10 September 2024

**ECONOMIC REVIEW | July 2024 Industrial Production Index**

# IPI Increased +5.3%yoy in Jul-24 Driven by Stronger Manufacturing and Electricity Output

- *IPI growth relatively faster at +5.3%yoy in Jul-24. Malaysia's IPI grew slightly faster at +5.3%yoy in Jul-24 (Jun-24: +5.0%yoy), driven by stronger manufacturing output and increased electricity generation. In 7MCY24, IPI recorded stronger growth of +4.1%yoy (7MCY23: +1.1%yoy; 2023: 0.7%), in line with the more encouraging economic growth.*
- *Sales of manufactured goods rose faster at +9.1%yoy. Sales of manufactured improved in Jul-24, growing at more robust pace of +9.1%yoy which was the fastest growth in nearly 1.5 years. In line with the stronger export growth, higher sales were recorded for sectors such as computers & peripheral equipment, iron & steel, rubber gloves, chemical products and even refined petroleum. Motor vehicle sales also rebounded.*
- *Maintain IPI to grow at +4.2% this year. We maintain our projection that IPI growth will strengthen to +4.2% this year (2023: +0.7%). We expect the recovery in external demand will support production of export products such as E&E, oil & fats and refined petroleum. Similarly, production of consumer goods will also increase on the back of growing domestic consumption.*

**IPI increased relatively faster at +5.3%yoy in Jul-24.** Malaysia's IPI grew slightly faster at +5.3%yoy in Jul-24 (Jun-24: +5.0%yoy), driven by stronger manufacturing output and increased electricity generation. The pace of growth exceeded ours and market consensus as we anticipate IPI growth will reflect stronger activities as seen in the Jul-24 exports. By major sector, manufacturing output rose at +7.7%, the fastest expansion since Sep-22 driven among others by higher production of E&E product, machinery, chemicals and motor vehicles. Electricity generation also accelerated to +7.0%yoy, sustaining positive growth since May-23 and signalling continued rise in energy demand on the back of growing economic activities. In contrast, mining sector output fell by -5.0%yoy in Jul-24 due to weaker output of both crude petroleum and natural gas. In 7MCY24, IPI recorded stronger growth of +4.1%yoy (7MCY23: +1.1%yoy; 2023: 0.7%). In line with the more encouraging economic growth, the sustained IPI growth in Jul-24 suggests the positive growth momentum will continue in 2HCY24 on the back of growing domestic and external demand.

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

| | MoM%* | | | | YoY% | | | |
|---|---|---|---|---|---|---|---|---|
| | Apr-24 | May-24 | Jun-24 | Jul-24 | Apr-24 | May-24 | Jun-24 | Jul-24 |
| **IPI** | (0.2) | 1.7 | 0.7 | 2.4 | 6.1 | 2.4 | 5.0 | 5.3 |
| Mining | 2.1 | (12.1) | 7.7 | (2.0) | 10.0 | (6.9) | 4.9 | (5.0) |
| Manufacturing | (0.7) | 5.7 | (1.4) | 3.3 | 4.9 | 4.6 | 5.2 | 7.7 |
| Electricity | (0.9) | 2.4 | (1.8) | 1.9 | 8.1 | 4.5 | 3.5 | 7.0 |

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

**Robust monthly growth of +2.4%mom from Jun-24.** Based on the seasonally adjusted data, Malaysia's IPI recorded a more robust monthly increase of +2.4%mom (Jun-24: +0.7%mom), again due to rebounds and increases in manufacturing and electricity output. Production in the mining sector, however, weakened again and contracted by -2%mom from the previous month. Although manufacturing PMI remained unchanged at 49.7 in Aug-24 and indicated relatively slower expansion, we expect local firms will continue to increase production to cope with growing demand.

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

| | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jun-24 |
|---|---|---|---|---|---|---|
| **IPI** | **3.1** | **2.4** | **6.1** | **2.4** | **5.0** | **5.3** |
| **Mining** | **8.1** | **4.9** | **10.0** | **(6.9)** | **4.9** | **(5.0)** |
| Crude Petroleum | 2.5 | (0.7) | 3.5 | (1.9) | 3.4 | (4.4) |
| Natural Gas | 11.9 | 8.9 | 14.9 | (10.3) | 6.0 | (5.4) |
| **Manufacturing** | **1.2** | **1.3** | **4.9** | **4.6** | **5.2** | **7.7** |
| Food Products | (3.7) | (2.8) | 4.5 | 4.5 | 6.4 | 10.5 |
| Refined Petroleum Products | 2.2 | 1.9 | 5.9 | (5.5) | 12.5 | 11.7 |
| Chemicals & Chemicals Products | (2.8) | (4.0) | 5.0 | 2.7 | 2.1 | 6.3 |
| Rubber Products | 6.4 | 2.6 | 7.7 | 6.2 | 5.9 | 10.5 |
| Basic Metals | 1.4 | 2.2 | 7.0 | 5.4 | 8.0 | 10.5 |
| Electrical & Electronic Products | 0.3 | 1.4 | (0.8) | 6.9 | 3.7 | 5.0 |
| Computers & Peripheral Equipment | 6.5 | 17.2 | 17.0 | 13.6 | 14.9 | 19.8 |
| Machinery & Equipment | 2.9 | 1.5 | 4.7 | 2.5 | 4.0 | 6.5 |
| Motor Vehicles, Trailers & Semi-Trailers | 2.9 | (10.0) | 20.2 | 10.3 | (10.7) | 3.9 |
| **Electricity** | **11.0** | **8.5** | **8.1** | **4.5** | **3.5** | **7.0** |

Source: Macrobond, MIDFR

**Stronger production of export-oriented goods…** Manufacturing output growth was supported by stronger growth of +7.9%yoy in production of export-oriented goods. This was generally in line with the better export performance during the month. Sectors which registered stronger output growth among others were oil & fast; computers, electronic & optical products; chemicals & chemical products,: rubber products; and textiles. In addition, production of electrical equipment and wearing apparels rebounded, while output of petroleum products was sustained at +11.7%yoy, the second consecutive month of double-digit expansion.

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

| | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 |
|---|---|---|---|---|---|---|
| **IPI: Export-Oriented Industries** | **(0.2)** | **0.5** | **2.6** | **3.7** | **5.4** | **7.9** |
| Computer, Electronic and Optical Products | 0.3 | 2.1 | (1.4) | 8.4 | 4.9 | 5.0 |
| Electrical Equipment | (2.2) | (3.0) | (1.7) | 1.0 | (5.3) | 3.1 |
| Chemicals and Chemical Products | (2.8) | (4.0) | 5.0 | 2.7 | 2.2 | 6.3 |
| Coke and Refined Petroleum Products | 2.2 | 1.9 | 5.8 | (5.5) | 12.5 | 11.7 |
| Vegetable & animal oils & fats | (13.5) | (13.4) | 2.7 | 4.8 | 11.0 | 21.9 |
| Textiles | 0.1 | 1.4 | 4.8 | 8.0 | 6.6 | 7.5 |
| Wearing Apparel | (6.7) | 7.7 | 4.3 | 2.1 | (1.1) | 8.3 |
| Wood and Wood Products | (4.4) | 2.6 | 4.7 | 1.8 | 5.1 | 9.7 |
| Furniture | 6.6 | 12.6 | 13.1 | 5.9 | 4.3 | 3.0 |
| Rubber Products | 6.3 | 2.6 | 7.7 | 6.2 | 5.8 | 10.5 |

Source: DOSM, MIDFR

**…and domestic-oriented sectors contributed to stronger manufacturing output.** The IPI growth for the domestic-oriented sectors also grew faster at +7.6%yoy in Jul-24 (Jun-24: +4.5%yoy), mainly due to stronger output of consumer goods. Production of construction-related products grew at more or less the same pace at +10.4%yoy (Jun-24: +10.3%yoy) underpinned by double-digit output growth in iron & steel and non-metallic metal. Output of consumer-oriented products, on the other hand, accelerated to +6.1%yoy (Jun-24: +1.6%yoy) attributable to stronger production of various products such as F&B and tobacco products. Meanwhile, production of motor vehicles rebounded to +4.0%yoy (Jun-24: -10.3%yoy), with stronger production of transport equipment.

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

| | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 |
|---|---|---|---|---|---|---|
| **IPI: Domestic-Oriented Industries** | **4.1** | **3.1** | **9.5** | **6.4** | **4.5** | **7.6** |
| Construction (CO) | 5.4 | 7.5 | 10.7 | 7.1 | 10.3 | 10.4 |
| CO: Non Metallic Mineral | 5.1 | 7.6 | 11.3 | 9.8 | 8.9 | 12.2 |
| CO: Iron and Steel | 1.4 | 2.2 | 7.0 | 5.4 | 8.0 | 10.5 |
| CO: Fabricated Metal | 8.4 | 11.0 | 12.8 | 6.5 | 12.6 | 9.1 |
| Consumer (CS) | 3.3 | 0.5 | 8.9 | 6.1 | 1.6 | 6.1 |
| CS: Food Products | 2.1 | 4.2 | 5.4 | 4.3 | 3.9 | 4.2 |
| CS: Motor Vehicles, Trailers and Semi-Trailers | 2.9 | (10.0) | 20.2 | 10.3 | (10.8) | 4.0 |
| CS: Other Transport Equipment | 4.2 | 2.8 | 3.6 | 6.6 | 4.0 | 4.7 |
| CS: Beverages | 3.7 | 6.2 | 5.6 | 4.7 | 7.9 | 6.7 |
| CS: Tobacco Products | 10.6 | 8.5 | 9.2 | 7.3 | 18.8 | 23.4 |
| CS: Paper and Paper Products | 3.6 | 0.8 | 3.4 | 1.2 | 3.6 | 7.9 |
| CS: Others | 1.4 | 3.8 | 5.2 | 2.5 | 5.8 | 7.0 |

Source: DOSM, MIDFR

**Sales of manufactured goods rose faster at +9.1%yoy.** Sales of manufactured improved in Jul-24, growing at more robust pace of +9.1%yoy which was the fastest growth in nearly 1.5 years. In line with the stronger export growth, higher sales were recorded for sectors such as computers & peripheral equipment, iron & steel, rubber gloves, chemical products and even refined petroleum. Motor vehicle sales also rebounded to +6.3%yoy, reversing a one month contraction of -0.6%yoy in Jun-24. Sales of E&E also improved with smaller decline in sales of capacitor, resistor and circuit board and sustained growth in sales of diodes, transistor & electronic integrated circuits and consumer electronics. Based on seasonally-adjusted data, manufacturing sales rebounded robustly by +3.8%mom (Jun-24: -2.3%mom). We continue to expect sales will grow further in the coming months in line with the continued recovery in external demand and growing domestic consumption.

**Table 5: Manufacturing Sales (YoY%)**

| | MoM% | | | YoY% | | |
|---|---|---|---|---|---|---|
| | May-24 | Jun-24 | Jul-24 | May-24 | Jun-24 | Jun-24 |
| **Manufacturing Sales** | **1.1** | **0.8** | **0.6** | **5.5** | **5.9** | **9.1** |
| *Seasonally-adjusted month-on-month change (%)* | *2.3* | *(2.3)* | *3.8* | - | - | - |
| Refined Petroleum Products | (6.5) | 21.1 | 0.6 | (17.6) | 1.6 | 4.8 |
| Chemicals and Chemical Products | (1.5) | (2.0) | 4.8 | 3.8 | 3.4 | 7.1 |
| Rubber Gloves | (7.3) | (4.5) | 0.2 | 4.4 | 4.3 | 10.1 |
| Iron & Steel Products | (13.8) | (6.4) | (2.9) | 11.0 | 7.3 | 11.2 |
| Diodes, Transistor & Electronic Integrated Circuits Mic | 13.1 | 10.6 | (7.9) | 11.7 | 5.4 | 2.1 |
| Electrical Capacitor Resistor, Circuit Board & Display Comp | 8.0 | 2.6 | (11.2) | (0.0) | (5.1) | (2.7) |
| Computers & Peripherals Equipment | (15.6) | 2.0 | 0.8 | 29.2 | 37.1 | 40.4 |
| Consumer Electronics | 25.0 | 6.7 | 3.1 | 10.8 | 15.6 | 10.7 |
| Motor Vehicles | 11.3 | (27.0) | 25.9 | 23.0 | (0.6) | 6.3 |

Source: Macrobond, DOSM, MIDFR

**Regional countries also reported improved IPI in Jul-24.** Regional economies also reported improved IPI in Jul-24, but weakened in the US and euro area. The better reading in regional IPIs was in line with the improvement in regional trade and sustained growth in the domestic economic activities. In contrast, the US IPI fell again by -0.2%yoy as a result of reduced production in the mining and utility sectors. In euro area, the sustained reduction in production reflected firms slowing down production due to weaker demand as the economy and businesses have been hit by the effect of tight credit conditions. Going forward, we expect global production will continue to grow, driven by increased global trade and restocking activities. Nevertheless, the weak manufacturing activities in the advanced markets, particularly the US and Europe, could persist as shown by the further decline in the global manufacturing PMI to 49.5 in Aug-24 (Jul-24: 49.7).

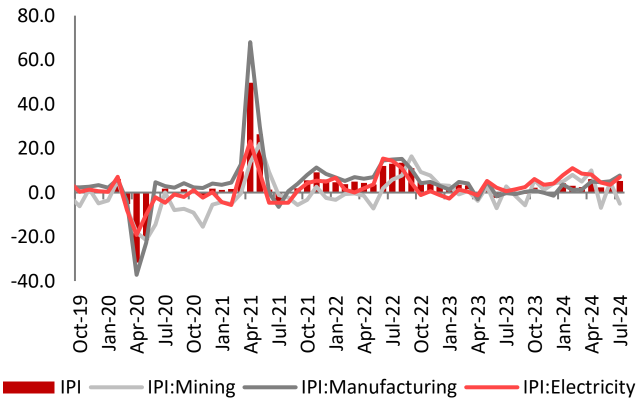
**Table 6: IPI for Selected Economies (YoY%)**

| | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 |
|---|---|---|---|---|---|---|---|---|
| Malaysia | (0.0) | 4.3 | 3.1 | 2.4 | 6.1 | 2.4 | 5.0 | 5.3 |
| Philippines | 2.2 | (1.7) | 1.1 | (6.9) | 6.7 | 2.8 | 3.3 | 4.7 |
| Thailand | (4.7) | (2.9) | (2.8) | (4.9) | 2.7 | (1.5) | (1.6) | 1.8 |
| Singapore | (1.6) | 0.7 | 4.6 | (9.1) | (1.2) | 2.3 | (4.3) | 1.8 |
| S. Korea | 6.3 | 12.9 | 4.6 | 1.0 | 6.4 | 4.2 | 3.8 | 5.5 |
| Taiwan | (3.9) | 15.6 | (1.3) | 4.2 | 14.5 | 15.7 | 12.8 | 12.3 |
| India | 4.4 | 4.2 | 5.6 | 5.5 | 5.0 | 6.2 | 4.2 | n.a. |
| Japan | (1.1) | (1.5) | (3.9) | (6.2) | (1.8) | 1.1 | (7.9) | 2.7 |
| Euro area | 0.1 | (6.5) | (6.3) | (1.2) | (3.1) | (3.3) | (3.9) | n.a. |
| USA | 0.8 | (1.2) | (0.1) | (0.3) | (0.7) | 0.3 | 1.1 | (0.2) |

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

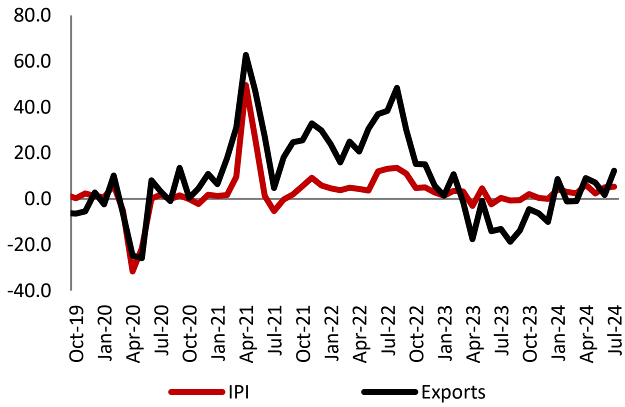
**Maintain IPI to grow at +4.2% this year.** With the economy and trade activity projected to continue growing, we maintain our projection that IPI growth will strengthen to +4.2% this year (2023: +0.7%). We expect the recovery in external demand will support production of export products such as E&E, oil & fats and refined petroleum. Similarly, production of consumer goods will also increase on the back of growing domestic consumption. Nonetheless, several downside risks could adversely affect production plans such as weaker demand from major major economies, escalation in geopolitical and trade tensions, and possible disruptions to global trade and supply chain.

**Chart 1: IPI Performance by Sector (YoY%)**



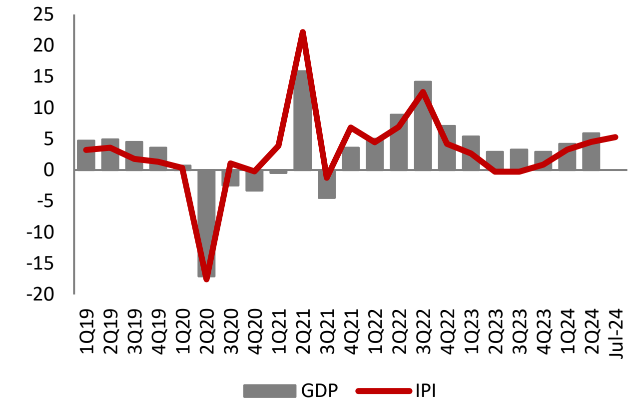

Source: Macrobond, MIDFR

**Chart 2: IPI vs Exports (YoY%)**



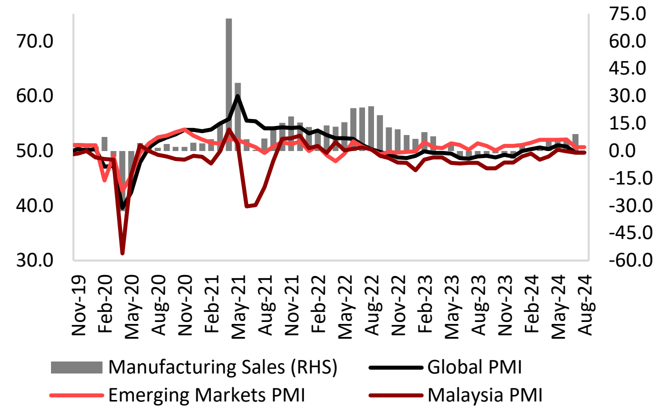

Source: Macrobond, MIDFR

**Chart 3: IPI vs GDP (YoY%)**



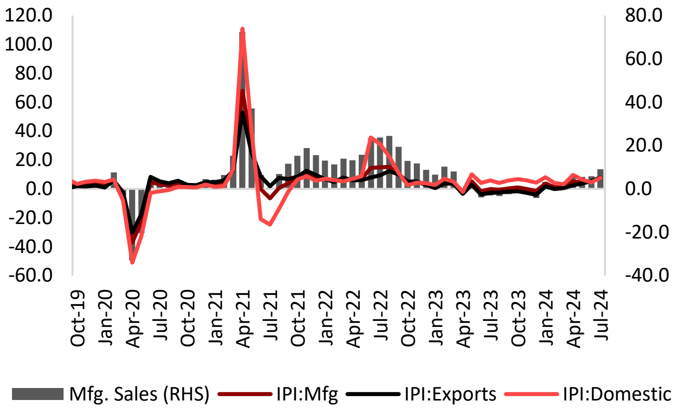

Source: Macrobond, MIDFR

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



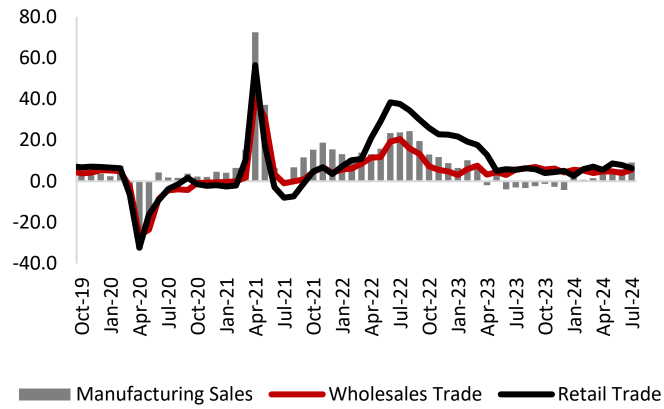

Source: Macrobond, Bloomberg, MIDFR

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



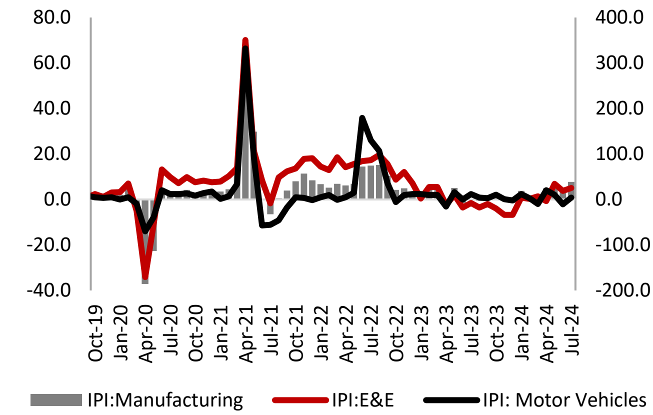

Source: Macrobond, DOSM, MIDFR

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



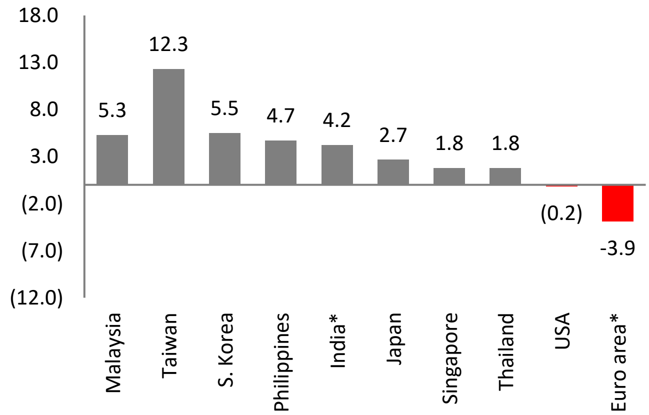

Source: Macrobond, MIDFR

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




Source: Macrobond, DOSM, MIDFR

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




* refers to the latest available data for Jun-24

Source: Macrobond, MIDFR

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