

# **IPI JUMPED BY 50.1% IN APRIL 2021, THE HIGHEST ON RECORD**

**11 JUNE 2021**

## **ECONOMIC RESEARCH**

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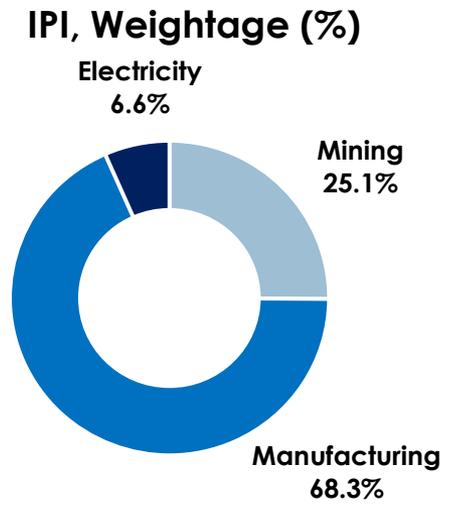
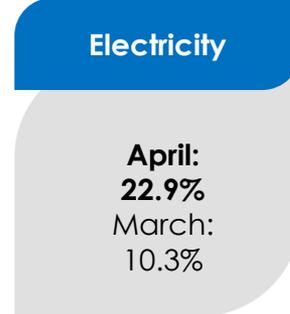
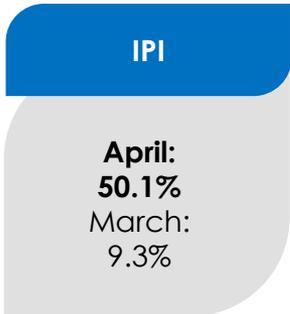
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**NOR JANNAH ABDULLAH**

**RAJA ADIBAH RAJA HASNAN**

# IPI SURGED IN APRIL – SUPPORTED BY MANUFACTURING SECTOR

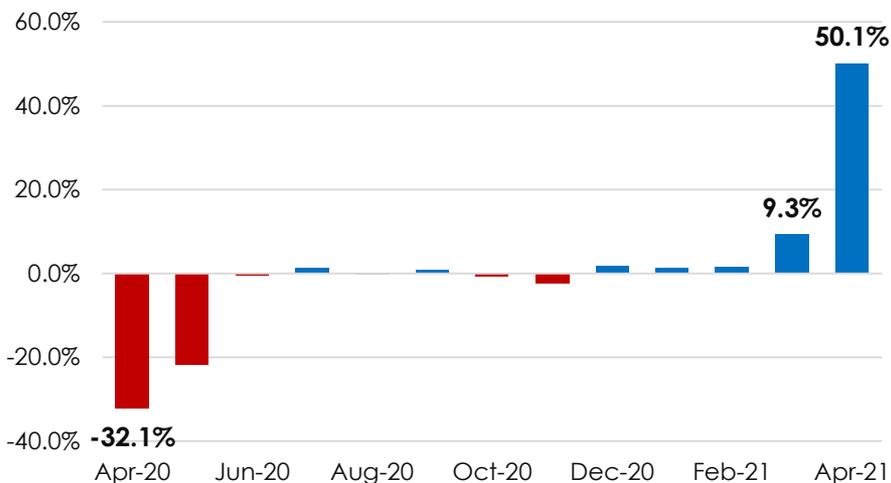


Sources: CEIC, DOSM

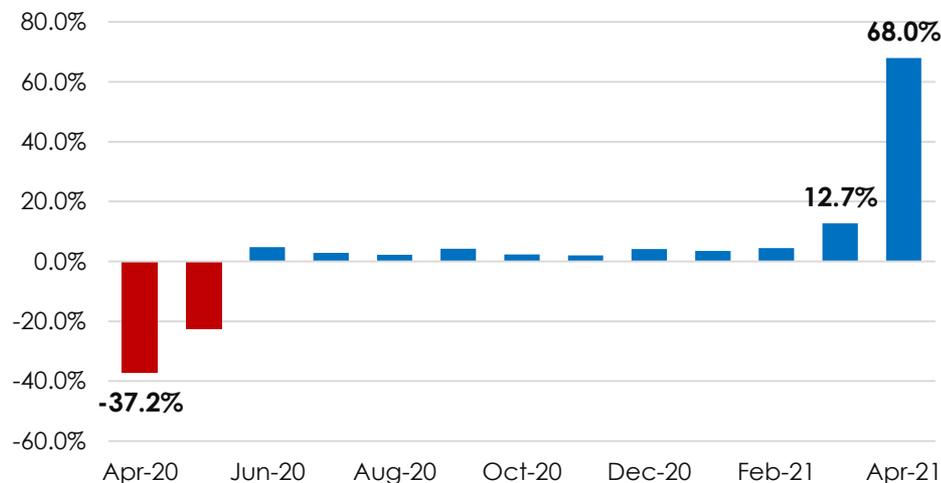
- ✓ Malaysia's Industrial Production Index (IPI) surged by 50.1% year-on-year (y-o-y) in April from a 9.3% expansion in the previous month (**Consensus: 48.0%, Bank Islam: 38.5%**).
- ✓ The upturn was mainly contributed by the Manufacturing sector, rising by 68.0% in April from a 12.7% increase in the preceding month, while the Electricity sector continued to record a double-digit growth of 22.9% in April (March: 10.3%). These sectors contributed a sizeable share of 74.9% of total IPI.
- ✓ Apart from that, the Mining sector rebounded by 14.3% in April after 13 months of contraction (March: -1.9%).

# MANUFACTURING AND ELECTRICITY SECTORS ARE THE MAIN CONTRIBUTORS

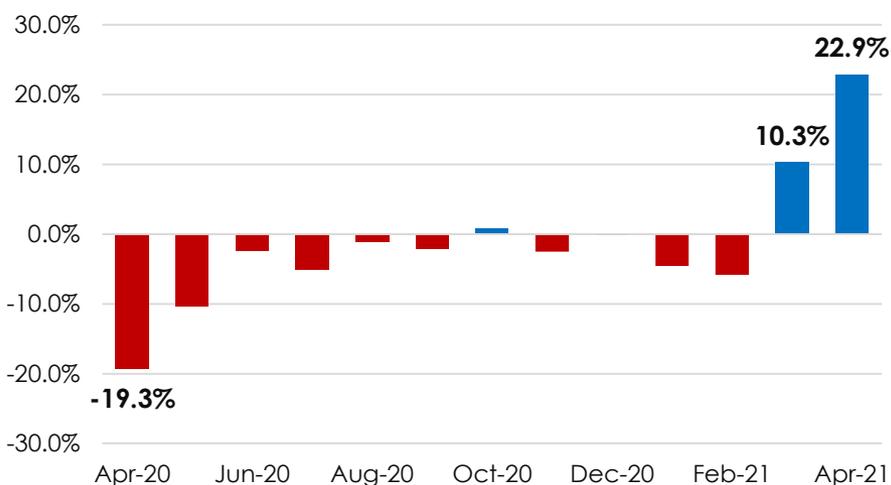
### IPI, y-o-y%



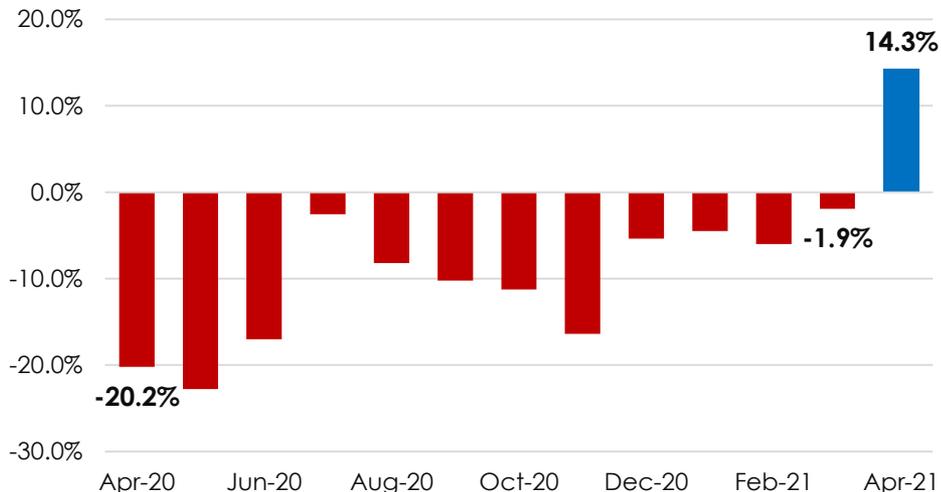
### Manufacturing, y-o-y%



### Electricity, y-o-y%



### Mining, y-o-y%



Source: CEIC

# MANUFACTURING SECTOR CONTINUED TO BE THE ENGINE OF GROWTH



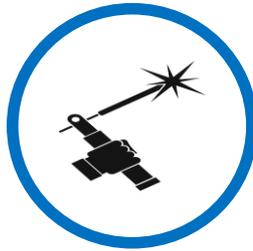
**Petroleum,  
Chemical,  
Rubber &  
Plastic  
Products**

**April:  
37.5%  
March:  
14.1%**



**Electrical &  
Electronics  
Products  
(E&E)**

**April:  
70.1%  
March:  
13.8%**



**Non-metallic  
Mineral  
Products,  
Basic Metal &  
Fabricated  
Metal  
Products**

**April:  
141.0%  
March:  
8.0%**



**Food,  
Beverages &  
Tobacco**

**April:  
12.6%  
March:  
7.2%**



**Transport  
Equipment &  
Other  
Manufactures**

**April:  
275.2%  
March:  
20.9%**



**Wood  
Products,  
Furniture,  
Paper  
Products &  
Printing**

**April:  
212.6%  
March:  
11.1%**



**Textiles,  
Wearing  
Apparel,  
Leather  
Products &  
Footwear**

**April:  
230.6%  
March:  
9.1%**

Sources: CEIC, DOSM

- ✓ Within the Manufacturing sector, all sub-sectors recorded a tremendous production growth during April.
- ✓ Transport Equipment & Other Manufactures (April: 275.2% vs. March: 20.9%), Textile, Wearing Apparel, Leather Products & Footwear (April: 230.6% vs. March: 9.1%), Wood Products, Furniture, Paper Products & Printing (April: 212.6% vs. March: 11.1%), as well as Non-metallic Mineral Products, Basic Metal & Fabricated Metal Products (April: 141.0% vs. March: 8.0%) registered a triple-digit growth in April.
- ✓ This was followed by the production of E&E (April: 70.1% vs. March: 13.8%), Petroleum, Chemical, Rubber & Plastic Products (April: 37.5% vs. March: 14.1%) and Food, Beverages & Tobacco (April: 12.6% vs. March: 7.2%).

# FACTORY OUTPUT RECOVERED DURING 4M2021

	Weight	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	4M2020	4M2021
<b>IPI</b>	<b>100.0%</b>	<b>-0.6%</b>	<b>-2.4%</b>	<b>1.7%</b>	<b>1.2%</b>	<b>1.5%</b>	<b>9.3%</b>	<b>50.1%</b>	<b>-7.9%</b>	<b>12.4%</b>
<b>Mining</b>	<b>25.1%</b>	<b>-11.3%</b>	<b>-16.4%</b>	<b>-5.4%</b>	<b>-4.5%</b>	<b>-6.0%</b>	<b>-1.9%</b>	<b>14.3%</b>	<b>-7.3%</b>	<b>-0.2%</b>
-Crude Oil & Condensate	12.2%	-12.6%	-15.8%	-9.0%	-9.4%	-11.5%	-9.4%	2.7%	-8.5%	-7.4%
-Natural gas	12.9%	-9.0%	-15.1%	-2.5%	-0.5%	-1.6%	4.3%	23.9%	-4.3%	5.6%
<b>Manufacturing</b>	<b>68.3%</b>	<b>2.4%</b>	<b>2.0%</b>	<b>4.1%</b>	<b>3.5%</b>	<b>4.5%</b>	<b>12.7%</b>	<b>68.0%</b>	<b>-8.4%</b>	<b>17.3%</b>
-Food, Beverages & Tobacco	8.6%	-3.4%	-8.7%	-7.9%	0.0%	-7.4%	7.2%	12.6%	-5.2%	3.0%
-Textiles, Wearing Apparel, Leather Products & Footwear	1.3%	-2.6%	-4.0%	1.3%	-0.8%	-1.0%	9.1%	230.6%	-16.6%	20.5%
-Wood Products, Furniture, Paper Products & Printing	4.6%	1.5%	2.2%	3.3%	2.4%	0.9%	11.1%	212.6%	-16.0%	23.8%
-Petroleum, Chemical, Rubber & Plastic	20.6%	1.9%	2.0%	7.7%	4.5%	8.9%	14.1%	37.5%	-1.7%	14.7%
-Non-Metallic Mineral, Basic Metal & Fabricated Metal Products	9.1%	-2.2%	-2.4%	-1.3%	-1.0%	-2.7%	8.0%	141.0%	-16.0%	17.0%
-Electrical & Electronic Products	18.2%	7.5%	8.3%	7.6%	7.9%	10.3%	13.8%	70.1%	-7.7%	21.6%
-Transport Equipment & Other Manufactures	5.9%	3.5%	6.5%	8.4%	-0.2%	3.2%	20.9%	275.2%	-18.0%	31.9%
<b>Electricity</b>	<b>6.6%</b>	<b>0.8%</b>	<b>-2.5%</b>	<b>-0.2%</b>	<b>-4.6%</b>	<b>-5.8%</b>	<b>10.3%</b>	<b>22.9%</b>	<b>-5.3%</b>	<b>4.9%</b>

Sources: CEIC, DOSM

- ✓ As for the Mining sector, the production of Crude Oil & Condensate posted a positive growth of 2.7% in April from -9.4% previously. In addition, Natural Gas rose by 23.9% in April from a 4.3% increase in March.
- ✓ Cumulatively, industrial production activities improved during 4M2021, recovering by 12.4% from a 1.9% contraction in the same period last year amid better demand conditions and economic prospects in 2021.



## Crude Oil & Condensate

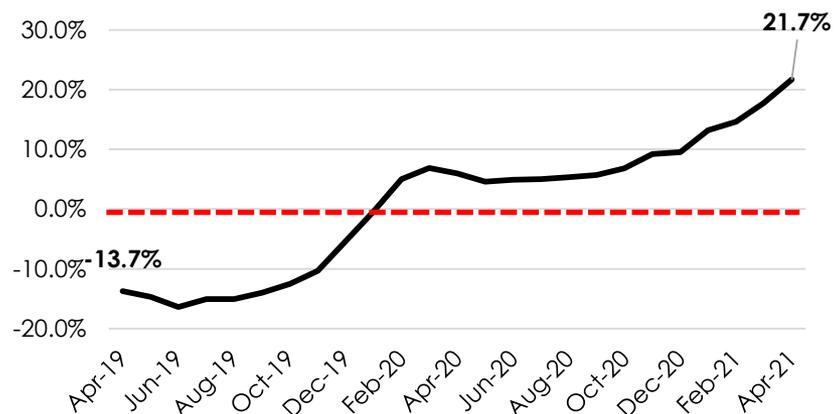
**April:**  
**2.7%**  
**March:**  
**-9.4%**



## Natural Gas

**April:**  
**23.9%**  
**March:**  
**4.3%**

### Global Semiconductor Sales (GSS), y-o-y%

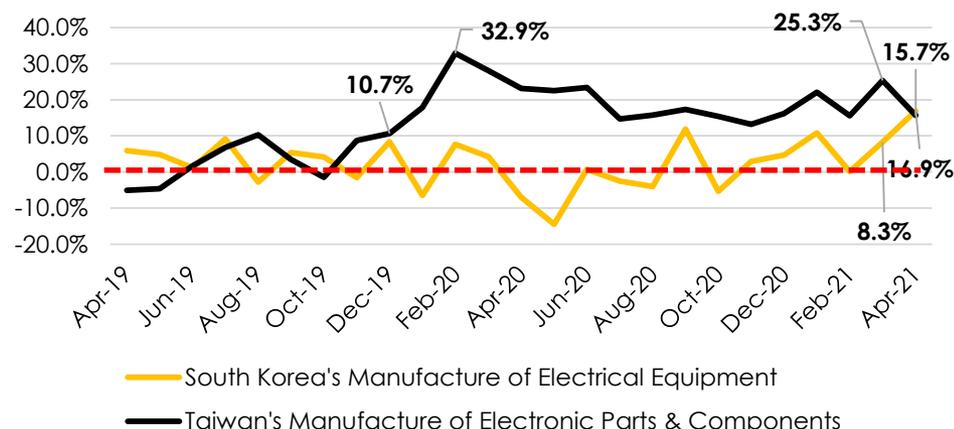


Sources: Semiconductor Industry Association (SIA), CEIC

- ✓ Within other regional peers, Taiwan's IPI Manufacture of Electronic Parts & Components continued to record double-digits increase for 17<sup>th</sup> consecutive month since December 2019 (10.7%) with the latest figure rising by 15.7% in April (March: 25.3%).
- ✓ Similarly, South Korea's IPI for the Manufacture of Electrical Equipment jumped by 16.9% in April from 8.3% in March.

- ✓ The Covid-19 outbreak has prompted a massive trend towards remote working while the advent of Internet of Things (IoT) and Artificial Intelligence (AI) have boosted the high-end application segment across the consumer electronics and automotive industries.
- ✓ This was reflected in the significant increase in Global Semiconductor Sales (GSS) which recorded a 21.7% growth in April, higher from 17.8% in March.

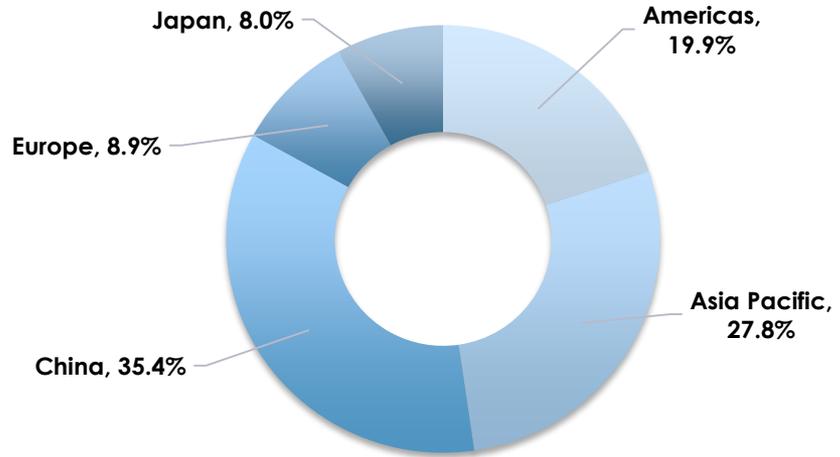
### Production of E&E in South Korea and Taiwan, y-o-y%



Sources: CEIC, Taiwan's Ministry of Economic Affairs (MOEA)

# THE COVID-19 OUTBREAK COULD WEIGH ON GLOBAL E&E SUPPLY CHAIN

GSS Market Share in April 2021, %



Sources: Semiconductor Industry Association (SIA), CEIC

World Semiconductor Trade Statistics

Spring 2021	Amounts in US\$M			Year on Year Growth in %		
	2020	2021	2022	2020	2021	2022
Americas	95,366	105,981	116,304	21.3	11.1	9.7
Europe	37,520	45,446	48,335	-5.8	21.1	6.4
Japan	36,471	41,092	43,303	1.3	12.7	5.4
Asia Pacific	271,032	334,705	365,498	5.1	23.5	9.2
<b>Total World - \$M</b>	<b>440,389</b>	<b>527,223</b>	<b>573,440</b>	<b>6.8</b>	<b>19.7</b>	<b>8.8</b>
Discrete Semiconductors	23,804	28,154	29,226	-0.3	18.3	3.8
Optoelectronics	40,397	44,376	46,684	-2.8	9.8	5.2
Sensors	14,962	18,321	19,309	10.7	22.4	5.4
Integrated Circuits	361,226	436,372	478,221	8.4	20.8	9.6
Analog	55,658	67,716	71,175	3.2	21.7	5.1
Micro	69,678	75,297	78,160	4.9	8.1	3.8
Logic	118,408	138,578	147,175	11.1	17.0	6.2
Memory	117,482	154,782	181,710	10.4	31.7	17.4
<b>Total Products - \$M</b>	<b>440,389</b>	<b>527,223</b>	<b>573,440</b>	<b>6.8</b>	<b>19.7</b>	<b>8.8</b>

Source: World Semiconductor Trade Statistics

- ✓ In light of this, the World Semiconductor Trade Statistics (WSTS) has forecasted the global semiconductor market to surge by 19.7% y-o-y in 2021 before moderating by 8.8% in 2022 (2020: 6.8%).
- ✓ Nevertheless, the Covid-19 outbreak in Taiwan has posed a threat to global semiconductor supply chain's reliance on a small number of key players. The King Yuan Electronics Co. (KYEC), one of the world's largest chip-testing companies shut down its main plant in Miaoli after 182 confirmed cases were reported as at 5 June 2021.
- ✓ As such, this could worsen global chip shortage and knock back production activity as Taiwan's chipmaking industry is a crucial supplier.
- ✓ Therefore, it could be a potential choke point for companies across a wide array of sectors, from consumer electronics, to server farms to the automotive industry across the world.
- ✓ On the flipside, it could serve as an opportunity for Malaysian semiconductor manufacturers to fill in the shortage caused by Taiwan.

# OIL PRODUCTION ACTIVITIES GAINED TRACTION

## Regional Oil Rig Count

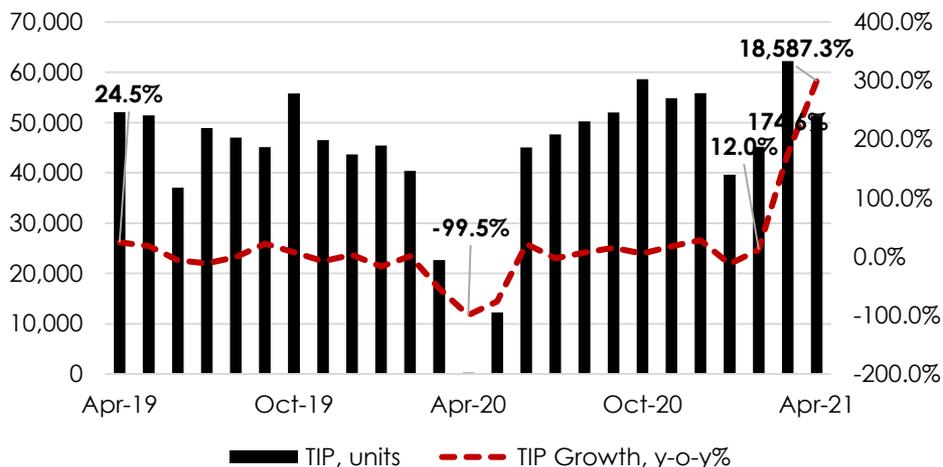
Region	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Avg 5M2020	Avg 5M2021
Asia Pacific	196	197	193	200	169	170	164	164	162	161	170	167	183	213	169
Europe	111	110	105	109	113	101	102	97	94	98	100	97	101	122	98
Middle East	375	343	315	301	282	245	239	242	251	260	261	252	266	416	258
US	348	274	255	250	257	280	310	339	369	398	408	436	453	654	413
Canada	23	18	32	53	60	80	95	100	137	171	108	58	59	128	107
Latin America	62	71	74	75	83	86	101	109	119	125	125	118	136	137	125
Africa	61	60	56	62	55	54	63	53	51	57	59	61	64	101	58
<b>World</b>	<b>1,176</b>	<b>1,073</b>	<b>1,030</b>	<b>1,050</b>	<b>1,019</b>	<b>1,016</b>	<b>1,074</b>	<b>1,104</b>	<b>1,183</b>	<b>1,270</b>	<b>1,231</b>	<b>1,189</b>	<b>1,262</b>	<b>1,770</b>	<b>1,227</b>

Source: Baker Hughes

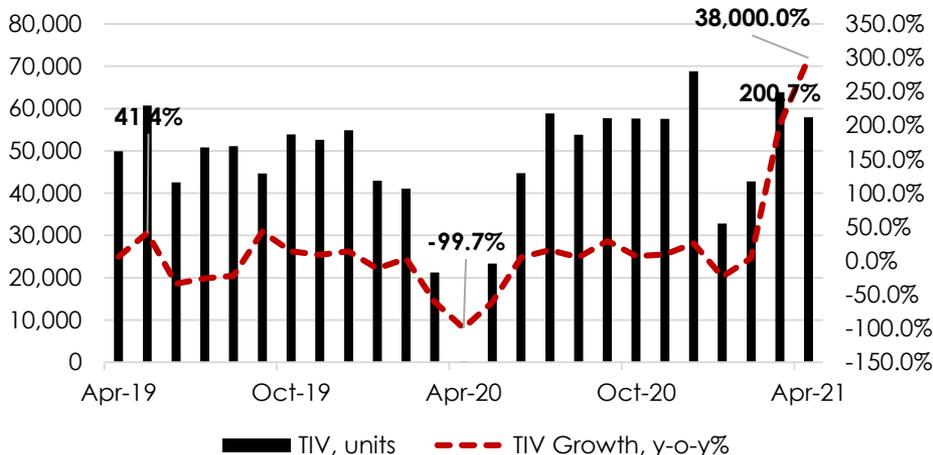
- ✓ As highlighted earlier, the IPI for the Extraction of Crude Petroleum Oils & Condensates grew in April by 2.7% (March: -9.4%), marking its first growth after 27 months of contraction. This coincided with Malaysia's oil rig count which was higher at 4 rigs in April (March: 3 rigs).
- ✓ Overall, production activities in the oil and gas space have been gaining traction based on latest available data by Baker Hughes. This was reflected by the total number of rigs worldwide which reached 1,262 rigs in May (April: 1,189 rigs).
- ✓ Likewise, the total number of rigs during May this year in Asia Pacific reached 183 rigs (April: 167 rigs).
- ✓ Despite the recent improvement in oil production activities, it is important to note that the oil rig counts on a global and regional scale have not reached pre-pandemic levels. For example, the number of oil rigs in the Middle East stood at 266 rigs in May (April: 252 rigs) compared to a rig count of 430 rigs in January last year.

# TRANSPORT EQUIPMENT & OTHER MANUFACTURES WAS ANOTHER CONTRIBUTOR TO THE GROWTH IN MANUFACTURING IPI

### Total Industry Production (TIP), units



### Total Industry Volume (TIV), units



Sources: Malaysia Automotive Association, CEIC

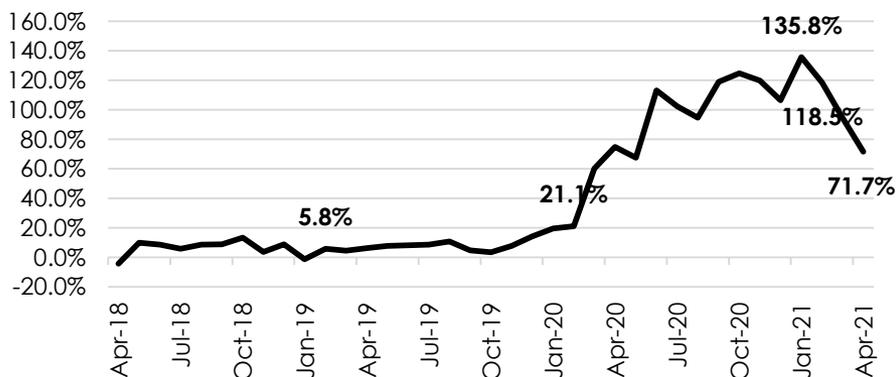
Sources: Malaysia Automotive Association, CEIC

- ✓ Another sub-sector which was a bellwether for the manufacturing IPI in April was the Transport Equipment & Other Manufactures which surged by 275.2% in April (March: 20.9%). On further scrutiny, the Motor Vehicles and Passenger Cars component of the Motor Vehicles, Trailers & Semi Trailers sub-sector saw their IPIs increase further by 5,912.0% (March: 65.1%) and 5,842.6% (March : 66.0%) in April respectively.
- ✓ This was mainly attributable to the 18,587.3% jump in April (March: 174.6%) in Total Industry Production (TIP) to 51,390 units in the same month (March: 62,221 units) due to a very low base in April last year whereby the TIP slumped to only 275 units due to the Movement Control Order (MCO) 1.0 implementation. Likewise, the Total Industry Volume (TIV) also resumed its momentum by growing to the tune of 38,000.0% in April (March: 200.7%) to reach 57,912 units (March: 63,878 units),
- ✓ The latest MCO 4.0 will likely have a negative impact on the TIP in the immediate term as auto manufacturers are only allowed to operate at a 10.0% workforce capacity. Nevertheless, the government announced that the sales tax holiday will be extended further until 31 December 2021 from the previous 30 June 2021 expiry as part of the RM40.0 billion PEMERKASA Plus stimulus package. This bodes well for the auto manufacturers as seen in the positive impact on the TIP and TIV since the sales tax holiday commenced in June last year.
- ✓ Therefore, the tax holiday extension serves to boost bookings further post-lockdown period.

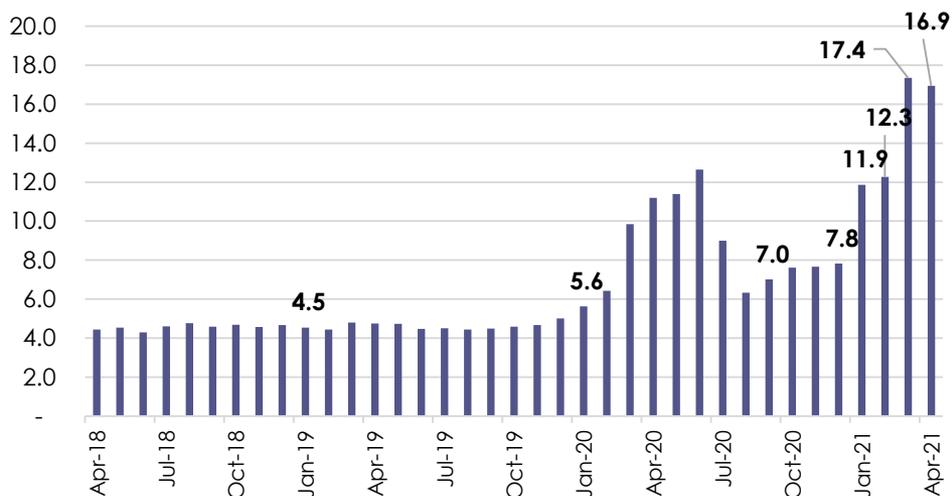
# GROWTH IN RUBBER GLOVE PRODUCTION REMAINED AT REASONABLE LEVEL

- ✓ Growth in Malaysia's rubber glove production softened to 51.2% y-o-y during April (March: 76.2%) to 16.9 billion pairs from 9.8 billion pairs in March last year. Despite the slower growth, the 16.9 billion pairs of rubber gloves produced in April was not too low compared to the record high of 17.4 billion pairs seen in the previous month.
- ✓ The continuous growth in Malaysia's rubber glove production was in line with the IPI for manufacturing rubber gloves which grew by 71.7% in April (March: 94.6%). Strong sales were due to continued demand for gloves globally, driven by the ongoing Covid-19 pandemic in countries including Malaysia and India.
- ✓ On the corporate level, major rubber glove maker, Top Glove saw reduced sales to the United States for the quarter ended 31 May 2021 following a temporary halt in shipments from Malaysia in compliance with requirements of the US Customs and Border Protection's (US CBP) withhold release order (WRO) on its products amid forced labour allegations.
- ✓ This may pose risks to rubber glove production from Top Glove in the medium term as North America contributes 18.0% to Top Glove's sales volume. Nevertheless, we believe that other rubber glove makers such as Kossan, Comfort Gloves and Rubberex can fill in the gap in terms of shipments to the US in the event that companies including Hartalega and Supermax were to face the same fate as Top Glove.

**IPI: Manufacturing Rubber Gloves, y-o-y growth (%)**



**Malaysian Rubber Glove Production (Billion Pairs)**



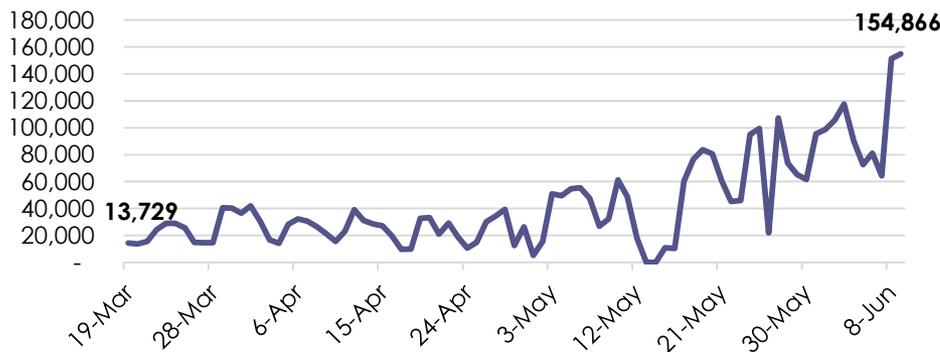
- ✓ Looking ahead, the month of May could likely see a slower growth in the IPI. The reason being is that Malaysia's Manufacturing Purchasing Managers' Index (PMI) dropped to 51.3 points in May from 53.9 points in April following the surge in Covid-19 cases in many parts of the world led to supply chain delays.
- ✓ We foresee that the IPI for the month of June will then face greater pressure amid the implementation of the MCO 4.0 whereby 18 manufacturing and manufacturing-related services sectors which are allowed to operate with 13 of the sectors including E&E and rubber gloves being allowed to operate at 60.0% of workforce capacity while the remaining 5 such as automotive and steel are permitted to operate at a 10.0% workforce capacity.
- ✓ Nevertheless, manufacturers such as rubber glove makers may take the opportunity to perform maintenance work on existing production lines. This will allow glove companies to ramp up production once MCO 4.0 is over.

## Essential Sectors Allowed To operate During MCO 4.0

Manufacturing and Manufacturing-Related Sector	
No.	Operate at 60.0% of Working Capacity
1	Aerospace including maintenance, repair and overhaul (MRO)
2	Food and beverage
3	Packaging and printing materials
4	Personal care products and cleaning supplies
5	Healthcare and medical care including dietary supplement
6	Personal Protective Equipment (PPE) including rubber gloves and fire safety equipment
7	Medical equipment components
8	Electrical and Electronics
9	Oil and Gas, including petrochemical products
10	Chemical Products
11	Machinery and equipment
12	Textiles for manufacturing of PPE only
13	Production, distillation, storage, supply and distribution of fuels and lubricants
No.	Operate at 10.0% of Working Capacity
14	Automotive (vehicles and components)
15	Iron and Steel
16	Cement
17	Glass
18	Ceramics

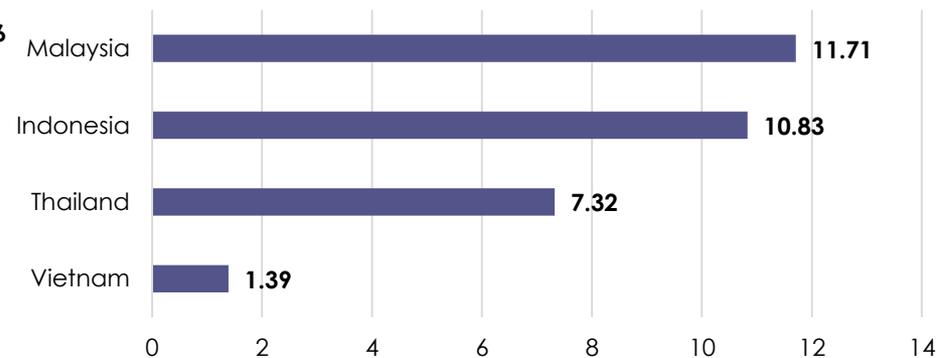
- ✓ An overarching factor which may support business sentiment in the coming months is the pace of the country's vaccination program that has accelerated recently. For instance, the number of vaccination doses administered on 9 June 2021 had reached a record high of 154,866 doses.
- ✓ According to Our World In Data, Malaysia's number of daily vaccination doses administered per 100 people have exceeded its ASEAN peers namely, Indonesia, Thailand, the Philippines and Vietnam as at 8 June 2021.
- ✓ Drivers for the vaccination rate will be the four mega vaccination centres in the Klang Valley which have commenced operations on 7 June 2021. Apart from that, vaccination for workers in the manufacturing sector is expected to be launched next week starting off in Penang whereby two vaccination centres have been planned, with one in Bayan Lepas and another in Batu Kawan.
- ✓ The higher expected number of vaccination doses in the coming months will speed up Malaysia's path to herd immunity and subsequently enable the relaxation of restrictions on manufacturing activities.
- ✓ All in all, we are maintaining our growth projection for **the IPI this year to reach 6.3% after a 4.2% drop in 2020**. Recall that the surge in IPI growth in April this year was due to a low base effect which we opine will subside in the coming months as manufacturing activities began to normalize particularly from June 2020 onwards after the government eased restrictions under Recovery Movement Control Order (RMCO).

**Total Number Of Daily Vaccination Doses Administered In Malaysia**



Source: CEIC  
ECONOMIC RESEARCH

**Number Of Daily Covid-19 Vaccine Doses Administered Per 100 People**



Source: Our World In Data

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