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ECONOMICS

In this report:

Malaysia – IP holds up well but retail sales dip again

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Malaysia

IP holds up well but retail sales dip again

As expected, the manufacturing output continued to expand at a moderate pace following a less stringent MCO 2.0 and supported by exports. Nonetheless, overall IP slowed down by 1.2% y/y from 1.7% y/y in December 2020, dragged by electricity (-4.6% y/y) and mining (-4.5% y/y).

Going forward, manufacturing is expected to pick up. It will be supported by the gradual easing of the MCO 2.0, mass vaccination, improving external demand, and a pick-up in domestic activities. This should see the full year GDP growing around 5.2% to 6.0% in 2021.

- Manufacturing production continued to at a moderate pace in January despite the imposition of the MCO 2.0 to contain the virus spread. The sector benefited from a less stringent MCO 2.0 compared to MCO 1.0 plus favourable exports which grew by 6.6% y/y from 10.8% y/y in December 2020.
- A pick-up in global semiconductors activities, rubber products, medical gloves, petroleum, chemicals and front-loading activities prior to the festive season supported industrial production.
- The export-oriented industries grew 4.6% and compensated for the slower output from domestic-oriented industries which rose by 1.5%. The slower domestic industries is partly reflected by the drop in distributive sales by 2.7% y/y from -0.3% y/y in December 2020. Both wholesale and retail sales fell by 0.4% y/y (Dec: -0.6% y/y) and 2.5% y/y (Dec: -2.0% y/y), respectively.
- The outlook for manufacturing is poised to remain favourable. The gradual easing of the MCO 2.0, mass vaccination, positive exports outlook and a pick-up in domestic activities will provide the necessary boost for the sector.
- The drag on January's IP came from mining and electricity, both falling by 4.5% and 4.6%. Mining was dragged by the decrease in crude oil & condensate index (-9.4%) and natural gas index (-0.5%). However, looking at the m-o-m change, the mining sector improved. It was supported by the steady climb in crude oil prices from supply cuts by Opec+, and optimism from vaccine rollouts. Oil prices are likely to trend upwards this year. However, the uneven distribution of vaccines globally might slow down the recovery in the tourism industry.
- Looking ahead, the economy is projected to improve. The GDP outlook for the full year is projected to be a growth of 5.2% to 6.0%.

Table 1: Key Industrial Production Data (%)

	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21
IP m/m	0.6	-6.7	-0.2	-30.5	18.9	26.3	1.3	-1.3	0.5	1.7	-2.7	4.7	0.1
IP y/y	0.3	5.7	-5.1	-32.1	-21.8	-0.4	1.3	-0.2	0.9	-0.6	-2.4	1.7	1.2
Mfg m/m	0.4	-6.6	-1.0	-35.8	26.9	37.0	0.2	-2.1	2.1	0.1	-2.9	3.3	-0.2
Mfg y/y	2.2	6.2	-4.1	-37.2	-22.6	4.7	2.9	2.2	4.3	2.4	2.0	4.1	3.5
Mining m/m	0.8	-7.5	2.6	-19.1	0.4	2.4	4.4	0.3	-4.1	7.6	-0.7	10.8	1.7
Mining y/y	-5.0	4.0	-7.3	-20.2	-22.8	-17.0	-2.5	-8.2	-10.2	-11.3	-16.4	-5.4	-4.5
Electricity m/m	2.4	-4.5	-0.8	-13.3	13.8	0.2	4.2	3.0	-3.7	3.9	-6.0	3.0	-2.2
Electricity y/y	0.0	6.8	-7.0	-19.3	-10.3	-2.4	-5.0	-1.1	-2.1	0.8	-2.5	-0.2	-4.6
Mfg Salesm/m	-1.0	-5.7	-1.0	-31.2	18.1	30.5	2.0	-0.6	2.3	0.6	-1.7	3.9	-1.4
Mfg Sales y/y	2.4	7.6	-3.0	-33.0	-20.4	4.2	1.9	1.6	3.7	2.2	2.1	4.5	4.1

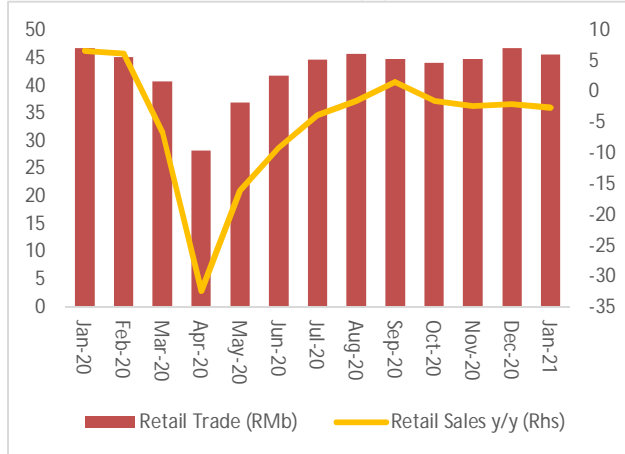
Source: CEIC/AmBank Research

Table 2: Key Wholesale and Retail Sales Data (%)

	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21
Wholesale & Retail Trade y/y	5.4	5.3	-5.7	-36.6	-23.8	-8.4	-3.5	-2.3	0.3	-0.8	-1.2	-0.3	-2.7
Wholesale Trade y/y	5.2	4.9	-2.7	-26.3	-23.6	-8.7	-4.5	-3.9	-4.2	-0.9	-0.7	-0.6	-0.4
Retail Trade y/y	6.7	6.3	-6.6	-32.4	-16.1	-9.2	-3.8	-1.5	1.6	-1.5	-2.3	-2.0	-2.5
Motor Vehicles Sales y/y	1.0	3.5	-15.3	-93.2	-49.5	-4.5	1.7	1.0	17.1	2.2	1.2	7.4	-13.8
Wholesale & Retail Trade m/m	-0.9	-5.1	-5.3	-35.2	26.3	21.8	5.6	2.5	-0.4	-0.5	-0.1	4.6	-3.3
Wholesale Trade m/m	0.1	-5.4	-1.6	-27.2	8.0	20.3	2.2	3.7	1.2	1.7	-1.2	4.8	0.2
Retail Trade m/m	-2.0	-3.4	-9.9	-30.5	30.5	13.0	7.1	2.3	-2.1	-1.4	1.4	4.5	-2.6
Motor Vehicles Sales m/m	-0.9	-9.4	-4.4	-92.2	709.0	78.9	14.3	-0.7	-0.8	-5.8	-0.5	4.4	-20.5

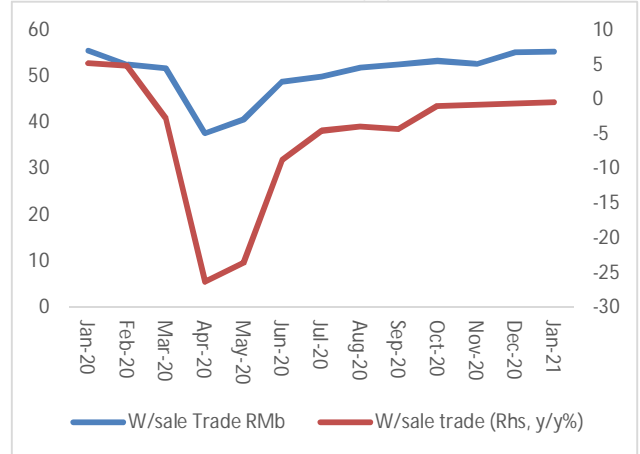
Source: CEIC/AmBank Research

Chart 1: Retail Sales (RM'bil and y/y %)



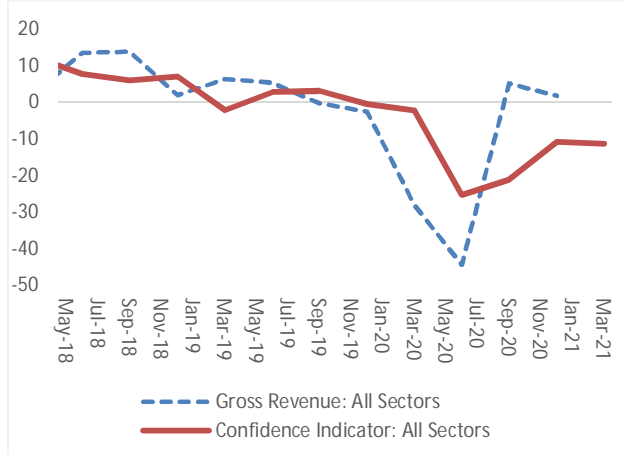
Source: CEIC/AmBank Research

Chart 2: Wholesale Trade (RMb, y/y %)



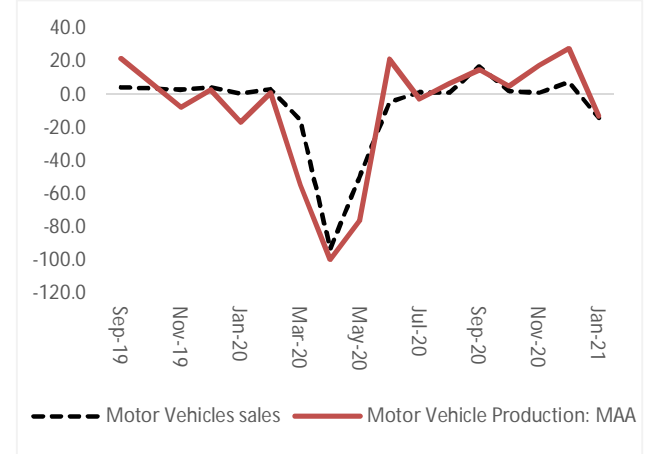
Source: CEIC/AmBank Research

Chart 3: Business Tendency Survey (All Sectors, %)



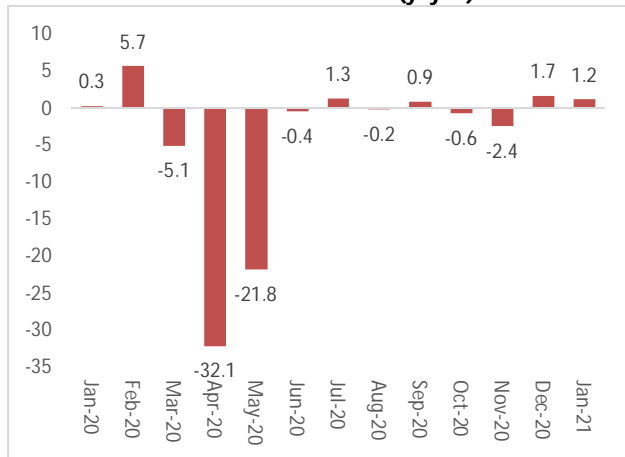
Source: CEIC/AmBank Research

Chart 4: Motor Vehicles Sales and Production (unit)



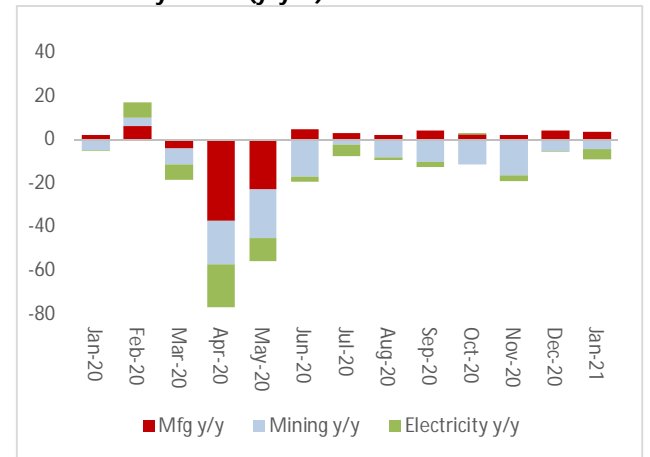
Source: CEIC/AmBank Research

Chart 5: Industrial Production Index (y/y %)



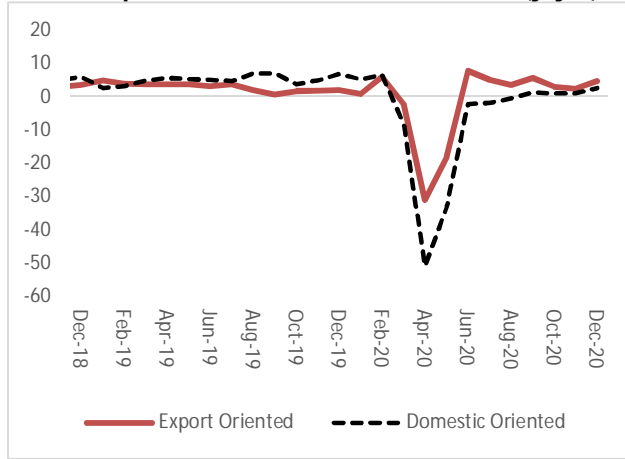
Source: CEIC/AmBank Research

Chart 6: IPI by Sector (y/y %)



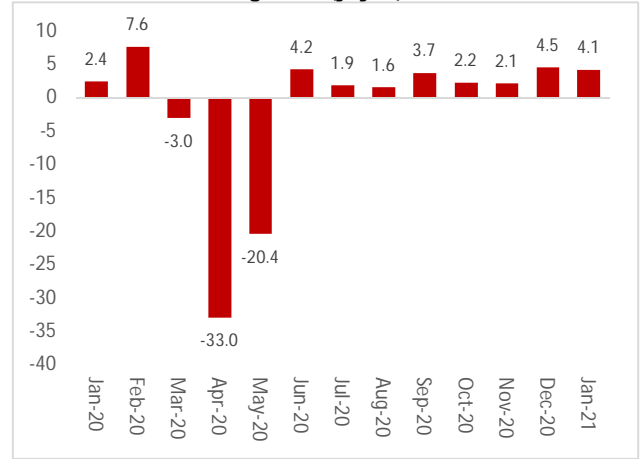
Source: CEIC/AmBank Research

Chart 7: Export & Domestic-Oriented Industries (y/y %)



Source: CEIC/AmBank Research

Chart 8: Manufacturing Sales (y/y %)



Source: CEIC/AmBank Research

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