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ECONOMICS

In this report:

Malaysia – Manufacturing back on recovery path

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Tuesday, 02 November 2021

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Malaysia

Manufacturing sector back on recovery path

Malaysia's manufacturing sector saw an upbeat development going into the final quarter of 2021 when the headline figure in IHS Markit Manufacturing PMI rose to 52.2 for October from September's print of 48.1.

Moving forward, we can expect that the sector to continue improving driven by healthy global demand, the reopening of economies, strong commodity prices and steadily outperforming electrical & electronic manufacturers. For the full year of 2021, we maintain our projection that the economic growth will hover around 3.0%–3.5%.

A. Key Highlights

- After four consecutive months of contraction in the headline IHS Markit Malaysia manufacturing Purchasing Managers' Index (PMI), the indicator crossed into the growth zone at 52.2 for the month of October.
- This shows that the manufacturing sector is now back on track towards recovery as severe pandemic restrictions effects subside. This also signals the positive development in Malaysia's overall economic conditions.
- Although manufacturers have pointed out that input materials and container shortages have pushed the cost price factor upwards and constrained recovery progress, this in turn, has caused manufacturers to raise their output price.
- The better reading was also supported by the improving production, new order volumes, surging outstanding orders and an elevated positive outlook offset by contracted employment, and slow purchasing activity, attributed to a supply chain crunch.

B. Key Takeaways

- Moving forward, we can expect the sector to continue improving driven by healthy global demand, the reopening of economies, strong commodity prices and steadily outperforming electrical & electronic manufacturers amidst the ongoing supply chain disruption and higher input prices.
- For the full year of 2021, we are maintaining our projection that the economy will grow in the range of 3.0% to 3.5%.



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Table 1: Key Manufacturing Data

	Oct'20	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
PMI	48.5	48.4	49.1	48.9	47.7	49.9	53.9	51.3	39.9	40.1	43.4	48.1	52.2
IP (y/y %)	-0.6	-2.4	1.7	1.2	1.5	9.3	50.1	26.1	1.4	-5.1	-0.7	nm	nm
Mfg Output (y/y %)	2.4	2.0	4.1	3.5	4.5	12.7	68.0	29.8	-0.2	-6.5	0.6	nm	nm
Export Oriented (y/y %)	3.0	2.5	4.7	4.5	5.7	12.4	54.3	25.3	8.4	1.7	8.0	nm	nm
Domestic Oriented (y/y %)	0.9	1.0	2.7	1.4	0.5	12.0	108.3	40.5	-23.0	-27.2	-17.2	nm	nm
Mfg Sales (y/y %)	2.2	2.1	4.5	4.1	6.4	15.3	72.5	37.2	6.5	0.6	6.8	nm	nm
Leading Index (y/y %)	6.5	7.5	7.6	8.3	8.5	17.2	15.6	7.0	0.5	-4.0	-2.3	nm	nm
Coincident Index (y/y %)	-2.2	-1.9	-1.3	-2.2	-2.0	4.1	20.2	10.0	-3.1	-5.2	-1.6	nm	nm

Source: CEIC/AmBank Research

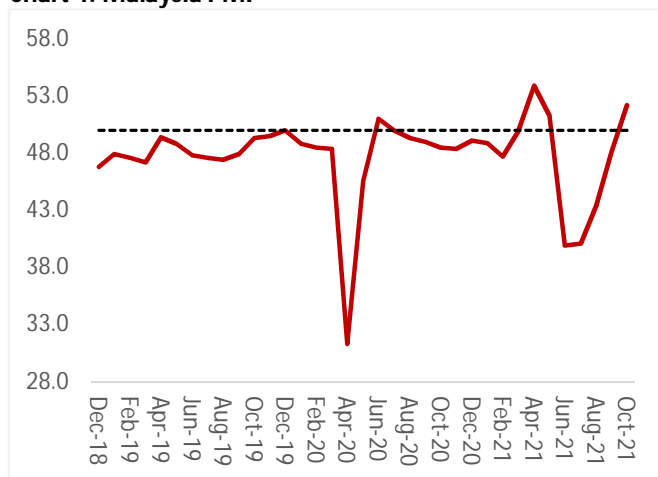
Table 2: Regional Markit Manufacturing PMI

	Oct'20	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
World	53.1	53.8	53.8	53.6	54.0	55.0	55.8	56.0	55.5	55.4	54.1	54.1	
Dev. Markets	52.8	53.8	54.8	55.2	56.5	58.5	59.3	59.8	59.5	59.8	58.3	57.1	
Euro Area	54.8	53.8	55.2	54.8	57.9	62.5	62.9	63.1	63.4	62.8	61.4	58.6	
Asia	52.5	53.3	52.6	51.9	51.8	51.9	52.9	52.4	51.4	51.0	50.0	50.8	51.8
ASEAN	48.6	50.0	50.8	51.4	49.7	50.8	51.9	51.8	49.0	44.6	44.5	50.0	
US	53.4	56.7	57.1	59.2	58.6	59.1	60.5	62.1	62.1	63.4	61.1	60.7	
Germany	58.2	57.8	58.3	57.1	60.7	66.6	66.2	64.4	65.1	65.9	62.6	58.4	
UK	53.7	55.6	57.5	54.1	55.1	58.9	60.9	65.6	63.9	60.4	60.3	57.1	
Japan	48.7	49.0	50.0	49.8	51.4	52.7	53.6	53.0	52.4	53.0	52.7	51.5	53.2
China	53.6	54.9	53.0	51.5	50.9	50.6	51.9	52.0	51.3	50.3	49.2	50.0	50.6
India	58.9	56.3	56.4	57.7	57.5	55.4	55.5	50.8	48.1	55.3	52.3	53.7	55.9
Taiwan	54.9	56.6	60.5	62.2	57.4	67.0	64.2	61.9	55.3	59.9	58.3	54.2	53.9
Thailand	51.1	50.7	52.3	48.5	47.2	49.2	49.7	46.4	48.9	48.0	48.5	49.1	51.5
S.Korea	51.2	52.9	52.9	53.2	55.3	55.3	54.6	53.7	53.9	53.0	51.2	52.4	50.2
Indonesia	47.8	50.6	51.3	52.2	50.9	53.2	54.6	55.3	53.5	40.1	43.7	52.2	57.2
Philippines	48.5	49.9	49.2	52.5	52.5	52.2	49.0	49.9	50.8	50.4	46.4	50.9	
Vietnam	51.8	49.9	51.7	51.3	51.6	53.6	54.7	53.1	44.1	45.1	40.2	40.2	52.1
Malaysia	48.5	48.4	49.1	48.9	47.7	49.9	53.9	51.3	39.9	40.1	43.4	48.1	52.2

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

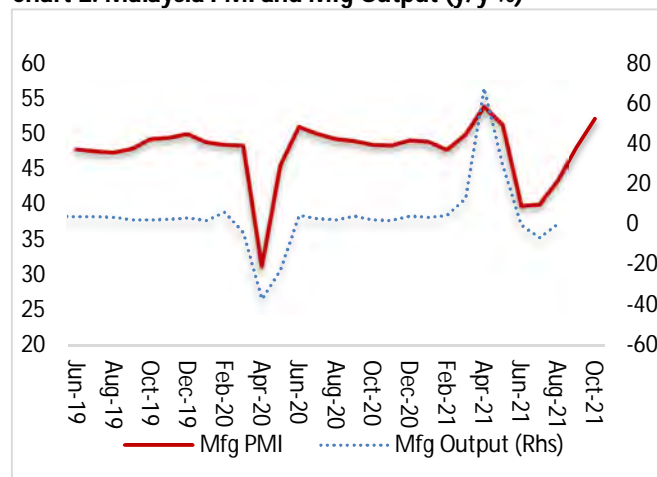


Chart 1: Malaysia PMI



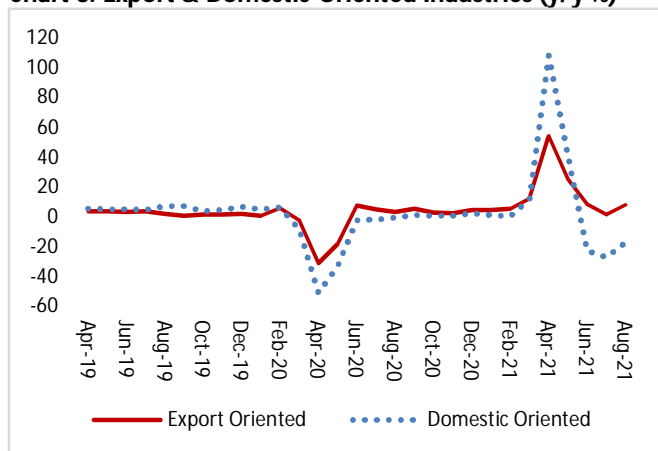
Source: CEIC/AmBank Research

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



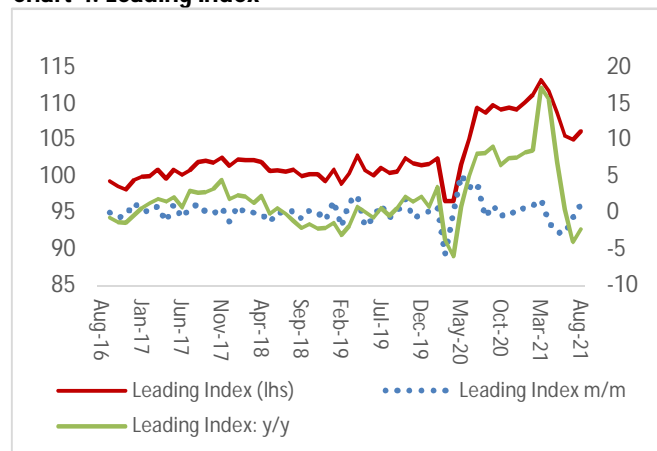
Source: CEIC/AmBank Research

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



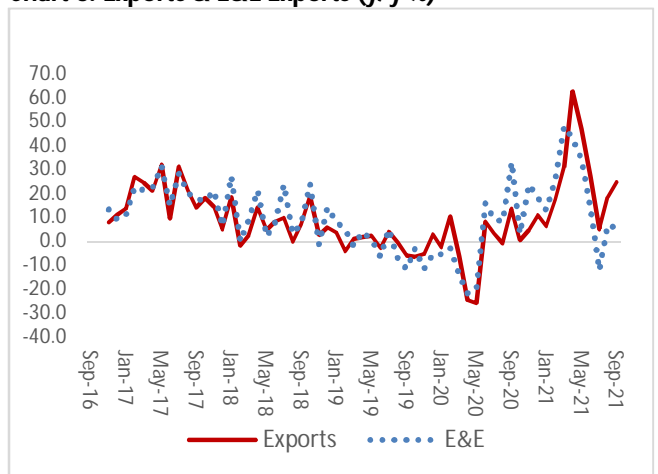
Source: CEIC/AmBank Research

Chart 4: Leading Index



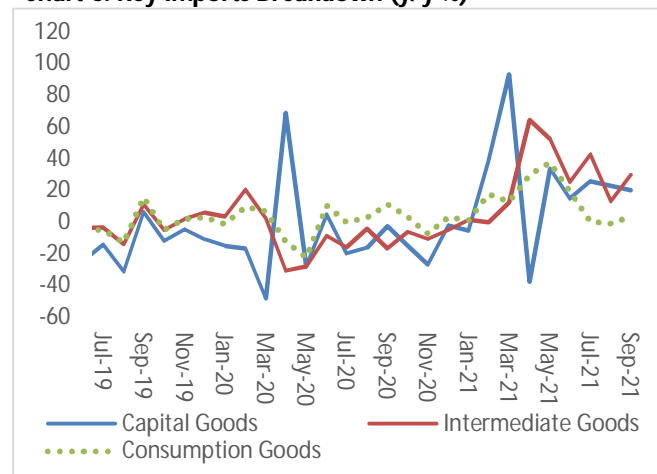
Source: CEIC/AmBank Research

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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