10 January 2025

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

Stronger Output in Export-Oriented Sectors Contributed to Faster IPI Growth in Nov-24

- *Stronger-than-expected IPI growth. Malaysia's IPI grew stronger than expected at +3.6%yoy in Nov-24 (Oct-24: +2.0%yoy), underpinned by stronger manufacturing output especially in export-oriented sectors. Electricity generation also grew faster, sustaining growth for 19th straight month.*
- *Stronger growth in sales of manufactured goods. In line with stronger exports in Nov-24, sales of manufactured goods grew faster at +4.6%yoy. Sales of electronics products, computers & peripheral equipment and rubber gloves grew at double digit-digit pace.*
- *IPI to continue growing in 2025. We expect IPI growth to sustain positive growth in 2025 around +3.0-4.0% after estimated growth of around +3.4% in 2024 (2023: +0.7%) on the back of growing domestic and external demand.*

Stronger-than-expected IPI growth. Malaysia's IPI grew stronger than expected at +3.6%yoy in Nov-24 (Oct-24: +2.0%yoy), higher than ours and market consensus. By major sector, manufacturing output rose faster at +4.6% (Oct-24: +3.3%yoy), underpinned by stronger output in export-oriented sectors such as E&E, machinery & equipment and petroleum products. Electricity generation also grew faster at +3.9%yoy (Oct-24: +1.9%yoy), signalling increased energy demand for 19th straight month. Mining output, on the hand, recorded smaller decline (-0.8%yoy; Oct-24: -2.8%yoy) dragged down by further decline in crude petroleum but partly offset by increased natural gas production. We continue to expect IPI to record positive growth in the coming months on the back of growing both domestic and external demand. However, manufacturers could be more cautious in their production plans due to concerns about the strength of future demand, stability of supply and increased costs of production.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Aug-24	Sep-24	Oct-24	Nov-24	Aug-24	Sep-24	Oct-24	Nov-24
IPI	(1.9)	(2.2)	(0.1)	1.0	4.1	2.3	2.0	3.6
Mining	(3.7)	4.9	4.9	(1.4)	(6.4)	(2.2)	(2.8)	(0.8)
Manufacturing	(1.5)	(3.6)	(1.1)	1.4	6.5	3.2	3.3	4.6
Electricity	(1.9)	(0.9)	(0.7)	1.0	4.2	3.9	1.9	3.9

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

IPI rebounded from Oct-24 after 3 months of declines. Based on the seasonally adjusted data, Malaysia's IPI rebounded by +1.0%mom (Oct-24: -0.1%mom), the first monthly increase in 4 months. The month-to-month growth was supported by higher production in the manufacturing (+1.4%mom) and electricity (+1.0%mom) industries. The increase was partly offset by the decline in the mining production which fell -1.4%mom. In contrast to the higher manufacturing output, Malaysia's manufacturing PMI as reported by S&P Global indicated continued contraction in manufacturing activities as the index fell to 49.2 in Nov-24 (Oct-24: 49.5) due to decline in new orders and lower purchasing activities as firms reduced their inventories. This suggests production growth could remain sluggish if demand condition (i.e. new orders) continues to remain subdued.

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

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
IPI	**5.0**	**5.3**	**4.1**	**2.3**	**2.0**	**3.6**
Mining	**4.9**	**(5.0)**	**(6.4)**	**(2.2)**	**(2.8)**	**(0.8)**
Crude Petroleum	3.4	(4.4)	(5.7)	(11.4)	(7.5)	(3.8)
Natural Gas	6.0	(5.4)	(7.0)	4.5	0.4	1.2
Manufacturing	**5.2**	**7.7**	**6.5**	**3.2**	**3.3**	**4.6**
Food Products	6.4	10.5	11.1	3.3	7.9	4.8
Refined Petroleum Products	12.5	11.7	(1.5)	(2.8)	(1.0)	2.8
Chemicals & Chemicals Products	2.1	6.3	3.2	2.8	0.4	1.6
Rubber Products	5.9	10.5	11.1	8.6	10.9	9.8
Basic Metals	8.0	10.5	7.0	5.6	2.8	2.4
Electrical & Electronic Products	3.7	5.0	7.2	4.9	3.0	7.9
Computers & Peripheral Equipment	14.9	19.8	15.7	13.1	10.3	10.0
Machinery & Equipment	4.0	6.5	2.1	0.4	2.7	7.0
Motor Vehicles, Trailers & Semi-Trailers	(10.7)	3.9	7.7	(14.9)	(3.4)	(8.2)
Electricity	**3.5**	**7.0**	**4.2**	**3.9**	**1.9**	**3.9**

Source: Macrobond, MIDFR

Stronger production in export-oriented sectors. Stronger IPI growth was recorded in the export-oriented sectors, which grew by +5.6%yoy (Oct-24: +3.3%yoy). In addition to stronger production of E&E, chemicals and woods & wood products, there was a rebound in production of petroleum products and textiles. Output of rubber products and oil & fats continued to increase albeit at relatively slower pace. In contrast, domestic-oriented sectors' production growth moderated to +2.6%yoy (Oct-24: +3.3%yoy), particularly construction goods (+3.6%yoy; Oct-24: +5.1%yoy) such as non-metallic minerals and fabricated metals. Production of consumer goods was generally sustained (+2.0%yoy; Oct-24: +2.1%yoy) driven by higher output of food products and beverages offset the decline in production of motor vehicles.

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

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
IPI: Export-Oriented Industries	**5.4**	**7.8**	**6.3**	**3.4**	**3.3**	**5.6**
Computer, Electronic and Optical Products	4.9	5.0	8.7	5.9	2.9	8.8
Electrical Equipment	(5.3)	3.1	1.2	0.6	4.3	1.1
Chemicals and Chemical Products	2.2	6.3	3.2	2.8	0.4	1.6
Coke and Refined Petroleum Products	12.5	11.7	(1.5)	(2.8)	(1.0)	2.8
Vegetable & animal oils & fats	11.0	21.9	22.6	3.0	12.7	3.6
Textiles	6.6	7.5	5.7	(2.3)	(0.3)	0.6
Wearing Apparel	(1.1)	8.3	4.6	2.6	1.6	(3.7)
Wood and Wood Products	5.1	9.7	4.8	6.1	3.7	4.3
Furniture	4.3	3.0	7.3	5.2	4.6	2.5
Rubber Products	5.8	10.5	11.1	8.6	10.9	9.8

Source: DOSM, MIDFR

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

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
IPI: Domestic-Oriented Industries	**4.5**	**7.5**	**7.1**	**2.7**	**3.3**	**2.6**
Construction (CO)	10.3	10.4	9.1	7.7	5.1	3.6
CO: Non-Metallic Mineral	8.9	12.2	9.3	6.6	5.2	2.9
CO: Iron and Steel	8.0	10.5	7.0	5.6	2.8	2.4
CO: Fabricated Metal	12.6	9.1	10.3	9.9	6.5	4.9
Consumer (CS)	1.6	6.0	6.1	(0.2)	2.1	2.0
CS: Food Products	3.9	4.2	4.4	3.5	4.5	5.6
CS: Motor Vehicles, Trailers and Semi-Trailers	(10.8)	3.9	7.7	(14.9)	(3.4)	(8.2)
CS: Other Transport Equipment	4.0	4.6	2.1	1.7	0.9	0.8
CS: Beverages	7.9	6.7	7.4	7.1	4.8	9.8
CS: Tobacco Products	18.8	23.4	15.3	10.4	8.4	5.2
CS: Paper and Paper Products	3.6	7.9	5.1	(0.5)	(1.0)	2.9
CS: Others	5.8	7.0	3.4	1.9	0.7	1.8

Source: DOSM, MIDFR

Stronger growth in sales of manufactured goods. In line with stronger exports in Nov-24, sales of manufactured goods grew faster at +4.5%yoy (Oct-24: +3.0%yoy), with the value of sales remaining above RM160b for the 4th straight month. The faster growth was also supported by the lower base in Nov-23. Sales of electronics products, computers & peripheral equipment and rubber gloves grew at double digit-digit pace, while sales of other products like consumer electronics, motor vehicles and electrical components declined further. Against Oct-24, manufacturing sales rebounded and roe by +0.8%mom (Oct-24: -0.5%mom) after 3 months of contraction, based on seasonally adjusted sales data. This was underpinned by higher production of chemicals & chemical products, electrical components and motor vehicles. We believe sales of manufactured goods will continue to grow supported by increased external demand, although the sector remains susceptible to any tightening of trade rules by the new US administration.

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

	MoM%			YoY%		
	Sep-24	Oct-24	Nov-24	Sep-24	Oct-24	Nov-24
Manufacturing Sales	**(1.0)**	**(0.5)**	**0.3**	**2.9**	**3.0**	**4.5**
Seasonally-adjusted month-on-month change (%)	*(4.6)*	*(0.5)*	*0.8*	-	-	-
Refined Petroleum Products	(4.6)	3.5	(3.8)	(8.5)	(7.0)	(4.1)
Chemicals and Chemical Products	(7.2)	(5.4)	3.8	2.7	(1.0)	0.4
Rubber Gloves	3.1	7.7	(6.8)	10.1	15.5	12.6
Iron & Steel Products	21.0	1.3	(1.5)	5.4	8.6	1.1
Diodes, Transistor & Electronic Integrated Circuits Mic	5.6	(14.9)	(1.9)	8.0	1.2	11.2
Electrical Capacitor Resistor, Circuit Board & Display Comp	9.8	(16.8)	0.8	(0.0)	(7.9)	(4.5)
Computers & Peripherals Equipment	(38.5)	33.1	(10.3)	24.0	15.9	12.6
Consumer Electronics	(4.5)	(7.3)	(6.9)	(9.1)	(3.3)	(8.8)
Motor Vehicles	(21.1)	28.9	8.6	(17.2)	(10.9)	(17.0)

Source: Macrobond, DOSM, MIDFR

IPI in several economies weakened in Nov-24. Although global manufacturing PMI improved to 50.0 (Oct-24: 49.4) which signalling no change in manufacturing activities, several economies reported weaker IPI growth in Nov-24. IPI in the US fell faster at -0.9%yoy, reflecting continued weakness in manufacturing and mining production. In euro area, available data showed industrial production remained weak, with IPI falling for the 18th

straight month in Oct-24. In Asia, IPI in Japan and the Philippines also turned to negative growth in Nov-24. The Philippines saw indicated production of computers, electronics and optical products weakened, while Japan's production of motor vehicles and machinery declined during the month. In contrast, IPI grew faster in Singapore fuelled by growth in output of semiconductors, and Taiwan also reported more encouraging output expansion supported by demand in the AI, high-performing computing and cloud data processing. Although we expect manufacturing output to continue growing, this could be constrained by slower new orders as reported by recent PMI reports and the negative impacts from introduction of protectionist trade rules. Looking at the recent global manufacturing PMI, factory activities weakened again as the index fell to 49.6 in Dec-24 with manufacturers in different countries indicated slower new orders including overseas demand.

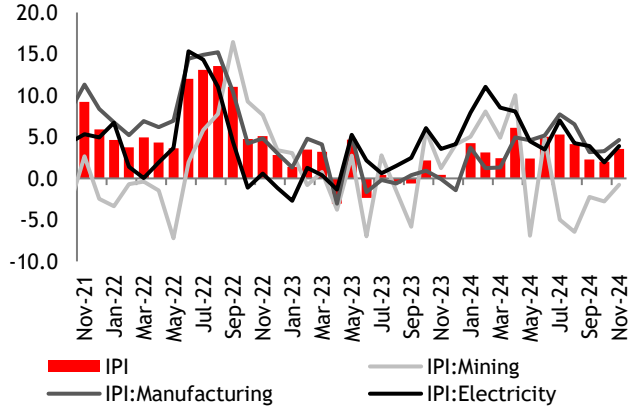
Table 6: IPI for Selected Economies (YoY%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Malaysia	6.1	2.4	5.0	5.3	4.1	2.3	2.0	3.6
Philippines	6.7	3.7	3.4	7.2	0.7	(6.5)	0.3	(3.9)
Thailand	2.7	(1.5)	(1.6)	1.6	(1.8)	(3.2)	(0.6)	(3.6)
Singapore	(0.8)	3.0	(3.3)	3.0	22.9	9.0	1.2	8.5
S. Korea	6.4	4.2	3.8	5.2	3.6	(1.4)	6.3	0.1
Taiwan	14.5	15.7	12.8	13.0	12.5	11.2	8.8	10.3
India	5.2	6.3	4.9	5.0	(0.1)	3.1	3.5	n.a.
Japan	(1.8)	1.1	(7.9)	2.9	(4.9)	(2.6)	1.4	(2.8)
Euro area	(3.2)	(4.4)	(3.9)	(2.2)	(0.4)	(2.2)	(1.2)	n.a.
USA	(0.8)	(0.0)	0.9	(0.5)	(0.0)	(0.8)	(0.5)	(0.9)

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

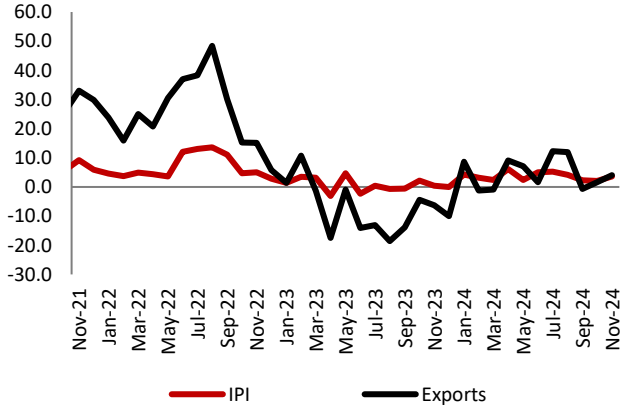
IPI to continue growing in 2025. We expect IPI growth to sustain positive growth in 2025 around +3.0-4.0% after estimated growth of around +3.4% in 2024 (2023: +0.7%). They could be possible upside to our 2024 IPI growth estimate looking at the stronger manufacturing output in Nov-24, with growth in 11MCY24 averaging at +3.7%yoy. We expect production activities will grow further as we assume domestic economic growth will remain positive, and external demand will continue to increase despite few concerns and uncertainties. Several developments could cause manufacturing firms to slow their production if demand turns out to be weaker than expected, where external demand and global trade may be constrained by escalation of geopolitical and trade tensions, disruption to global supply chain activities and rising production costs.

Chart 1: IPI Performance by Sector (YoY%)



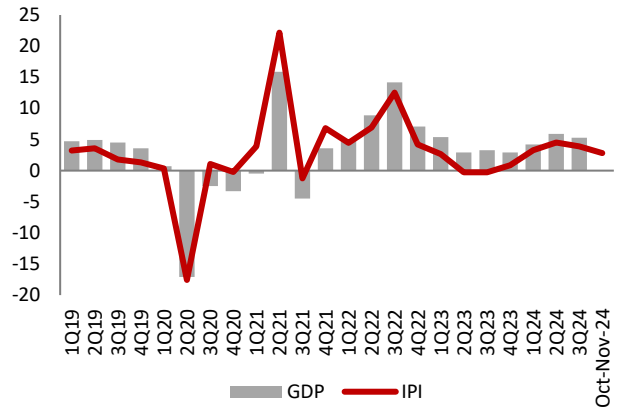
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



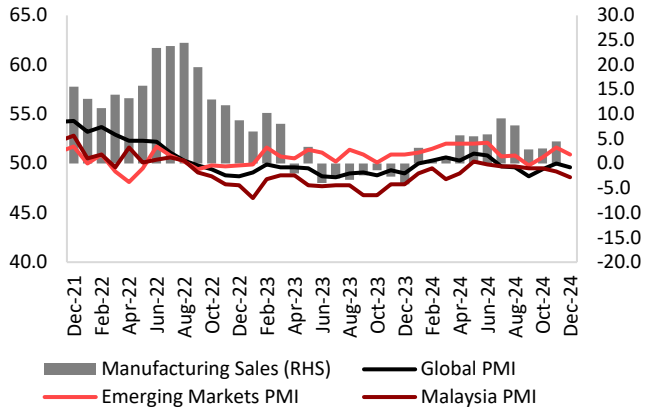
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



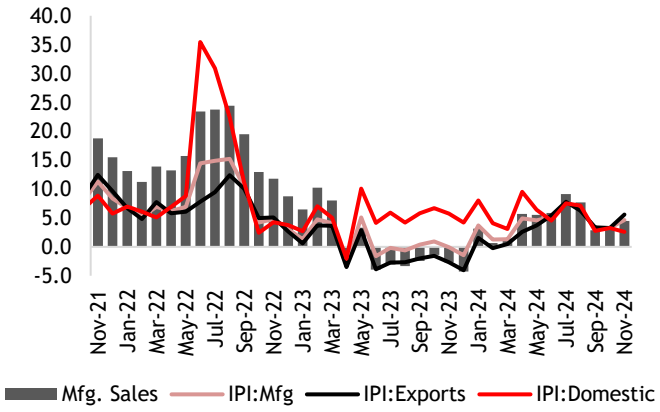
Source: Macrobond, MIDFR

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



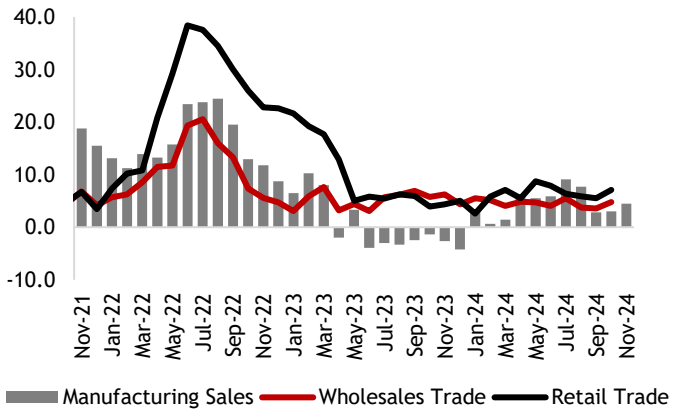
Source: Macrobond, Bloomberg, MIDFR

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



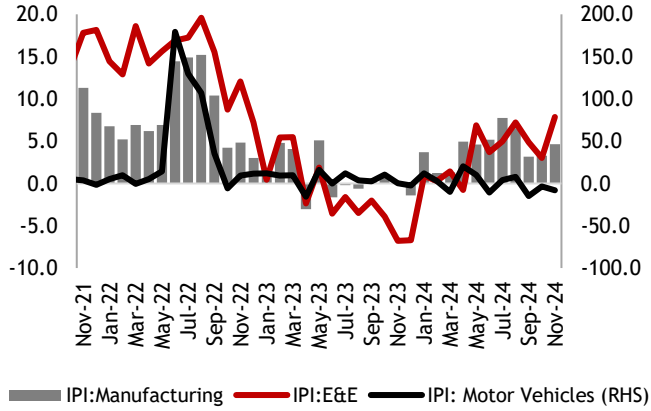
Source: Macrobond, MIDFR

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



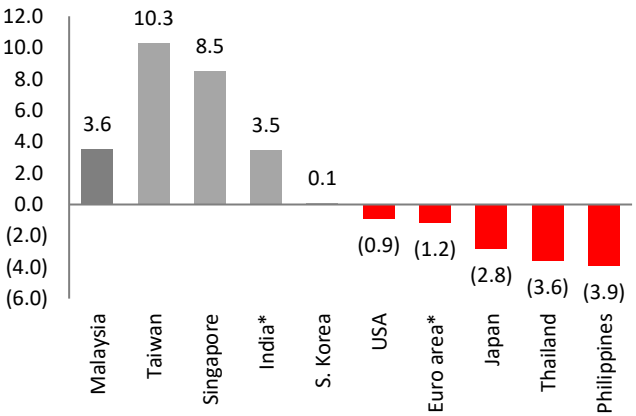
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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



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

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