive increased output of domestic-oriented sectors. In particular, the strong growth in construction sector will drive demand and production of construction-related materials.

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

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
IPI: Domestic-Oriented Industries	**8.0**	**4.1**	**3.1**	**9.5**	**6.4**	**4.6**
Construction (CO)	7.9	5.4	7.5	10.7	7.1	10.3
CO: Non Metallic Mineral	6.6	5.1	7.6	11.3	9.8	8.9
CO: Iron and Steel	2.6	1.4	2.2	7.0	5.4	8.0
CO: Fabricated Metal	11.9	8.4	11.0	12.8	6.5	12.6
Consumer (CS)	8.1	3.3	0.5	8.9	6.1	1.6
CS: Food Products	8.5	2.1	4.2	5.4	4.3	3.9
CS: Motor Vehicles, Trailers and Semi-Trailers	12.1	2.9	(10.0)	20.2	10.3	(10.7)
CS: Other Transport Equipment	5.2	4.2	2.8	3.6	6.6	4.1
CS: Beverages	7.2	3.7	6.2	5.6	4.7	7.9
CS: Tobacco Products	4.2	10.6	8.5	9.2	7.3	18.8
CS: Paper and Paper Products	6.9	3.6	0.8	3.4	1.2	3.5
CS: Others	1.9	1.4	3.8	5.2	2.5	5.9

Source: DOSM, MIDFR

Manufacturing sales grew faster at +5.9%yoy. Sales of manufacturing goods sustained the 6th month of growth since Jan-24, growing faster at +5.9%yoy in Jun-24 which was the fastest growth since Mar-23. This was generally supportive of the growing domestic and external demand for manufactured goods. Sales of refined petroleum recovered and rebounded to +1.6%yoy, the first annual growth after 12 months of declines. Computers & peripheral equipment and consumer electronics also recorded stronger sales growth, and the sustained growth in electronic components and ICs supported the recovery in E&E exports. However, sales of motor vehicles and electrical components fell during the month. From the month-on-month perspective, the seasonal-adjusted data indicated the manufacturing sales were -2.3%mom weaker than May-24 with declines in sales of various products such as iron & steel, rubber gloves and chemical products. We remain sanguine that sales of manufactured goods will continue to grow in line with the pick up in external demand and growing domestic consumption.

Table 5: Manufacturing Sales (YoY%)

	MoM%			YoY%		
	Apr-24	May-24	Jun-24	Apr-24	May-24	Jun-24
Manufacturing Sales	**(3.3)**	**1.1**	**0.8**	**5.7**	**5.5**	**5.9**
Seasonally-adjusted month-on-month change (%)	*1.1*	*2.3*	*(2.3)*	-	-	-
Refined Petroleum Products	6.1	(6.5)	21.1	(5.2)	(17.6)	1.6
Chemicals and Chemical Products	(3.0)	(1.5)	(2.0)	9.9	3.8	3.4
Rubber Gloves	0.8	(7.3)	(4.5)	6.6	4.4	4.3
Iron & Steel Products	(10.8)	(13.8)	(6.4)	14.7	11.0	7.3
Diodes, Transistor & Electronic Integrated Circuits Mic	(26.4)	13.1	10.6	2.2	11.7	5.4
Electrical Capacitor Resistor, Circuit Board & Display Comp	(18.6)	8.0	2.6	(11.3)	(0.0)	(5.1)
Computers & Peripherals Equipment	35.0	(15.6)	2.0	29.4	29.2	37.1
Consumer Electronics	(16.5)	25.0	6.7	(9.6)	10.8	15.6
Motor Vehicles	(6.2)	11.3	(27.0)	43.0	23.0	(0.6)

Source: Macrobond, DOSM, MIDFR

IPI mostly sustained expansionary trends globally. IPI across economies mostly remained in the growth territory, in line with sustained expansionary reading of the global manufacturing PMI at 50.8, moderating slightly from its 2-year high of 51.0 registered in May-24. In the US, IPI growth strengthened to +1.6%yoy, a 2nd consecutive month of growth driven by a rise in utilities and manufacturing output. Conversely, Japan saw a sharp decline of -7.3%yoy, reversing the modest growth recorded on May-24. Among regional economies, Taiwan stood out with a strong +13.2%yoy increase, largely supported by robust production in semiconductors and E&E components. South Korea also experienced solid growth at +3.8%yoy. However, Singapore and Thailand faced downturns, recording -3.9%yoy and -1.7%yoy, respectively, with Thailand's decline primarily due to lower car production. The Philippines maintained steady growth at +2.2%yoy. Looking ahead, we expect global production to continue improving, bolstered by a favorable sales outlook and ongoing inventory restocking.

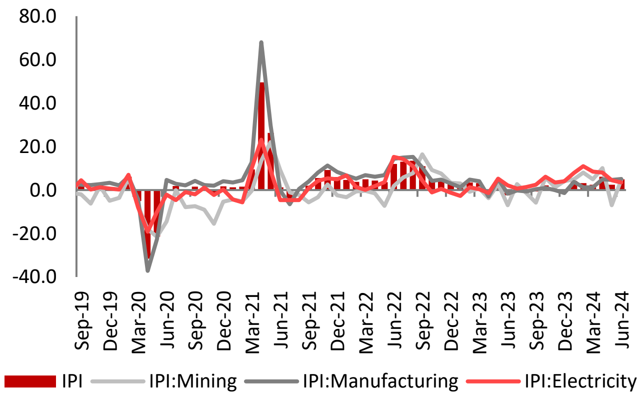
Table 6: IPI for Selected Economies (YoY%)

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Malaysia	0.4	(0.0)	4.3	3.1	2.4	6.1	2.4	5.0
Philippines	2.1	2.3	(2.3)	1.2	(6.4)	5.7	2.2	2.2
Thailand	(1.5)	(4.7)	(2.9)	(2.8)	(4.9)	2.7	(1.5)	(1.7)
Singapore	0.1	(1.6)	0.7	4.5	(9.2)	(1.2)	2.9	(3.9)
S. Korea	6.1	6.3	12.9	4.6	1.0	6.2	3.5	3.8
Taiwan	(1.8)	(3.9)	15.6	(1.3)	4.2	14.5	16.1	13.2
India	2.5	4.4	4.2	5.6	5.4	5.0	5.9	n.a.
Japan	(1.6)	(1.1)	(1.5)	(3.9)	(6.2)	(1.8)	1.1	(7.3)
Euro area	(5.3)	0.2	(6.5)	(6.4)	(1.2)	(3.0)	(2.9)	n.a.
USA	(0.2)	0.8	(1.0)	(0.1)	(0.3)	(0.8)	0.1	1.6

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

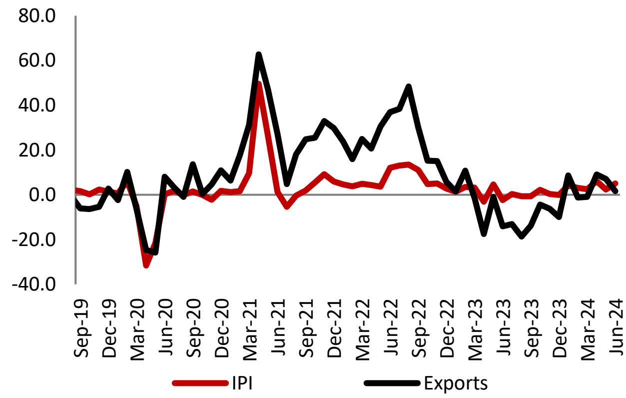
Maintain 2024 IPI growth forecast at +4.2%. As production activities strengthened in 2QCY24, we keep our projection that IPI growth will accelerate to +4.2% this year (2023: +0.7%). We continue to expect the recovery in external demand will support higher production of various export products, including E&E products. Production of domestic-oriented products will also increase on the back of growing domestic consumption. On the other hand, we are wary several downside risks such as higher inflation outlook could hurt consumer sentiment and their spending plans, while the external sector could be hit by significant reduction in oversesas demand, given the recent concerns over weak growth in China and recession risk in the US. In addition, we are monitoring closely the ongoing geopolitical conflicts which could disrupt world trade flow and the global supply chain.

Chart 1: IPI Performance by Sector (YoY%)



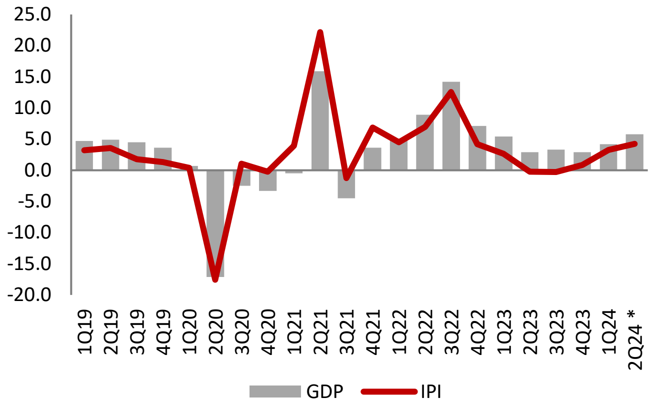
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



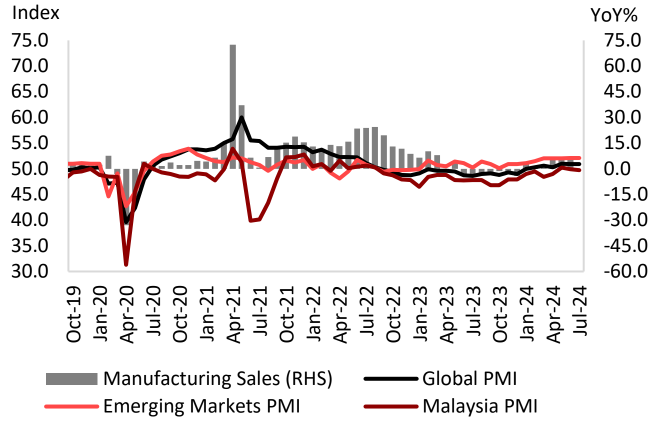
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



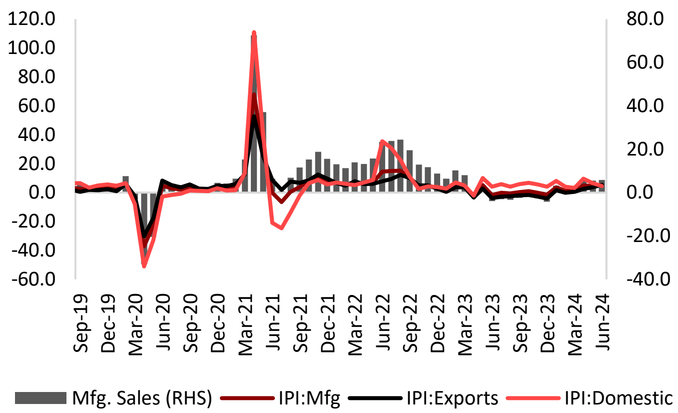
* Note: 2QCY24 GDP is based on advance estimate
Source: Macrobond, MIDFR

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



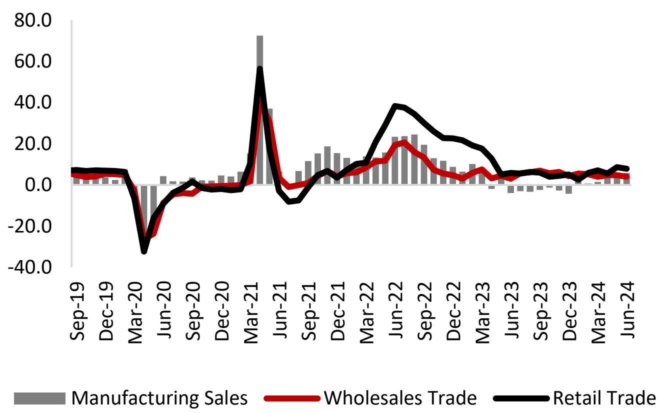
Source: Macrobond, Bloomberg, MIDFR

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



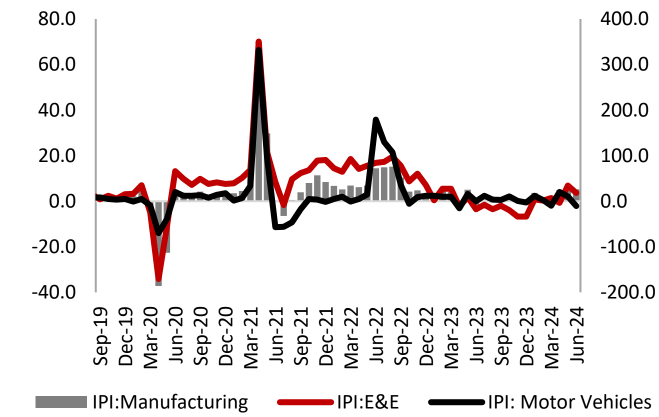
Source: Macrobond, DOSM, MIDFR

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



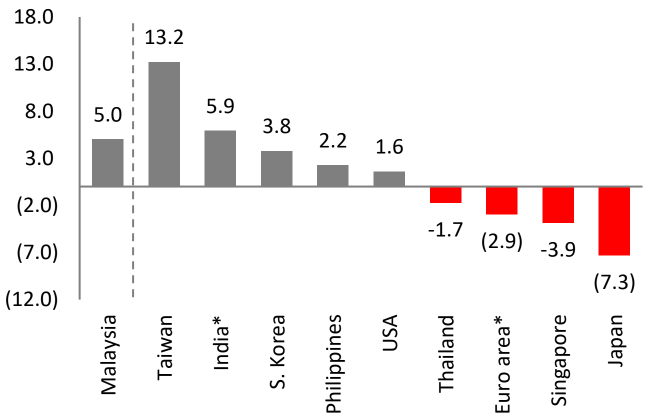
Source: Macrobond, MIDFR

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



Source: Macrobond, DOSM, MIDFR

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



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

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