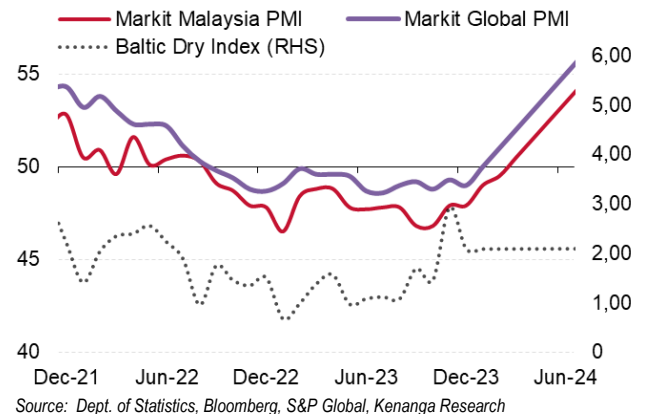


Malaysia Manufacturing PMI

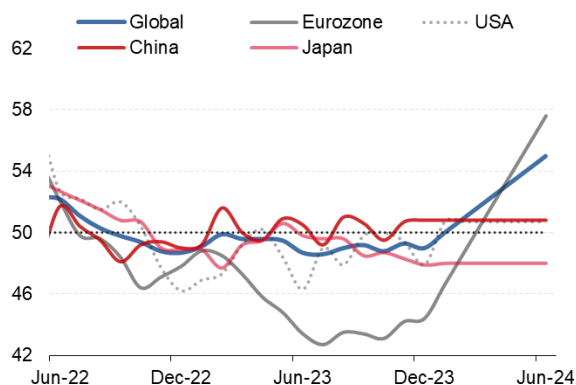
Reverted to below threshold level in June amid muted demand

- The Manufacturing Purchasing Managers' Index (PMI) shrank marginally to 49.9 in June (May: 50.2) influenced by subdued demand.**
 - PMI shown a reversal from the previous month, dipping below threshold level, mainly due to moderating demand, coupled with stagnant staffing levels albeit expansion in new orders.
- Production declined marginally, following June's uptick.**
 - New orders expanded for two consecutive months albeit at the softer rate, backed by the improvement in exports.
 - The purchase of inventories remained muted in June, influenced by the manufacturers' preference to obtain less additional items in stock, given it has already reached mid-year.
- Price pressures remained elevated in June, as evidenced by higher raw material and weaker ringgit**
 - Input cost remained inflated at an unchanged and solid rate from previous month.
 - Despite the stable cost inflation, output prices inched up at the fastest rate in 22 months.
- Positive optimism among firms, but the level of confidence remained muted**
 - Optimism remained positive following the expected rise in new orders albeit the waning business confidence, which has reached the lowest level in ten months.
 - Following the slight increase in the employment levels in the preceding month, factory hiring remained stagnant in June on the back of declining backlog orders since February despite rising in new orders.
- Improvement in manufacturing conditions among regional economies**
 - China (51.8; May: 51.7): The Caixin Manufacturing PMI retained its eight-month streak of expansion. The healthy growth was largely attributable to the increase in new orders and improvement in the purchasing activity.
 - Vietnam (54.7; May: 50.3): Vietnam Manufacturing PMI increased sharply above the threshold in June, marking its three-month streak of expansion. New orders edged up at fastest pace, influencing the need for firms to expand the staffing levels and purchasing activity and further reflected the recovery in business conditions.
- Buoyant trade and investment performance to accelerate the manufacturing sector recovery**
 - We expect a significant expansion in the manufacturing sector, backed by resilient domestic demand coupled with the robust foreign direct investments to Malaysia which were largely influenced by Malaysia's favourable investment policies for foreign investors. The buoyant labour market which will be driven by the upcoming implementation of the progressive wage policy will further improve the labour productivity. This could become an additional support for the recovery in the manufacturing sector.
 - Additionally, we believe that the improvement in the global semiconductor industry, rooted by computing needs and technology upcycle coupled with China's economic recovery, will further benefit Malaysia.
 - Hence, we retain our bullish projection on the GDP at 4.5%-5.0% in 2024, in line with the BNM and MoF forecasts at 4.0%-5.0% largely backed by the lower base effect, exports and a sustainable domestic demand.

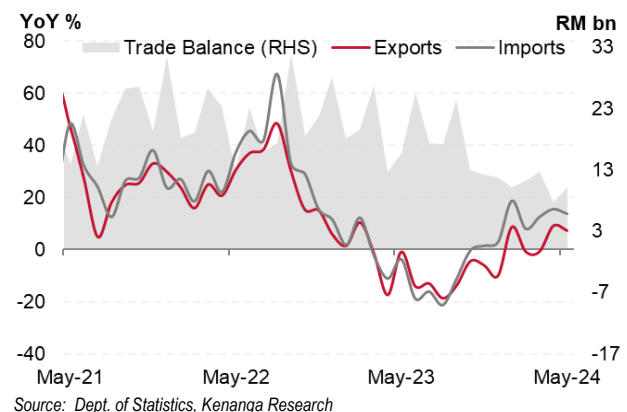
Graph 1: Global & Malaysia Manufacturing PMI



Graph 2: Global PMI Trend



Graph 3: Malaysia External Trade Growth



05 June 2024

Table 2: Malaysia PMI Trend

	2021	2022	2023	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
S&P Malaysia PMI	52.8	47.8	47.9	47.9	49.0	49.5	48.4	49.0	50.2	49.9
New Orders*				Down	Down	Down	Down	Down	Up	Up
Output*				Down	Down	Down	Down	Down	Up	Up
Employment*				Up	Down	Down	Down	Flat	Up	Flat
Stocks of Purchases*				Down	Down	Down	Down	Down	Down	Down
S&P Global PMI	54.3	48.6	49.0	49.0	50.0	50.3	50.6	50.3	50.9	N/A
Baltic Dry Index	2,217	1,515	2,094	2,094	1,398	2,111	1,821	1,685	1,815	2,050
DoS Leading Index (% YoY)	4.6	1.0	-0.9	0.4	3.4	2.1	2.3	N/A	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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