

2 December 2020



ECONOMICS

In this report:

Malaysia – November PMI suggests 4Q GDP could be slightly weaker

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

Wednesday, 02 December 2020

Dr. Anthony Dass
Chief Economist/Head
anthony-dass@ambankgroup.com
03-20322972

Munesh Nair Muralidharan
Economist
munesh-nair@ambankgroup.com
03-20362255

Nur Iman Binti Mohamed Azhar
Economist
iman-azhar@ambankgroup.com
03-20363020

Malaysia

November PMI suggests 4Q GDP could be slightly weaker

The manufacturing PMI remained in the contraction region for the fourth straight month in November, reading at 48.4 which is marginally lower than October's 48.5. Our performance is somewhat in contrast with the Asean trend which rose to the 50 threshold (which separates expansion from contraction) for the first time since March.

The poor manufacturing PMI reading in November did not come as a surprise as it was inflicted by the rising Covid-19 cases both locally and abroad, and the restrictive measures to contain the virus spread. These lowered the demand for manufactured goods while supply chains faced challenges to deliver inputs in a timely manner. Thus, businesses scaled back on their production.

Nonetheless, looking at the past two months' manufacturing PMI data, the positive side of it is that it did not present a similar sharp drop as witnessed in April which fell to 35.6 due to the restrictive measures. This could in part be due to the CMCO being more targeted, with less adverse implications on both supply and demand.

Based on the first two months of manufacturing PMI data, it somewhat suggests that 4Q2020 GDP could lose some steam. A very preliminary estimation shows the GDP could fall within the range of 3.0%– 3.8%. This is in part due to subdued demand while businesses are experiencing capacity pressure with backlogs of work reducing that result in a dip in holdings of raw materials and semi-finished goods.

- The manufacturing PMI remained in the contraction region for the fourth straight month. November's manufacturing PMI came in at 48.4, marginally lower than October's 48.5. Our performance is somewhat in contrast with the Asean trend which rose to the 50 threshold (which separates expansion from contraction) for the first time since March.
- The poor manufacturing PMI reading in November did not come as a surprise. With the rise in the number of Covid-19 cases both locally and abroad, added with the restrictive measures to contain the virus spread, these weighed on both the supply and demand. In the case of demand, there is a drop for manufactured goods. Supply chains were seen facing challenges to deliver inputs in a timely manner. Thus, businesses scaled back on their production.

- Looking at the past two months' manufacturing PMI data, the good side of it is that it did not present a similar sharp drop as witnessed in April which fell to 35.6 due to the restrictive measures. Benchmarking against the first wave of the virus spread and the restrictive measures imposed, this time around the drop is far more moderate. This could in part be due to the CMCO being more targeted, with less adverse implications on both supply and demand.
- Based on the first two months of manufacturing PMI data, it somewhat suggests that 4Q2020 GDP could lose some steam. A very preliminary estimation shows the GDP could fall within the range of 3.0%–3.8%. This is in part due to subdued demand while businesses are experiencing capacity pressure with backlogs of work reducing that result in a dip in holdings of raw materials and semi-finished goods.

Table 1: Key Manufacturing Data

	Nov'19	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
PMI	49.5	50.0	48.8	48.5	48.4	31.3	45.6	51.0	50.0	49.3	49.0	48.5	48.4
IP (y/y %)	2.1	1.3	0.6	6.2	-4.9	-32.0	-21.6	-0.4	1.2	0.2	1.0	nm	nm
Mfg Output (y/y %)	2.7	3.4	2.2	6.2	-4.1	-37.2	-22.6	4.7	2.9	2.2	4.3	nm	nm
Export Oriented (y/y %)	1.8	2.0	0.8	6.0	-2.2	-31.0	-18.1	7.8	5.1	3.5	5.5	nm	nm
Domestic Oriented (y/y %)	4.8	6.7	5.2	6.5	-8.3	-50.9	-33.1	-2.3	-1.8	-0.6	1.4	nm	nm
Mfg Sales (y/y %)	2.5	5.2	2.4	7.6	-3.0	-33.0	-20.4	4.2	1.9	1.6	3.7	nm	nm
Leading Index (y/y %)	1.3	1.9	0.7	1.7	-3.7	-5.7	0.6	4.5	7.6	7.6	8.6	nm	nm
Coincident Index (y/y %)	2.5	2.4	2.0	3.4	-3.6	-19.3	-11.0	-3.1	-2.4	-2.3	-1.0	nm	nm

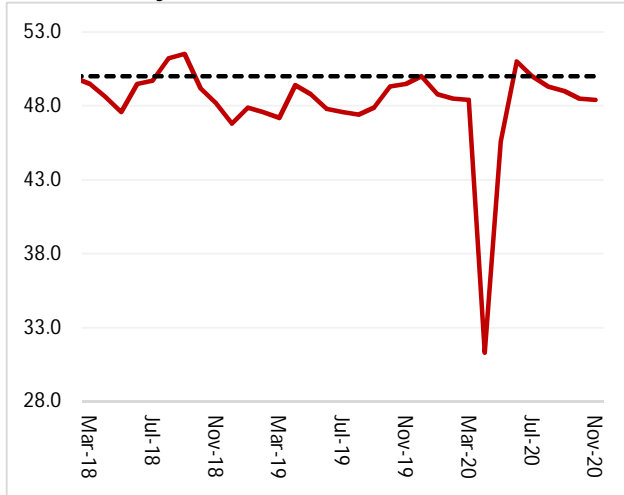
Source: CEIC/AmBank Research

Table 2: Regional Market Manufacturing PMI

	Nov'19	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
World	50.3	50.1	50.3	47.1	47.3	39.6	42.4	47.9	50.6	51.8	52.4	53.0	53.7
Developed Markets	49.5	49.1	49.8	49.5	45.9	36.8	39.5	46.4	49.8	51.2	52.1	52.8	53.8
Euro Area	46.9	46.3	47.9	49.2	44.5	33.4	39.4	47.4	51.8	51.7	53.7	54.8	53.8
Asia	50.7	50.7	50.7	44.4	48.2	43.9	44.7	47.4	49.8	51.2	51.7	52.5	53.3
ASEAN	49.2	49.7	49.8	50.2	43.4	30.7	35.5	43.7	46.5	49.0	48.3	48.6	50.0
United States	52.6	52.4	51.9	50.7	48.5	36.1	39.8	49.8	50.9	53.1	53.2	53.4	56.7
Germany	44.1	43.7	45.3	48.0	45.4	34.5	36.6	45.2	51.0	52.2	56.4	58.2	57.8
United Kingdom	48.9	47.5	50.0	51.7	47.8	32.6	40.7	50.1	53.3	55.2	54.1	53.7	55.6
Japan	48.9	48.4	48.8	47.8	44.8	41.9	38.4	40.1	45.2	47.2	47.7	48.7	49.0
China	51.8	51.5	51.1	40.3	50.1	49.4	50.7	51.2	52.8	53.1	53.0	53.6	54.9
India	51.2	52.7	55.3	54.5	51.8	27.4	30.8	47.2	46.0	52.0	56.8	58.9	56.3
Taiwan	49.8	50.8	51.8	49.9	50.4	42.2	41.9	46.2	50.6	52.2	55.2	55.1	56.9
Thailand	49.3	50.1	49.9	49.5	46.7	36.8	41.6	43.5	45.9	49.7	49.9	50.8	50.4
South Korea	49.4	50.1	49.8	48.7	44.2	41.6	41.3	43.4	46.9	48.5	49.8	51.2	52.9
Indonesia	48.2	49.5	49.3	51.9	45.3	27.5	28.6	39.1	46.9	50.8	47.2	47.8	50.6
Philippines	51.4	51.7	52.1	52.3	39.7	31.6	40.1	49.7	48.4	47.3	50.1	48.5	49.9
Vietnam	51.0	50.8	50.6	49.0	41.9	32.7	42.7	51.1	47.6	45.7	52.2	51.8	49.9
Malaysia	49.5	50.0	48.8	48.5	48.4	31.3	45.6	51.0	50.0	49.3	49.0	48.5	48.4

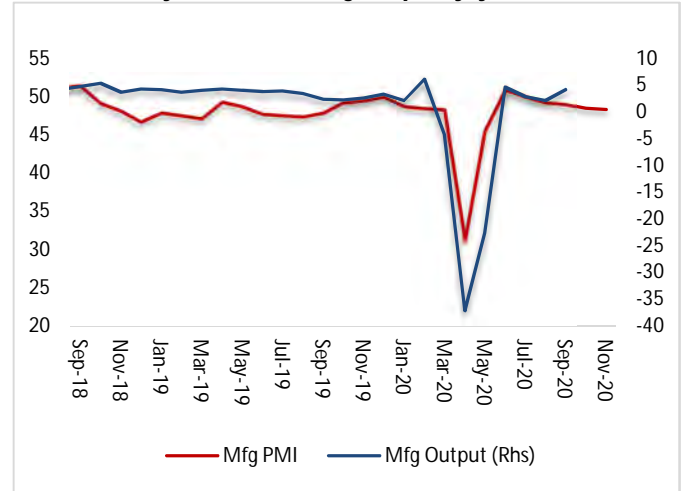
Source: CEIC/AmBank Research; Note: US = Markit PMI

Chart 1: Malaysia PMI



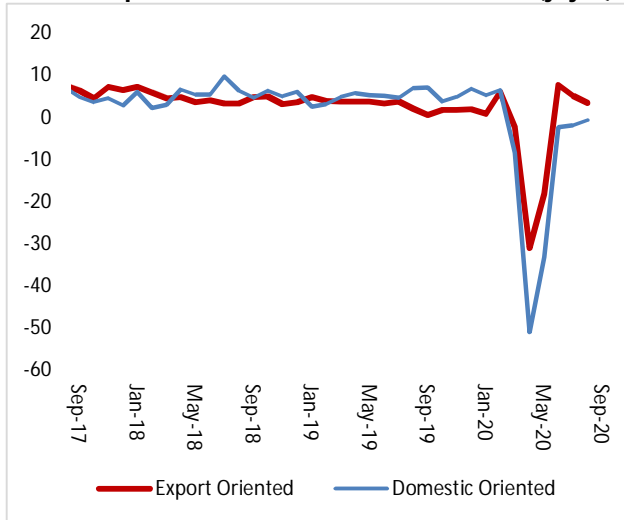
Source: CEIC/AmBank Research

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



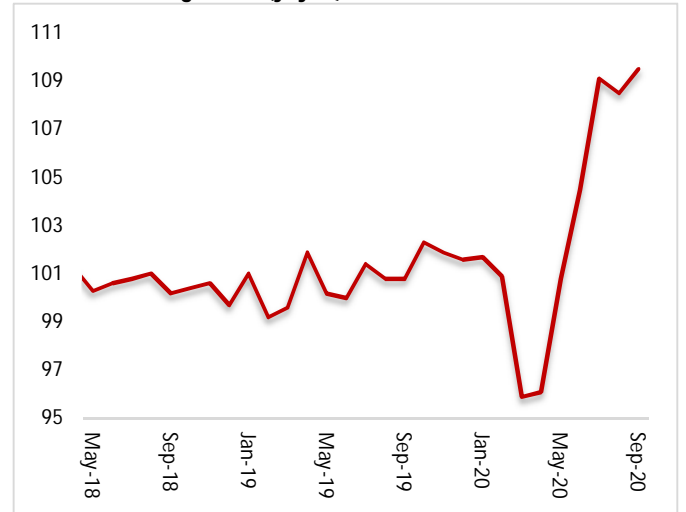
Source: CEIC/AmBank Research

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



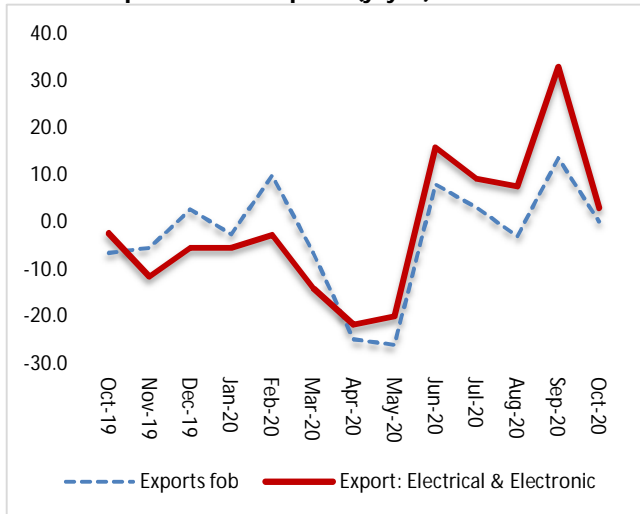
Source: CEIC/AmBank Research

Chart 4: Leading index (y/y %)



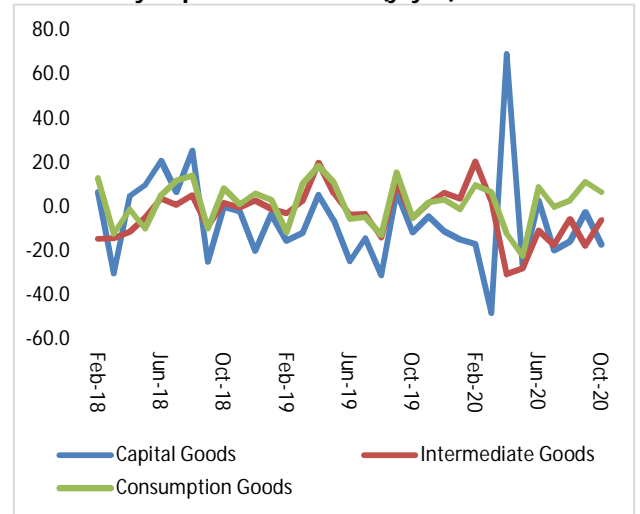
Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmBank (M) Berhad (“AmBank”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures, investment or other products. AmBank recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmBank believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmBank has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmBank’s views as of this date and are subject to change without notice. Notwithstanding that, AmBank has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmBank’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmBank’s prior written consent. AmBank, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmBank is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.