

Malaysia Manufacturing PMI

No change in December as manufacturing activity languish on weak demand

- **The Manufacturing Purchasing Managers' Index (PMI) remained unchanged in December at 47.9 (Nov: 47.9), due to muted demand conditions**

- The index remained in contraction (below the neutral threshold of 50.0) since August 2022, with the ongoing slowdown attributed to subdued demand from domestic and international markets amid weak consumer confidence.

- **Productions were scaled back for the 17th straight month on weak demand**

- New businesses moderated for 16th consecutive month, but the pace was slightly lower than the previous month.
- New exports orders fell for eight consecutive months but the pace of decline at the softest rate since May.
- Purchasing activity was scaled back, as weak demand deterred firms from purchasing additional inputs. This in turn decreased stocks of purchased.

- **Weak currency and high raw material cost continue to exert cost pressures**

- Input cost inflation slowed to the lowest since September and below the long-run average. The inflation was mainly attributable to exchange rate weakness and high raw material prices. Consequently, output prices continue to increase, but the rate of inflation was broadly modest and stable for the past four months.

- **Manufacturers remain confident with production outlook**

- Although manufacturers remained concern about the pace and timing of a recovery, the degree of optimism remained broadly stable since September.
- Nevertheless, employment level rises for the first time in eight months, but the increase in job creation was small.

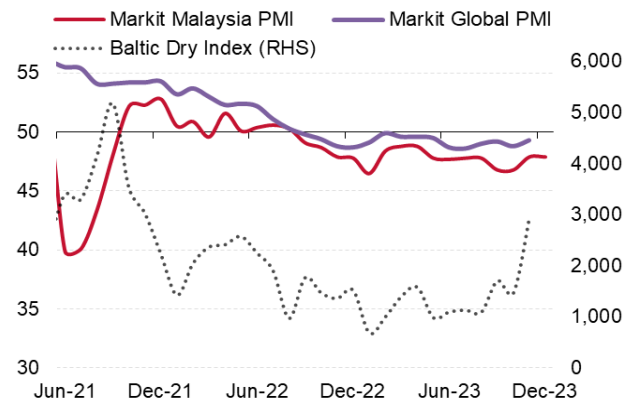
- **Manufacturing conditions among regional economies were broadly stable in December**

- South Korea (49.9; Nov: 50.0): Manufacturing PMI fell marginally below neutral level. Nonetheless, the operating conditions in the manufacturing sector was broadly stable.
- China (50.8; Nov: 50.7): Caixin Manufacturing PMI edged up slightly and remained above neutral level as businesses announced larger output and new order increases in response to greater market demand.

- **Heightened geopolitical tensions could weigh on global trade activity, but recovery is still expected in 2024**

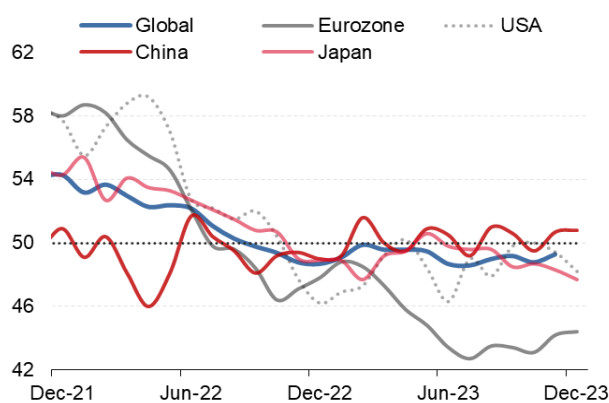
- The Manufacturing PMI is expected to gradually improve in the near term, attributed to the potential upswing in the technology sector and China's gradual recovery, both of which are expected to contribute to an improvement in Malaysia's export performance moving forward. Nevertheless, our outlook remains cautiously optimistic, as rising geopolitical tensions could disrupt the global supply chain and potentially impact global trade activity.
- Against this backdrop, we retained 4Q23 GDP growth forecast at 3.7% (3Q23: 3.3%), as growth is likely to be supported by a resilient domestic demand, bolstered by year-end festive spending and a continued increase in tourist arrivals. Hence, we expect 2023 GDP growth to align with our projection of 3.5% - 4.0% (2022: 8.7%) and anticipate it to expand to 4.9% in 2024.

Graph 1: Global & Malaysia Manufacturing PMI



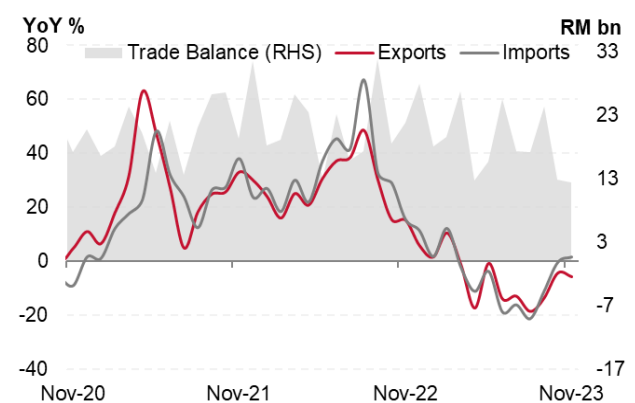
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

Graph 2: Global PMI Trend



Source: Bloomberg, S&P Global, Kenanga Research

Graph 3: Malaysia External Trade Growth



Source: Dept. of Statistics, Kenanga Research

03 January 2024

Table 2: Malaysia PMI Trend

	2020	2021	2022	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
S&P Malaysia PMI	49.1	52.8	47.8	47.8	47.8	46.8	46.8	47.9	47.9
New Orders*				Down	Down	Down	Down	Down	Down
Output*				Down	Down	Down	Down	Down	Down
Employment*				Down	Down	Down	Down	Down	Up
Stocks of Purchases*				Down	Down	Down	Down	Down	Down
S&P Global PMI	49.2	54.3	48.6	48.6	49.0	49.2	48.8	49.3	N/A
Baltic Dry Index	1,230	2,217	1,515	1,127	1,086	1,701	1,459	2,937	N/A
DoS Leading Index (% YoY)	4.0	4.6	1.1	-1.0	-0.5	-0.2	-0.2	N/A	N/A

Source: PMI by S&P Global, Bloomberg, Dept. of Statistics, Kenanga Research

*The "Up/Down/Flat" movements for sub-indicators are based on S&P Global own reports. Detailed and historical data are available on a subscription basis only. 0

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