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ECONOMICS

In this report:

Malaysia – May PMI suggests signs of stabilisation emerging

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Malaysia

May PMI suggests signs of stabilisation emerging

May's headline PMI rose sharply to 45.6 but is still in the contraction region. The transition from the MCO to the CMCO, and the restart of production have cushioned the downturn. Declines in output and order books were notably less severe than those seen in April.

With the rise in headline PMI, and assuming the Covid-19 pandemic bottoms out, this will be the first major indication that the economy is stabilising. It could mean the possibility for growth to return in 3Q2020.

- The headline Markit Manufacturing Purchasing Managers' Index (PMI) rose sharply to 45.6 in May, from April's survey-record low of 31.3. Despite a steep rise, it remained below the neutral 50.0 mark. Hence the PMI reading further indicates deterioration in manufacturing sector conditions.
- The transition from the MCO to the CMCO, and the restart of production have cushioned the downturn. Still, the virus impact remains widespread and could continue to affect factory shutdowns and further production cutbacks.
- Notably, the May decline was considerably weaker than at the start of the second quarter. There was a drop in manufacturing output although the rate of contraction has eased substantially since April.
- New orders placed with our producers continued to shrink during May due to the ongoing measures of the MCO imposed domestically and lockdowns abroad to contain the virus.
- While manufacturing activity continued to fall at a steep rate in May, declines in output and order books were notably less severe than those seen in April. With the rise in headline PMI, and assuming the Covid-19 pandemic bottoms out, this will be the first major indication that the economy is stabilising. It could mean the possibility for growth to return in 3Q2020.

Table 1: Key Manufacturing Data

	May'18	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May
PMI	48.8	47.8	47.6	47.4	47.9	49.3	49.5	50	48.8	48.5	48.4	31.3	45.6
IP (y/y %)	4.0	3.8	1.2	1.7	1.7	0.4	2.1	1.3	0.6	6.2	-4.9	nm	nm
Mfg Output (y/y %)	4.2	3.8	4.0	3.6	2.5	2.3	2.7	3.4	2.2	6.2	-4.2	nm	nm
Export Oriented (y/y %)	3.7	3.3	3.7	2.0	0.6	1.7	1.8	2.0	0.8	6.0	-2.3	nm	nm
Domestic Oriented (y/y %)	5.2	5.1	4.7	7.0	7.1	3.8	4.8	6.7	5.2	6.5	-8.3	nm	nm
Mfg Sales (y/y %)	6.7	5.3	6.0	4.5	2.9	2.4	2.5	5.2	2.4	7.6	-3.0	nm	nm
Leading Index (y/y %)	-0.1	-0.6	0.6	-0.2	0.6	1.9	1.3	1.9	0.7	1.7	-3.6	nm	nm
Coincident Index (y/y %)	3.7	2.4	2.1	2.6	2.2	2.0	2.5	2.4	2.0	3.4	-3.6	nm	nm

Source: CEIC/AmBank Research

Table 2: Key Trade Data (y/y %)

	Mar'19	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar
Exports (X)	-0.9	0.6	1.5	-3.4	1.7	-0.8	-6.7	-6.7	-5.5	2.7	-1.5	11.8	-4.7
X: Manufacturing	-2.4	-6.2	8.7	-6.6	3.4	14.1	1.9	-11.4	12.6	8.2	2.9	34.2	-11.0
X: E&E	-1.9	3.9	0.6	-6.5	4.5	-7.4	-12.2	-3.2	-11.6	-5.4	-5.5	-2.7	-13.9
Imports (M)	-0.3	4.2	1.4	-9.8	-6.0	-12.5	2.4	-8.7	-3.6	1.0	-2.4	11.3	-2.7
M: Capital	-12.1	5.5	-6.1	-24.5	-14.0	-30.9	7.0	-11.5	-4.4	-11.0	-14.8	-16.9	-47.5
M: Intermediate	2.9	19.9	6.0	-3.6	-3.4	-13.8	11.1	-5.1	1.8	6.2	3.7	20.4	2.0
M: Consumption	10.1	18.3	10.5	-5.6	-5.0	-12.8	15.1	-5.0	1.9	3.2	-1.0	10.2	7.0

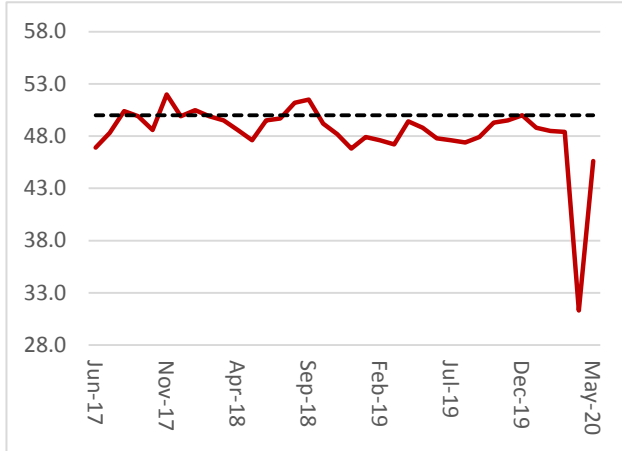
Source: CEIC/AmBank Research

Table 3: Regional Market Manufacturing PMI

	May'19	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May
World	49.8	49.4	49.3	49.6	49.8	49.8	50.3	50.1	50.3	47.1	47.3	39.8	42.4
Dev. Markets	49.2	49.0	48.7	48.8	48.6	48.7	49.5	49.1	49.7	49.5	45.9	36.8	39.5
Euro Area	47.7	47.6	46.5	47.0	45.7	45.9	46.9	46.3	47.9	49.2	44.5	33.4	39.4
ASEAN	50.6	49.7	49.5	48.9	49.1	48.5	49.2	49.7	49.8	50.2	43.4	30.7	nm
US	50.5	50.6	50.4	50.3	51.1	51.3	52.6	52.4	51.9	50.7	48.5	36.1	39.8
Germany	44.3	45.0	43.2	43.5	41.7	42.1	44.1	43.7	45.3	48.0	45.4	34.5	36.6
UK	49.4	48.0	48.0	47.4	48.3	49.6	48.9	47.5	50.0	51.7	47.8	32.6	40.7
Japan	49.8	49.3	49.4	49.3	48.9	48.4	48.9	48.4	48.8	47.8	44.8	41.9	38.4
China	50.2	49.4	49.9	50.4	51.4	51.7	51.8	51.5	51.1	40.3	50.1	49.4	50.7
India	52.7	52.1	52.5	51.4	51.4	50.6	51.2	52.7	55.3	54.5	51.8	27.4	30.8
Thailand	50.6	50.6	49.4	49.8	50.1	49.5	49.7	51.2	49.6	49.7	46.4	35.8	41.3
S. Korea	48.4	47.5	47.3	49.0	48.0	48.4	49.4	50.1	49.8	48.7	44.2	41.6	41.3
Indonesia	51.6	50.6	49.6	49.0	49.1	47.7	48.2	49.5	49.3	51.9	45.3	27.5	nm
Philippines	51.2	51.3	52.1	51.9	51.8	52.1	51.4	51.7	52.1	52.3	39.7	31.6	40.1
Vietnam	52.0	52.5	52.6	51.4	50.5	50.0	51.0	50.8	50.6	49.0	41.9	32.7	42.7
Malaysia	48.8	47.8	47.6	47.4	47.9	49.3	49.5	50.0	48.8	48.5	48.4	31.3	45.6

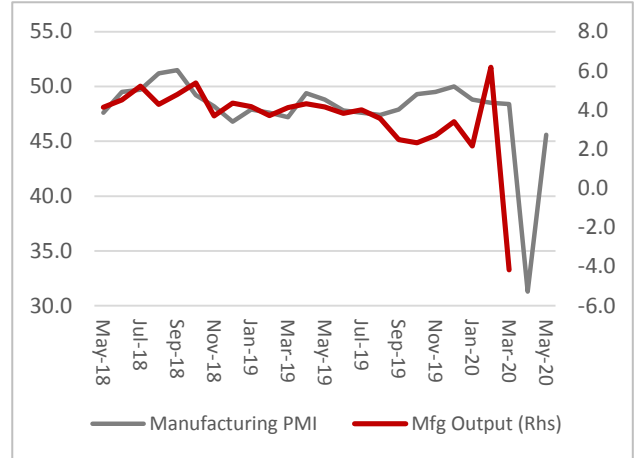
Source: CEIC/AmBank Research; Note: US = Markit PMI

Chart 1: Malaysia PMI



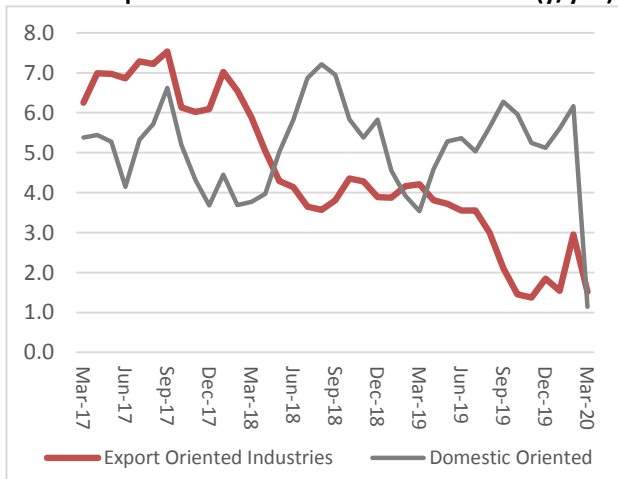
Source: CEIC/AmBank Research

Chart 2: Malaysia PMI and Manufacturing Output (y/y%)



Source: CEIC/AmBank Research

Chart 3: Export & Domestic-Oriented Industries (y/y %)



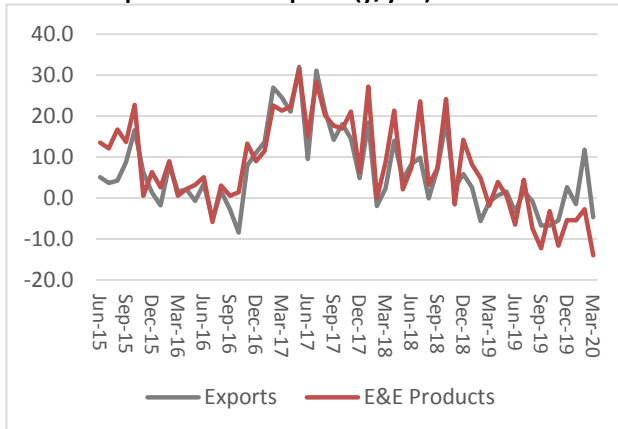
Source: CEIC/AmBank Research

Chart 4: Leading index (y/y %)



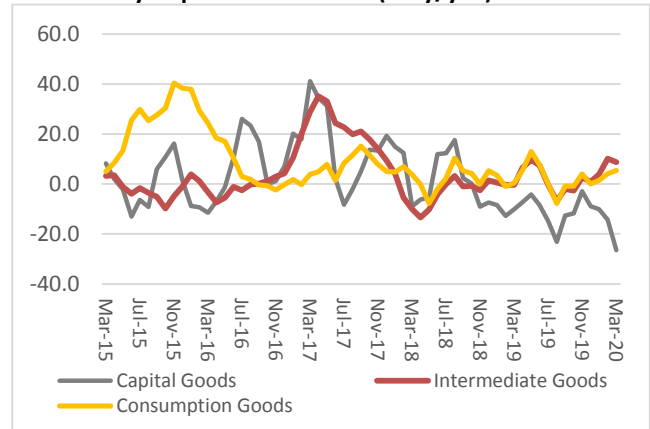
Source: CEIC/AmBank Research

Chart 5: Exports & E&E Exports (y/y %)



Source: CEIC/AmBank Research

Chart 6: Key Imports Breakdown (sa: y/y %)



Source: CEIC/AmBank Research

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