

4 May 2021



ECONOMICS

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Malaysia – All-time high PMI

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Malaysia

All-time high PMI

April's manufacturing PMI of 53.9 is the highest since the survey began in July 2012. Strong manufacturing production was supported by improving market conditions abroad as reflected by strong export orders and improving domestic demand.

Manufacturing activities are expected to remain healthy going forward. However, the upside movement will depend much on the number of Covid cases, easing of restrictive measures, vaccine rollout and backlogs (due to supply constraints). This will exert price pressure in the near term, but should fade once production picks up.

The latest manufacturing PMI data showed that the economy is on track to report a strong growth in April. If manufacturing PMI remains above the "50" threshold for the remaining months of 2Q2021, supported by healthy exports, positive retail activities and a low base, 2Q GDP is expected to report a strong double-digit growth.

- April's manufacturing PMI of 53.9 is the highest since the survey began in July 2012. Despite the rising number of Covid cases, manufacturing output and new orders expanded.
- Production in April reached the highest since June 2020, while new orders recorded their strongest since April 2014. Strong manufacturing production was supported by improving market conditions abroad as reflected by strong export orders and improving domestic demand.
- Manufacturing activities are expected to remain healthy going forward. However, the upside movement will depend much on the number of Covid cases, easing of restrictive measures and vaccine rollout.
- Besides, further development in supply-side constraints will weigh on manufacturing activities. The accumulation of backlogs at a rate not seen for four years showed firms are facing difficulties to produce enough goods to meet demand. The risk of backlogged work piling up going forward is high.
- It also exposed the increased pressure on companies to raise prices and pass the higher costs to their consumers, an outcome that could add to the cocktail of inflationary forces. Low inventories will provide producers with strong pricing power. But this will fade as production capacity expands and inventories are rebuilt. At the consumer level, there is still much slack in the labour market to support such a significant increase in prices.

- Based on the latest manufacturing PMI data, the economy is on track to report a strong growth in April. If manufacturing PMI remains above the “50” threshold for the remaining months of 2Q2021, supported by healthy exports, positive retail activities and a low base, 2Q GDP is expected to report a strong double-digit growth.

Table 1: Key Manufacturing Data

	Apr'20	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr
PMI	31.3	45.6	51.0	50.0	49.3	49.0	48.5	48.4	49.1	48.9	47.7	49.9	53.9
IP (y/y %)	-32.1	-21.8	-0.4	1.3	-0.2	0.9	-0.6	-2.4	1.7	1.2	1.5	nm	nm
Mfg Output (y/y %)	-37.2	-22.6	4.7	2.9	2.2	4.3	2.4	2.0	4.1	3.5	4.5	nm	nm
Export Oriented (y/y %)	-31.0	-18.1	7.8	5.1	3.5	5.5	3.0	2.5	4.7	4.5	0.4	nm	nm
Domestic Oriented (y/y %)	-50.9	-33.1	-2.3	-1.8	-0.6	1.4	0.9	1.0	2.7	1.4	-11.8	nm	nm
Mfg Sales (y/y %)	-33.0	-20.4	4.2	1.9	1.6	3.7	2.2	2.1	4.5	4.1	6.4	nm	nm
Leading Index (y/y %)	-6.0	0.8	5.0	8.1	8.2	9.1	6.5	7.5	7.6	8.2	8.5	nm	nm
Coincident Index (y/y %)	-16.3	-9.4	-2.4	-2.2	-2.3	-1.2	-2.2	-1.9	-1.3	-2.2	-2.0	nm	nm

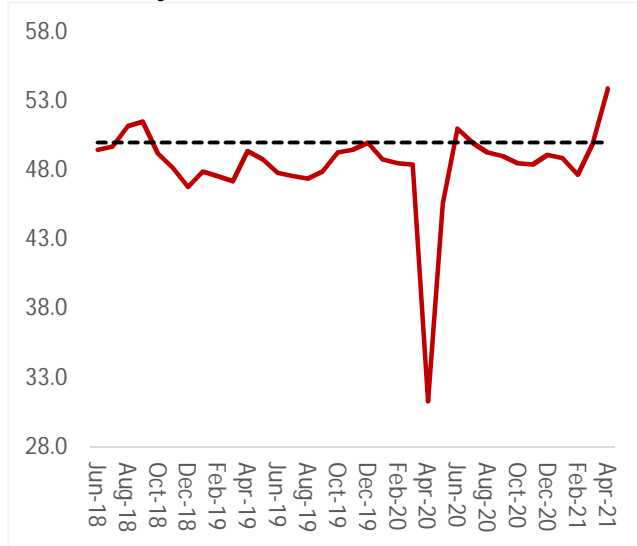
Source: CEIC/AmBank Research

Table 2: Regional Markit Manufacturing PMI

	Apr'20	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr
World	39.6	42.4	48.0	50.6	51.8	52.4	53.1	53.8	53.8	53.6	53.9	55.0	55.8
Dev. Markets	36.8	39.6	46.4	49.8	51.2	52.1	52.8	53.8	54.8	55.2	56.5	58.5	59.3
Euro Area	33.4	39.4	47.4	51.8	51.7	53.7	54.8	53.8	55.2	54.8	57.9	62.5	62.9
Asia	43.9	44.7	47.4	49.8	51.2	51.7	52.5	53.3	52.6	51.9	51.8	51.9	52.9
ASEAN	30.7	35.5	43.7	46.5	49.0	48.3	48.6	50.0	50.8	51.4	49.7	50.8	nm
US	36.1	39.8	49.8	50.9	53.1	53.2	53.4	56.7	57.1	59.2	58.6	59.1	60.5
Germany	34.5	36.6	45.2	51.0	52.2	56.4	58.2	57.8	58.3	57.1	60.7	66.6	66.2
UK	32.6	40.7	50.1	53.3	55.2	54.1	53.7	55.6	57.5	54.1	55.1	58.9	58.9
Japan	41.9	38.4	40.1	45.2	47.2	47.7	48.7	49.0	50.0	49.8	51.4	52.7	53.6
China	49.4	50.7	51.2	52.8	53.1	53.0	53.6	54.9	53.0	51.5	50.9	50.6	51.9
India	27.4	30.8	47.2	46.0	52.0	56.8	58.9	56.3	56.4	57.7	57.5	55.4	55.5
Taiwan	43.7	42.2	46.0	49.8	52.7	55.8	54.9	56.6	60.5	62.2	57.4	67.0	64.2
Thailand	35.8	41.3	42.5	45.3	50.0	49.6	51.1	50.7	52.3	48.5	47.2	49.2	nm
S.Korea	41.6	41.3	43.4	46.9	48.5	49.8	51.2	52.9	52.9	53.2	55.3	55.3	54.6
Indonesia	27.5	28.6	39.1	46.9	50.8	47.2	47.8	50.6	51.3	52.2	50.9	53.2	54.6
Philippines	31.6	40.1	49.7	48.4	47.3	50.1	48.5	49.9	49.2	52.5	52.5	52.2	49.0
Vietnam	32.7	42.7	51.1	47.6	45.7	52.2	51.8	49.9	51.7	51.3	51.6	53.6	nm
Malaysia	31.3	45.6	51.0	50.0	49.3	49.0	48.5	48.4	49.1	48.9	47.7	49.9	53.9

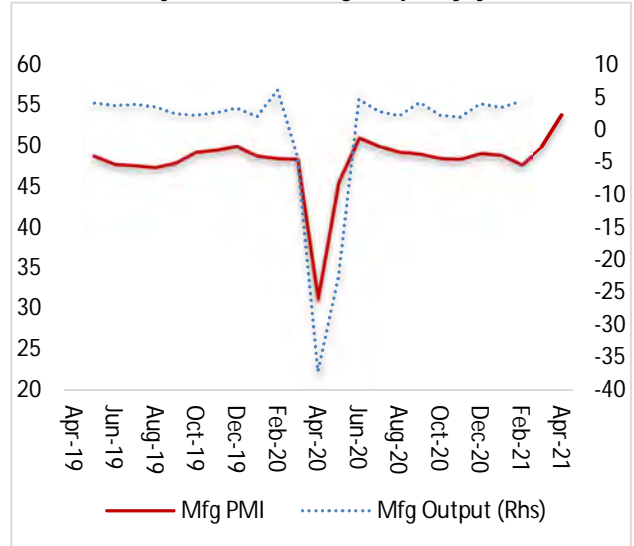
Source: CEIC/AmBank Research; Note: US = Markit PMI

Chart 1: Malaysia PMI



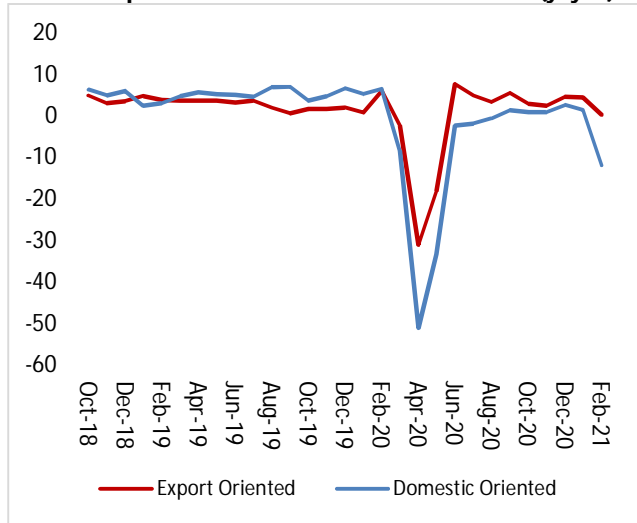
Source: CEIC/AmBank Research

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



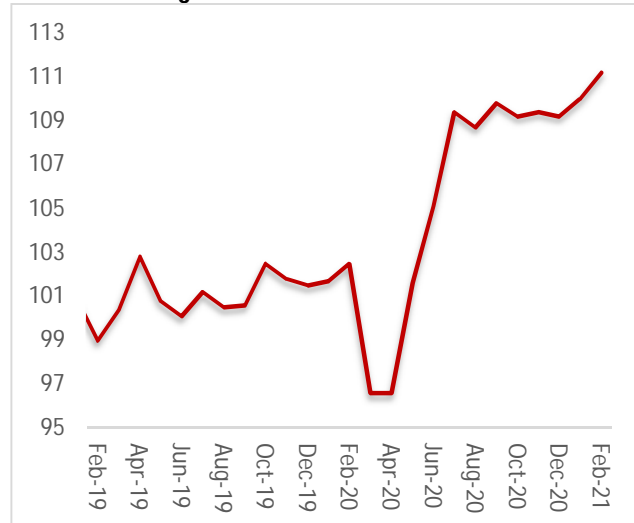
Source: CEIC/AmBank Research

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



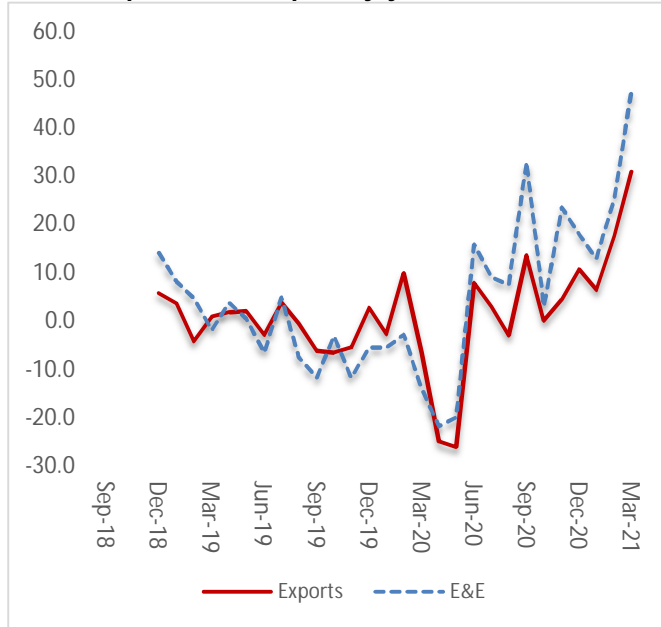
Source: CEIC/AmBank Research

Chart 4: Leading Index



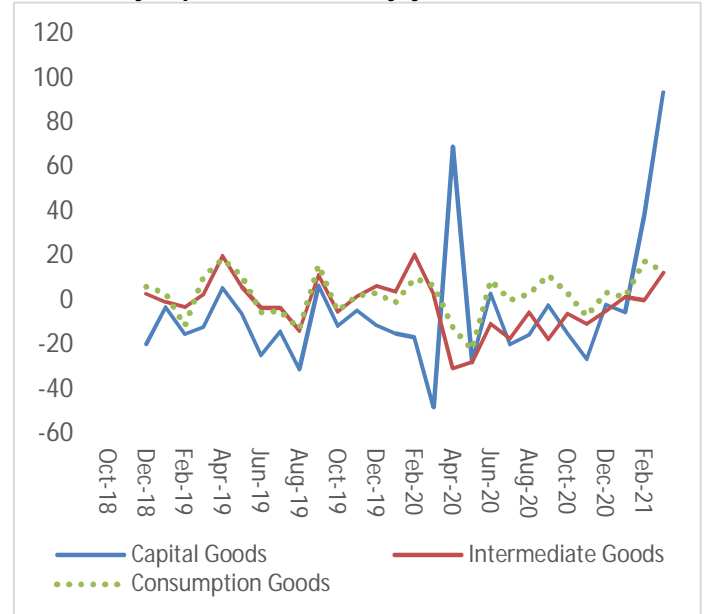
Source: CEIC/AmBank Research

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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