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ECONOMICS

In this report:

Malaysia – Continued IP decline in August within expectations

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Malaysia

Continued IP decline in August within expectations

As expected, the IP data in August continued to shrink due to the restrictive measures to contain the virus spread and domestic noises. This is also reflected in the retail business.

Based on our monthly projection, August's GDP should be around -4.0%, better than the -8.4% estimated in July. We expect a negative growth of 2%–3% in our preliminary estimate for 3Q GDP.

However, 4Q GDP should improve. The easing of restrictions as more than 90% adults are fully vaccinated, greater stability on the domestic side while benefitting from global trade and firm commodity prices should lend support to growth. For the full year, the GDP is forecasted to be around 3.0%–3.5%.

A. Highlights

- For the month of August, industrial production (IP) remained in the contraction zone albeit at a slight improvement compared to July. August's data showed a 0.7% y/y contraction, which is smaller than the 5.1% y/y decline in July.
- The drag came from mining, down by 4.2% y/y, and electricity which fell by 4.8% y/y. However, it was cushioned by the expansion in manufacturing, up 0.6% y/y (July: -6.5%), benefitting from export-led activities.
- The impact from the lockdown also affected distributive trade. It declined by 12.2% y/y in August (July: -14.7%).
- Poor showing was seen across the board – the retail segment (-7.5% y/y), motor vehicles (-57.6% y/y) and wholesale trade (-0.1% y/y).

B. Key Takeaways

- The continuous IP's downtrend did not come as a surprise. Likewise, the poor showing was also reflected in the retail business. The lockdown to contain the virus spread and domestic noises weighed down overall business, investment and consumer confidence.
- On that note, the economy in 3Q of 2021 will likely take a strong hit. But the downside to the overall performance will be contained by exports and firm commodity prices.
- Based on our monthly projection, August's GDP should be around -4.0% from -8.4% estimated in July. We expect a negative growth of 2%–3% in our preliminary estimate for 3Q GDP.
- However, 4Q GDP should improve. The easing of restrictions as more than 90% adults are fully vaccinated, greater stability on the domestic side while benefitting from global trade and firm commodity prices should lend support to growth. For the full year, the GDP is forecasted to be around 3.0%–3.5%.



Table 1: Key Industrial Production Data (%)

	Aug'20	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug
IP m/m	-1.3	0.5	1.7	-2.7	4.7	0.1	-6.4	7.4	-4.4	-0.2	1.6	-5.2	3.2
IP y/y	-0.2	0.9	-0.6	-2.4	1.7	1.2	1.5	9.3	50.1	26.1	1.4	-5.1	-0.7
Mfg m/m	-2.1	2.1	0.1	-2.9	3.3	-0.2	-5.8	6.8	-4.3	-2.0	5.4	-6.1	5.3
Mfg y/y	2.2	4.3	2.4	2.0	4.1	3.5	4.5	12.7	68.0	29.8	-0.2	-6.5	0.6
Mining m/m	0.3	-4.1	7.6	-0.7	10.8	1.7	-8.9	7.0	-5.7	6.0	-6.4	-4.7	-4.5
Mining y/y	-8.2	-10.2	-11.3	-16.4	-5.4	-4.5	-6.0	-1.9	14.3	20.7	10.3	0.6	-4.2
Electricity m/m	3.0	-3.7	3.9	-6.0	3.0	-2.2	-5.8	16.2	-2.9	0.2	-12.3	4.5	2.8
Electricity y/y	-1.1	-2.1	0.8	-2.5	-0.2	-4.6	-5.8	10.3	23.6	8.8	-4.8	-4.6	-4.8
Mfg Salesm/m	-0.6	2.3	0.6	-1.7	3.9	-1.4	-3.6	7.2	2.9	-6.1	1.3	-3.6	5.5
Mfg Sales y/y	1.6	3.7	2.2	2.1	4.5	4.1	6.4	15.3	72.5	37.2	6.5	0.6	6.8

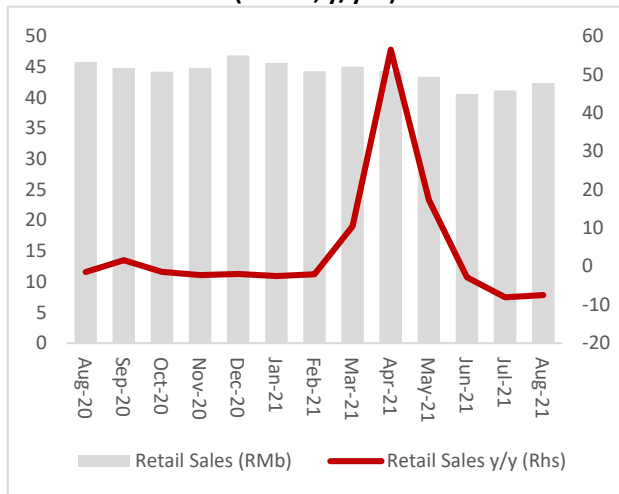
Source: CEIC/AmBank Research

Table 2: Key Wholesale and Retail Sales Data (%)

	Aug'20	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug
Wholesale & Retail Trade y/y	-2.3	0.3	-0.8	-1.2	-0.3	-2.6	-0.9	9.3	66.2	28.2	-10.3	-14.7	-10.2
Wholesale Trade y/y	-3.9	-4.2	-0.9	-0.7	-0.6	-0.4	-0.1	1.8	40.5	30.9	3.6	-1.1	-0.1
Retail Trade y/y	-1.5	1.6	-1.5	-2.3	-2.0	-2.5	-2.1	10.5	56.4	17.3	-2.9	-8.1	-7.5
Motor Vehicles Sales y/y	1.0	17.1	2.2	1.2	7.4	-12.4	-0.1	40.7	1,551.3	71.1	-92.4	-85.4	-57.6
Wholesale & Retail Trade m/m	2.5	-0.4	-0.5	-0.1	4.6	-3.2	-3.4	4.4	-1.5	-2.6	-14.8	0.5	7.9
Wholesale Trade m/m	3.7	1.2	1.7	-1.2	4.8	0.2	-5.1	0.3	0.4	0.6	-4.8	-2.4	4.7
Retail Trade m/m	2.3	-2.1	-1.4	1.4	4.5	-2.6	-3.0	1.6	-1.5	-2.2	-6.4	1.4	2.9
Motor Vehicles Sales m/m	-0.7	-0.8	-5.8	-0.5	4.4	-19.1	3.3	34.6	-7.9	-16.2	-92.0	118.6	188.1

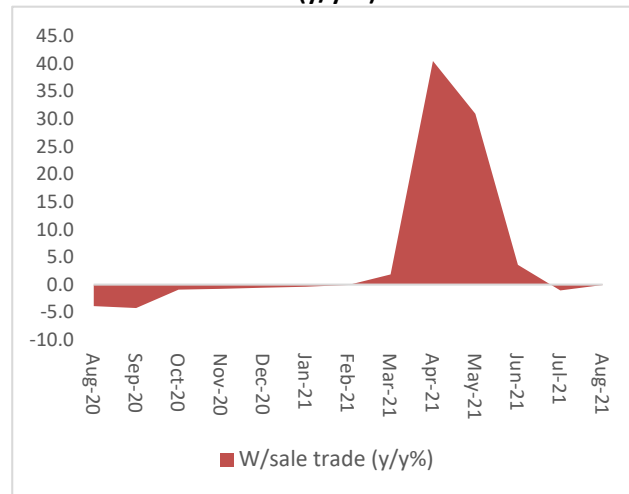
Source: CEIC/AmBank Research

Chart 1: Retail Sales (RM bil, y/y %)



Source: CEIC/AmBank Research

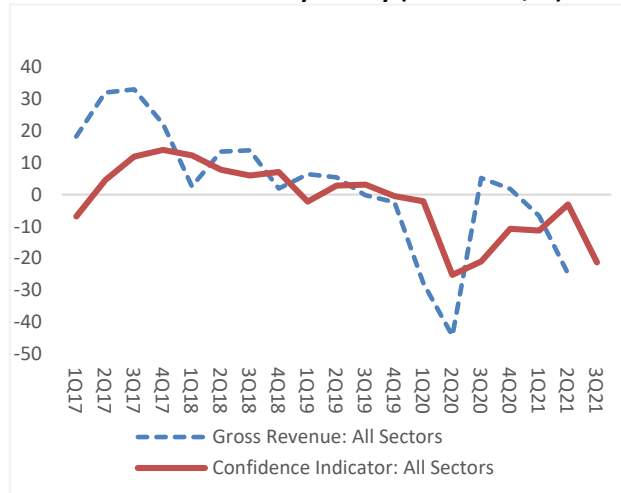
Chart 2: Wholesale Trade (y/y %)



Source: CEIC/AmBank Research

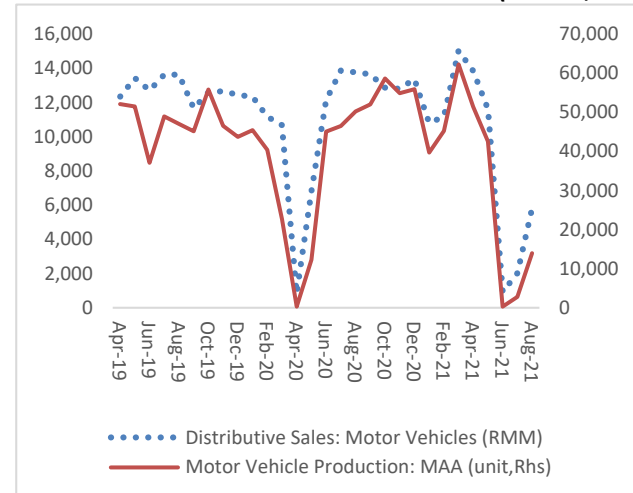


Chart 3: Business Tendency Survey (All Sectors, %)



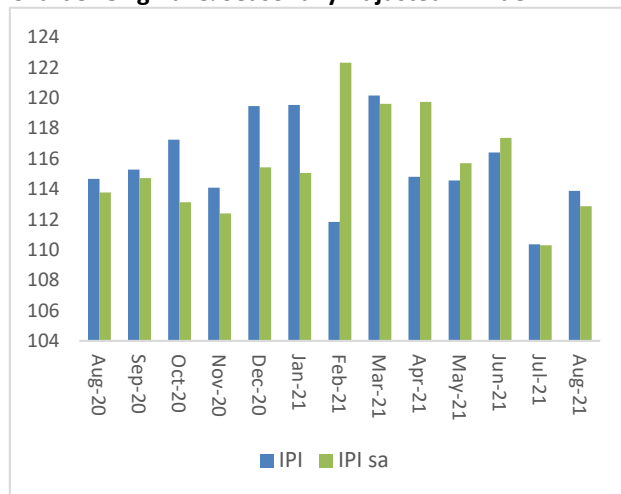
Source: CEIC/AmBank Research

Chart 4: Motor Vehicles Sales & Production (RM mil, unit)



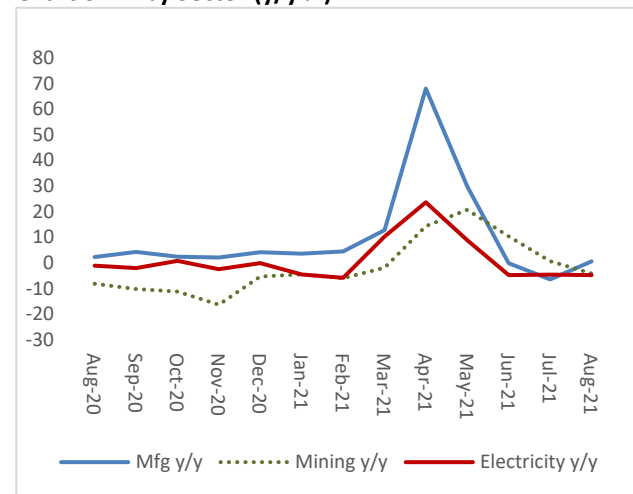
Source: CEIC/AmBank Research

Chart 5: Original & Seasonally Adjusted IP Index



Source: CEIC/AmBank Research

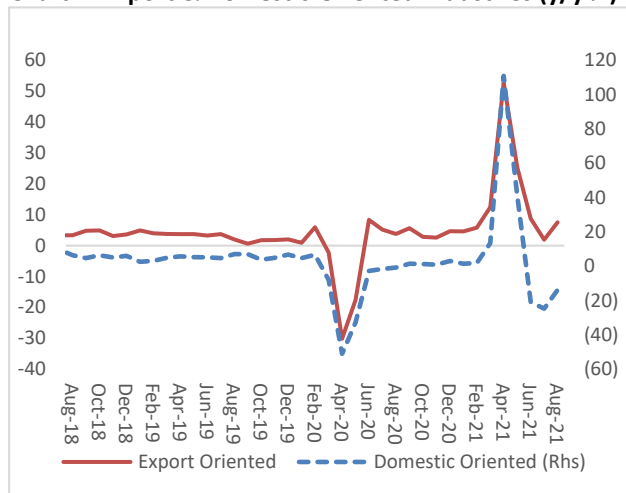
Chart 6: IPI by Sector (y/y %)



Source: CEIC/AmBank Research

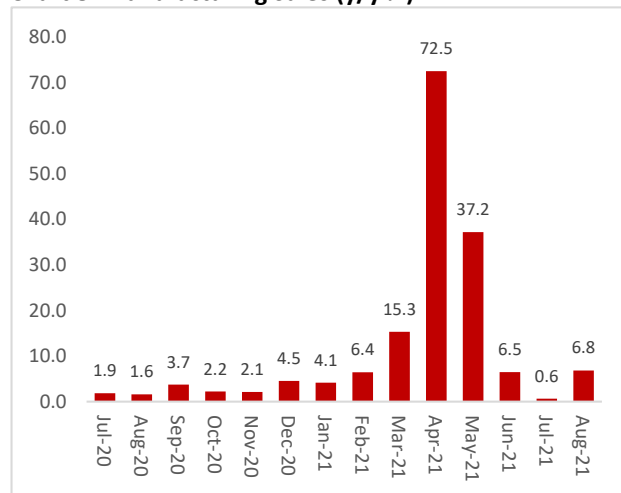


Chart 7: Export & Domestic-Oriented Industries (y/y %)



Source: DOS/AmBank Research

Chart 8: Manufacturing Sales (y/y %)



Source: CEIC/AmBank Research



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