



From the Desk
of the
Chief Economist

BANK ISLAM

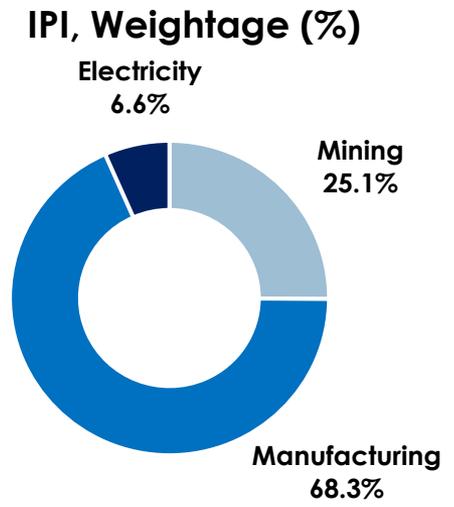
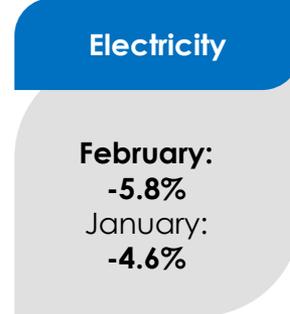
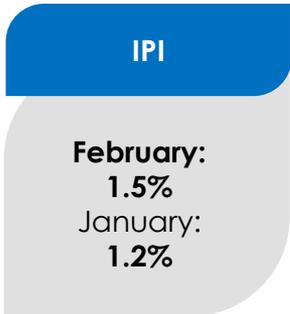
IPI INCREASED BY 1.5% IN FEBRUARY

9 APRIL 2021

ECONOMIC RESEARCH

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IPI INCREASED IN FEBRUARY – SUPPORTED BY MANUFACTURING SECTOR

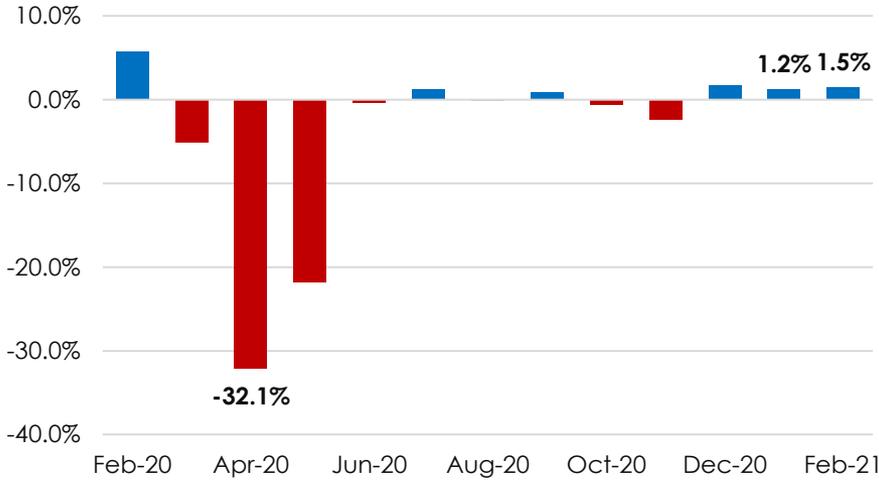


Sources: CEIC, DOSM

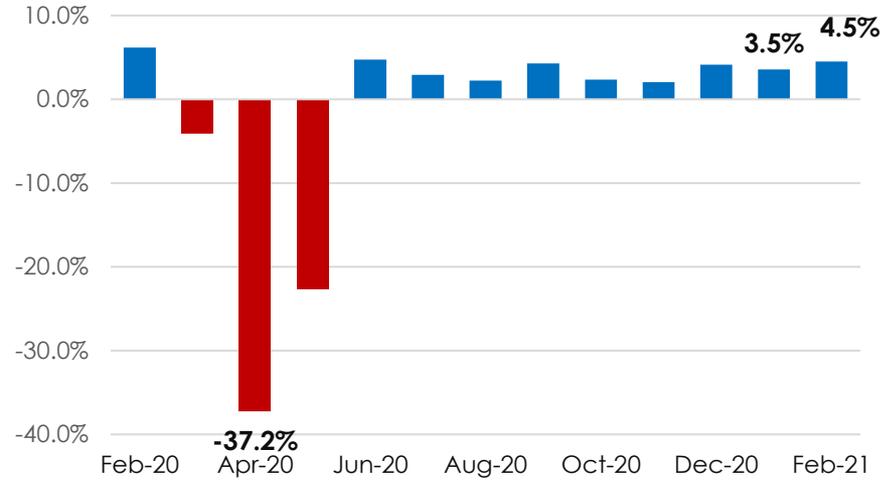
- ✓ Malaysia's Industrial Production Index (IPI) edged up by 1.5% year-on-year (y-o-y) in February from a 1.2% growth in the previous month (**Consensus: 1.0%, Bank Islam: 3.9%**).
- ✓ The expansion was mainly contributed by the Manufacturing sector, which rose by 4.5% in February from a 3.5% increase in the preceding month. Manufacturing sector formed a sizeable share of 68.3% from the total IPI.
- ✓ Meanwhile, the Mining and Electricity sector declined by 6.0% and 5.8% in February, extending the 4.5% and 4.6% fall respectively in January.

MINING SECTOR PRODUCTION ACTIVITIES – 12 MONTHS OF CONTRACTION

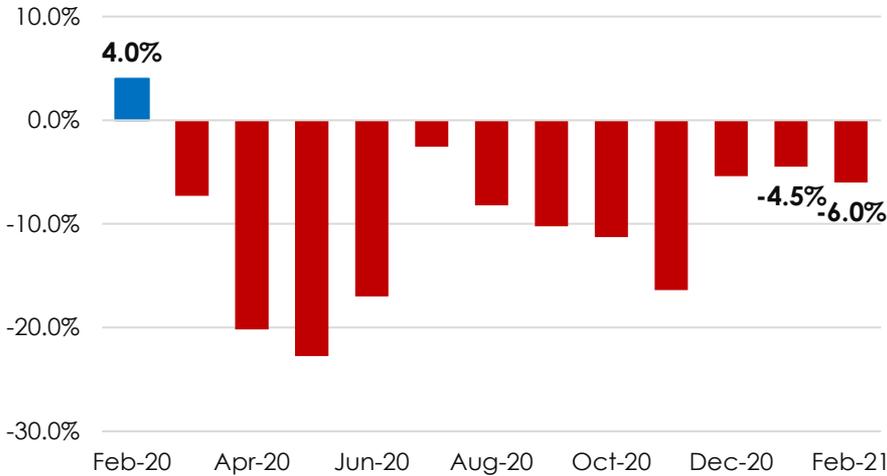
IPI, y-o-y%



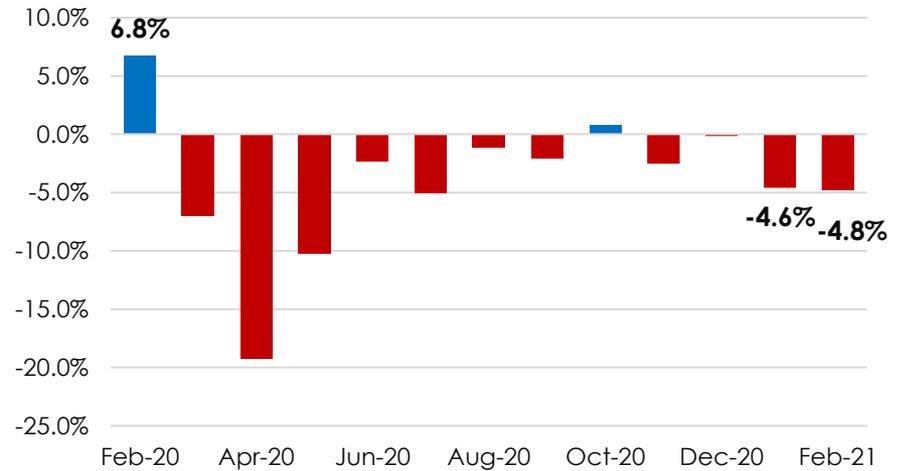
Manufacturing, y-o-y%

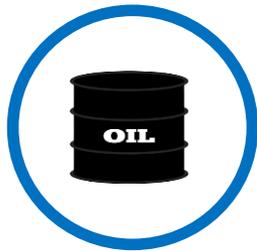


Mining, y-o-y%



Electricity, y-o-y%





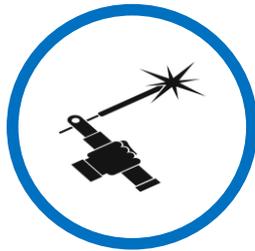
**Petroleum,
Chemical,
Rubber &
Plastic
Products**

**February:
8.9%
January:
4.5%**



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

**February:
10.3%
January:
7.9%**



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

**February:
-2.7%
January:
-1.0%**



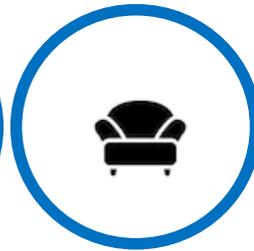
**Food,
Beverages &
Tobacco**

**February:
-7.4%
January:
0.0%**



**Transport
Equipment &
Other
Manufactures**

**February:
3.2%
January:
-0.2%**



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

**February:
0.9%
January:
2.4%**



**Textile, Wearing
Apparel,
Leather &
Footwear**

**February:
-1.0%
January:
-0.8%**

Sources: CEIC, DOSM

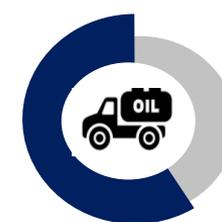
- ✓ Within the Manufacturing sector, the production of E&E (February: 10.3% vs. January: 7.9%) and Petroleum, Chemical, Rubber & Plastic products (February: 8.9% vs. January: 4.5%) were the anchor of growth. Apart from that, Transport Equipment & Other Manufactures rebounded by 3.2% in February from a 0.2% contraction previously. These products accounted for 44.7% of the total IPI.
- ✓ This was followed by the production of Wood, Furniture, Paper Products & Printing which increased modestly by 0.9% in February from a 2.4% expansion in the preceding month.
- ✓ However, the production of Food, Beverages & Tobacco (February: -7.4% vs. January: 0.0%), Non-metallic Mineral Products, Basic Metal & Fabricated Metal Products (February: -2.7% vs. January: -1.0%) and Textile, Wearing Apparel, Leather & Footwear (February: -1.0% vs. January: -0.8%) recorded a negative growth in February.

FACTORY OUTPUT EASED DURING 2M2021

	Weight	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	2M2020	2M2021
IPI	100.0%	-0.4%	1.3%	-0.2%	0.9%	-0.6%	-2.4%	1.7%	1.2%	1.5%	2.9%	1.3%
Mining	25.1%	-17.0%	-2.5%	-8.2%	-10.2%	-11.3%	-16.4%	-5.4%	-4.5%	-6.0%	-0.9%	-5.2%
-Crude Oil & Condensate	12.2%	-21.1%	-1.2%	-5.0%	-9.7%	-12.6%	-15.8%	-9.0%	-9.4%	-11.5%	-3.4%	-10.4%
-Natural gas	12.9%	-13.5%	-4.4%	-8.0%	-9.5%	-9.0%	-15.1%	-2.5%	-0.5%	-1.6%	4.2%	-1.0%
Manufacturing	68.3%	4.7%	2.9%	2.2%	4.3%	2.4%	2.0%	4.1%	3.5%	4.5%	4.1%	4.0%
-Food, Beverages & Tobacco	8.6%	10.5%	6.3%	4.8%	4.9%	-3.4%	-8.7%	-7.9%	0.0%	-7.4%	-0.8%	-3.7%
-Textiles, Wearing Apparel, Leather & Footwear	1.3%	-9.6%	-12.9%	-11.0%	-4.1%	-2.6%	-4.0%	1.3%	-0.8%	-1.0%	4.9%	-0.9%
-Wood, Furniture, Paper Products & Printing	4.6%	7.3%	0.8%	-2.5%	2.3%	1.5%	2.2%	3.3%	2.4%	0.9%	4.6%	1.7%
-Petroleum, Chemical, Rubber & Plastic	20.6%	1.5%	1.5%	1.7%	3.2%	1.9%	2.0%	7.7%	4.5%	8.9%	5.1%	6.7%
-Non-Metallic Mineral, Basic Metal & Fabricated Metal Products	9.1%	-14.2%	-9.8%	-6.3%	-3.9%	-2.2%	-2.4%	-1.3%	-1.0%	-2.7%	5.0%	-1.8%
-Electrical & Electronic Products	18.2%	13.2%	9.8%	7.1%	9.8%	7.5%	8.3%	7.6%	7.9%	10.3%	4.9%	9.0%
-Transport Equipment & Other Manufactures	5.9%	10.7%	4.8%	3.5%	4.5%	3.5%	6.5%	8.4%	-0.2%	3.2%	3.0%	1.4%
Electricity	6.6%	-2.4%	-5.0%	-1.1%	-2.1%	0.8%	-2.5%	-0.2%	-4.6%	-5.8%	3.2%	-5.2%

Sources: CEIC, DOSM

- ✓ As for the Mining sector, the production of Crude Oil & Condensate declined for 26th consecutive month in February, falling by 11.5% compared to a 9.4% drop in the preceding month. In addition, production of Natural Gas dropped by 1.6% in February from a 0.5% contraction in January.
- ✓ Cumulatively, industrial production activities softened by 1.3% in 2M2021 as compared to a 2.9% growth in the same period last year, largely affected by the Covid-19 pandemic amid the implementation of Movement Control Order (MCO) 2.0.



Crude Oil & Condensate

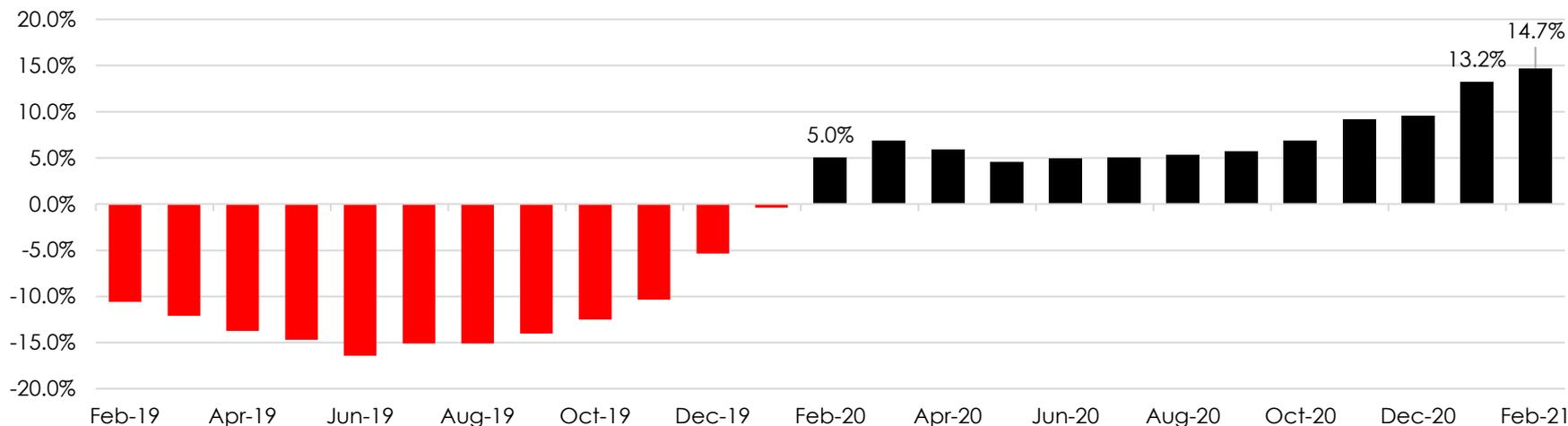
February:
-11.5%
January:
-9.4%



Natural Gas

February:
-1.6%
January:
-0.5%

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



Source: Semiconductor Industry Association (SIA)

- ✓ Global Semiconductor Sales (GSS) continued to record double-digit growth of 14.7% y-o-y in February (January: 13.2%). The semiconductor sales during the 2M2021 (USD79.6 billion) have outpaced sales from the same period last year (USD69.9 billion) as the Covid-19 pandemic began to spread in parts of the world.
- ✓ However, supply of semiconductor is in a very tight market conditions across the board. There are many shortages in various segments ranging from automotive to memory chips. This has led to production cutbacks worldwide which have impacted Toyota, Volkswagen, Honda and others. On top of that, Chinese Electric Vehicle (EV) maker, Nio has also temporarily halted production in March.
- ✓ Moreover, some production of Apple's MacBooks and iPads has been delayed due to a portion of component orders being pushed back to the second half of 2021 amid ongoing semiconductor component shortage.
- ✓ All in all, we believe the demand for E&E will remain strong, propelled by the deployment of 5G infrastructure and 5G-enabled devices that would allow people to leverage the full potential of advanced technologies. The reason being is that the Covid-19 pandemic has created tremendous demand for connectivity and conferencing solutions around the world.

PRODUCTION OF CRUDE PETROLEUM REMAINS A DRAG IN ASIA PACIFIC DURING FEBRUARY

Worldwide Oil Rig Count

Region	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Avg 3M 2020	Avg 3M 2021
Asia Pacific	222	224	231	191	196	197	193	200	169	170	164	164	162	161	170	226	164
Europe	133	130	123	112	111	110	105	109	113	101	102	97	94	98	100	129	97
Middle East	430	427	428	420	375	343	315	301	282	245	239	242	251	260	261	428	257
US	791	791	772	566	348	274	255	250	257	280	310	339	369	398	408	785	392
Canada	204	249	133	33	23	18	32	53	60	80	95	100	137	171	108	195	139
Latin America	179	184	169	89	62	71	74	75	83	86	101	109	119	125	125	177	123
Africa	114	120	108	103	61	60	56	62	55	54	63	53	51	57	59	114	56
World	2,073	2,125	1,964	1,514	1,176	1,073	1,030	1,050	1,019	1,016	1,074	1,104	1,183	1,270	1,231	2,054	1,228

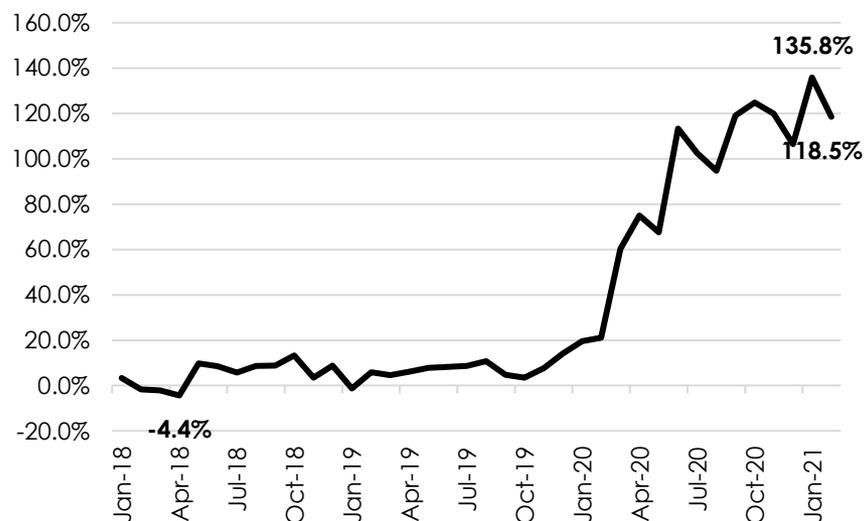
Source: Baker Hughes

- ✓ As highlighted earlier, the IPI for Crude Oil & Condensate dropped further in February by 11.5% (January: -9.4%). This coincided with the number of rigs in Asia Pacific which saw a decline in the rig count to 161 rigs in February (January: 162 rigs).
- ✓ Notwithstanding this, the number of rigs in the Asia Pacific region has increased to 170 rigs in March (February: 161 rigs) suggesting that activity in the oil and gas sector is picking up in the region and should support production activities in Malaysia moving forward underpinned by vaccine optimism which should boost demand for oil.
- ✓ On a broader scale, the Organization of the Petroleum Exporting Countries (OPEC) agreed to boost production gradually by up to 1.2 million barrels per day (bpd) over a 3-month period (from May to July 2021). Effectively, the OPEC production cut will ease to 5.8 million bpd in July 2021 from 7.0 million bpd in April 2021.

LATEST WAVE OF THE PANDEMIC TO SUSTAIN RUBBER GLOVE DEMAND

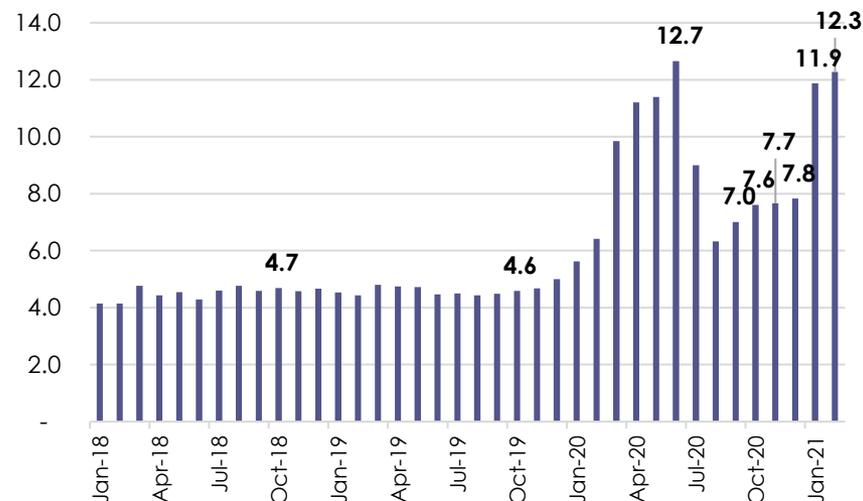
- ✓ Malaysia's rubber glove production in February increased by 91.2% y-o-y (January: 111.0%) to 12.3 billion pairs from 6.4 billion pairs in February last year, marking the 16th consecutive month of y-o-y gains.
- ✓ The continuous growth in Malaysia's rubber glove production was in line with the IPI for manufacturing rubber gloves which grew by 118.5% in February (January: 135.8%).
- ✓ Overall, the softening in the rate of increase in rubber glove production was due to the full impact of the MCO 2.0 in February.
- ✓ Nevertheless, the latest wave virus outbreaks in Europe and parts of Asia, notably India which have elevated lockdown concerns have acted in favour for glove makers which are expected to see higher demand for gloves in the coming months. These concerns have heightened as a rare type of blood clot was linked to the AstraZeneca vaccine by drug regulators in Europe and the UK.

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



Sources: DOSM, CEIC

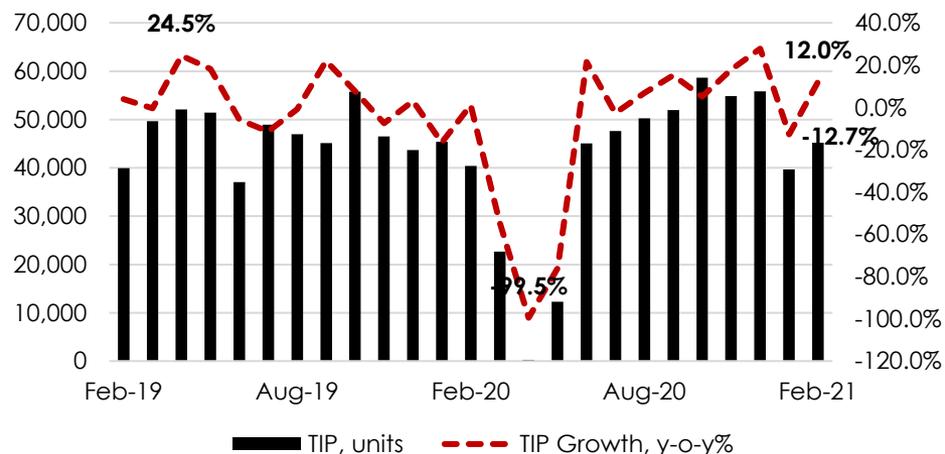
Malaysian Rubber Glove Production (Billion Pairs)



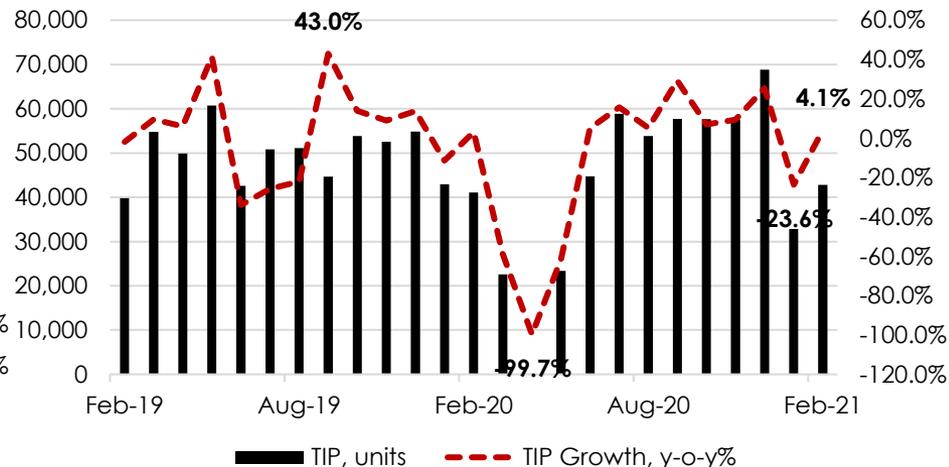
Sources: DOSM, CEIC

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

Total Industry Production (TIP), units



Total Industry Volume (TIV), units



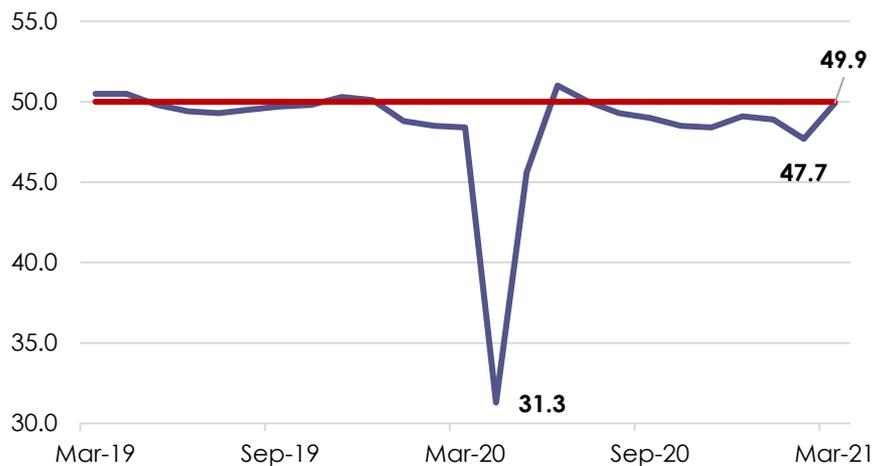
Sources: Malaysia Automotive Association, CEIC

Sources: Malaysia Automotive Association, CEIC

- ✓ Another sub-sector which was a bellwether for the manufacturing IPI in February was the Transport Equipment & Other Manufactures which rebounded by 3.2% (January: -0.2%). On further scrutiny, the Motor Vehicles and Passenger Cars component of the Motor Vehicles, Trailers & Semi Trailers sub-sector saw their IPIs increase by 20.4% to 136.6 (January: 8.5%) and 19.7% to 139.2 (January: 8.4%) in February respectively.
- ✓ This was mainly attributable to the 12.0% growth (January: -12.7%) in total industry production (TIP) to 45,199 units in February (January: 39,666 units). Likewise, the total industry volume (TIV) also regained momentum by growing at 4.1% in February (January: -23.6%) to reach 42,784 units (February: 32,829 units), partly due to the lifting of the MCO 2.0 in certain states which pushed the traffic volume in showrooms higher.
- ✓ Recall that in January, there was a shortage of inventories following strong 4Q2020 sales combined with the lack of local parts supply due to temporary closure of vendors during the early part of the MCO 2.0 and global chip shortage issue. Nevertheless, these issues have been addressed following the decision to allow auto manufacturing activities to operate in places under the MCO 2.0.
- ✓ On a two-month cumulative basis, the TIP was down by 1.1% in 2021 compared to the 9.1% decline during the same period last year. All in all, the ongoing sales tax exemption for the purchase of vehicles until 30 June 2021 should sustain the momentum of TIP and TIV moving forward.

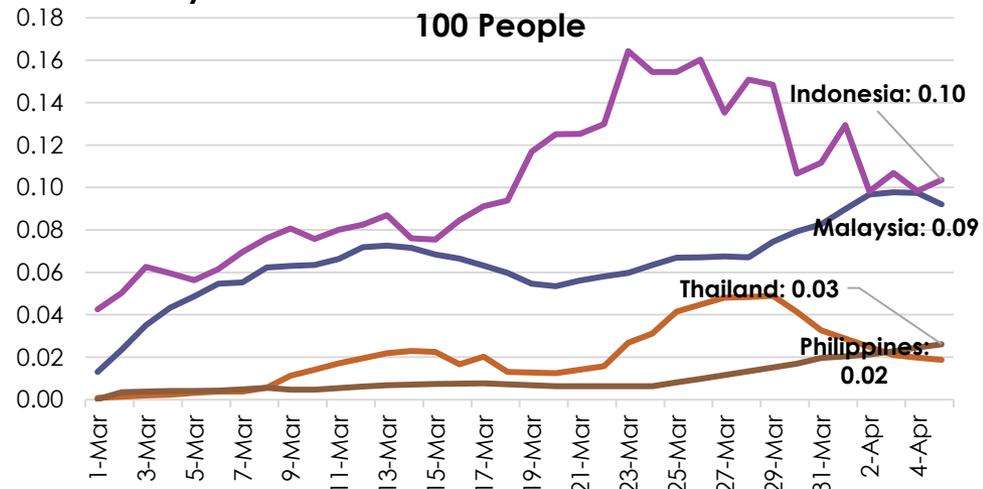
- ✓ The Google Mobility report (refer to page 11) suggests that more people heading back to the workplace as many movement restrictions have been eased with the exception of interstate and overseas travel
- ✓ Therefore, we opine that demand for certain goods to be produced will also increase. For instance, more workers who drive to the office will consume more fuel, and hence demand for petroleum products will increase.
- ✓ On a broader scale, the J.P. Morgan Global Manufacturing PMI stood at 55.0 points in March (February: 53.5 points). Similarly, Malaysia's Manufacturing PMI inched higher to 49.9 points in March from 47.7 points in February underpinned by the stabilisation in operating conditions and rising global trade in line with the anticipated economic recovery this year.
- ✓ All in all, **we reiterate our 3.2% growth projection for the IPI this year after declining by 4.2% in 2020** as the vaccination campaign will spur more economic activities especially in the leisure segment during the second half of the year. The daily dose Covid-19 vaccine administered per 100 people in Malaysia is fairly better than other regional peers such as Thailand and the Philippines. The number of daily doses administered is expected to increase as more vaccines enter the market.

Malaysia Manufacturing PMI, points



Source: Bloomberg
ECONOMIC RESEARCH

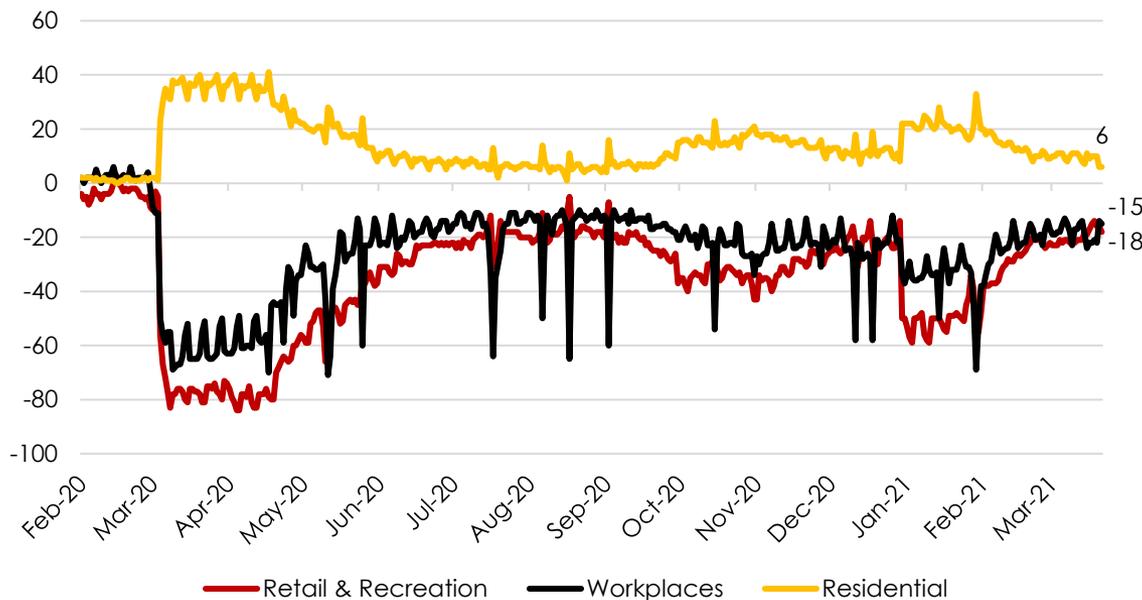
Daily Covid-19 Vaccine Doses Administered Per 100 People



GOOGLE MOBILITY TRENDS

- ✓ Judging from the Google Mobility Trend in Malaysia, the trend of people going to workplaces have increased tremendously as more movement restrictions were eased by the government.

Google Mobility Trends for Malaysia, % change from baseline



The number of hours spent at home for the **residential** category increased by 6.0% as at 4 April 2021 compared to the baseline. This is a smaller increase compared to the 33.0% increase on 12 February 2021

The number of visits to the **workplace** declined by 15.0% as at 4 April 2021 compared to the baseline. This is a smaller decline compared to the 69.0% drop on 12 February 2021.

The number of visits for the **retail and recreation** category declined by 18.0% as at 4 April 2021 compared to the baseline.

The data shows how visitors to (or time spent in) categorized places change compared to baseline days. A **baseline day** represents a normal value for that day of the week. The **baseline day is the median value from the 5-week period 2 January 2020 to 6 February 2020.**

Source: Google Mobility Report as at 4 April 2021

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An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall mood is warm and serene.

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