

ECONOMIC REVIEW | May 2020 Industrial Production Index

IPI declined at slower pace, better than April

- *Rate of decline slowed in May. The decline in industrial production slowed in May after a sharp fall in the previous. This is in line with our expectation that the production numbers will pick up in May, as more businesses activities allowed to reopen and restart their operations. The slower decline in May was attributable to the recovery in manufacturing output and electricity generation. Nevertheless, output for the mining sector fell at a faster pace during the month.*
- *Manufacturing sales declined at slower pace. Manufacturing sales declined further albeit at a slower pace of -19.8% (Apr-20: -33%yoy). With the exception of Petroleum, Chemical & Rubber products, all other products reported improved sales during the month. On monthly basis, manufacturing sales rose by 19.1%mom . Going forward we expect for manufacturing sales to gradually improve in as more businesses resume their operations.*
- *We maintain our projection that IPI growth to be in negative for the whole year (2020: -5.4%; 2019: +2.3%), taking into account the sharp decline in production activities after the MCO. For the first five months this year, IPI fell by an average -10.4%yoy. While we expect that there will be continued recovery in production in coming months, the level of activity will take time to revert back to the pre-pandemic level. In general, we expect production will continue to recover in coming months, in view of the improvement in the manufacturing PMI which rose to 51.0 in June (May-20: 45.6).*

IPI decline slowed in May. The pace of decline in IPI slowed to -22.1%yoy in May (Apr-20: -32.0%yoy). This was in line with our expectation that the fall in industrial production will be slower in May after the sharp fall the previous month as more businesses reopened and restarted their production activities. The slower contraction in the overall IPI mainly reflected slower declines in manufacturing production (May-20: -23.2%yoy; Apr-20: -37.2%yoy) and the electricity output (May-20: -10.3%yoy; Apr-20: -19.3%yoy). The recovery in manufacturing output was supported by improvement in production of electrical & electronics (E&E) products, transport equipment, and non-metallic mineral products. However, the production activities for the mining sector declined at a faster rate during the month (May-20: -22.2%yoy; Apr-20: 19.6%yoy) due to the continued contraction in the production of crude oil and natural gas.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%				YoY%			
	Feb-20	Mar-20	Apr-20	May-20	Feb-20	Mar-20	Apr-20	May-20
IPI	3.6	(8.9)	(27.5)	14.6	6.2	(4.9)	(32.0)	(22.1)
Mining	3.0	(5.8)	(12.5)	(3.9)	6.1	(6.5)	(19.6)	(22.2)
Manufacturing	3.7	(9.6)	(33.7)	22.1	6.2	(4.1)	(37.2)	(23.2)
Electricity	3.5	(12.3)	(12.4)	11.3	6.8	(7.0)	(19.3)	(10.3)

Source: CEIC, MIDFR
*MoM is Seasonally Adjusted

Continued fall in IPI reflected weak external demand. The continued decline in IPI was in line with the contraction in exports. Exports contracted further in May, with a decline of -25.5%yoy (Apr-20: 23.8%yoy). The continued weakness in exports was due to the declines in exports of E&E products; petroleum products;

crude petroleum; chemical products; and machinery, equipment and parts. Going forward, in addition to the pick-up in domestic demand, the recovery in the external demand will remain a key factor to boost domestic production activities.

Table 2: Changes in IPI Major Industries (YoY%)

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Mining;	(4.9)	(3.9)	6.1	(6.5)	(19.6)	(22.2)
Mining: Crude Petroleum	(6.6)	(5.9)	(0.5)	(7.1)	(20.2)	(22.2)
Mining: Natural Gas	(3.4)	(2.3)	12.0	(6.0)	(19.0)	(22.2)
Manufacturing;	3.4	2.2	6.2	(4.1)	(37.2)	(23.2)
Food Products	(0.1)	(6.4)	4.4	(9.8)	0.4	6.6
Refined Petroleum Products	3.6	3.7	6.5	0.8	(36.3)	(43.1)
Chemicals & Chemicals Products	2.0	2.1	4.9	(1.3)	(24.7)	(23.9)
Rubber Products	8.5	11.0	14.4	35.3	37.3	35.3
Basic Metals	5.2	3.7	8.5	(8.6)	(51.0)	(37.1)
Electrical & Electronic Products	3.1	3.2	7.0	(4.9)	(34.1)	(11.2)
Computers & Peripheral Equipment	(11.9)	(5.1)	(5.0)	(9.5)	(51.3)	(20.3)
Machinery & Equipment	4.2	3.8	5.7	(8.5)	(25.1)	(0.4)
Motor Vehicles, Trailers & Semi-Trailers	4.7	(0.4)	5.2	(9.1)	(70.0)	(39.4)

Source: CEIC, MIDFR

Table 3: Changes in IPI Major Industries (YoY%)

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
IPI: Export Oriented Industries	1.8	2.0	0.8	6.0	(2.2)	(31.0)
Electronic and Electrical Product	1.2	2.7	3.0	7.0	(4.8)	(35.4)
Chemicals and Chemical Pdts	3.7	2.4	1.6	4.7	(1.7)	(22.0)
Petroleum Products	1.2	3.5	3.6	6.5	0.9	(36.7)
Textiles & Wearing Apparel	6.4	4.9	3.2	6.7	(1.2)	(73.8)
Wood and Wood Products	6.7	4.8	2.9	8.4	(3.8)	(82.7)
Rubber Products	4.2	8.0	12.4	14.6	37.9	40.6
Off Estate Processing	(4.9)	(11.8)	(26.1)	(3.2)	(18.0)	(0.3)
Paper Products	4.4	2.8	2.7	5.5	(7.7)	(50.3)
IPI: Domestic Oriented Industries	4.8	6.7	5.2	6.5	(8.3)	(50.9)
Construction (CO)	3.9	5.0	4.0	6.2	(10.2)	(63.0)
CO: Non Metallic Mineral	4.2	5.0	4.3	5.9	(11.1)	(71.9)
CO: Iron and Steel	5.0	5.2	3.7	8.5	(8.6)	(51.0)
CO: Fabricated Metal	3.1	4.8	3.9	5.1	(10.3)	(63.5)
Consumer (CS)	5.6	8.1	6.3	6.8	(6.9)	(41.3)
CS: Food Products	9.4	12.2	15.7	11.0	(1.3)	(0.5)
CS: Transport Equipment	3.7	3.9	0.9	4.6	(11.0)	(65.6)
CS: Beverages	4.6	3.9	1.6	5.4	(8.5)	(45.8)
CS: Tobacco Products	4.0	7.3	(1.7)	4.5	(12.3)	(97.7)
CS: Others	3.1	10.8	5.1	4.1	(5.9)	(59.9)

Source: CEIC, MIDFR

*Data available as of Apr-20

Manufacturing sales declined at slower pace. Manufacturing sales declined further albeit at a slower pace of -19.8%yoy (Apr-20: -33%yoy). With the exception of Petroleum, Chemical & Rubber products, all other products reported improved sales during the month. On monthly basis, manufacturing sales rose by +19.1%mom. Going forward, we expect for manufacturing sales to gradually improve as more businesses resume its operations. Based on the latest developments, more countries have started to ease restrictions on activities and reopened their economies which will be positive for export-oriented production activities. This is also in line with the improvement in the global and emerging market manufacturing PMIs which rose in May-20 and June-20, indicating a recovery in the global activities.

Table 4: Manufacturing Sales (YoY%)

	MoM%			YoY%		
	Mar-20	Apr-20	May-20	Mar-20	Apr-20	May-20
Manufacturing Sales	-1.0	-31.2	19.1	-3.0	-33.0	-19.8
Refined Petroleum Products	2.0	-23.5	-4.4	1.5	-13.9	-19.0
Chemicals and Chemical Products	-1.2	-19.5	-0.9	-7.8	-19.1	-28.8
Iron & Steel Products	2.1	-76.1	42.9	6.6	-73.5	-64.4
Diodes, Transistor & Electronic Integrated Circuits Mic	-2.1	-33.0	28.5	-4.0	-34.7	-12.8
Electrical Capacitor Resistor, Circuit Board & Display Comp	-4.9	-42.4	39.0	-3.9	-42.9	-17.8
Computers & Peripherals Equipment	-9.1	-29.1	-4.2	-11.4	-32.3	-29.3
Consumer Electronics	2.6	-61.3	19.3	-9.5	-63.1	-56.4
Motor Vehicles	-15.2	-97.7	2098.8	-3.3	-97.9	-52.9

Source: CEIC, MIDF


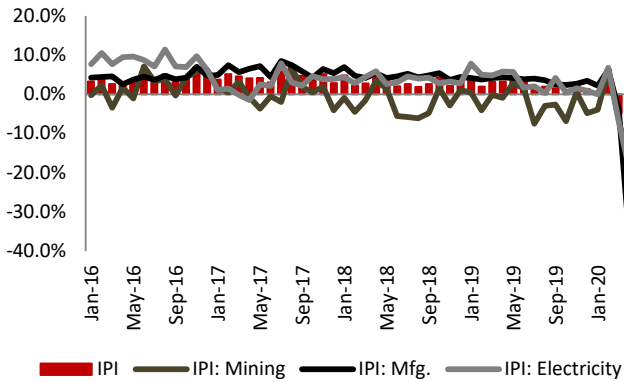
Weakness in the global production. IPI performances for some major and emerging economies also reported improvement in May-20. Industrial production for the US declined at a slower pace of -15.4%yoy (Apr-20: -17.1%yoy), and similarly the decline in production was slower in the Philippines (May-20: -42.1%yoy; Apr-20: 45.5%yoy). Elsewhere, Japan, Singapore and Thailand reported a continued weakness in their industrial production numbers in May-20. We foresee overall global IPI performance to improve as economies started to reopen their economies, which will be positive for the export sectors. However, the weakness in the external demand remains and the pace of recovery in external demand will depend on the strength of recovery as more economies restart their activities after the Covid-19 lockdowns. 

Table 5: Global IPI (YoY%)

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Malaysia	2.1	1.3	0.6	6.2	(4.9)	(32.0)	(22.1)
Indonesia	3.2	0.9	(0.8)	2.0	n/a	n/a	n/a
Philippines	(7.2)	(6.7)	(4.7)	(1.1)	(13.9)	(45.5)	(42.1)
Thailand	(8.0)	(4.4)	(4.0)	(4.2)	(10.5)	(18.2)	(23.2)
Singapore	(12.3)	(3.7)	3.5	(1.1)	21.8	13.6	(7.4)
India	2.1	0.4	2.2	4.6	(18.3)	(55.5)	n.a.
Japan	(8.5)	(3.7)	(2.4)	(5.7)	(5.2)	(15.0)	(25.9)
EU	(1.3)	(3.0)	(2.1)	(2.0)	(13.4)	(27.9)	n.a.
USA	(0.5)	(0.7)	(1.0)	(0.1)	(5.0)	(17.1)	(15.4)

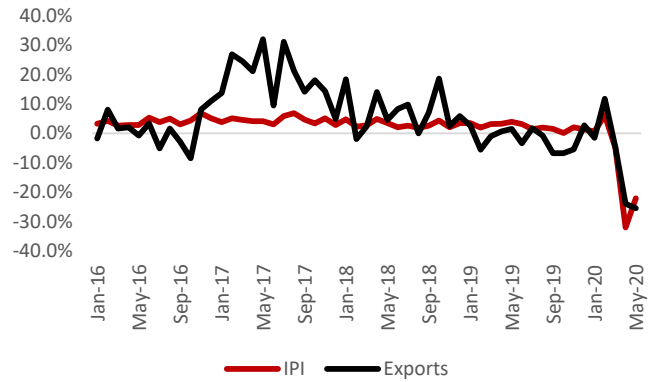
Source: CEIC, MIDF
*n.a.: not available

Chart 1: IPI Performances (YoY%)



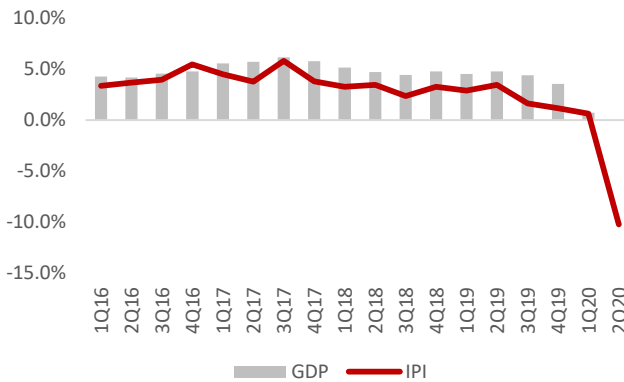
Source: CEIC, MIDFR

Chart 2: IPI vs Exports (YoY%)



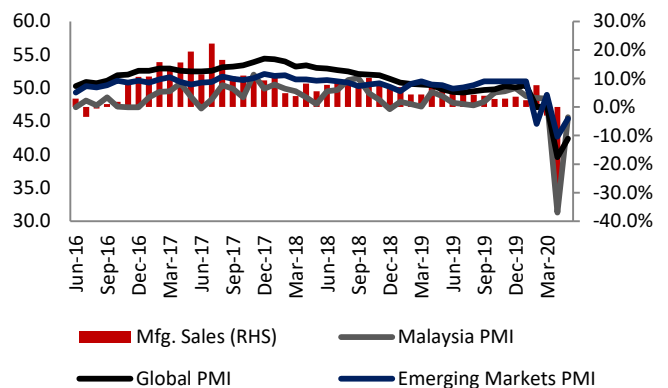
Source: CEIC, MIDFR

Chart 3: IPI vs GDP (YoY%)



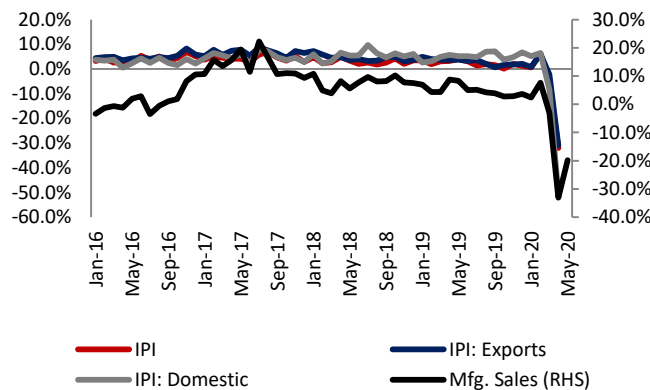
Source: CEIC, MIDFR

Chart 4: Mfg. Sales (YoY%) vs PMI (Points)



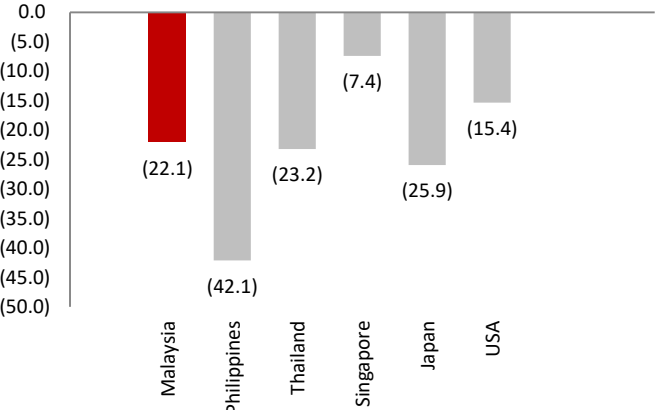
Source: CEIC, MIDFR

Chart 5: IPI & Mfg. Sales (YoY%)



Source: CEIC, MIDFR

Chart 6: Global IPI in Mar-20 (YoY%)



Source: CEIC, MIDFR

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