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ECONOMICS

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Malaysia – Downside risk high

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Malaysia

Downside risk high

Although the manufacturing PMI remained above the 50 threshold for two consecutive months with May's reading at 51.3, there is more downside risk in June due to the latest lockdown. Downside pressure could last for the next 3–4 months depending on how fast the Covid cases curve is being flattened.

Uncertainty remains high. Much now depends on the speed of vaccination with continuous testing and quarantine taking place. On that note, we have slashed our 2021 GDP growth from 5.5% (base) and 4.5% (downside) to 4.0% (base) and 3.0% (downside).

- The manufacturing PMI's reading slowed down to 51.3 in May from a record high of 53.9 in April, dampened by Covid-19 restrictions. However, the latest reading still signals an improvement in the manufacturing operating for the second consecutive month.
- It has been above the 50 threshold for two consecutive months. The uptrend is supported by the expansion of new orders and output for the second straight month with firms reporting stronger domestic demand.
- But the month of June will present a challenge. The imposition of a lockdown with manufacturing allowed to operate at 60% capacity will impact activities in this sector. Supply chain disruptions will add pressure on backlogs and deliveries.
- And the risk of this lockdown going beyond two weeks (if the number of infections remain high) cannot be ruled out. Even if there are gradual openings after the two-week period, the risk of another run-up in the number of cases remains.
- Uncertainty remains high. Much now depends on the speed of vaccination with continuous testing and quarantine taking place. On that note we have slashed our 2021 GDP growth from 5.5% (base) and 4.5% (downside) to 4.0% (base) and 3.0% (downside).



Table 1: Key Manufacturing Data

	May'20	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr	May
PMI	45.6	51.0	50.0	49.3	49.0	48.5	48.4	49.1	48.9	47.7	49.9	53.9	51.3
IP (y/y %)	-21.8	-0.4	1.3	-0.2	0.9	-0.6	-2.4	1.7	1.2	1.5	9.3	nm	nm
Mfg Output (y/y %)	-22.6	4.7	2.9	2.2	4.3	2.4	2.0	4.1	3.5	4.5	12.7	nm	nm
Export Oriented (y/y %)	-18.1	7.8	5.1	3.5	5.5	3.0	2.5	4.7	4.5	0.4	6.2	nm	nm
Domestic Oriented (y/y %)	-33.1	-2.3	-1.8	-0.6	1.4	0.9	1.0	2.7	1.4	-11.8	-1.8	nm	nm
Mfg Sales (y/y %)	-20.4	4.2	1.9	1.6	3.7	2.2	2.1	4.5	4.1	6.4	15.3	nm	nm
Leading Index (y/y %)	0.8	5.0	8.1	8.2	9.1	6.5	7.5	7.6	8.3	8.6	17.3	nm	nm
Coincident Index (y/y %)	-9.4	-2.4	-2.2	-2.3	-1.2	-2.2	-1.9	-1.3	-2.2	-2.0	4.1	nm	nm

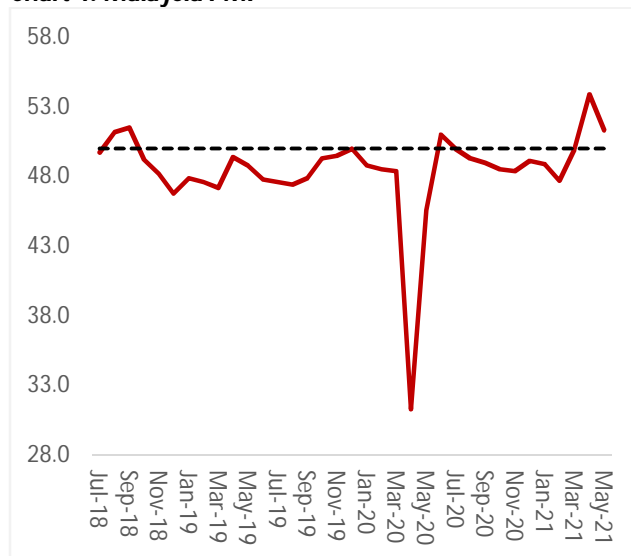
Source: CEIC/AmBank Research

Table 2: Regional Market Manufacturing PMI

	May'20	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr	May
World	42.4	48.0	50.6	51.8	52.4	53.1	53.8	53.8	53.6	53.9	55.0	55.8	56.0
Dev. Markets	39.6	46.4	49.8	51.2	52.1	52.8	53.8	54.8	55.2	56.5	58.5	59.3	59.8
Euro Area	39.4	47.4	51.8	51.7	53.7	54.8	53.8	55.2	54.8	57.9	62.5	62.9	63.1
Asia	44.7	47.4	49.8	51.2	51.7	52.5	53.3	52.6	51.9	51.8	51.9	52.9	52.4
ASEAN	35.5	43.7	46.5	49.0	48.3	48.6	50.0	50.8	51.4	49.7	50.8	51.9	-
US	39.8	49.8	50.9	53.1	53.2	53.4	56.7	57.1	59.2	58.6	59.1	60.5	62.1
Germany	36.6	45.2	51.0	52.2	56.4	58.2	57.8	58.3	57.1	60.7	66.6	66.2	64.4
UK	40.7	50.1	53.3	55.2	54.1	53.7	55.6	57.5	54.1	55.1	58.9	60.9	65.6
Japan	38.4	40.1	45.2	47.2	47.7	48.7	49.0	50.0	49.8	51.4	52.7	53.6	53.0
China	50.7	51.2	52.8	53.1	53.0	53.6	54.9	53.0	51.5	50.9	50.6	51.9	52.0
India	30.8	47.2	46.0	52.0	56.8	58.9	56.3	56.4	57.7	57.5	55.4	55.5	50.8
Taiwan	42.2	46.0	49.8	52.7	55.8	54.9	56.6	60.5	62.2	57.4	67.0	64.2	61.9
Thailand	41.3	42.5	45.3	50.0	49.6	51.1	50.7	52.3	48.5	47.2	49.2	49.7	46.4
S.Korea	41.3	43.4	46.9	48.5	49.8	51.2	52.9	52.9	53.2	55.3	55.3	54.6	53.7
Indonesia	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	40.1	49.7	48.4	47.3	50.1	48.5	49.9	49.2	52.5	52.5	52.2	49.0	49.9
Vietnam	42.7	51.1	47.6	45.7	52.2	51.8	49.9	51.7	51.3	51.6	53.6	54.7	53.1
Malaysia	45.6	51.0	50.0	49.3	49.0	48.5	48.4	49.1	48.9	47.7	49.9	53.9	51.3

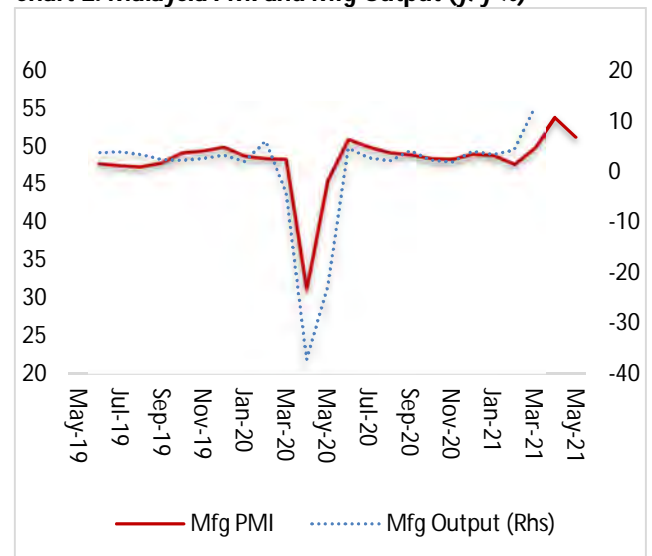
Source: CEIC/AmBank Research; Note: US = Markit PMI

Chart 1: Malaysia PMI



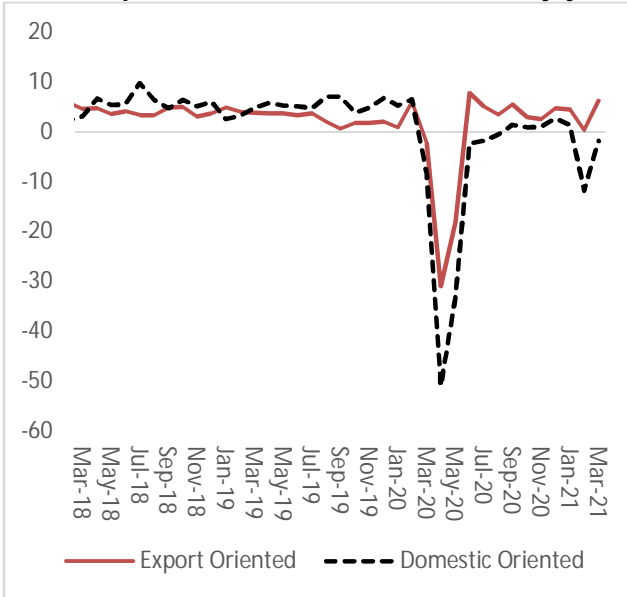
Source: CEIC/AmBank Research

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



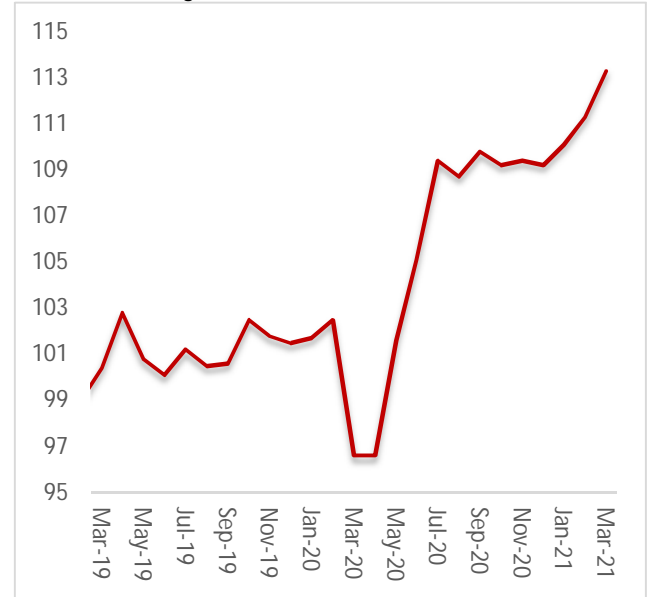
Source: CEIC/AmBank Research

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



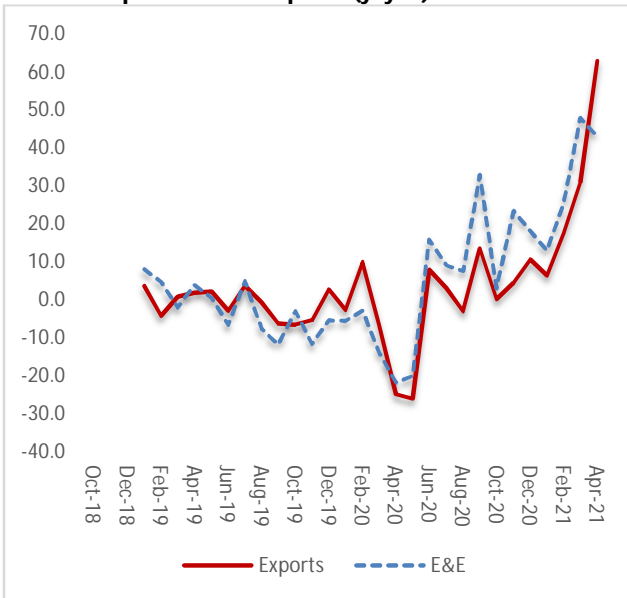
Source: CEIC/AmBank Research

Chart 4: Leading Index



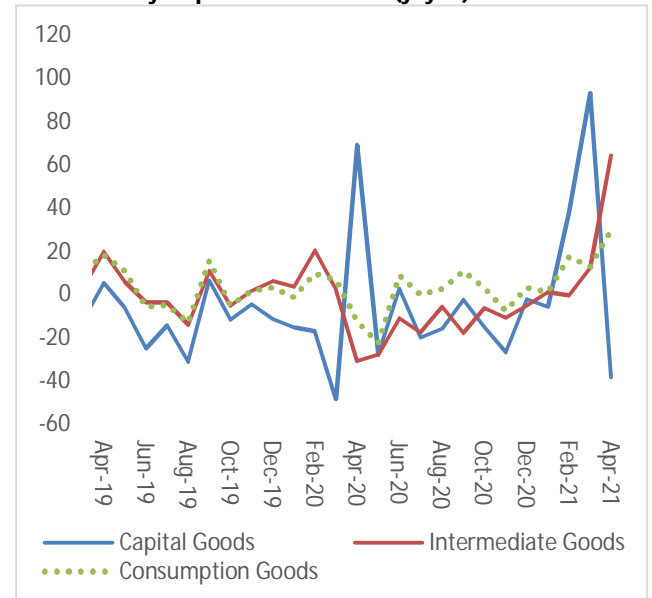
Source: CEIC/AmBank Research

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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