

## ECONOMIC REVIEW | September 2024 Industrial Production Index

### Slower Rise in Manufacturing Output and Lower Mining Production Resulted in Moderate IPI Growth in Sep-24

- *Easing of IPI growth in Sep-24 somewhat steeper than expected. Malaysia's IPI growth moderated further to +2.3%yoy in Sep-24 (Aug-24: +4.1%yoy), the slowest growth in 9 months due to continued drag from reduced mining output and slower rise in both manufacturing and electricity output.*
- *Monthly sales value of manufactured goods remained above RM160b. The value of manufactured goods sales remained above RM160b for the second straight month in Sep-24, although growth wise the pace moderated to +2.9%yoy (Aug-24: +7.7%yoy), the slowest in 6 months. Sales of computers & peripheral equipment and rubber gloves maintained double-digit growth albeit slowing to +10.1%yoy and +24%yoy, respectively.*
- *Keeping IPI growth forecast 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 non-E&E commodities as well as companies increasing production to cope with growing domestic demand.*

**Easing of IPI growth in Sep-24 somewhat steeper than expected.** Malaysia's IPI growth moderated further to +2.3%yoy in Sep-24 (Aug-24: +4.1%yoy), the slowest growth in 9 months. The moderation was steeper than ours and market expectations, but aligned with the much weaker export performance in Sep-24. The slower IPI growth reflected the continued drag from reduced mining output and slower rise in both manufacturing and electricity output. Mining production fell further by -2.2%yoy due to sharper fall in extraction of crude petroleum, which offset the rebound in natural gas output. Meanwhile, manufacturing output growth eased to +3.2%yoy due to slower growth in export-oriented sectors and weaker motor vehicle production. The sustained (albeit slower) growth in electricity at +3.9%yoy signals continued rise in energy demand and consumption for the 17th straight month on the back of growing economic activities. We expect both domestic and external demand will continue to grow, and therefore we foresee IPI growth will remain in the positives in the coming months.

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

|               | MoM%*      |            |              |              | YoY%       |            |            |            |
|---------------|------------|------------|--------------|--------------|------------|------------|------------|------------|
|               | Jun-24     | Jul-24     | Aug-24       | Sep-24       | Jun-24     | Jul-24     | Aug-24     | Sep-24     |
| <b>IPI</b>    | <b>0.7</b> | <b>2.4</b> | <b>(1.9)</b> | <b>(2.2)</b> | <b>5.0</b> | <b>5.3</b> | <b>4.1</b> | <b>2.3</b> |
| Mining        | 7.7        | (2.0)      | (3.7)        | 4.9          | 4.9        | (5.0)      | (6.4)      | (2.2)      |
| Manufacturing | (1.4)      | 3.3        | (1.5)        | (3.5)        | 5.2        | 7.7        | 6.5        | 3.2        |
| Electricity   | (1.8)      | 1.9        | (1.9)        | (0.9)        | 3.5        | 7.0        | 4.2        | 3.9        |

\* MoM is seasonally adjusted

Source: Macrobond, DOSM, MIDFR

**IPI fell further by -2.2%mom from previous month.** Based on the seasonally adjusted data, Malaysia's IPI declined further by -2.2%mom (Aug-24: -1.9%mom), which means production activities weakened for the second straight month. This was dragged down by declines in manufacturing output and lower electricity generation. Weaker mining output Mining output, on the other hand, picked up after 2 months of sequential declines. Although manufacturing remained soft with manufacturing remaining at 49.5 in Oct-24, we expect the stabilization of demand and improved sentiment indicated by local manufacturers will translate into improved

production activities in the coming months. Firms may also front-load production and delivery ahead of the possible tariff hikes that will be introduced by the new US administration next year.

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

|  | Apr-24      | May-24       | Jun-24     | Jul-24       | Aug-24       | Sep-24       |
|--|-------------|--------------|------------|--------------|--------------|--------------|
| <b>IPI</b>                               | <b>6.1</b>  | <b>2.4</b>   | <b>5.0</b> | <b>5.3</b>   | <b>4.1</b>   | <b>2.3</b>   |
| <b>Mining</b>                            | <b>10.0</b> | <b>(6.9)</b> | <b>4.9</b> | <b>(5.0)</b> | <b>(6.4)</b> | <b>(2.2)</b> |
| Crude Petroleum                          | 3.5         | (1.9)        | 3.4        | (4.4)        | (5.7)        | (11.4)       |
| Natural Gas                              | 14.9        | (10.3)       | 6.0        | (5.4)        | (7.0)        | 4.5          |
| <b>Manufacturing</b>                     | <b>4.9</b>  | <b>4.6</b>   | <b>5.2</b> | <b>7.7</b>   | <b>6.5</b>   | <b>3.2</b>   |
| Food Products                            | 4.5         | 4.5          | 6.4        | 10.5         | 11.1         | 3.3          |
| Refined Petroleum Products               | 5.9         | (5.5)        | 12.5       | 11.7         | (1.5)        | (2.8)        |
| Chemicals & Chemicals Products           | 5.0         | 2.7          | 2.1        | 6.3          | 3.2          | 2.8          |
| Rubber Products                          | 7.7         | 6.2          | 5.9        | 10.5         | 11.1         | 8.6          |
| Basic Metals                             | 7.0         | 5.4          | 8.0        | 10.5         | 7.0          | 5.6          |
| Electrical & Electronic Products         | (0.8)       | 6.9          | 3.7        | 5.0          | 7.2          | 4.9          |
| Computers & Peripheral Equipment         | 17.0        | 13.6         | 14.9       | 19.8         | 15.7         | 13.1         |
| Machinery & Equipment                    | 4.7         | 2.5          | 4.0        | 6.5          | 2.1          | 0.4          |
| Motor Vehicles, Trailers & Semi-Trailers | 20.2        | 10.3         | (10.7)     | 3.9          | 7.7          | (14.9)       |
| <b>Electricity</b>                       | <b>8.1</b>  | <b>4.5</b>   | <b>3.5</b> | <b>7.0</b>   | <b>4.2</b>   | <b>3.9</b>   |

Source: Macrobond, MIDFR

**Slower output growth in both export- and domestic-oriented sectors.** The moderation in IPI growth was underpinned by the slower output growth in both export- (Sep-24: +3.4%yoy; Aug-24: +6.3%yoy) and domestic-oriented (Sep-24: +2.7%yoy; Aug-24: +7.1%yoy) industries. For the export products, output of petroleum products and textiles dropped during the month, while production of other products mostly recorded moderate rise, in particular oil & fats output slowed to +3%yoy (Aug-24: +22.6%yoy). Meanwhile, output of computer, electronic & optical products the IPI growth remained positive albeit slower at +5.9%yoy (Aug-24: +8.7%yoy). For the domestic-oriented sectors, the production of consumer goods declined by -0.2%yoy (Aug-24: +6.1%yoy), marking the first decline in 17 months, largely due to weaker production of motor vehicles. Other products like food products, beverages and tobacco still sustained positive growth although the pace of growth in Sep-24 was marginally slower than Aug-24. Output of construction goods continued to grow at +7.7%yoy (Aug-24: +9.1%yoy), supported by increase output of iron & steel, fabricated metal and and non-metallic mineral.

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

|   | Apr-24     | May-24     | Jun-24     | Jul-24     | Aug-24     | Sep-24     |
|---|------------|------------|------------|------------|------------|------------|
| <b>IPI: Export-Oriented Industries</b>    | <b>2.6</b> | <b>3.7</b> | <b>5.4</b> | <b>7.8</b> | <b>6.3</b> | <b>3.4</b> |
| Computer, Electronic and Optical Products | (1.4)      | 8.4        | 4.9        | 5.0        | 8.7        | 5.9        |
| Electrical Equipment                      | (1.7)      | 1.0        | (5.3)      | 3.1        | 1.2        | 0.6        |
| Chemicals and Chemical Products           | 5.0        | 2.7        | 2.2        | 6.3        | 3.2        | 2.8        |
| Coke and Refined Petroleum Products       | 5.8        | (5.5)      | 12.5       | 11.7       | (1.5)      | (2.8)      |
| Vegetable & animal oils & fats            | 2.7        | 4.8        | 11.0       | 21.9       | 22.6       | 3.0        |
| Textiles                                  | 4.8        | 8.0        | 6.6        | 7.5        | 5.7        | (2.3)      |
| Wearing Apparel                           | 4.3        | 2.1        | (1.1)      | 8.3        | 4.6        | 2.6        |
| Wood and Wood Products                    | 4.7        | 1.8        | 5.1        | 9.7        | 4.8        | 6.1        |
| Furniture                                 | 13.1       | 5.9        | 4.3        | 3.0        | 7.3        | 5.2        |
| Rubber Products                           | 7.7        | 6.2        | 5.8        | 10.5       | 11.1       | 8.6        |

Source: DOSM, MIDFR

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

|  | Apr-24     | May-24     | Jun-24     | Jul-24     | Aug-24     | Sep-24     |
|--|------------|------------|------------|------------|------------|------------|
| <b>IPI: Domestic-Oriented Industries</b>       | <b>9.5</b> | <b>6.4</b> | <b>4.5</b> | <b>7.5</b> | <b>7.1</b> | <b>2.7</b> |
| Construction (CO)                              | 10.7       | 7.1        | 10.3       | 10.4       | 9.1        | 7.7        |
| CO: Non Metallic Mineral                       | 11.3       | 9.8        | 8.9        | 12.2       | 9.3        | 6.6        |
| CO: Iron and Steel                             | 7.0        | 5.4        | 8.0        | 10.5       | 7.0        | 5.6        |
| CO: Fabricated Metal                           | 12.8       | 6.5        | 12.6       | 9.1        | 10.3       | 9.9        |
| Consumer (CS)                                  | 8.9        | 6.1        | 1.6        | 6.0        | 6.1        | (0.2)      |
| CS: Food Products                              | 5.4        | 4.3        | 3.9        | 4.2        | 4.4        | 3.5        |
| CS: Motor Vehicles, Trailers and Semi-Trailers | 20.2       | 10.3       | (10.8)     | 3.9        | 7.7        | (14.9)     |
| CS: Other Transport Equipment                  | 3.6        | 6.6        | 4.0        | 4.6        | 2.1        | 1.7        |
| CS: Beverages                                  | 5.6        | 4.7        | 7.9        | 6.7        | 7.4        | 7.1        |
| CS: Tobacco Products                           | 9.2        | 7.3        | 18.8       | 23.4       | 15.3       | 10.4       |
| CS: Paper and Paper Products                   | 3.4        | 1.2        | 3.6        | 7.9        | 5.1        | (0.5)      |
| CS: Others                                     | 5.2        | 2.5        | 5.8        | 7.0        | 3.4        | 1.9        |

Source: DOSM, MIDFR

**Monthly sales value of manufactured goods remained above RM160b.** The value of manufactured goods sales remained above RM160b for the second straight month in Sep-24, although growth wise the pace moderated to +2.9%yoy (Aug-24: +7.7%yoy), the slowest in 6 months. Sales of computers & peripheral equipment and rubber gloves maintained double-digit growth albeit slowing to +10.1%yoy and +24%yoy, respectively. On the other hand, sales of consumer electronics, motor vehicles and refined petroleum declined during the month. growth were recorded for sectors such as electronic components, rubber gloves and motor vehicles. In particular, sales of electrical capacitor resistor and circuit board & display components was muted after a small growth of +0.1%yoy in the previous month. Against Aug-24, manufacturing sales also recorded the second consecutive month of sequential decline at -4.6%mom (Aug-24: -1.5%mom) after adjusting to seasonal differences. Products which sales declined (from Aug-24) were consumer electronics, petroleum products, chemicals, motor vehicles and computers & peripheral equipment. On one hand, we expect sales to improve in line with export recovery. In addition, we expect sales growth to remain positive in line with growing domestic demand.

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

|   | MoM%       |              |              | YoY%       |            |            |
|---|------------|--------------|--------------|------------|------------|------------|
|   | Jul-24     | Aug-24       | Sep-24       | Jul-24     | Aug-24     | Sep-24     |
| <b>Manufacturing Sales</b>                                  | <b>0.6</b> | <b>4.4</b>   | <b>(1.0)</b> | <b>9.1</b> | <b>7.7</b> | <b>2.9</b> |
| <i>Seasonally-adjusted month-on-month change (%)</i>        | <i>3.8</i> | <i>(1.5)</i> | <i>(4.6)</i> | -          | -          | -          |
| Refined Petroleum Products                                  | 0.6        | (3.6)        | (4.6)        | 4.8        | (7.5)      | (8.5)      |
| Chemicals and Chemical Products                             | 4.8        | 5.5          | (7.2)        | 7.1        | 4.1        | 2.7        |
| Rubber Gloves   | 0.2        | (10.9)       | 3.1          | 10.1       | 11.4       | 10.1       |
| Iron & Steel Products                                       | (2.9)      | 14.9         | 21.0         | 11.2       | 7.8        | 5.4        |
| Diodes, Transistor & Electronic Integrated Circuits Mic     | (7.9)      | 11.0         | 5.6          | 2.1        | 10.0       | 8.0        |
| Electrical Capacitor Resistor, Circuit Board & Display Comp | (11.2)     | 12.9         | 9.8          | (2.7)      | 0.1        | (0.0)      |
| Computers & Peripherals Equipment                           | 0.8        | (1.5)        | (38.5)       | 40.4       | 31.5       | 24.0       |
| Consumer Electronics  | 3.1        | 5.0          | (4.5)        | 10.7       | 8.6        | (9.1)      |
| Motor Vehicles  | 25.9       | 3.5          | (21.1)       | 6.3        | 18.7       | (17.2)     |

Source: Macrobond, DOSM, MIDFR

**Global production weakened in Sep-24.** In line with the weaker global manufacturing PMI which fell to 48.7 in Sep-24 (Aug-24: 49.6), we noticed weaker industrial production reported by different countries. IPI in the US

fell further by -0.6%yoy (Aug-24: -0.2%yoy) due to reduced production in the mining and manufacturing industries. Meanwhile, other countries like Japan, South Korea, Thailand and the Philippines also recorded negative IPI growth in Sep-24. Disruption to the automotive production contributed to part of the decline in IPI in Japan and Thailand, while weaker semiconductor production led to weaker IPI in South Korea and the Philippine production fell as the adverse weather disrupted production of agricultural goods. Meanwhile, the steep moderation in Singapore IPI from +22%yoy in Aug-24 to +9.8%yoy in Singapore was due to weaker output of semiconductors which contributed to the slower IPI growth for the electronics sector. Taiwan, on the other hand, reported sustained double-digit growth in its IPI at +11.2%yoy, which continued to be driven by strong demand for AI and high technology products and robust output growth of electronic components. With the global manufacturing PMI improving in Oct-24, including improvement in overseas demand, we expect the growing international trade will support global production activities to grow at least in the near future.


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

|             | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Malaysia    | 3.1    | 2.4    | 6.1    | 2.4    | 5.0    | 5.3    | 4.1    | 2.3    |
| Philippines | 1.1    | (6.9)  | 6.7    | 2.8    | 3.3    | 6.4    | 1.8    | (7.6)  |
| Thailand    | (2.8)  | (4.9)  | 2.7    | (1.5)  | (1.6)  | 1.6    | (1.9)  | (3.5)  |
| Singapore   | 4.7    | (8.9)  | (1.2)  | 2.3    | (4.0)  | 2.6    | 22.0   | 9.8    |
| S. Korea    | 4.6    | 1.0    | 6.2    | 4.2    | 3.8    | 5.2    | 3.8    | (1.3)  |
| Taiwan      | (1.3)  | 4.2    | 14.5   | 15.7   | 12.8   | 13.0   | 13.4   | 11.2   |
| India       | 5.6    | 4.9    | 5.2    | 6.3    | 4.7    | 4.7    | (0.1)  | n.a.   |
| Japan       | (3.9)  | (6.2)  | (1.8)  | 1.1    | (7.9)  | 2.9    | (4.9)  | (2.8)  |
| Euro area   | (6.4)  | (1.3)  | (3.2)  | (3.5)  | (4.2)  | (2.1)  | 0.1    | n.a.   |
| USA         | (0.1)  | (0.3)  | (0.8)  | 0.1    | 0.8    | (0.5)  | (0.2)  | (0.6)  |

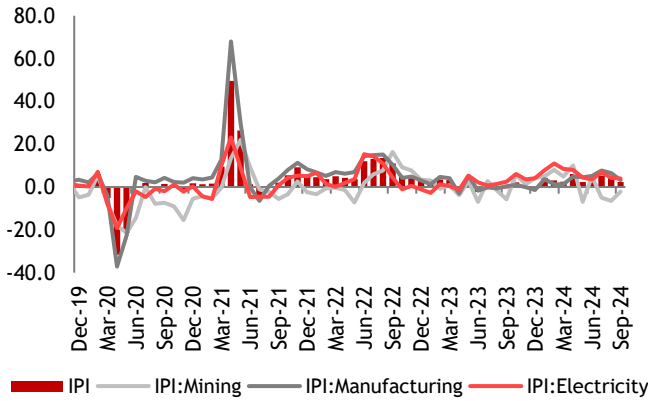
\*n.a.: not available

Source: Macrobond, MIDFR

**Slight moderation in IPI growth in line with still robust GDP growth.** IPI growth only moderated to +3.9%yoy in 3QCY24 (2QCY24: +4.5%yoy). In particular, the reduction in mining sector growth was supported by the reduced production in both crude oil and natural gas. With the smaller decline in Sep-24, the full-quarter number could result in smaller decline in the mining sector growth in 3QCY24. At the same time, the full-quarter growth for the manufacturing sector could be a relatively more moderate than reported in the advance GDP estimate, given the continued moderation in manufacturing output in Sep-24. Overall, the moderate IPI growth during the quarter was generally in line with the robust but moderate GDP growth of +5.3%yoy in 3QCY24 (2QCY24: +5.9%yoy).

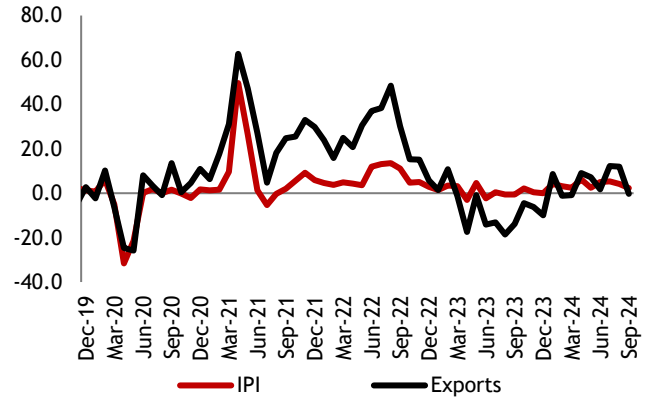
**Keeping IPI growth forecast at +4.2% this year.** We maintain our projection that IPI growth will strengthen to +4.2% this year (2023: +0.7%) as we anticipate local firms will benefit from the recovery in external demand of manufactured goods and non-E&E commodities as well as companies increasing production to cope with growing domestic demand. In addition, the near-term outlook can be more encouraging as manufacturers may front-load their production and delivery ahead of the plan to increase tariffs by the new US government next year. On the other hand, several downside risks could constrain production outlook such as risk of weaker final demand from major economies, disruption to trade flows from escalation in geopolitical and trade tensions, and renewed price pressures from fluctuation in commodity prices or another disruption to the global supply chain. 

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



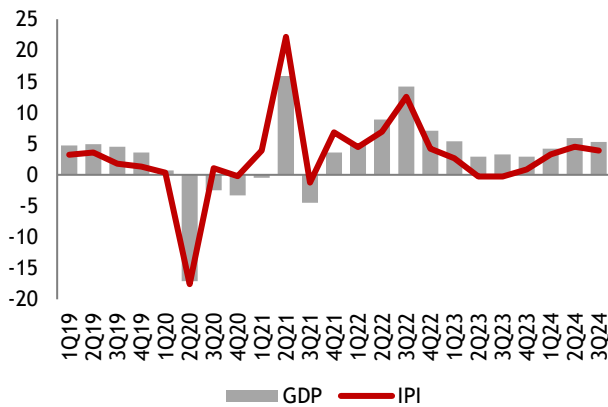
Source: Macrobond, MIDFR

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



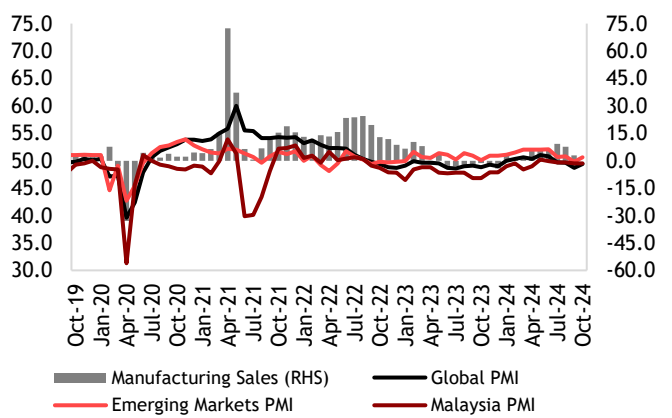
Source: Macrobond, MIDFR

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



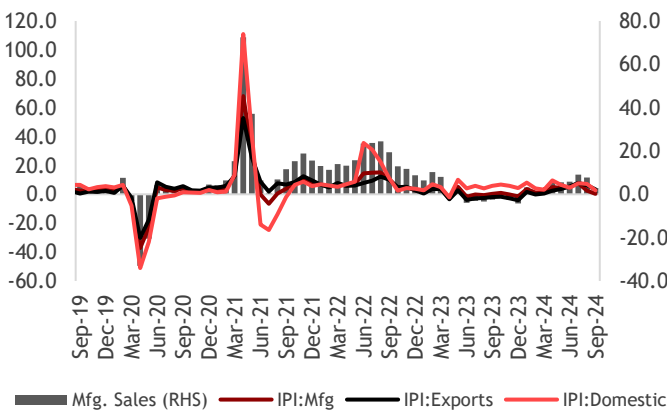
Source: Macrobond, MIDFR

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



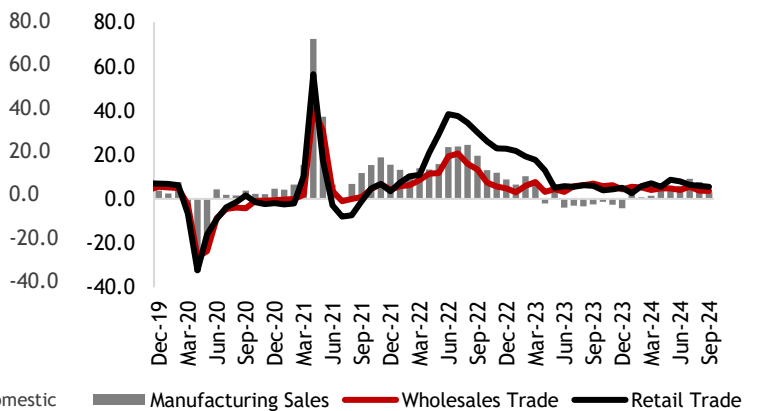
Source: Macrobond, Bloomberg, MIDFR

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



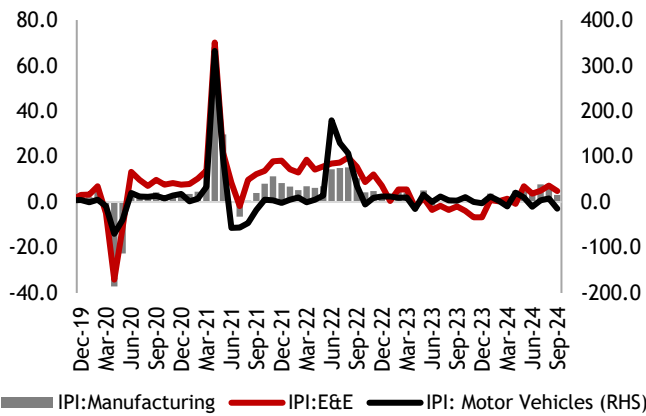
Source: Macrobond, DOSM, MIDFR

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



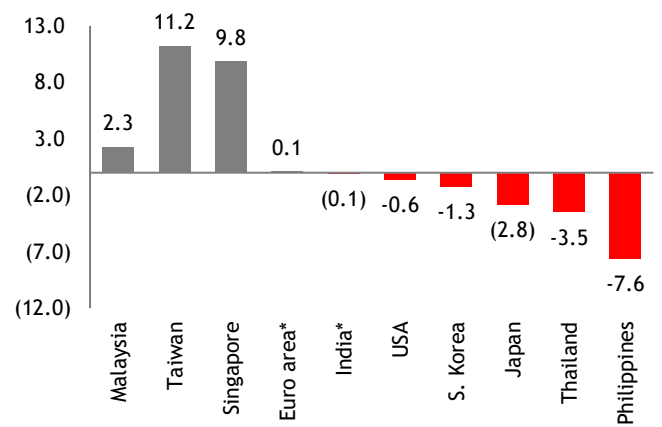
Source: Macrobond, MIDFR

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



Source: Macrobond, DOSM, MIDFR

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



\* refers to the latest available data for Aug-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 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.