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ECONOMICS

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Malaysia – Expect a strong rebound in 3Q2020 GDP

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AmBank Research

Tuesday, 13 October 2020

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Malaysia

Expect a strong rebound in 3Q2020 GDP

Industrial Production (IP) continued to grow but at a slower pace in August by 0.3% y/y from 1.3% y/y in July. IP was largely supported by manufacturing compensating for the poor production from mining and electricity. Besides, positive news is seen from the distributive trade that fell at a slower pace by 2.3% y/y in August from -3.5% y/y in July suggesting gradual pick up in demand and confidence

Preliminary forecast based on current set of incoming data suggest the 3Q2020 GDP growth is likely to present a smaller contraction of between -3.5% to -4.5% compared to -17.1% y/y in 2Q2020. And factoring in for a second wave of the virus pandemic plus the stimulus measures introduced, the full year GDP is expected to hover between -3.6% and -5.5%. Much of the downside risk depends on external challenges besides domestic noises.

- Industrial Production (IP) continued to grow but at a slower pace in August by 0.3% y/y from 1.3% y/y in July. IP was largely supported by manufacturing which grew by 2.4% y/y (2.9% in July) compensating for the poor production from mining (-6.7% y/y) and electricity (-1.2% y/y)
- On m/m, IP fell for the first time since April this year by 1.2%. Drag came primarily from mining (-6.9%) and electricity (-1.2%), more than offset the gain from manufacturing (+2.4%).
- Manufacturing continued to be supported by exports and domestic activities. The electrical and electronics products (6.9%) is seen benefitting from the pick up in global semiconductor sales. At the same time, manufacturing is supported by domestic activities such as transport equipment and other manufacturers (6.9%), food, beverages and tobacco (4.7%), basic metal (+3.2% y/y), and rubber & plastic products (+32.5% y/y).
- Meanwhile, the poor mining data was due to continued decline in oil production since December 2018 (-5% in August). Likewise national gas output fell to -8% in August for the fifth consecutive months.
- Positive news is seen from the distributive trade that fell at a slower pace by 2.3% y/y in August from -3.5% y/y in July suggesting gradual pick up in demand and confidence. This is reflected by the strong outstanding household loans which grew faster by 4.8% y/y in August from 4.3% y/y in July – marking the fastest since June 2019.
- Details from distributive trade shows slower decline from wholesale (-3.9% y/y in August vs. -4.5% y/y in July); retail sales (-1.5% y/y in August vs -3.8% y/y in July) and motor vehicle sales (1.0% y/y in August vs 1.7% y/y in July).



- Preliminary forecast based on current set of incoming data suggest the 3Q2020 GDP growth is likely to present a smaller contraction of between -3.5% to -4.5% compared to -17.1% y/y in 2Q2020. And factoring in for a second wave of the virus pandemic plus the stimulus measures introduced, the full year GDP is expected to hover between -3.6% and -5.5%. Much of the downside risk depends on external challenges besides domestic noises.

Table 1: Key Industrial Production Data (%)

	Aug'19	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug
IP m/m	-0.3	-0.3	3.3	-1.0	0.7	0.6	-6.7	-0.2	-30.5	18.9	26.3	1.3	-1.2
IP y/y	1.9	1.5	0.1	2.1	1.3	0.6	6.2	-4.9	-32.0	-21.6	-0.4	1.2	0.3
Mfg m/m	-1.5	0.1	2.0	-2.6	1.2	0.4	-6.6	-1.0	-35.8	26.9	37.0	0.2	-1.9
Mfg y/y	3.6	2.5	2.3	2.7	3.4	2.2	6.2	-4.1	-37.2	-22.6	4.7	2.9	2.4
Mining m/m	4.2	-1.0	8.8	4.9	-0.9	0.8	-7.5	2.6	-19.1	0.4	2.4	4.4	0.3
Mining y/y	-3.0	-2.6	-6.9	0.5	-4.9	-3.9	6.1	-6.5	-19.6	-22.2	-17.1	-3.0	-6.7
Electricity m/m	-1.1	-2.7	0.9	-2.8	0.5	2.4	-4.5	-0.8	-13.3	13.8	0.2	4.2	2.9
Electricity y/y	0.3	4.1	0.5	1.6	0.9	0.0	6.8	-7.0	-19.3	-10.3	-2.4	-5.0	-1.2
Mfg Sales m/m	-0.3	0.2	2.1	-1.7	1.5	-1.0	-5.7	-1.0	-31.2	18.1	30.5	2.0	-0.5
Mfg Sales y/y	4.5	2.9	2.4	2.5	3.9	2.4	7.6	-3.0	-33.0	-20.4	4.2	1.9	1.7

Source: CEIC/AmBank Research

Table 2: USD/MYR and PMI

	Sep'19	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
RM/USD avg	4.185	4.188	4.159	4.149	4.080	4.163	4.296	4.355	4.342	4.275	4.266	4.191	4.151
RM/USD y/y	1.1	0.7	-0.7	-0.6	-0.9	2.2	5.3	5.9	4.1	2.7	3.4	0.1	-0.8
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

Source: CEIC/AmBank Research & - implies appreciation for the MYR

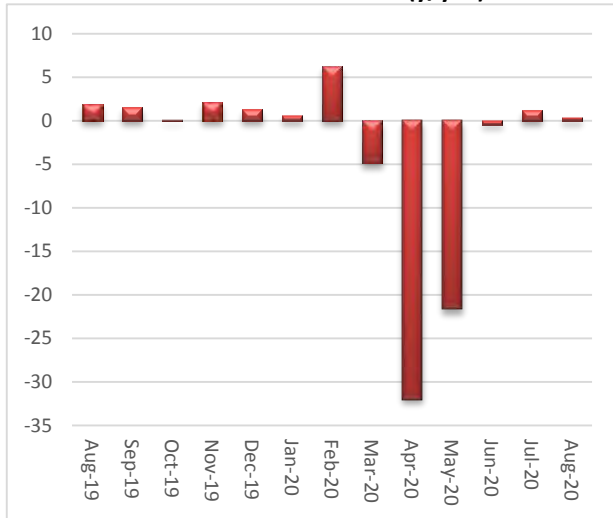
Table 3: Key Wholesale and Retail Sales Data (%)

	Aug'19	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug
Wholesale & Retail Trade y/y	5.8	5.6	5.0	5.2	6.0	5.4	5.3	-5.7	-36.6	-23.8	-8.4	-3.5	-2.3
Wholesale Trade y/y	6.0	4.7	3.9	4.2	5.4	5.2	4.9	-2.7	-26.3	-23.6	-8.7	-4.5	-3.9
Retail Trade y/y	6.9	7.2	6.8	7.0	7.0	6.7	6.3	-6.6	-32.4	-16.1	-9.2	-3.8	-1.5
Motor Vehicles Sales y/y	1.1	4.4	3.7	3.0	4.5	1.0	3.5	-15.3	-93.2	-49.5	-4.5	1.7	1.0
Wholesale & Retail Trade m/m	1.4	-3.0	0.6	0.3	3.7	-0.9	-5.1	-5.3	-35.2	26.3	21.8	5.6	2.5
Wholesale Trade m/m	3.0	1.6	-1.7	-1.3	4.6	0.1	-5.4	-1.6	-27.2	8.0	20.3	2.2	3.7
Retail Trade m/m	-0.1	-5.0	1.6	2.3	4.2	-2.0	-3.4	-9.9	-30.5	30.5	13.0	7.1	2.3
Motor Vehicles Sales m/m	-0.1	-14.4	8.0	0.5	-1.7	-0.9	-9.4	-4.4	-92.2	709.0	78.9	14.3	-0.7

Source: CEIC/AmBank Research

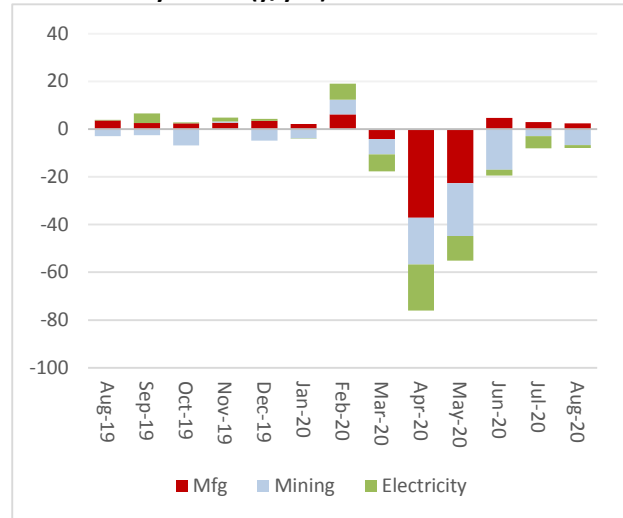


Chart 1: Industrial Production Index (y/y %)



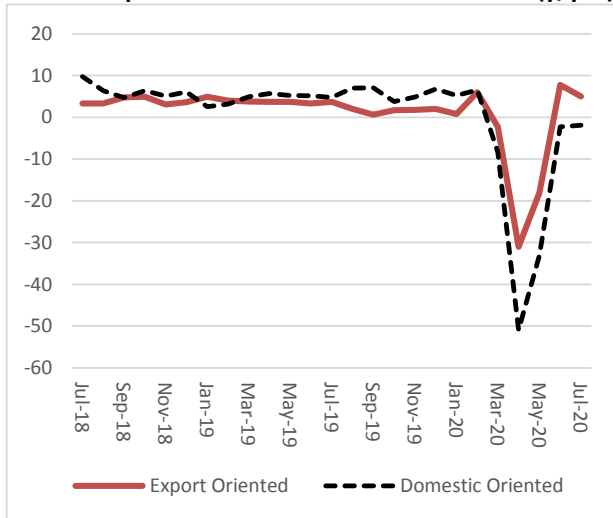
Source: CEIC/AmBank Research

Chart 2: IPI by Sector (y/y %)



Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

Chart 4: Manufacturing Sales (y/y %)



Source: CEIC/AmBank Research



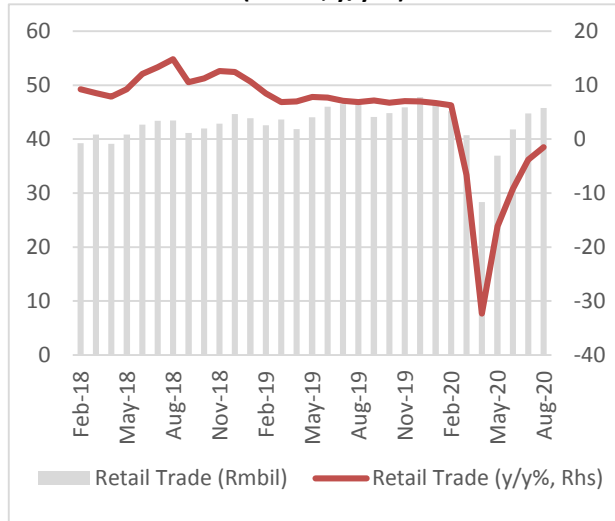
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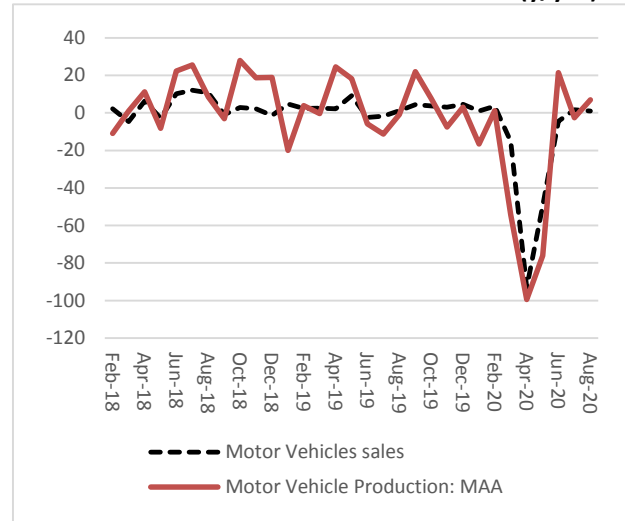
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Chart 5: Retail Trade (RM'bil, y/y %)



Source: CEIC/AmBank Research

Chart 6: Motor Vehicles Sales and Production (y/y %)



Source: CEIC/AmBank Research



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