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ECONOMICS

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Malaysia – Expect positive growth in 4Q21

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Malaysia

Expect positive growth in 4Q21

Malaysia's October Industrial Production Index (IPI) has started to accelerate, logging 5.5% y/y, much higher than the 2.5% y/y during the previous month. Distributive trade was also growing, expanding at 5.4% y/y from a 2.6% contraction, and after four months of decline.

This is broadly expected as the economy reopens and the high vaccination rate which allow the economic sector to function properly in the new normal. Coupled with pent-up demand, high commodity prices and robust exports, the economy will continue to grow healthily. For the final quarter of 2021, our in-house model suggests that the economy will expand by 2.9% y/y and 3.5% y/y for the full year.

A. Highlights

- For the month of October, Malaysia's IPI reached its highest since May 2021 at 5.5% y/y, above 2.5% in October (cons. 2.3%). On a monthly basis, the same headline index grew 4.8%.
- The healthy growth was driven by the manufacturing index growth at 8.0% y/y and electricity index at 4.1% y/y, but being offset by the decline in mining of 3.5% y/y.
- The manufacturing output increase can be attributed to electrical & electronics (13.6% y/y), food, beverages & tobacco (9.3%) and petroleum, chemical, rubber & plastic products (6.3%).
- Export-oriented industries in the manufacturing sector grew 8.6%, while the domestic-oriented rebounded to 6.6% after four consecutive months of decline.
- We are also seeing the improvement being replicated in the distributive trade. The sales value of wholesale & retail trade jumped 5.4% to its highest at RM116.4bil, compared to RM110.4bil in October 2020. Looking at monthly performance, the sales value rose strongly by 7.7%.
- The positive performance can be seen across the verticals; motor vehicles added 10.2% y/y, retail trade climbed 5.1% y/y and wholesale trade gained 4.4% y/y.

B. Key Takeaways

- This is broadly expected as the economy reopens and the high vaccination rate which allow the economic sector to function properly in the new normal. Coupled with pent-up demand, high commodity prices and robust exports, the economy will continue to grow healthily.
- Furthermore, the exemption of new vehicles' SST, which is extended to June 2022 under Budget 2022, will help buoy the automotive market after being heavily affected during the lockdown. This can be seen in the double-digit growth of its sales value and volume in the sale of motor vehicles.
- Nevertheless, caution remains on the possibility of the emergence of deadlier and more severe new Covid variants.
- Our projection suggests that we may see a monthly GDP growth of 1.2% for the month of October. In the final quarter of 2021, we project that the economy will grow by 2.9% y/y and 3.5% y/y for the full year 2021.



Table 1: Key Industrial Production Data (%)

	Aug'20	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug
IP m/m	1.7	-2.7	4.7	0.1	-6.4	7.4	-4.4	-0.2	1.6	-5.2	3.2	3.7	4.8
IP y/y	-0.6	-2.4	1.7	1.2	1.5	9.3	50.1	26.0	1.4	-5.1	-0.7	2.5	5.5
Mfg m/m	0.1	-2.9	3.3	-0.2	-5.8	6.8	-4.2	-2.0	5.4	-6.1	5.3	5.5	4.0
Mfg y/y	2.4	2.0	4.1	3.5	4.5	12.7	68.0	29.8	-0.2	-6.5	0.6	4.0	8.0
Mining m/m	7.6	-0.7	10.8	1.7	-8.9	7.0	-5.7	6.0	-6.4	-4.7	-4.5	-2.9	7.1
Mining y/y	-11.3	-16.4	-5.4	-4.5	-6.0	-1.9	14.3	20.7	10.3	0.6	-4.2	-3.0	-3.5
Electricity m/m	3.9	-5.9	3.0	-2.2	-5.8	16.2	-2.9	0.2	-12.3	4.5	2.8	1.6	7.7
Electricity y/y	0.8	-2.5	-0.2	-4.6	-5.9	10.3	23.6	8.8	-4.8	-4.6	-4.8	0.4	4.1
Mfg Salesm/m	0.6	-1.7	3.9	-1.4	-3.6	7.2	2.9	-6.1	1.3	-3.6	5.5	6.9	4.0
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	11.6	15.3

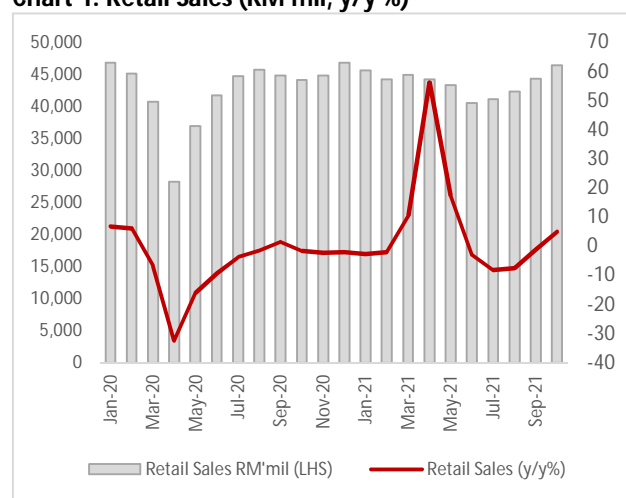
Source: CEIC/AmBank Research

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

	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Wholesale & Retail Trade y/y	-0.8	-1.2	-0.3	-2.6	-0.9	9.3	66.2	28.2	-10.3	-14.7	-10.2	-2.6	5.4
Wholesale Trade y/y	-0.9	-0.7	-0.6	-0.4	-0.1	1.8	40.5	30.9	3.6	-1.1	-0.1	0.9	4.4
Retail Trade y/y	-1.5	-2.3	-2.0	-2.5	-2.1	10.5	56.4	17.3	-2.9	-8.1	-7.4	-1.1	5.1
Motor Vehicles Sales y/y	2.2	1.2	7.4	-12.4	0.0	40.7	1551.3	71.1	-92.4	-85.4	-57.6	-20.9	10.2
Wholesale & Retail Trade m/m	-0.5	-0.1	4.6	-3.2	-3.4	4.4	-1.5	-2.6	-14.8	0.5	8.0	8.1	7.7
Wholesale Trade m/m	1.7	-1.2	4.8	0.2	-5.1	0.3	0.4	0.6	-4.8	-2.4	4.7	2.2	5.3
Retail Trade m/m	-1.4	1.4	4.5	-2.6	-3.0	1.6	-1.5	-2.2	-6.4	1.4	3.0	4.6	4.8
Motor Vehicles Sales m/m	-5.8	-0.5	4.4	-19.1	3.3	34.6	-7.9	-16.2	-92.0	118.6	188.1	85.2	31.2

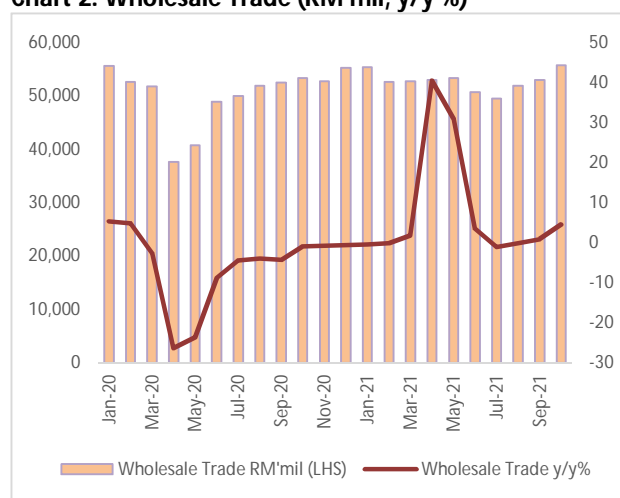
Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

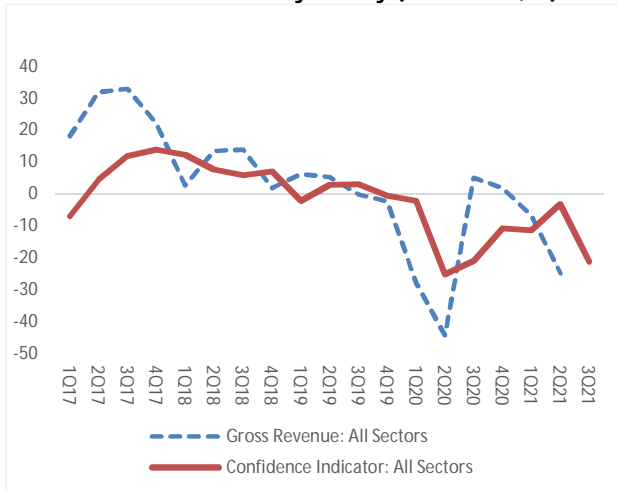
Chart 2: Wholesale Trade (RM mil, y/y %)



Source: CEIC/AmBank Research

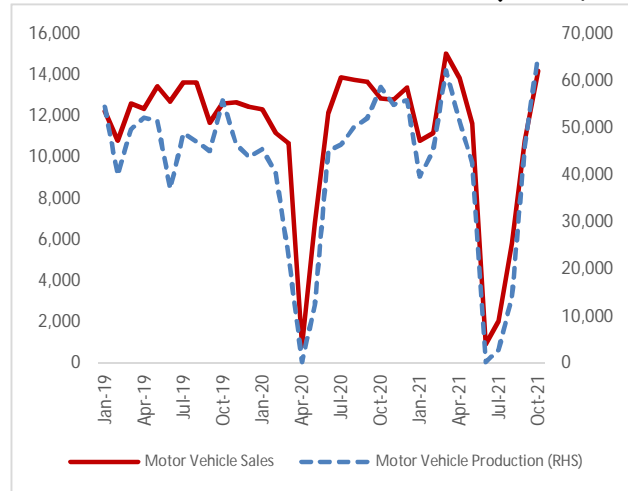


Chart 3: Business Tendency Survey (All Sectors, %)



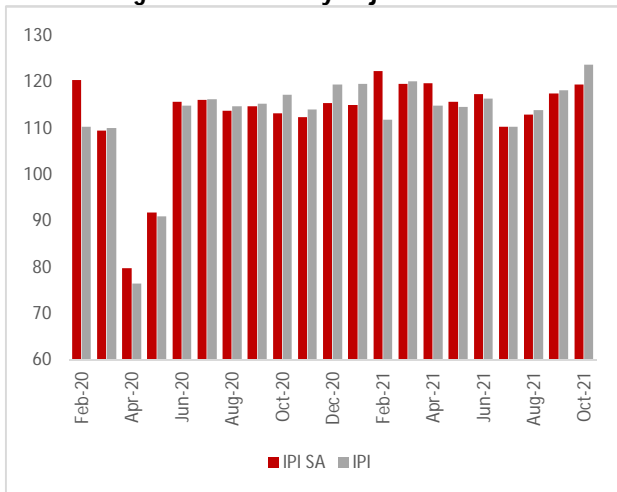
Source: CEIC/AmBank Research

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



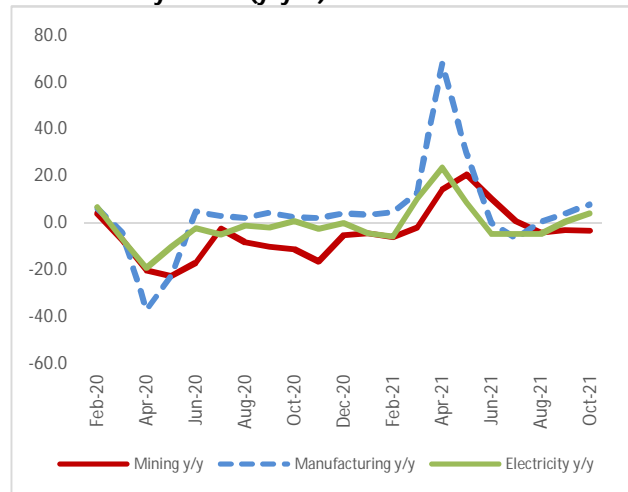
Source: CEIC/AmBank Research

Chart 5: Original & Seasonally Adjusted IP Index



Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research



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