

MODEST INDUSTRIAL PRODUCTION INDEX (IPI) GROWTH DURING JANUARY

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ECONOMIC RESEARCH

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IPI SOFTENED DURING THE MONTH OF JANUARY



IPI

January 2021: 1.2%
December 2020: 1.7%



Manufacturing

January 2021: 3.5%
December 2020: 4.1%



Mining

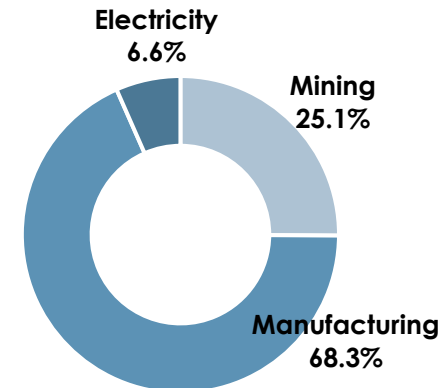
January 2021: -4.5%
December 2020: -5.4%



Electricity

January 2021: -4.6%
December 2020: -0.2%

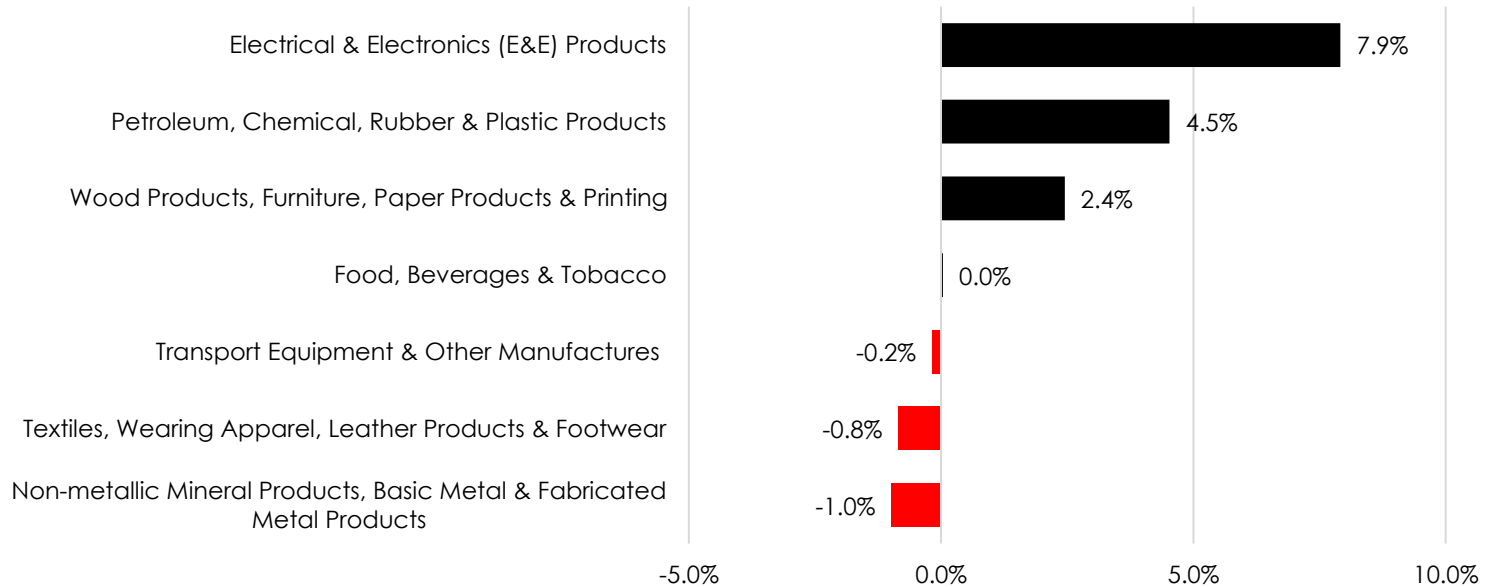
IPI, Weightage (%)



Sources: CEIC, DOSM

- ✓ Malaysia's Industrial Production Index (IPI) posted slower expansion at 1.2% year-on-year (y-o-y) in January 2021 after rising by 1.7% in December last year (Consensus: 1.0%, Bank Islam: 1.2%).
- ✓ This was largely on the back of moderation in Manufacturing growth (January 2021: 3.5% vs. December 2020: 4.1%). The sector accounted for 68.3% of total IPI and the main driving force for IPI.
- ✓ Meanwhile, Mining and Electricity dropped by 4.5% (December 2020: -5.4%) and 4.6% (December 2020: -0.2%) respectively during January 2021.

Manufacturing Index by Sub-Sector, y-o-y%



Sources: CEIC, DOSM

- ✓ Within the Manufacturing sector, Electrical & Electronics (E&E) Products higher by 7.9% in January 2021 (December 2020: 7.6%) while Petroleum, Chemical, Rubber & Plastic Products moderated by 4.5% in January 2021 compared to 7.7% in December last year. Both products constitute 38.8% of total IPI.
- ✓ On the other hand, production of Transport Equipment & Other Manufactures and Textiles, Wearing Apparel, Leather Products & Footwear contracted by 0.2% and 0.8% in January 2021 after increasing by 8.4% and 1.3% previously while Non-metallic Mineral Products, Basic Metal & Fabricated Metal Products continued to decline in January 2021 albeit at a slower pace of 1.0% (December 2020: -1.4%).

MINING AND ELECTRICITY REMAINED IN THE NEGATIVE LEVEL

| | Weight | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 |
|---|---------------|--------------|---------------|---------------|---------------|--------------|--------------|
| IPI | 100.0% | -0.2% | 0.9% | -0.6% | -2.4% | 1.7% | 1.2% |
| Mining | 25.1% | -8.2% | -10.2% | -11.3% | -16.4% | -5.4% | -4.5% |
| Crude Oil & Condensate | 12.2% | -5.0% | -9.7% | -12.6% | -15.8% | -9.0% | -9.4% |
| Natural Gas | 12.9% | -8.0% | -9.5% | -9.0% | -15.1% | -2.5% | -0.5% |
| Manufacturing | 68.3% | 2.2% | 4.3% | 2.4% | 2.0% | 4.1% | 3.5% |
| Food, Beverages & Tobacco | 8.6% | 4.8% | 4.9% | -3.4% | -8.7% | -7.9% | 0.0% |
| Textiles, Wearing Apparel, Leather Products & Footwear | 1.3% | -11.0% | -4.1% | -2.6% | -4.0% | 1.3% | -0.8% |
| Wood Products, Furniture, Paper Products & Printing | 4.6% | -2.5% | 2.3% | 1.5% | 2.2% | 3.3% | 2.4% |
| Petroleum, Chemical, Rubber & Plastic Products | 20.6% | 1.7% | 3.2% | 1.9% | 2.0% | 7.7% | 4.5% |
| Non-metallic Mineral Products, Basic Metal & Fabricated Metal | 9.1% | -6.3% | -3.9% | -2.2% | -2.4% | -1.4% | -1.0% |
| Electrical & Electronics Products | 18.2% | 7.1% | 9.8% | 7.5% | 8.3% | 7.6% | 7.9% |
| Transport Equipment & Other Manufactures | 5.9% | 3.5% | 4.5% | 3.5% | 6.5% | 8.4% | -0.2% |
| Electricity | 6.6% | -1.1% | -2.1% | 0.8% | -2.5% | -0.2% | -4.6% |

Sources: CEIC, DOSM

Crude Oil & Condensate

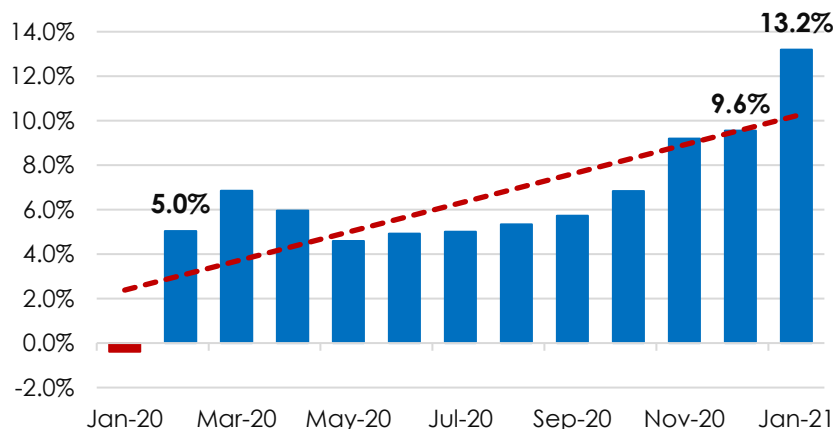
January 2021:
-9.4%
December 2020:
-9.0%

Natural Gas

January 2021:
-0.5%
December 2020:
-2.5%

- ✓ Turning to the Mining activities, the production of Crude Oil & Condensate has been declining for 25 straight months since January 2019, deepening by 9.4% in January 2021 from 9.0% contraction in December 2020.
- ✓ Such trend is very much in line with the country's commitment under the OPEC+ agreement to reduce the crude oil production in order to stabilise the crude oil prices.
- ✓ On a similar note, production of Natural Gas dropped by 0.5% in January albeit softer from -2.5% in December last year.

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



Source: Semiconductor Industry Association (SIA)

Major players in semiconductor industry latest performance and prospects in 2021:

| Company | Remarks |
|--------------------------|---|
| Inari Amerton Bhd | <ul style="list-style-type: none"> ✓ The company posted its best-ever quarterly net profit of RM90.09 million in the second quarter ended December 2020 (2QFY2021), rising by 140.2% from RM37.50 million in the same period in 2019. This was driven by stronger sales volume generated by its radio frequency (RF) business. ✓ The group anticipates positive demand for the 5G smartphones to continue for the subsequent quarters. ✓ The group is also optimistic on their earnings for FY2021 and would continue to improve its production capacity by tapping strong growth momentum in 5G mobile phones, as well as to add automation processes in order to improve operational efficiencies. |
| Globetronics | <ul style="list-style-type: none"> ✓ The company's net profit in 4Q2020 rose by 16.0% to RM16.86 million from RM14.54 million in the same period in 2019. For the whole year of 2020, the company's profit after tax expanded by 13.6% to RM50.80 million from RM44.71 million in 2019. ✓ The group has taken various initiatives to mitigate the exposure and disruption in the supply chain in light of Covid-19 pandemic and optimistic of achieving satisfactory financial performance in 2021. |

Source: Company Quarterly Report, Media

- ✓ The semiconductor industry has been on stellar performance despite the pandemic. This was due to major catalysts such as the deployment of the 5G network and supply for 5G devices, as well as growing sub-sectors such as the Electric Vehicles (EVs), Internet of Things (IoT) and artificial intelligence (AI).
- ✓ In light of this, the Global Semiconductor Sales (GSS) has risen quite substantially by 13.2% y-o-y in January 2021 after accelerating 9.6% growth previously, marking the twelfth straight month of increases.
- ✓ Zooming into Malaysia, main players such as Inari Amerton Bhd and Globetronics have benefitted from the growth of the semiconductor sector and are expecting to perform well this year.

- ✓ The resurgence of Covid-19 infections globally continued to spur demand for rubber gloves.
- ✓ Malaysia's rubber glove production jumped by 111.0% y-o-y in January 2021 to 11.9 billion pairs (December 2020: 56.6%, 7.8 billion pairs). This marks the 13 consecutive months of more than 20.0% average growth since 2014. This indicates demand for rubber gloves have been resilient as the herd immunity will take sometime to achieve due to perhaps, logistical and perception issues.
- ✓ On IPI basis, the rubber gloves increased significantly by 135.8% in January 2021 from 106.5% growth in December last year.

IPI Rubber Glove, y-o-y%

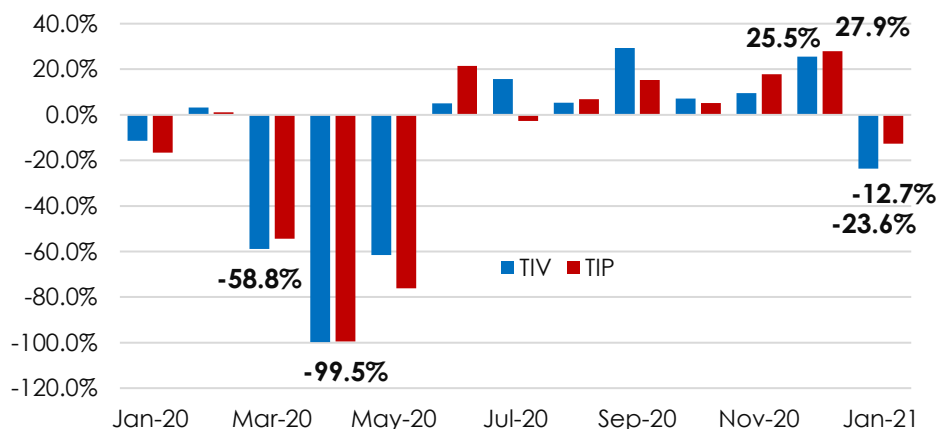


Source: CEIC

- ✓ Judging from the corporate view, Top Glove Berhad is optimistic for 2021 prospects despite the challenging and competitive landscape.
- ✓ To ensure it remains well-positioned in meeting the continued strong global demand, the group will continue to pursue organic as well as inorganic expansion growth strategy.
- ✓ Thus far, the group has earmarked a total of RM10.0 billion for capital expenditure (CAPEX) over the next 5 years from 2021 to 2025, which will increase its current production capacity by about 100 billion pieces of gloves to a total production capacity of over 200 billion pieces of gloves.

CONTRACTION IN TRANSPORT EQUIPMENT IS EXPECTED TO BE TEMPORARY

Total Industry Volume (TIV) vs. Total Industry Production (TIP), y-o-y%



Sources: Malaysia Automotive Association, CEIC

MAA TIV 2021 Forecast:

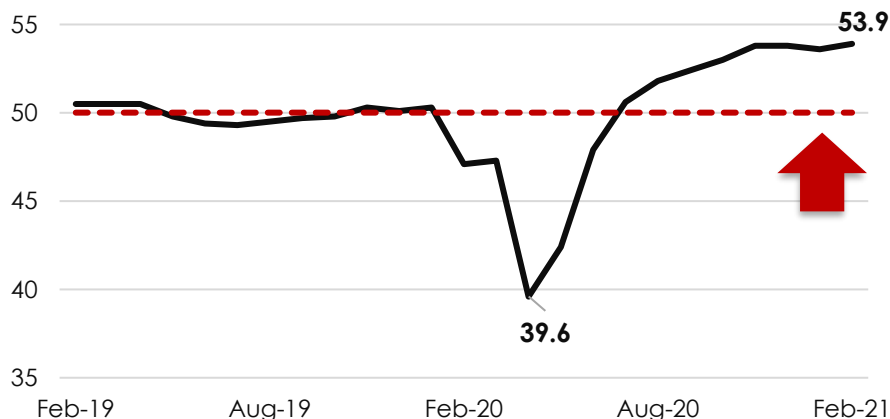
| Year | 2019 | 2020 | 2021F |
|------------------------------------|---------|---------|---------|
| Total Industry Volume (TIV), units | 604,281 | 529,434 | 570,000 |
| Growth, y-o-y% | 0.9% | -12.4% | 7.7% |

Sources: Malaysia Automotive Association, CEIC

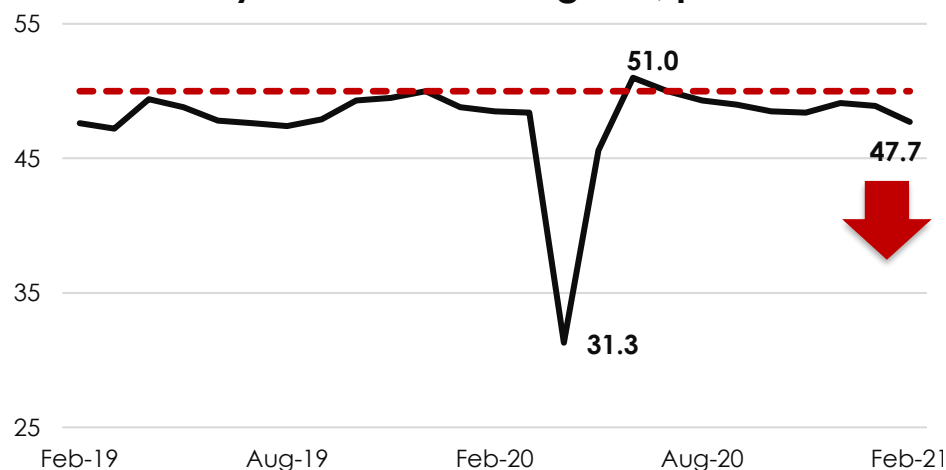
- ✓ Although we have seen some disruptions in production and sales from automotive industry in January 2021 due to the implementation of Movement Control Order (MCO) 2.0 and the impact from shutdown, we opine that the manufacturing IPI for Transport Equipment & Other Manufactures would be higher in 2021 (2020: -5.7%).
- ✓ To recap, the Malaysia Automotive Association (MAA) has forecasted a 7.7% y-o-y growth of TIV in 2021, a recovery from 12.4% contraction last year.
- ✓ The continuation of the sales tax exemption incentive for passenger vehicles under PENJANA package until 30 June this year is expected to drive the growth particularly in 1H2021 couple with lower vehicle financing profit rates.
- ✓ Apart from that, the introduction of new models with latest additional specification and design styles could assist to sustain buying interest and demand this year, according to MAA.

- ✓ The J.P. Morgan Global Manufacturing PMI stood at 53.9 points in February 2021 (January 2021: 53.6 points), marking the eighth straight month of expansion. In contrast, Malaysia's Manufacturing PMI dropped to 47.7 points in February 2021 from 48.9 points in January 2021 due to the MCO 2.0. However, we believe the impact could be temporarily as the economy is gradually uplifting.
- ✓ This can be seen from manufacturing sales performances which have been expanding for the eight consecutive month since June last year (January 2021: 4.1% vs. December 2020: 4.5%). As such, we anticipate that the manufacturing sector would continue to drive Malaysia's industrial production and economic activities moving forward.
- ✓ Apart from that, exports of manufactured good continued to increase by double-digit figure at 11.7% y-o-y in January 2021 from 12.4% growth previously, indicating robust external demand conditions.
- ✓ All in all, we project **IPI to rebound by 3.2% in 2021 after declining by 4.2% last year** due to a low base effect and the anticipated economic recovery domestically and globally in light of vaccination program and improving economic activities.

J.P. Morgan Global Manufacturing PMI, points



Malaysia Manufacturing PMI, points



Source: CEIC

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