

ECONOMIC REVIEW | August 2024 Industrial Production Index

IPI Continued to Grow Despite Moderating to +4.1%yoy in Sep-24

- IPI growth moderated to +4.1%yoy in Aug-24. Malaysia's IPI grew relatively slower at +4.1%yoy in Aug-24 (Jul-24: +5.3%yoy), continued to be driven by increased manufacturing output and electricity generation. In 8MCY24, IPI expanded by +4.1%yoy, stronger than last year (8MCY23: +0.8%yoy; 2023: 0.7%), largely due to the pick-up in manufacturing production.
- Sales value of manufactured goods reached new record high of RM163.9b. Manufactured goods sales continued to grow in Aug-24, although the pace of growth was relatively moderate at +7.7%yoy with the monthly sales value reaching new high of RM163.9b. Several sectors such as electronic components, rubber gloves and motor vehicles reported stronger sales growth.
- 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%) as we anticipate local firms will benefit from the recovery in external demand of manufactured goods and growing domestic demand. However, we are monitoring closely potential downside risks as a result of weaker final demand from major economies and the recent escalation in geopolitical conflicts.

IPI growth moderated to +4.1%yoy in Aug-24. Malaysia's IPI grew relatively slower at +4.1%yoy in Aug-24 (Jul-24: +5.3%yoy), continued to be driven by increased manufacturing output and electricity generation. While market consensus anticipated for a sustained growth of +5.4%yoy, the moderation in Aug-24 IPI was slightly below our estimate because we factored in IPI growth to moderate in view of relatively slower export expansion. By major sector, manufacturing output grew further at +6.5% (Jul-24: +7.7%yoy) underpinned by among others increased production of E&E, rubber products, motor vehicles. Electricity generation rose by +4.1%yoy, sustaining positive growth for the 16th straight month on the back of growing economic activities and increased energy consumption. Mining output fell sharper by -6.4%yoy (Jul-24: -5.0%yoy) due to reduced output of crude petroleum and natural gas. In 8MCY24, IPI expanded by +4.1%yoy, stronger than last year (8MCY23: +0.8%yoy; 2023: 0.7%), largely due to the pick-up in manufacturing production. We expect the IPI will continue to grow in view of sustained rise in domestic economic activities and recovering external demand.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	May-24	Jun-24	Jul-24	Aug-24	May-24	Jun-24	Jul-24	Aug-24
IPI	1.7	0.7	2.4	(1.9)	2.4	5.0	5.3	4.1
Mining	(12.1)	7.7	(2.0)	(3.7)	(6.9)	4.9	(5.0)	(6.4)
Manufacturing	5.7	(1.4)	3.3	(1.5)	4.6	5.2	7.7	6.5
Electricity	2.4	(1.8)	1.9	(2.0)	4.5	3.5	7.0	4.1

* MoM is seasonally adjusted

Source: Macrobond, DOSM, MIDFR

IPI fell -1.9%mom after seasonal adjustment. Based on the seasonally adjusted data, Malaysia's IPI recorded monthly contraction of -1.9%mom (Jul-24: +2.4%mom) after 3 straight months of month-to-month increases. The decline reflected lower output in Aug-24 across all major sectors. Production of mining goods fell further dragged down by lower extraction of crude petroleum and natural gas. Although manufacturing PMI fell to 49.5 in Sep-24 (Aug-24: 49.7), we still expect local firms will increase production to cope with growing demand.

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

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
IPI	2.4	6.1	2.4	5.0	5.3	4.1
Mining	4.9	10.0	(6.9)	4.9	(5.0)	(6.4)
Crude Petroleum	(0.7)	3.5	(1.9)	3.4	(4.4)	(5.7)
Natural Gas	8.9	14.9	(10.3)	6.0	(5.4)	(7.0)
Manufacturing	1.3	4.9	4.6	5.2	7.7	6.5
Food Products	(2.8)	4.5	4.5	6.4	10.5	11.1
Refined Petroleum Products	1.9	5.9	(5.5)	12.5	11.7	(1.5)
Chemicals & Chemicals Products	(4.0)	5.0	2.7	2.1	6.3	3.2
Rubber Products	2.6	7.7	6.2	5.9	10.5	11.1
Basic Metals	2.2	7.0	5.4	8.0	10.5	7.0
Electrical & Electronic Products	1.4	(0.8)	6.9	3.7	5.0	7.2
Computers & Peripheral Equipment	17.2	17.0	13.6	14.9	19.8	15.7
Machinery & Equipment	1.5	4.7	2.5	4.0	6.5	2.1
Motor Vehicles, Trailers & Semi-Trailers	(10.0)	20.2	10.3	(10.7)	3.9	7.7
Electricity	8.5	8.1	4.5	3.5	7.0	4.1

Source: Macrobond, MIDFR

Sustained rise in export-oriented output... Growth in manufacturing output was supported by continued expansion of +6.3%yoy (Jul-24: +7.9%yoy) in production of export-oriented goods. The moderate growth was more or less mirror the slight easing in export growth. In particular, the stronger output growth for computer, electronic & optical products (+8.7%yoy) and oils & fats (+22.7%yoy) aligned with the surge in E&E exports and increased palm oil shipments during the month. While other export products most recorded positive output growth, output of furniture and rubber products grew faster in Aug-24. In contrast, the weaker production of coke & refined petroleum products (-1.5%yoy) also reflected the weaker external demand as exports of petroleum products also contracted -11.2%yoy during the month.

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

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
IPI: Export-Oriented Industries	0.5	2.6	3.7	5.4	7.9	6.3
Computer, Electronic and Optical Products	2.1	(1.4)	8.4	4.9	5.0	8.7
Electrical Equipment	(3.0)	(1.7)	1.0	(5.3)	3.1	1.2
Chemicals and Chemical Products	(4.0)	5.0	2.7	2.2	6.3	3.2
Coke and Refined Petroleum Products	1.9	5.8	(5.5)	12.5	11.7	(1.5)
Vegetable & animal oils & fats	(13.4)	2.7	4.8	11.0	21.9	22.7
Textiles	1.4	4.8	8.0	6.6	7.5	5.7
Wearing Apparel	7.7	4.3	2.1	(1.1)	8.3	4.6
Wood and Wood Products	2.6	4.7	1.8	5.1	9.7	4.8
Furniture	12.6	13.1	5.9	4.3	3.0	7.3
Rubber Products	2.6	7.7	6.2	5.8	10.5	11.1

Source: DOSM, MIDFR

Growth of domestic-oriented goods also moderated. Output growth for the domestic-oriented sectors also grew at relatively slower pace of +7.1%yoy in Aug-24 (Jul-24: +7.6%yoy), mainly due to moderation in output of construction goods. Output growth of construction-related products eased to +9.1%yoy, which reflected the more moderate growth in production of non-metallic minerals and iron & steel. Production of consumer products, on the other hand, was generally sustained at +6.1%yoy attributable to increased production of F&B products and stronger motor vehicles output.

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

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
IPI: Domestic-Oriented Industries	3.1	9.5	6.4	4.5	7.6	7.1
Construction (CO)	7.5	10.7	7.1	10.3	10.4	9.1
CO: Non Metallic Mineral	7.6	11.3	9.8	8.9	12.2	9.3
CO: Iron and Steel	2.2	7.0	5.4	8.0	10.5	7.0
CO: Fabricated Metal	11.0	12.8	6.5	12.6	9.1	10.3
Consumer (CS)	0.5	8.9	6.1	1.6	6.1	6.1
CS: Food Products	4.2	5.4	4.3	3.9	4.2	4.3
CS: Motor Vehicles, Trailers and Semi-Trailers	(10.0)	20.2	10.3	(10.8)	4.0	7.7
CS: Other Transport Equipment	2.8	3.6	6.6	4.0	4.7	2.2
CS: Beverages	6.2	5.6	4.7	7.9	6.7	7.4
CS: Tobacco Products	8.5	9.2	7.3	18.8	23.4	15.3
CS: Paper and Paper Products	0.8	3.4	1.2	3.6	7.9	5.1
CS: Others	3.8	5.2	2.5	5.8	7.0	3.4

Source: DOSM, MIDFR

Sales value of manufactured goods reached new record high of RM163.9b. Manufactured goods sales continued to grow in Aug-24, although the pace of growth was relatively moderate at +7.7%yoy with the monthly sales value reaching new high of RM163.9b. Higher sales growth were recorded for sectors such as electronic components, rubber gloves and motor vehicles. In addition, sales of electrical capacitor resistor and circuit board & display components also turned around to register a small growth of +0.1% after 2 months of contraction. Other products such as consumer electronics, iron & steel and chemical products continued to grow but at moderate pace. Meanwhile, sales of refined petroleum declined -7.5%yoy in line with the weaker exports of petroleum products. Based on seasonally-adjusted data, the manufacturing sales in Aug-24 was -1.5%mom weaker than the previous month (Jul-24: +3.8%mom). In particular, the monthly decline reflected weaker sales of refined petroleum, rubber gloves and computers & peripheral equipment. We anticipate sales of manufactured goods will continue to grow supported by growing exports and domestic consumption.

Table 5: Manufacturing Sales (MoM% and YoY%)

	MoM%			YoY%		
	Jun-24	Jul-24	Aug-24	Jun-24	Jul-24	Aug-24
Manufacturing Sales	0.8	0.6	4.4	5.9	9.1	7.7
<i>Seasonally-adjusted month-on-month change (%)</i>	<i>(2.3)</i>	<i>3.8</i>	<i>(1.5)</i>	-	-	-
Refined Petroleum Products	21.1	0.6	(3.6)	1.6	4.8	(7.5)
Chemicals and Chemical Products	(2.0)	4.8	5.5	3.4	7.1	4.1
Rubber Gloves	(4.5)	0.2	(10.9)	4.3	10.1	11.4
Iron & Steel Products	(6.4)	(2.9)	14.9	7.3	11.2	7.8
Diodes, Transistor & Electronic Integrated Circuits Mic	10.6	(7.9)	11.0	5.4	2.1	10.0
Electrical Capacitor Resistor, Circuit Board & Display Comp	2.6	(11.2)	12.9	(5.1)	(2.7)	0.1
Computers & Peripherals Equipment	2.0	0.8	(1.5)	37.1	40.4	31.5
Consumer Electronics	6.7	3.1	5.0	15.6	10.7	8.6
Motor Vehicles	(27.0)	25.9	3.5	(0.6)	6.3	18.7

Source: Macrobond, DOSM, MIDFR

Sustained rise in regional production vs. weaker IPI in advanced economies. Global production was relatively weaker in Aug-24 as the global manufacturing PMI remained at 49.7. In particular, this reflected weak production in advanced economies such as Japan and unchanged IPI in the US. Although IPI growth improved to flat from -0.7%yoy in Jul-24, American firms reduced down production of business equipment, consumer goods

and even utilities due to concerns over slowing demand. In Japan, lower output of motor vehicles, machinery and information & communication electronics equipment contributed to the decline in overall IPI. Meanwhile, excluding the small growth of +0.3%yoy in Dec-23, the production activity in euro area continued to decline for more than a year, despite falling slower at +2.2%yoy in Jul-24. Regional countries, on the other hand, recorded positive IPI in Aug-24. Production in Singapore and Taiwan, for example, grew stronger at +21%yoy and 13.4%yoy, respectively, supported by higher production of electronics and semiconductors. Thailand, however, reported -1.9%yoy IPI contraction as production activity was affected by flood, higher energy costs and lower automotive production. 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%)

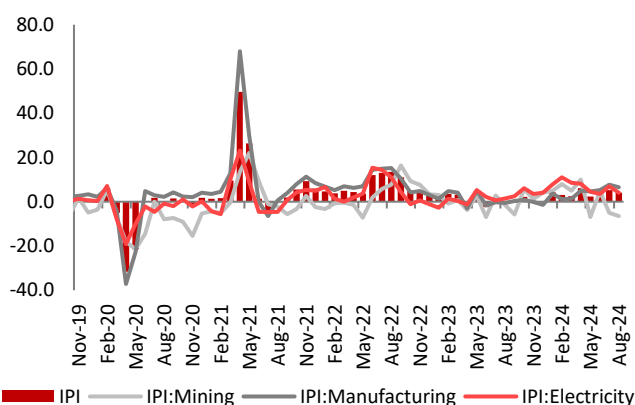
	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Malaysia	4.2	3.1	2.4	6.1	2.4	5.0	5.3	4.1
Philippines	(1.7)	1.1	(6.9)	6.7	2.8	3.3	6.4	1.8
Thailand	(2.9)	(2.8)	(4.9)	2.7	(1.5)	(1.6)	1.6	(1.9)
Singapore	0.8	4.7	(8.9)	(1.3)	2.4	(4.2)	2.0	21.0
S. Korea	12.9	4.6	1.0	6.4	4.2	3.8	5.2	3.8
Taiwan	15.6	(1.3)	4.2	14.5	15.7	12.8	13.0	13.4
India	4.1	5.6	4.9	5.0	5.9	4.2	4.8	n.a.
Japan	(1.5)	(3.9)	(6.2)	(1.8)	1.1	(7.9)	2.9	(4.9)
Euro area	(6.5)	(6.4)	(1.3)	(3.3)	(3.5)	(4.1)	(2.2)	n.a.
USA	(1.2)	(0.1)	(0.3)	(0.8)	0.2	0.9	(0.7)	0.0

*n.a.: not available

Source: Macrobond, MIDFR

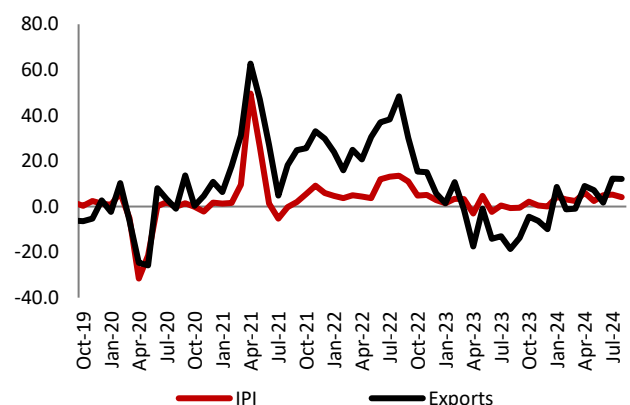
Maintain IPI to grow at +4.2% this year. We maintain our projection that IPI growth will strengthen to +4.2% this year (2023: +0.7%) as we anticipate local firms will benefit from the recovery in external demand of manufactured goods and growing domestic demand. On that note, we foresee higher demand for products such as E&E, oil & fats, motor vehicles and consumer products. However, several downside risks, particularly from the external front, could adversely affect production outlook. We are monitoring closely potential downside risks as a result of weaker final demand from major economies and the recent escalation in geopolitical conflicts, which could result in another disruptions to global trade and supply chain as well as pushing energy prices higher. 📈

Chart 1: IPI Performance by Sector (YoY%)



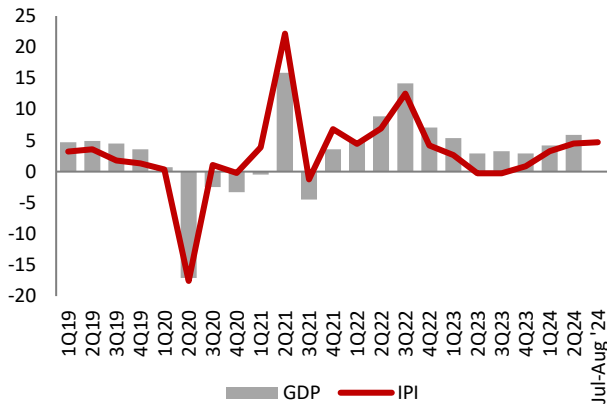
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



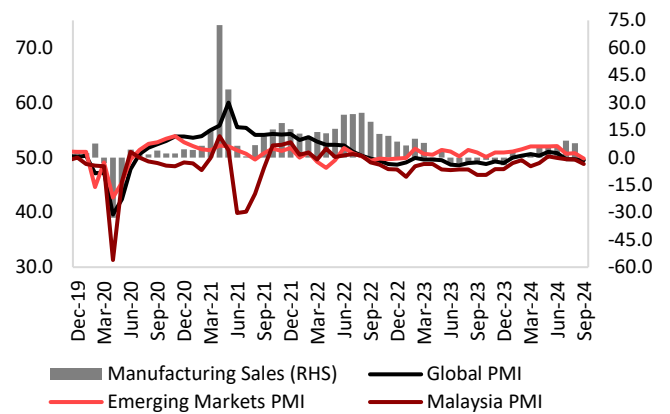
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



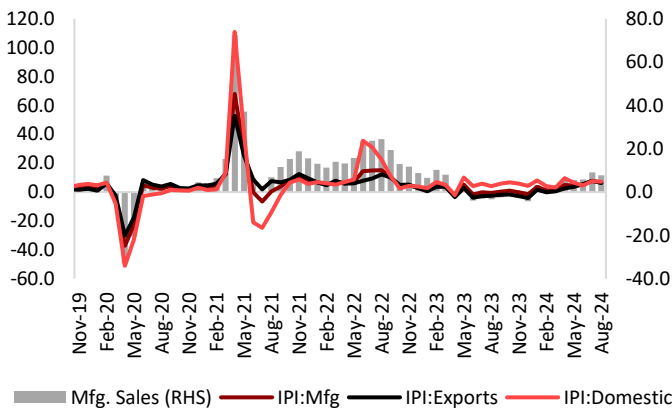
Source: Macrobond, MIDFR

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



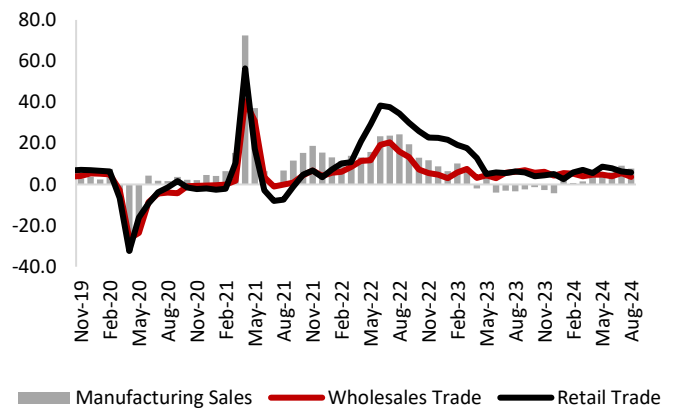
Source: Macrobond, Bloomberg, MIDFR

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



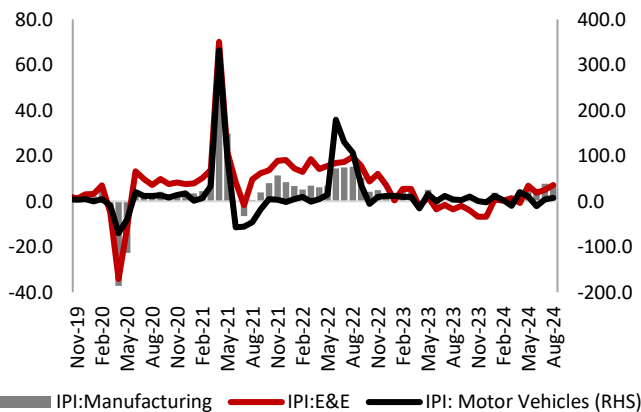
Source: Macrobond, DOSM, MIDFR

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



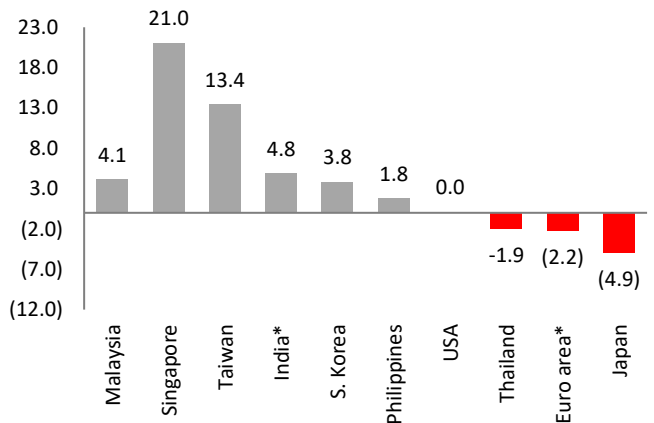
Source: Macrobond, MIDFR

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



Source: Macrobond, DOSM, MIDFR

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



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

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