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# ECONOMICS

**In this report:**

**Malaysia – Manufacturing still slow but positive signs emerging**

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## Malaysia

### Manufacturing still slow but positive signs emerging

September's manufacturing PMI remained in the contraction region for the third consecutive month with a reading at 49, driven by weak domestic and export orders. Hence, firms are scaling back on employment and capacity.

The outlook in 4Q2020 will depend much on the severity of the pandemic virus' second wave. Also, domestic noises may result in some knock-on effects on the overall sentiment.

However, other leading indicators are still showing positive signs. The recently announced additional stimulus measures – bringing the total direct and indirect stimulus to RM305 billion – should provide some cushioning on the downside risk. In short, there is light emerging although uncertainties remain.

- September's manufacturing PMI remained in the contraction region for the third consecutive month. The Manufacturing PMI eased to 49 from 49.3 in August amid a return of coronavirus cases. A reading below 50 suggests a contraction.
- Both new and exports orders remained in the contraction region, suggesting that demand from both domestic and exports is still weak.
- And firms remained focused on scaling back on staffing and capacity. The employment index dived for the sixth month while purchasing activity fell further, thus resulting in inventories' depletion.
- Besides, firms are also experiencing rising input costs. In part, this could be seen with the notable drop in both our intermediate and capital goods imports, down 5.6% y/y and 15.5% y/y, respectively in August. However, efforts to pass on higher input costs to customers were hampered by the weakness in demand.
- Looking at the Asean market, Thailand (49.9); the Philippines (50.1); and Vietnam (52.2) improved significantly in September, reflecting broadly stable operating conditions across the goods-producing sector. In contrast, Indonesia plunged to the contraction region at 47.2 after four successive months of growth.

- Although the manufacturing PMI numbers lost some steam, other forward-looking indicators remain on a positive trend. The recently announced additional stimulus measures – bringing the total direct and indirect stimulus to RM305 billion – should provide some cushioning on the downside risk.
- The outlook in 4Q2020 will depend much on the severity of pandemic virus' second wave. Also, domestic noises may result in some knock-on effects on the overall sentiment. In short, despite the uncertainties, there is light emerging.

**Table 1: Key Manufacturing Data**

	Sep'19	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PMI	47.9	49.3	49.5	50.0	48.8	48.5	48.4	31.3	45.6	51.0	50.0	49.3	49.0
IP (y/y %)	1.5	0.1	2.1	1.3	0.6	6.2	-4.9	-32.0	-21.6	-0.4	1.2	nm	nm
IP (m/m %)	-0.3	3.3	-1.0	0.7	0.6	-6.7	-0.2	-30.5	18.9	26.3	1.2	nm	nm
Export Oriented (y/y %)	0.6	1.7	1.8	2.0	0.8	6.0	-2.2	-31.0	-18.1	7.8	5.0	nm	nm
Export Oriented (m/m %)	2.0	3.4	-3.8	0.8	-0.8	-6.0	0.6	-30.8	23.6	33.3	-1.6	nm	nm
Domestic Oriented (y/y %)	7.1	3.8	4.8	6.7	5.2	6.5	-8.3	-50.9	-33.1	-2.3	-1.9	nm	nm
Domestic Oriented (m/m %)	-4.1	-1.3	0.1	2.1	2.9	-8.0	-4.8	-47.5	37.2	47.4	4.7	nm	nm
Mfg Sales (y/y %)	2.9	2.4	2.5	5.2	2.4	7.6	-3.0	-33.0	-20.4	4.2	1.9	nm	nm
Mfg Sales (m/m %)	0.2	2.1	-1.7	1.5	-1.0	-5.7	-1.0	-31.2	18.1	30.5	2.1	nm	nm
Leading Index (y/y %)	0.6	1.9	1.3	1.9	0.7	1.7	-3.7	-5.7	0.6	4.6	7.7	nm	nm
Leading Index (m/m %)	0.0	1.5	-0.4	-0.3	0.1	-0.8	-5.0	0.2	4.9	3.8	4.4	nm	nm
Coincident Index (y/y %)	2.2	2.0	2.5	2.4	2.0	3.4	-3.6	-19.3	-11.0	-3.1	-2.4	nm	nm
Coincident Index (m/m %)	-0.3	0.4	0.3	0.2	0.2	0.7	-6.9	-15.6	10.7	8.7	1.3	nm	nm

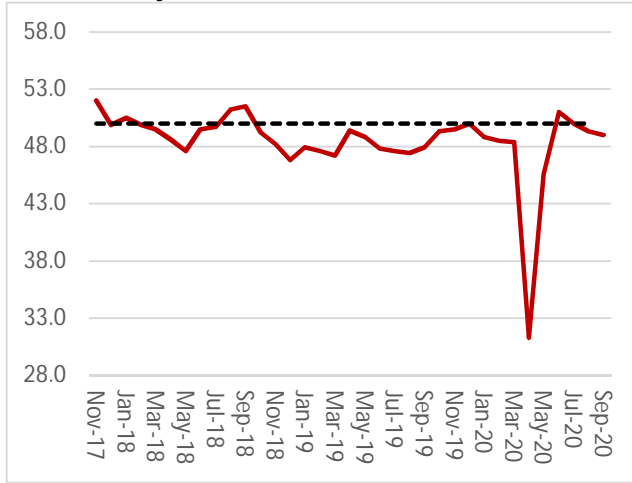
Source: CEIC/AmBank Research

**Table 2: Regional Market Manufacturing PMI**

	Sep'19	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
World	49.8	49.8	50.3	50.1	50.3	47.1	47.3	39.6	42.4	47.9	50.6	51.8	52.3
Dev. Markets	48.6	48.6	49.5	49.1	49.8	49.5	45.9	36.8	39.5	46.4	49.8	51.2	52.2
Euro Area	45.7	45.9	46.9	46.3	47.9	49.2	44.5	33.4	39.4	47.4	51.8	51.7	53.7
ASEAN	49.1	48.5	49.2	49.7	49.8	50.2	43.4	30.7	35.5	43.7	46.5	49.0	48.3
US	51.1	51.3	52.6	52.4	51.9	50.7	48.5	36.1	39.8	49.8	50.9	53.1	53.2
Germany	41.7	42.1	44.1	43.7	45.3	48.0	45.4	34.5	36.6	45.2	51.0	52.2	56.4
UK	48.3	49.6	48.9	47.5	50.0	51.7	47.8	32.6	40.7	50.1	53.3	55.2	54.1
Japan	48.9	48.4	48.9	48.4	48.8	47.8	44.8	41.9	38.4	40.1	45.2	47.2	47.7
China	51.4	51.7	51.8	51.5	51.1	40.3	50.1	49.4	50.7	51.2	52.8	53.1	53.0
India	51.4	50.6	51.2	52.7	55.3	54.5	51.8	27.4	30.8	47.2	46.0	52.0	56.8
Thailand	50.1	49.5	49.7	51.2	49.6	49.7	46.4	35.8	41.3	42.5	45.3	50.0	49.6
S. Korea	48.0	48.4	49.4	50.1	49.8	48.7	44.2	41.6	41.3	43.4	46.9	48.5	nm
Indonesia	49.1	47.7	48.2	49.5	49.3	51.9	45.3	27.5	28.6	39.1	46.9	50.8	47.2
Philippines	51.8	52.1	51.4	51.7	52.1	52.3	39.7	31.6	40.1	49.7	48.4	47.3	50.1
Vietnam	50.5	50.0	51.0	50.8	50.6	49.0	41.9	32.7	42.7	51.1	47.6	45.7	52.2
Malaysia	47.9	49.3	49.5	50.0	48.8	48.5	48.4	31.3	45.6	51.0	50.0	49.3	49.0

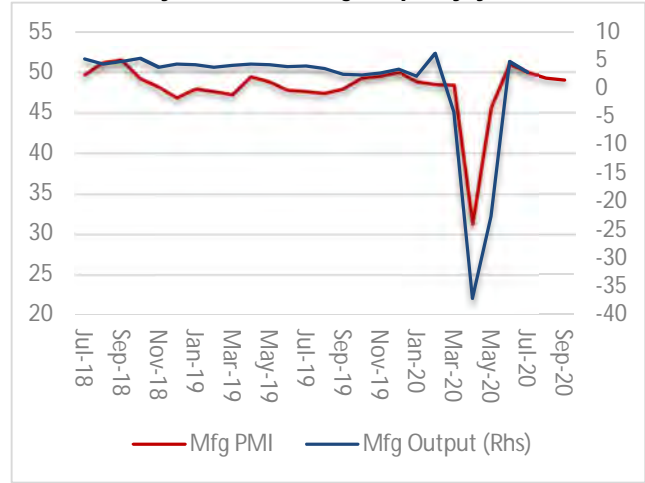
Source: CEIC/AmBank Research; Note: US = Markit PMI

**Chart 1: Malaysia PMI**



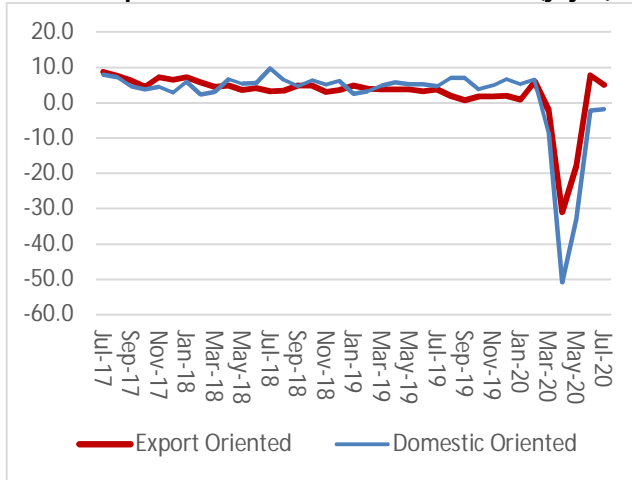
Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

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



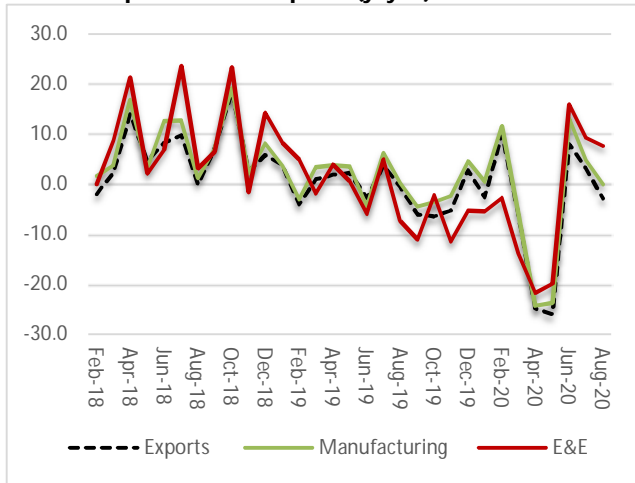
Source: CEIC/AmBank Research

**Chart 4: Leading index (y/y %)**



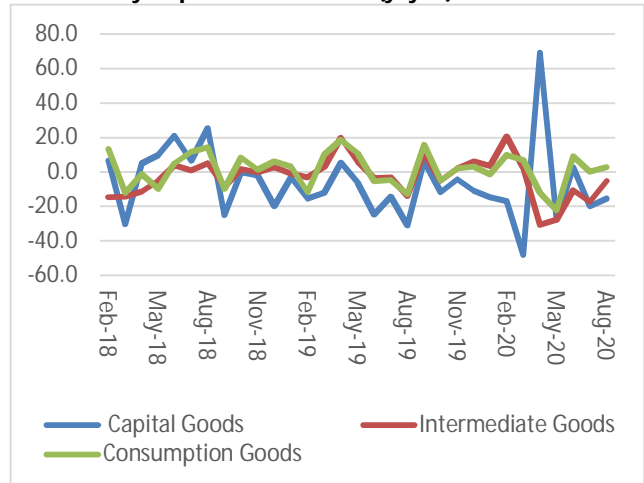
Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

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