

Malaysia Industrial Production

Rebounded in January on a broad-based expansion led by manufacturing

- Industrial Production Index (IPI) rebounded sharply in January (4.3% YoY; Dec: -0.1%), beating expectations (KIBB: 2.0%; consensus: 2.0%)**

- The positive performance at the start of 2024 was attributable to a broad-based expansion across all sectors led by improved manufacturing conditions, amid a strong domestic-oriented sub-sector and a recovery in the export-oriented sub-sector.
- MoM (2.0%; Dec: -1.3%): rebounded to a five-month high following two straight months of contraction.

- The manufacturing index rebounded to an eight-month high in January (3.7% YoY; Dec: -1.4%)**

- **Domestic-oriented:** accelerated to an eight-month high (8.0%; Dec: 4.2%) primarily due to a strong rebound in the output of motor vehicles, trailers & semi-trailers (12.1%; Dec: -2.5%), followed by fabricated metal products, except machinery & equipment (11.9%; Dec: 9.7%) and food processing products (8.5%; Dec: 6.2%).
- **Export-oriented:** rebounded (1.6%; Dec: -4.1%), a positive turnaround following a seven-straight month of contraction. This was contributed by higher output of rubber products (8.5%; Dec: -8.6%), followed by plastic products (7.5%; Dec: 1.3%) and chemicals & chemical products (6.1%; Dec: -1.1%). Notably, output of computers, electronic & optical products (0.4%; Dec: -7.2%) rebounded for the first time since May 2023, in line with the expected technology upcycle.
- MoM (1.8%; Dec: -2.6%): rebounded, following a three-month growth contraction.

- Mining index growth expanded for the third straight month to 5.0% (Dec: 4.1%), a three-month high**

- Attributable to a broad-based expansion, led by higher output in natural gas (6.6%; Dec: 5.9%), followed by extraction of crude oil & natural gas (5.0%; Dec: 4.1%) and crude petroleum (2.6%; Dec: 1.6%).
- MoM (3.1%; Dec: 2.8%): expanded to a three-month high.

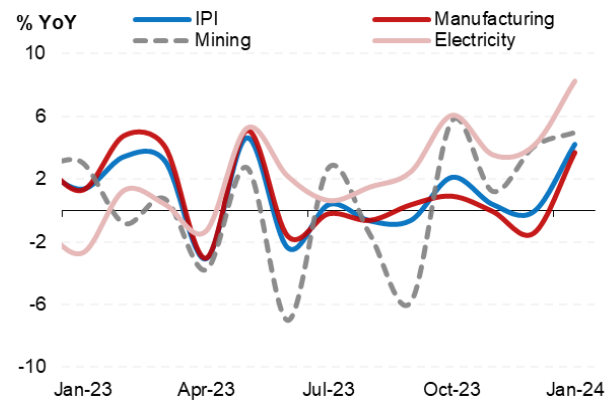
- Electricity index accelerated (8.3%; Dec: 4.1%) to a 17-month high or the highest since August 2022**

- MoM (2.0%; Dec: 1.4%): expanded to a three-month high, marking a second straight month of expansion.

- Manufacturing index forecast retained at 4.6% in 2024 (2023: 0.7%), banking on a robust turnaround in the 2H24**

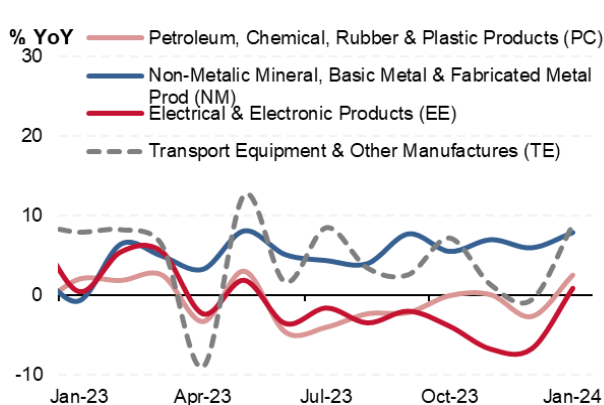
- The manufacturing condition is anticipated to experience further improvement, primarily driven by the expected upswing in technology cycle and China's gradual recovery. This positive trend is evident in the recent Manufacturing Purchasing Managers' Index (PMI) reading, which rose to 49.5 in February (Jan: 49.0), marking an 18-month high. The growth trajectory will also be fuelled by higher demand from regional peers and better-than-anticipated performance among advanced economies. Stable domestic manufacturing, bolstered by the services sector's continued growth driven by increased tourist arrivals and consumer spending, is expected to maintain momentum. With that said, we continue to expect GDP growth to expand to 4.5% - 5.0% in 2024 (2023: 3.7%).

Graph 1: Industrial Production Growth Trend



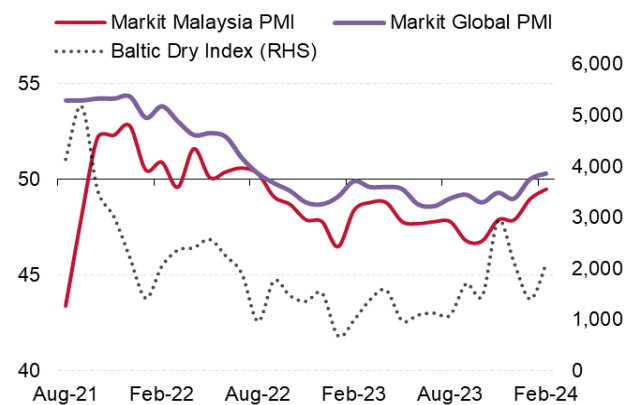
Source: Dept. of Statistics, Kenanga Research

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

13 March 2024

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

	Weight		2021	2022	2023	Jan-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
IPI	100.0	% YoY	7.4	6.7	0.9	1.4	0.4	-0.6	-0.6	2.1	0.4	0.0	4.3
		% YoY SA	7.4	6.9	1.1	1.9	1.0	2.3	-0.5	2.5	0.5	-0.1	3.3
		% MoM				-2.2	-1.8	2.8	1.1	1.9	-0.9	-1.3	2.0
		3mma				3.1	0.8	-0.9	-0.3	0.3	0.6	0.8	1.5
Manufacturing	65.9	% YoY	9.5	8.2	0.7	1.3	-0.2	-0.6	0.4	0.9	-0.1	-1.4	3.7
		% MoM				-3.3	-4.3	5.1	2.1	-1.3	-0.3	-2.6	1.8
		3mma				3.1	1.0	-0.8	-0.1	0.2	0.4	-0.2	0.7
Mining	28.9	% YoY	1.5	2.2	0.8	3.1	2.8	-1.5	-5.8	5.7	1.2	4.1	5.0
		% MoM				2.2	8.0	-5.4	-1.6	15.3	-1.8	2.8	3.1
Electricity	5.2	% YoY	2.5	3.6	2.5	-2.7	0.6	1.5	2.5	6.1	3.5	4.1	8.3
		% MoM				-1.9	2.0	0.7	-3.5	5.6	-5.7	1.4	2.0

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

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