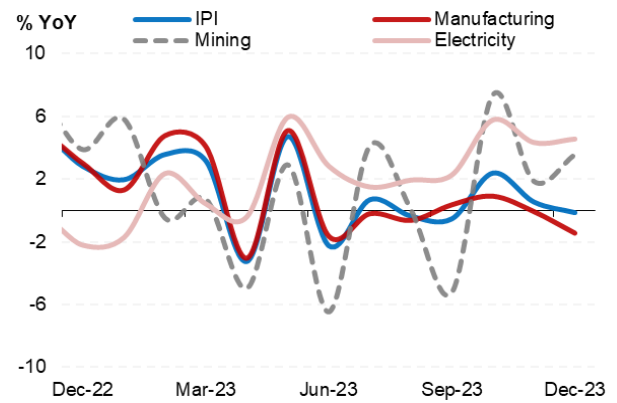


Malaysia Industrial Production

Falls in December on weak manufacturing output; overall 2023 slowed sharply

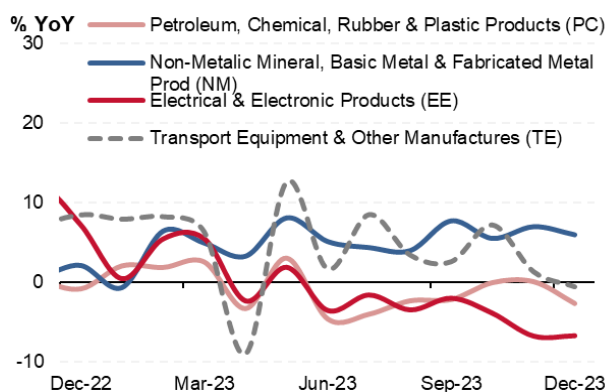
- Industrial Production Index (IPI) contracted in December (-0.1% YoY; Nov: 0.6%), below expectations (KIBB: 1.5%; consensus: 0.6%). Overall, growth for 2023 settled at 0.9% (2022: 6.7%), a tad lower than house forecast of 1.0%**
 - The subdued performance was attributed to muted manufacturing, particularly in the export-oriented sub-sector. However, the slowdown was partially offset by an expansion in mining and electricity sectors.
 - MoM (-1.3%; Nov: -0.9%): contracted to five-month low and remained in a contraction for the second consecutive month.
 - 4Q23 (1.0%; 3Q23: 0.0%): charted a positive expansion, marking a three-quarter high.
- The manufacturing index fell in December (-1.4% YoY; Nov: -0.1%), a two straight month of contraction, mainly due to a deeper contraction in the output of export-oriented sub-sector. Overall, manufacturing index moderated sharply to 0.7% in 2023 (2022: 8.2%)**
 - Domestic-oriented:** moderated to 4.2% (Nov: 5.8%), reaching an eight-month low but was supported by higher output in fabricated metal products (9.7%; Nov: 8.9%), food processing products (6.2%; Nov: 10.9%) and non-metallic mineral products (5.3%; Nov: 6.9%).
 - Export-oriented:** contracted for the seven straight month (-4.1%; Nov: -2.7%) and the weakest since May 2020. This was primarily due to the subdued output of computer, electronics and optical products (-7.2%; Nov: -8.6%), the biggest component in the manufacturing sector, followed by electrical equipment (-7.6%; Nov: -1.1%) and textiles (-6.1%; Nov: -4.8%).
 - MoM (-2.6%; Nov: -0.3%): decline for the third straight month and the lowest in five months.
 - 4Q23 (-0.2%; 3Q23: -0.1%): fell further albeit slightly, indicating a prolonged downturn in the manufacturing sector.
- Mining index growth expanded to 3.6% (Nov: 1.9%) with 2023 growth slowed to 0.8% (2022: 2.2%)**
 - Attributable to higher output in natural gas (5.0%; Nov: 1.7%) and extraction of crude oil & natural gas (3.6%; Nov: 1.9%). However, the momentum was capped by lower output of crude petroleum (1.6%; Nov: 2.1%).
 - MoM (2.8%; Nov: -1.8%): rebounded following a contraction in the previous month.
 - 4Q23 (4.3%; 3Q23: -0.4%): rebounded to a four-quarter high or highest since 4Q22.
- Electricity index expanded (4.6%; Nov: 4.3%), with overall 2023 growth settled at 2.5% (2022: 3.6%)**
 - MoM (1.1%; Nov: -4.7%): rebounded, following a sharp contraction in the previous month.
 - 4Q23 (4.9%; 3Q23: 1.9%): expanded to a five-quarter high.
- Manufacturing index forecast to expand to 4.6% in 2024, on anticipation of a robust recovery in the 2H24**
 - Given the persistence slowdown in manufacturing index growth, we maintain 4Q23 GDP growth at 3.7% compared to 3.4% advance estimates by DOSM. With that said 2023 GDP growth is expected to settle within our forecast range of 3.5% - 4.0%. Likewise, we expect the manufacturing sector recovery will take up pace particularly in the 2H24 driven by technology upcycle, and China's gradual post-pandemic recovery. Alongside resilient services sector back by an increase tourist arrival, we expect 2024 GDP growth to expand further to 4.9%.

Graph 1: Industrial Production Growth Trend



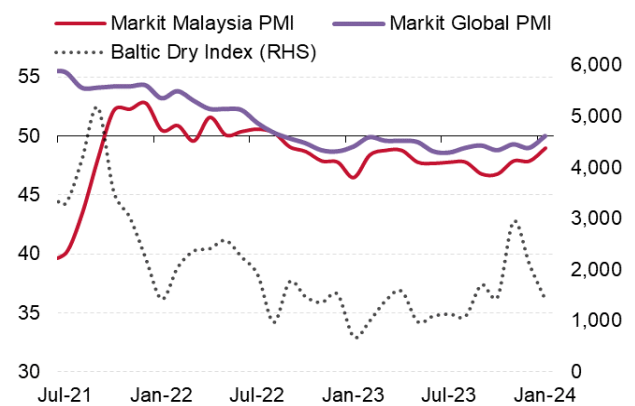
Source: Dept. of Statistics, Kenanga Research

Graph 2: Manufacturing Growth Trend by Sub-Sector



Source: Dept. of Statistics, Kenanga Research

Graph 3: Manufacturing PMI Trend



Source: S&P Global, Bloomberg, Kenanga Research

08 February 2024

Table 1: Malaysia Industrial Production Trend (2015=100)

| | Weight | | 2021 | 2022 | 2023 | Dec-22 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 |
|----------------------|--------------|-----------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| IPI | 100.0 | % YoY | 7.4 | 6.7 | 0.9 | 2.8 | -2.2 | 0.7 | -0.3 | -0.5 | 2.4 | 0.6 | -0.1 |
| | | % YoY SA | 7.4 | 6.9 | 1.1 | 2.8 | -2.3 | 1.0 | 2.3 | -0.6 | 2.4 | 0.5 | -0.1 |
| | | % MoM | | | | -0.6 | 2.2 | -1.8 | 2.8 | 1.1 | 1.9 | -0.9 | -1.3 |
| | | 3mma | | | | 4.0 | -0.3 | 1.0 | -0.6 | 0.0 | 0.5 | 0.8 | 1.0 |
| Manufacturing | 65.9 | % YoY | 9.5 | 8.2 | 0.7 | 3.0 | -1.6 | -0.2 | -0.6 | 0.4 | 0.9 | -0.1 | -1.4 |
| | | % MoM | | | | -1.2 | 5.5 | -4.3 | 5.1 | 2.1 | -1.3 | -0.3 | -2.6 |
| | | 3mma | | | | 4.0 | 0.1 | 1.0 | -0.8 | -0.1 | 0.2 | 0.4 | -0.2 |
| Mining | 28.9 | % YoY | 1.5 | 2.2 | 0.8 | 3.9 | -6.4 | 4.2 | 0.1 | -5.2 | 7.4 | 1.9 | 3.6 |
| | | % MoM | | | | 1.1 | -7.7 | 8.0 | -5.4 | -1.6 | 15.3 | -1.8 | 2.8 |
| Electricity | 5.2 | % YoY | 2.5 | 3.6 | 2.5 | -2.2 | 2.8 | 1.5 | 1.9 | 2.3 | 5.8 | 4.3 | 4.6 |
| | | % MoM | | | | 0.9 | -5.3 | 1.8 | 0.3 | -4.2 | 5.5 | -4.7 | 1.1 |

Source: Dept. of Statistics, Kenanga Research, 3mma = 3-month moving average (YoY growth)

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