10 December 2024

ECONOMIC REVIEW | **October 2024 Industrial Production Index**

IPI Grew Slower at +2.1%yoy in Oct-24 with Continued Reduction in Mining Output

- *IPI remained modest in Oct-24. Malaysia's IPI grew relatively slower at +2.1%yoy in Oct-24 (Sep-24: +2.3%yoy), the slowest annual growth in 10 months, with faster decline in mining output at -2.8%yoy due to reduced extraction of crude petroleum and slower growth in natural gas production.*
- *Sustained rise in manufacturing sales. Sales of manufactured goods sustained a +3.0% rise in Oct-24 (Sep-24: +2.9%yoy), with the value of sales remaining above RM160b for the 3rd straight month. Sales of computers & peripheral equipment and rubber gloves rose by +15.9%yoy and 14.3%yoy, respectively.*
- *Adjust 2024 IPI growth forecast lower. We adjust our IPI forecast for the full-year 2024 lower to +3.4% from +4.2% previously (2023: +0.7%) due to moderate recovery in external demand and larger-than-expected drag from weak mining output on overall IPI performance.*

IPI remained modest in Oct-24. Malaysia's IPI grew relatively slower at +2.1%yoy in Oct-24 (Sep-24: +2.3%yoy), the slowest annual growth in 10 months. The pace was below than our estimate, looking at the better export performance during the month. By major sector, mining output contracted faster at -2.8%yoy due to reduced extraction of crude petroleum and slower growth in natural gas production. Electricity production also grew slower at +2.5%yoy (Sep-24: +3.9%yoy), but sustaining positive growth for the 18th straight month. Manufacturing output, on the other hand, registered a sustained rise of +3.3%yoy (Sep-24: +3.2%yoy) supported by increased production of rubber products, computers & peripheral equipment, food products, E&E and machinery & equipment. We expect IPI to continue growing in the coming months on the back of growing demand and consumption. Nevertheless, we anticipate firms to be more cautious in the production plans due to concerns about the strength of future demand, stability of supply and higher costs.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Jul-24	Aug-24	Sep-24	Oct-24	Jul-24	Aug-24	Sep-24	Oct-24
IPI	2.4	(1.9)	(2.2)	(0.1)	5.3	4.1	2.3	2.1
Mining	(2.0)	(3.7)	4.9	4.9	(5.0)	(6.4)	(2.2)	(2.8)
Manufacturing	3.3	(1.5)	(3.6)	(1.1)	7.7	6.5	3.2	3.3
Electricity	1.9	(1.9)	(0.9)	(0.1)	7.0	4.2	3.9	2.5

* MoM is seasonally adjusted
Source: Macrobond, DOSM, MIDFR

Slower fall in IPI compared to Sep-24. Based on the seasonally adjusted data, Malaysia's IPI recorded smaller month decline of -0.1%mom (Sep-24: -1.9%mom), trending lower for the 3 months through Oct-24. The month-to-month decline was attributable to weaker manufacturing production and marginally lower electricity generation, which nearly offset by sustained monthly increase in mining output, contributed by higher production of both crude petroleum and natural gas. The sequentially weaker manufacturing output was in line with the reduced output as indicated by the S&P Global manufacturing PMI for Malaysia which remained in contraction (i.e. below 50) for the fifth consecutive month. The weak output could persist as the PMI falling further to 49.2 in Nov-24 (Oct-24: 49.5), with output continued to fall albeit at marginally slower pace.

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

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
IPI	**2.4**	**5.0**	**5.3**	**4.1**	**2.3**	**2.1**
Mining	**(6.9)**	**4.9**	**(5.0)**	**(6.4)**	**(2.2)**	**(2.8)**
Crude Petroleum	(1.9)	3.4	(4.4)	(5.7)	(11.4)	(7.5)
Natural Gas	(10.3)	6.0	(5.4)	(7.0)	4.5	0.4
Manufacturing	**4.6**	**5.2**	**7.7**	**6.5**	**3.2**	**3.3**
Food Products	4.5	6.4	10.5	11.1	3.3	7.9
Refined Petroleum Products	(5.5)	12.5	11.7	(1.5)	(2.8)	(1.0)
Chemicals & Chemicals Products	2.7	2.1	6.3	3.2	2.8	0.4
Rubber Products	6.2	5.9	10.5	11.1	8.6	10.9
Basic Metals	5.4	8.0	10.5	7.0	5.6	2.8
Electrical & Electronic Products	6.9	3.7	5.0	7.2	4.9	3.0
Computers & Peripheral Equipment	13.6	14.9	19.8	15.7	13.1	10.3
Machinery & Equipment	2.5	4.0	6.5	2.1	0.4	2.7
Motor Vehicles, Trailers & Semi-Trailers	10.3	(10.7)	3.9	7.7	(14.9)	(3.4)
Electricity	**4.5**	**3.5**	**7.0**	**4.2**	**3.9**	**2.5**

Source: Macrobond, MIDFR

Marginally slower production of export-oriented sector. The moderation in IPI growth can be explained by the marginally slower rise in output of the export-oriented industries, which grew moderately at +3.3%yoy (Sep-24: +3.4%yoy. Oils & fats and rubber products recorded double-digit output growth, but output for other sectors such as computer, electronic & optical products; chemicals & chemical products; and wearing apparels rose at slower pace. Production of refined petroleum and textiles fell further but at slower pace. Meanwhile, output of domestic-oriented sectors grew faster at +3.3%yoy (Sep-24: +2.7%yoy), mainly driven by increased production of consumer goods (Oct-24 +2.1%yoy; Sep-24: -0.2%yoy) such as food products, beverages and tobacco. Meanwhile, output growth for construction-related items moderated further to +5.1%yoy, with slower rise in output of iron & steel, fabricated metal and non-metallic minerals.

Table 3: Changes in IPI for Export-Oriented Industries (YoY%)

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
IPI: Export-Oriented Industries	**3.7**	**5.4**	**7.8**	**6.3**	**3.4**	**3.3**
Computer, Electronic and Optical Products	8.4	4.9	5.0	8.7	5.9	2.9
Electrical Equipment	1.0	(5.3)	3.1	1.2	0.6	4.3
Chemicals and Chemical Products	2.7	2.2	6.3	3.2	2.8	0.4
Coke and Refined Petroleum Products	(5.5)	12.5	11.7	(1.5)	(2.8)	(1.0)
Vegetable & animal oils & fats	4.8	11.0	21.9	22.6	3.0	12.7
Textiles	8.0	6.6	7.5	5.7	(2.3)	(0.3)
Wearing Apparel	2.1	(1.1)	8.3	4.6	2.6	1.6
Wood and Wood Products	1.8	5.1	9.7	4.8	6.1	3.7
Furniture	5.9	4.3	3.0	7.3	5.2	4.6
Rubber Products	6.2	5.8	10.5	11.1	8.6	10.9

Source: DOSM, MIDFR

Table 4: Changes in IPI for Domestic-Oriented Industries (YoY%)

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
IPI: Domestic-Oriented Industries	**6.4**	**4.5**	**7.5**	**7.1**	**2.7**	**3.3**
Construction (CO)	7.1	10.3	10.4	9.1	7.7	5.1
CO: Non Metallic Mineral	9.8	8.9	12.2	9.3	6.6	5.2
CO: Iron and Steel	5.4	8.0	10.5	7.0	5.6	2.8
CO: Fabricated Metal	6.5	12.6	9.1	10.3	9.9	6.5
Consumer (CS)	6.1	1.6	6.0	6.1	(0.2)	2.1
CS: Food Products	4.3	3.9	4.2	4.4	3.5	4.5
CS: Motor Vehicles, Trailers and Semi-Trailers	10.3	(10.8)	3.9	7.7	(14.9)	(3.4)
CS: Other Transport Equipment	6.6	4.0	4.6	2.1	1.7	0.9
CS: Beverages	4.7	7.9	6.7	7.4	7.1	4.8
CS: Tobacco Products	7.3	18.8	23.4	15.3	10.4	8.4
CS: Paper and Paper Products	1.2	3.6	7.9	5.1	(0.5)	(1.0)
CS: Others	2.5	5.8	7.0	3.4	1.9	0.7

Source: DOSM, MIDFR

Sustained rise in manufacturing sales. Sales of manufactured goods sustained a +3.0% rise in Oct-24 (Sep-24: +2.9%yoy), with the value of sales remaining above RM160b for the 3rd straight month. Sales of computers & peripheral equipment and rubber gloves rose further by +15.9%yoy and 14.3%yoy, respectively, sustaining another month of double-digit growth. However, other products like refined petroleum, motor vehicles, consumer electronics, electrical components and chemical products recorded lower sales compared to Oct-23. Against Sep-24, manufacturing sales fell again albeit slower at -0.6%mom (Sep-24: -4.6%mom) based on seasonally-adjusted sales data. Weaker sales were recorded especially for E&E products, consumer electronics and chemical products. Meanwhile, sales rebounded from the previous month for motor computers & peripheral equipment; vehicles; and, refined petroleum. Going forward, we continue to expect sales growth to remain positive in line with growing domestic demand. While increased external demand will also support sales of manufactured goods, but the sales performance will be adversely affected by the intensified trade tensions and tighter trade rules.

Table 5: Manufacturing Sales (MoM% and YoY%)

	MoM%			YoY%		
	Aug-24	Sep-24	Oct-24	Aug-24	Sep-24	Oct-24
Manufacturing Sales	**4.4**	**(1.0)**	**(0.6)**	**7.7**	**2.9**	**3.0**
Seasonally-adjusted month-on-month change (%)	*(1.5)*	*(4.6)*	*(0.6)*	-	-	-
Refined Petroleum Products	(3.6)	(4.6)	3.5	(7.5)	(8.5)	(7.0)
Chemicals and Chemical Products	5.5	(7.2)	(5.4)	4.1	2.7	(1.0)
Rubber Gloves	(10.9)	3.1	6.6	11.4	10.1	14.3
Iron & Steel Products	14.9	21.0	1.3	7.8	5.4	8.6
Diodes, Transistor & Electronic Integrated Circuits Mic	11.0	5.6	(14.9)	10.0	8.0	1.2
Electrical Capacitor Resistor, Circuit Board & Display Comp	12.9	9.8	(16.8)	0.1	(0.0)	(7.9)
Computers & Peripherals Equipment	(1.5)	(38.5)	33.1	31.5	24.0	15.9
Consumer Electronics	5.0	(4.5)	(7.3)	8.6	(9.1)	(3.3)
Motor Vehicles	3.5	(21.1)	28.9	18.7	(17.2)	(10.9)

Source: Macrobond, DOSM, MIDFR

Other countries recorded mixed IPI performance in Oct-24. IPI performance of other economies was mixed, although global manufacturing PMI indicated a slower fall in manufacturing activities as the index rose to 49.4 (Sep-24: 48.7). IPI in the US fell further albeit slower at -0.3%yoy, still due to weakness in the mining and

manufacturing output. The Philippines also recorded another month of reduced IPI due to lower production of petroleum products & manufacture of basic metals. Similarly, Thailand's IPI fell further in Oct-24 due to decline in car production. In contrast, IPI in Japan and South Korea rebounded back to positive growth as easing supply disruption contributed to improved output in the automotive sector. Although IPI growth moderated in Singapore and Taiwan, both countries saw increased production in the electronic and semiconductor industry. With the global manufacturing PMI improving further to 50.0 in Nov-24, we anticipate production to pick up in view of better demand outlook. In the short run, manufacturing companies will also increase production and delivery before being hit by the higher import tariffs that will be imposed by the new US administration.

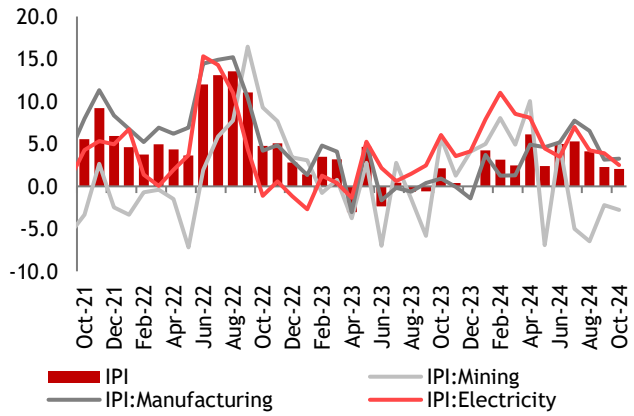
Table 6: IPI for Selected Economies (YoY%)

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Malaysia	2.4	6.1	2.4	5.0	5.3	4.1	2.3	2.1
Philippines	(5.9)	7.0	4.0	4.0	7.6	1.2	(6.3)	(2.2)
Thailand	(4.9)	2.7	(1.5)	(1.6)	1.6	(1.8)	(3.2)	(0.9)
Singapore	(8.5)	(0.8)	2.9	(3.4)	3.0	22.9	9.0	1.2
S. Korea	1.0	6.4	4.2	3.8	5.2	3.6	(1.4)	6.3
Taiwan	4.2	14.5	15.7	12.8	13.0	12.5	11.2	8.9
India	5.5	5.2	6.3	4.9	4.7	(0.1)	3.1	n.a.
Japan	(6.2)	(1.8)	1.1	(7.9)	2.9	(4.9)	(2.6)	1.6
Euro area	(1.3)	(3.4)	(3.6)	(4.2)	(2.1)	(0.1)	(2.8)	n.a.
USA	(0.3)	(0.8)	(0.0)	0.9	(0.5)	(0.0)	(0.7)	(0.3)

*n.a.: not available
Source: Macrobond, MIDFR

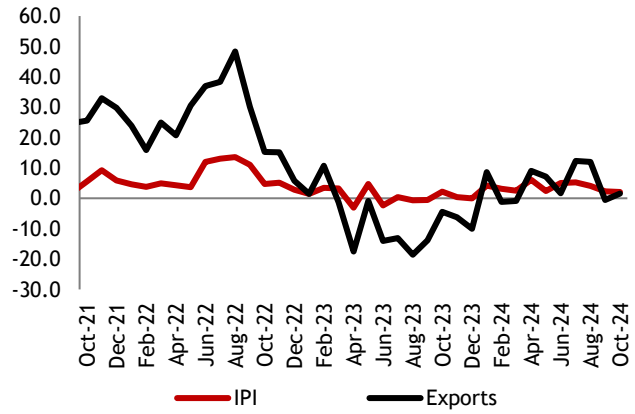
Adjust 2024 IPI growth forecast lower. Considering the weaker manufacturing PMI and the weaker-than-expected IPI performance in Oct-24, we adjust our IPI forecast for the full-year 2024 lower to +3.4% from +4.2% previously (2023: +0.7%). To a certain extent, this also reflects the relatively moderate recovery in external demand. On another note, despite the short-term boost from companies front-loading their production and delivery before the US imposing higher tariffs, we noticed the continued weakness in the mining output contributed a larger-than-expected drag to the overall IPI performance this year. While we expect IPI to continue growing in view of sustained rise in domestic spending and increased external demand, we remain cautious that firms will scale back production if demand turns out to be weaker than expected. Other factors that could derail production outlook include escalation of geopolitical and trade tensions which could disrupt global supply chain stability and trade flows and increase production costs.

Chart 1: IPI Performance by Sector (YoY%)



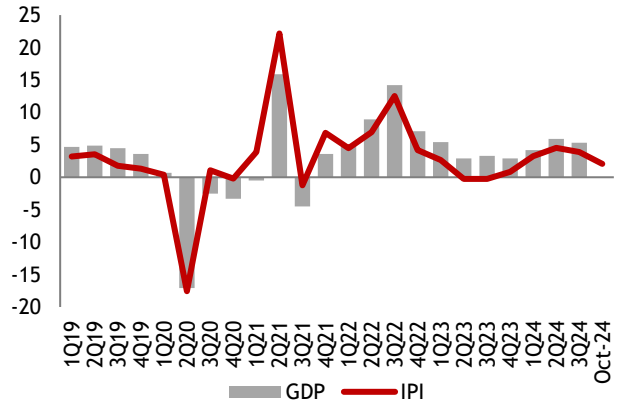
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



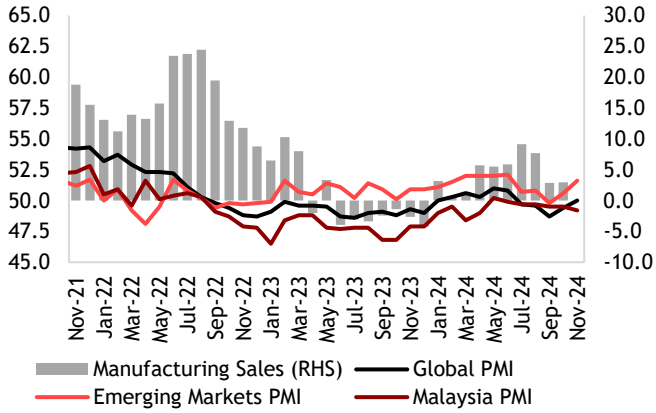
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



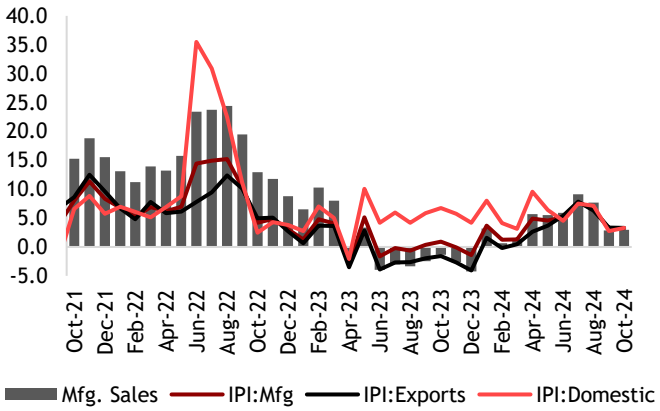
Source: Macrobond, MIDFR

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



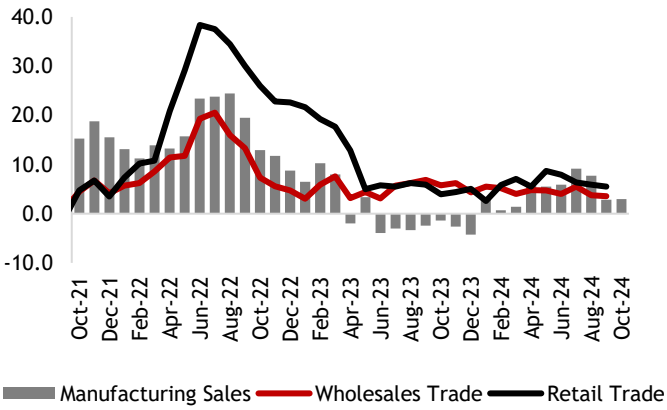
Source: Macrobond, Bloomberg, MIDFR

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



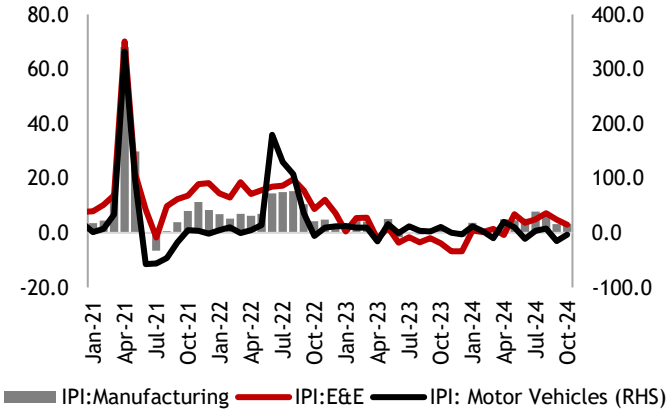
Source: Macrobond, DOSM, MIDFR

Chart 6: Mfg. Sales vs. Wholesale & Retail Trade (YoY%)



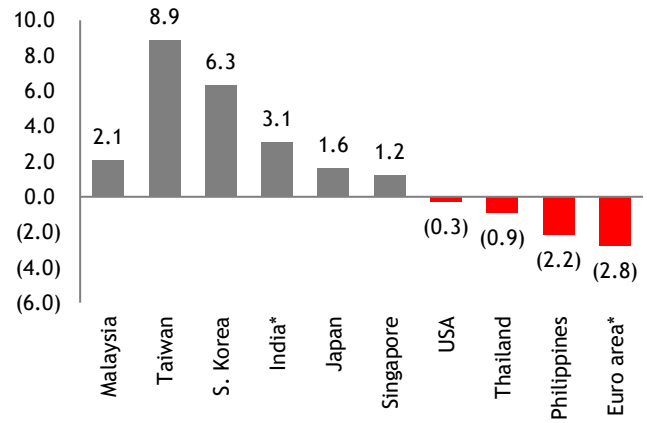
Source: Macrobond, MIDFR

Chart 7: IPI: Mfg. vs IPI:Motor Vehicles & IPI:E&E (YoY%)



Source: Macrobond, DOSM, MIDFR

Chart 8: Global IPI in Oct-24 (YoY%)



* refers to the latest available data for Sep-24
Source: Macrobond, MIDFR

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