

# **IPI RECORDED A MODEST GAIN IN JUNE**

**9 AUGUST 2021**

## **ECONOMIC RESEARCH**

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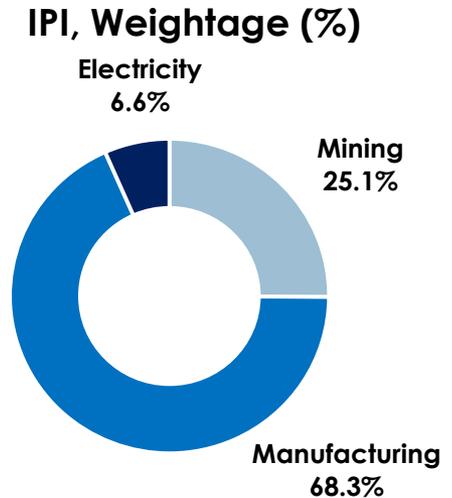
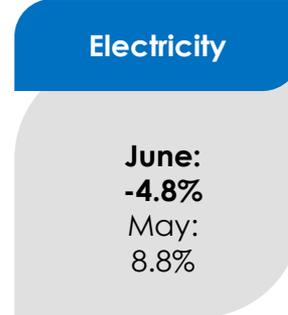
**ADAM MOHAMED RAHIM**

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**NOR JANNAH ABDULLAH**

**RAJA ADIBAH RAJA HASNAN**

# IPI GREW MODERATELY AT 1.4% IN JUNE

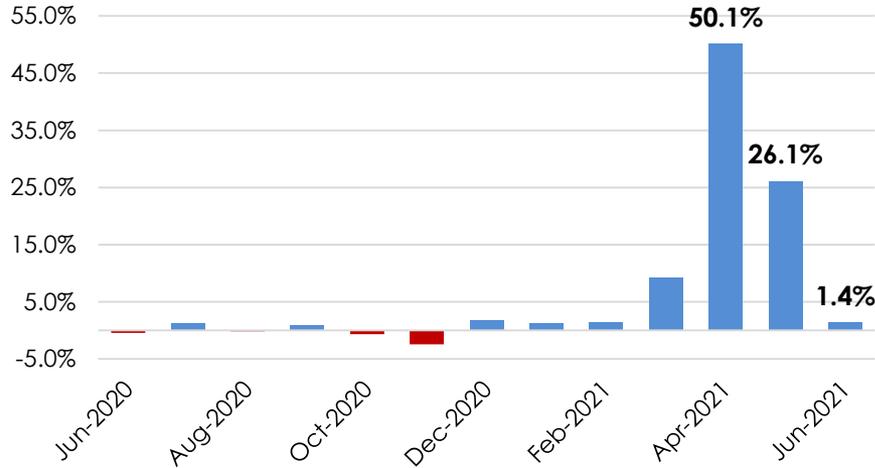


Sources: CEIC, DOSM

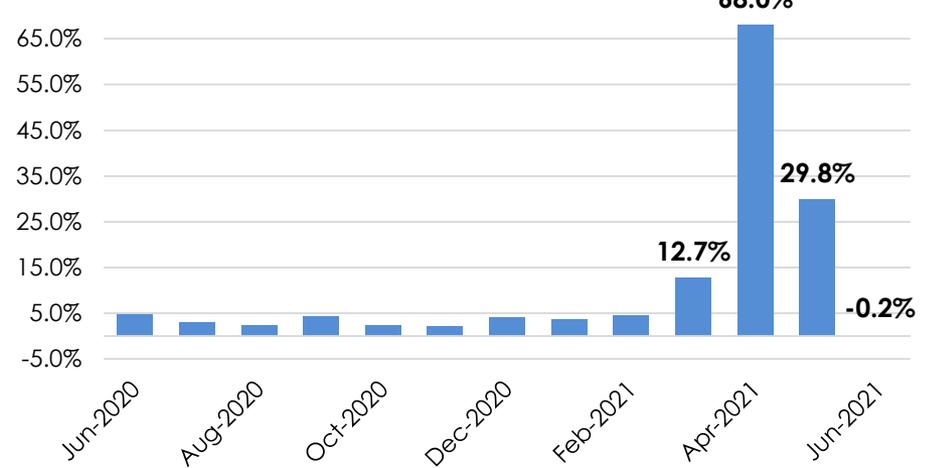
- ✓ Malaysia's Industrial Production Index (IPI) moderated by 1.4% in year-on-year (y-o-y) in June after expanding to a tune of 26.1% in the previous month. (Consensus: -0.2%, Bank Islam: -1.5%).
- ✓ This was mainly attributed by the fall in Manufacturing sector's production as it contracted by 0.2% in June from a 29.8% expansion in the preceding month. Similarly, Electricity dropped by 4.8% (May: 8.8%) during June. These sectors accounted for 74.9% of total IPI.
- ✓ Meanwhile, slower growth was seen in Mining sector, easing by 10.3% in June from a 20.7% increase previously.

# MINING RECORDED A POSITIVE GROWTH FOR THREE CONSECUTIVE MONTHS

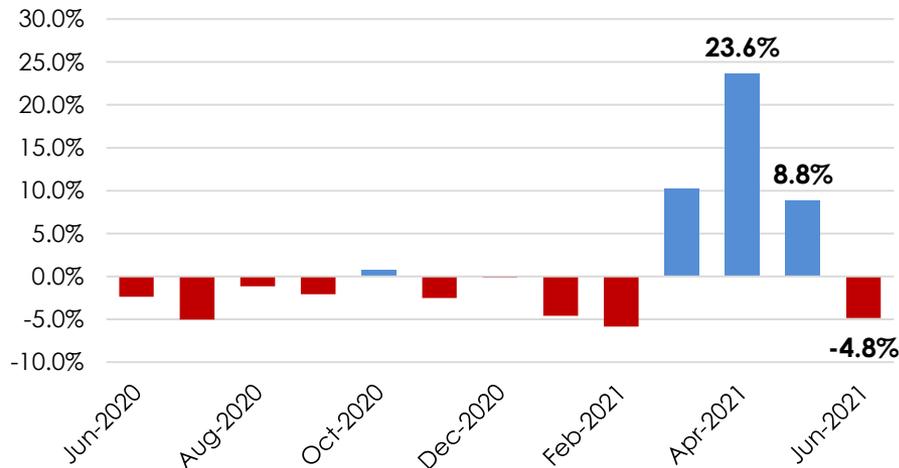
IPI, y-o-y%



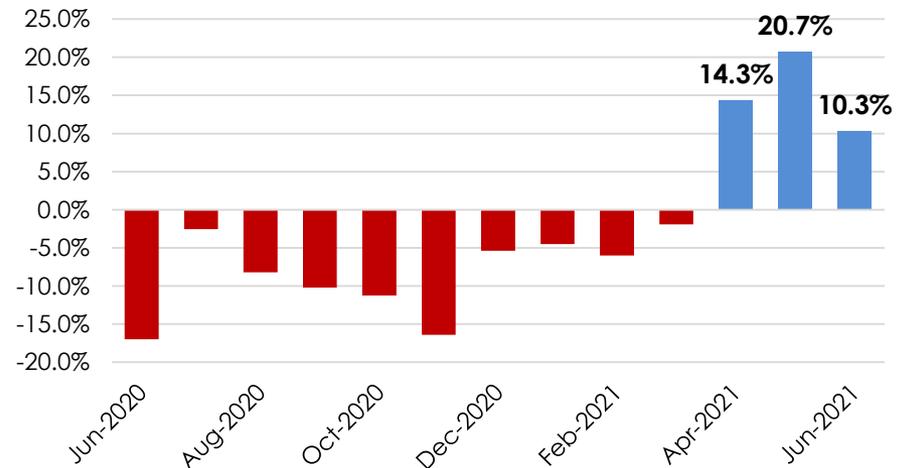
Manufacturing, y-o-y%



Electricity, y-o-y%



Mining, y-o-y%



Source: CEIC

# PETROLEUM, CHEMICAL, RUBBER & PLASTICS PRODUCTS, AS WELL AS E&E PRODUCTS HAVE CUSHIONED THE OVERALL WEAKNESSES IN MANUFACTURING SECTOR



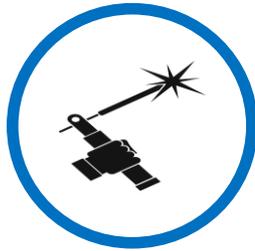
**Petroleum,  
Chemical,  
Rubber &  
Plastic  
Products**

**June:  
19.0%  
May:  
34.8%**



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

**June:  
8.4%  
May:  
21.6%**



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

**June:  
-21.3%  
May:  
49.4%**



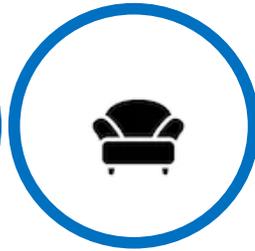
**Food,  
Beverages &  
Tobacco**

**June:  
-6.4%  
May:  
0.7%**



**Transport  
Equipment &  
Other  
Manufactures**

**June:  
-42.7%  
May:  
68.9%**



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

**June:  
-18.2%  
May:  
53.0%**



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

**June:  
-14.5%  
May:  
39.9%**

Sources: CEIC, DOSM

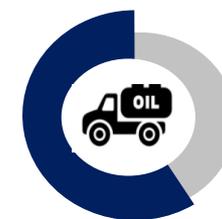
- ✓ Within the Manufacturing sector, a modest expansion could be seen in Petroleum, Chemical, Rubber & Plastic Products (June: 19.0% vs. May: 34.8%) and Electrical & Electronics (E&E) Products (June: 8.4% vs. May: 21.6%) in June.
- ✓ However, production of Non-metallic Mineral Products, Basic Metal & Fabricated Metal Products (June: -21.3% vs. May: 49.4%), Food, Beverages & Tobacco (June: -6.4% vs. May: 0.7%), Transport Equipment & Other Manufactures (June: -42.7% vs. May: 68.9%), Wood Products, Furniture, Paper Products & Printing (June: -18.2% vs. May: 53.0%) and Textiles, Wearing Apparel, Leather Products & Footwear (June: -14.5% vs. May: 39.9%) dropped significantly during June.

# IPI GROWTH CAME COMFORTABLY IN BOTH 2Q2021 AND 1H2021

	Weight	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	1Q2021	2Q2021	1H2020	1H2021
<b>IPI</b>	<b>100.0%</b>	<b>1.2%</b>	<b>1.5%</b>	<b>9.3%</b>	<b>50.1%</b>	<b>26.1%</b>	<b>1.4%</b>	<b>3.9%</b>	<b>22.6%</b>	<b>-9.0%</b>	<b>12.4%</b>
<b>Mining</b>	<b>25.1%</b>	<b>-4.5%</b>	<b>-6.0%</b>	<b>-1.9%</b>	<b>14.3%</b>	<b>20.7%</b>	<b>10.3%</b>	<b>-4.1%</b>	<b>15.1%</b>	<b>-11.5%</b>	<b>4.5%</b>
Extraction of Crude Petroleum Oils & Condensates	12.2%	-9.4%	-11.5%	-9.4%	2.7%	8.6%	6.3%	-10.1%	5.9%	-14.5%	-2.9%
Natural Gas	12.9%	-0.5%	-1.6%	4.3%	23.9%	30.9%	13.4%	0.7%	22.6%	-8.9%	10.5%
<b>Manufacturing</b>	<b>68.3%</b>	<b>3.5%</b>	<b>4.5%</b>	<b>12.7%</b>	<b>68.0%</b>	<b>29.8%</b>	<b>-0.2%</b>	<b>6.8%</b>	<b>26.3%</b>	<b>-8.5%</b>	<b>15.7%</b>
Food, Beverages & Tobacco	8.6%	0.0%	-7.4%	7.2%	12.7%	0.7%	-6.4%	-0.1%	1.9%	-2.2%	0.9%
Textiles, Wearing Apparel, Leather Products & Footwear	1.3%	-0.8%	-1.0%	9.1%	230.6%	39.9%	-14.5%	2.3%	39.6%	-20.5%	16.1%
Wood Products, Furniture, Paper Products & Printing	4.6%	2.4%	0.9%	11.1%	212.6%	53.0%	-18.2%	4.6%	39.2%	-15.9%	18.3%
Petroleum, Chemical, Rubber & Plastic Products	20.6%	4.5%	8.9%	14.1%	37.5%	34.8%	19.0%	9.2%	29.3%	-4.7%	18.3%
Non-metallic Mineral Products, Basic Metal & Fabricated	9.1%	-1.0%	-2.7%	8.0%	141.0%	49.4%	-21.3%	1.2%	33.4%	-20.6%	13.6%
Electrical & Electronics Products	18.2%	7.9%	10.3%	13.8%	70.1%	21.6%	8.4%	10.5%	27.2%	-4.5%	18.7%
Transport Equipment & Other Manufactures	5.9%	-0.2%	3.2%	20.9%	275.2%	68.9%	-42.7%	7.6%	40.0%	-16.7%	20.3%
<b>Electricity</b>	<b>6.6%</b>	<b>-4.6%</b>	<b>-5.8%</b>	<b>10.3%</b>	<b>23.6%</b>	<b>8.8%</b>	<b>-4.8%</b>	<b>-0.1%</b>	<b>8.6%</b>	<b>-5.7%</b>	<b>4.0%</b>

Sources: CEIC, DOSM

- ✓ As for the Mining sector, the production of Crude Oil & Condensate grew moderately by 6.3% in June after increasing by 8.6% in the preceding month. Similarly, Natural Gas posted a positive growth by 13.4% in June (May: 30.9%).
- ✓ On a quarterly basis, IPI recorded a double-digit growth at 22.6% in 2Q2021 compared to a 3.9% growth in previous quarter, steered by the growth in Manufacturing (2Q2021: 26.3% vs. 1Q2021: 6.8%), Mining (2Q2021: 15.1% vs. 1Q2021: -4.1%) and Electricity (2Q2021: 8.6% vs. 1Q2021: -0.1%). As for 1H2021, the IPI rebounded by 12.4% from a 9.0% contraction in 1H2020.



## Crude Oil & Condensate

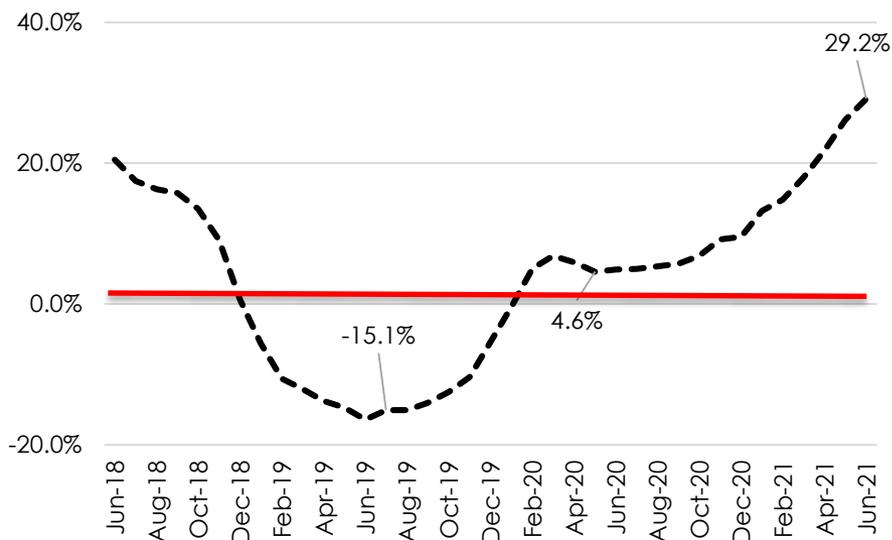
**June:**  
**6.3%**  
**May:**  
**8.6%**



## Natural Gas

**June**  
**13.4%**  
**May:**  
**30.9%**

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



Month	Americas	Asia Pacific	China	Europe	Japan
Jan-21	16.1%	16.1%	12.1%	6.4%	9.4%
Feb-21	11.4%	18.3%	18.3%	6.9%	7.2%
Mar-21	11.3%	20.0%	24.5%	8.6%	12.7%
Apr-21	15.6%	24.6%	25.0%	20.0%	17.3%
May-21	20.9%	31.0%	26.0%	31.8%	19.5%
Jun-21	22.9%	34.0%	28.3%	43.2%	21.2%

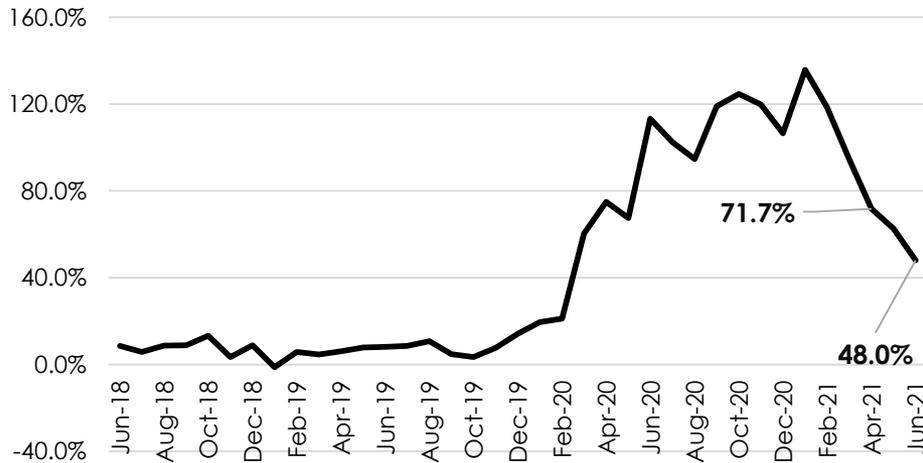
Source: Semiconductor Industry Association (SIA), CEIC

- ✓ Following higher adoption of technology, the Global Semiconductor Sales (GSS) continued to expand at a double-digit pace with latest figure stood at 29.2% y-o-y in June from 26.2% in May.
- ✓ On a quarterly basis, GSS posted a stellar performance which surged by 29.2% from second quarter last year and 8.3% more than 1Q2021.
- ✓ Within the regional market, GSS in Europe and Asia Pacific recorded largest sales performance, rising by 43.2% (May: 31.8%) and 34.0% (May: 31.0%) in June.
- ✓ Apart from that, China, Americas and Japan also posted solid growth at 28.3% (May: 26.0%), 22.9% (May: 20.9%) and 21.2% (May: 19.5%) during June.
- ✓ In addition, semiconductor industry across the world has worked to ramp up production to meet the steep jump in demand, as well as to address chips supply shortage.
- ✓ Against such backdrop, the latest earning report by Inari Amerton Berhad mentioned an increase of 145.3% to RM88.67 million in 4Q2021FY from RM36.14 million in the same period last year.
- ✓ Looking forward, we foresee that local semiconductor players would have a brighter prospects amid large shift in demand as chips are needed to enable highly advanced technologies in healthcare, communications, computing and transportation, among many other applications.

# GROWTH IN RUBBER GLOVE PRODUCTION REMAINED AT EXPANSIONARY LEVEL

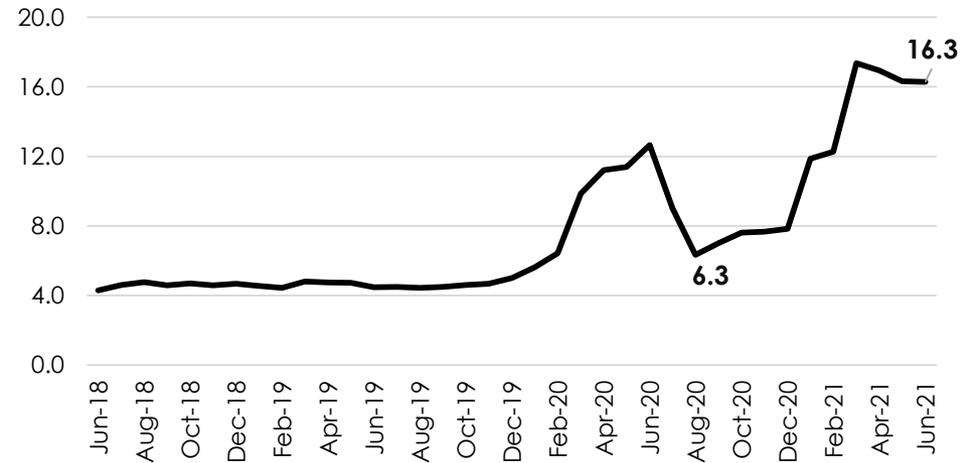
- ✓ Malaysia's rubber glove production moderated by 28.6% y-o-y in June after rising by 43.2% in May. This was largely due to diminish of low base effects in 2020 as production of rubber gloves remains on an elevated trend, increasing from 12.7 billion pairs in June last year to 16.3 billion pairs in June 2021.
- ✓ The demand for rubber gloves is likely to remain sturdy as highly transmissible Delta variant has caused many countries to record alarming Covid-19 cases. In addition, the emergence of Lambda variant in few countries such as the U.S., Japan and Peru suggests that the Covid-19 virus is likely to stay with us longer than expected.
- ✓ Apart from that, rapid vaccination campaigns and mass testing programme which requires healthcare products would drive the demand for rubber gloves for a longer term.

**IPI: Manufacturing of Rubber Gloves, y-o-y%**



Sources: DOSM, CEIC  
ECONOMIC RESEARCH

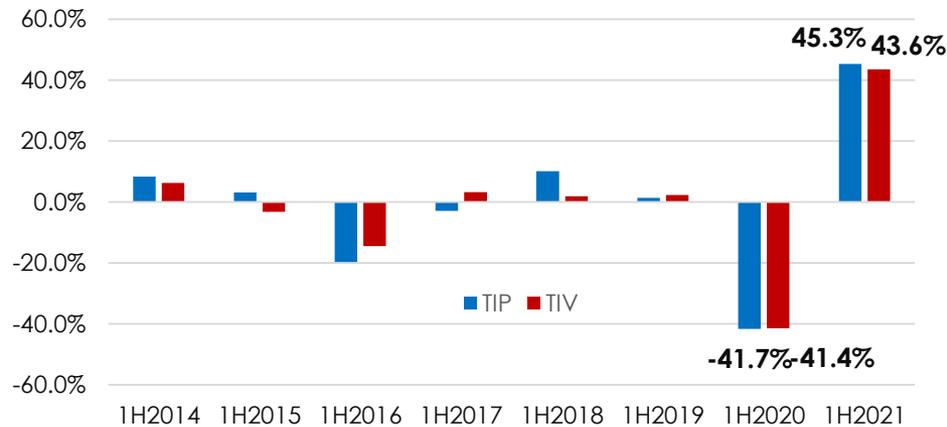
**Malaysia's Rubber Gloves Production (billion pairs)**



Sources: DOSM, CEIC

# LOCKDOWN HAS CAUSED SEVERE IMPACTS ON AUTOMOTIVE SECTOR

TIP vs. TIV, y-o-y%



MAA latest TIV forecast in 2021:

Market Segment	2021 (Revised Forecast)	2021 (Forecast made in January 2021)	2020 (Actual)
Passenger Vehicles	454,000	513,000	480,965
Commercial Vehicles	46,000	57,000	48,469
<b>Total</b>	<b>500,000</b>	<b>570,000</b>	<b>529,434</b>

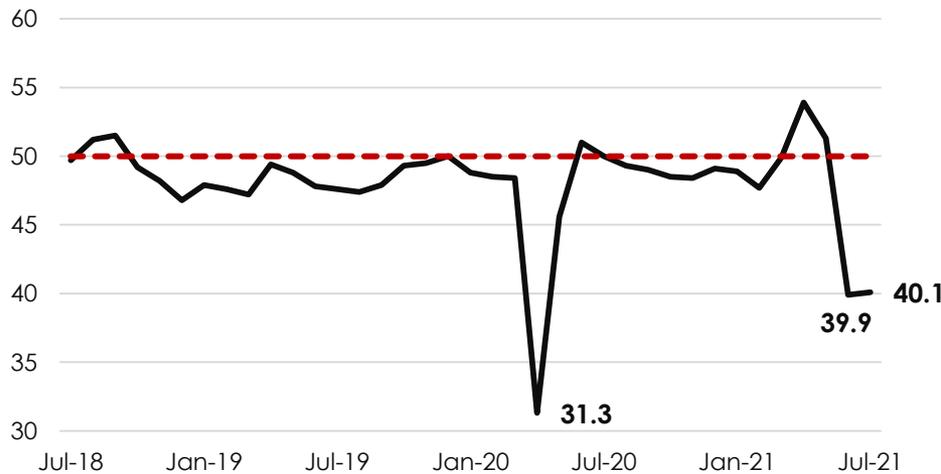
Source: Malaysia Automotive Association (MAA)

Sources: Malaysia Automotive Association (MAA), CEIC

- ✓ However, other sector such as Automotive industry has been adversely affected by the implementation of nationwide total lockdowns as the sector's operational capacity was capped at 10%.
- ✓ This has resulted the number of Total Industry Production (TIP) in June deteriorated by 99.4% y-o-y from a 246.1% growth in the preceding month, owing to significant cut in operational hours for the assembly line. Similarly, sales of new motor vehicles or Total Industry Volume (TIV) plunged by 95.7% in June (May: 99.7%), following weaker consumer sentiments, fear about pay cuts and layoffs, as well as tightening credit conditions.
- ✓ Despite that, the TIP (1H2021: 45.3% vs. 1H2020: -41.7%) and TIV (1H2021: 43.6% vs. 1H2020: -41.4%) were higher during the 1H2021 as compared to the same period last year, mainly attributable to the lower base effect due to the implementation of Movement Control Order (MCO) 1.0 in 2020.
- ✓ As heightened uncertainties continue to weigh on economic activities, the Malaysia Automotive Association (MAA) has decided to trim its TIV forecast by 12.3% from 570,000 units (forecast made in January 2021) to 500,000 units in 2021. This was made after considering multiple factors in particular the assumption of the government's directive that automotive plants, distribution centres and sales showrooms would not be allowed to operate during Phase 1 and 2 and will only reopen in Phase 3 of the National Recovery Plan (NRP).
- ✓ As such, we anticipate minimal sales would be achieved in the next few months based on the measures imposed by the authorities.

- ✓ Looking ahead, we foresee a slower growth in the IPI for the month of July. This was premised on the Malaysia's Manufacturing Purchasing Managers' Index (PMI) performance, which is still below the 50.0 point-threshold for the second straight month (July: 40.1 points vs. June: 39.9 points). We believe the strict containment measures to combat the fast-spreading virus have continued to disrupt supply chains and dampen demand conditions.
- ✓ Nevertheless, the pace of the country's vaccination program has accelerated which could provide some support on businesses' sentiment moving forward. Since 12 July 2021, the National Covid-19 Immunisation Programme has successfully distributed more than 400,000 doses almost daily. Thus far, about 67.4% of Malaysian adults have received their first dose while 37.5% have completed their inoculation as at 8 August.
- ✓ This has reinvigorated our conviction that the herd immunity could be achieved by end of this year and subsequently enable the relaxation of restrictions to be accorded on various economic as prescribed in the National Recovery Plan (NRP).

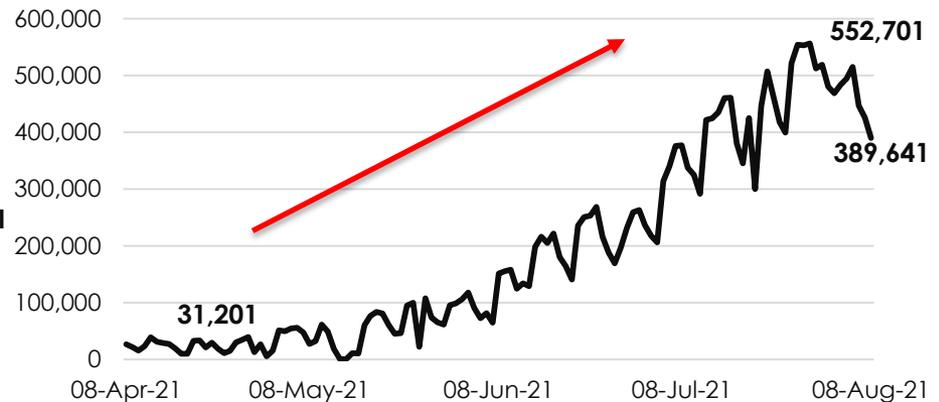
### Malaysia Manufacturing PMI, points



Sources: IHS Markit, Bloomberg

ECONOMIC RESEARCH

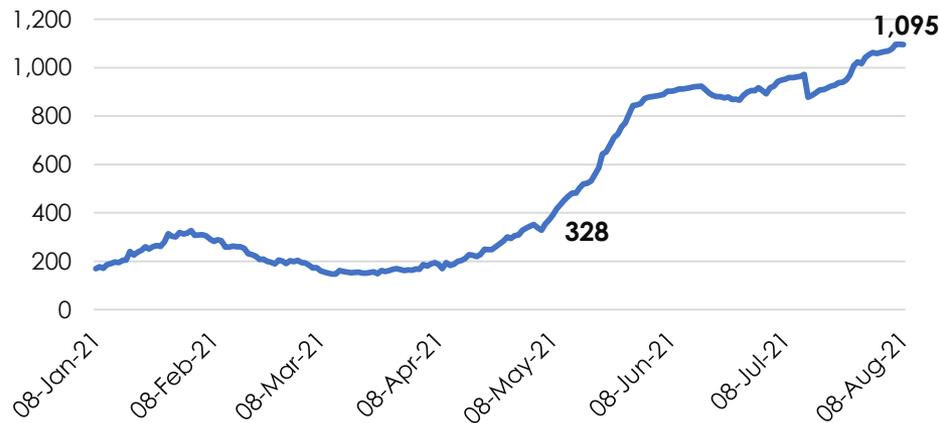
### Total Number of Daily Vaccination Doses Administered in Malaysia



Source: CEIC

- ✓ Apart from that, the number of new Covid-19 cases had become less relevant, as most cases were asymptomatic or mildly symptomatic (categories one and two)\*. Following this, the number of new Covid-19 cases with serious symptoms will be used by the government as a new indicator for transition into Phases 3 and 4 of the NRP.
- ✓ Recently, Malaysia's government has also decided to ease some of the Covid-19 restrictions for fully vaccinated people in eight states that have met certain criteria such as reduced case numbers and higher vaccination rates effectively on 10 August.
- ✓ In addition, the government is also considering to ease some restrictions in various sectors of the economy. As such, this could boost up sentiments among the market players that could lead more lively economic activities in the final quarter of the year.
- ✓ All in all, we are maintaining our growth projection for **the IPI this year to reach 6.3% after a 4.4% drop in 2020.**

**Number of Confirmed Covid-19 Patients in ICUs in Malaysia**



Source: CEIC

\*<https://www.malaysianow.com/news/2021/08/05/govt-to-stop-using-new-cases-for-transition-to-next-phase/>

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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, including a very 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 appreciative.

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