



From the Desk
of the
Chief Economist

BANK ISLAM

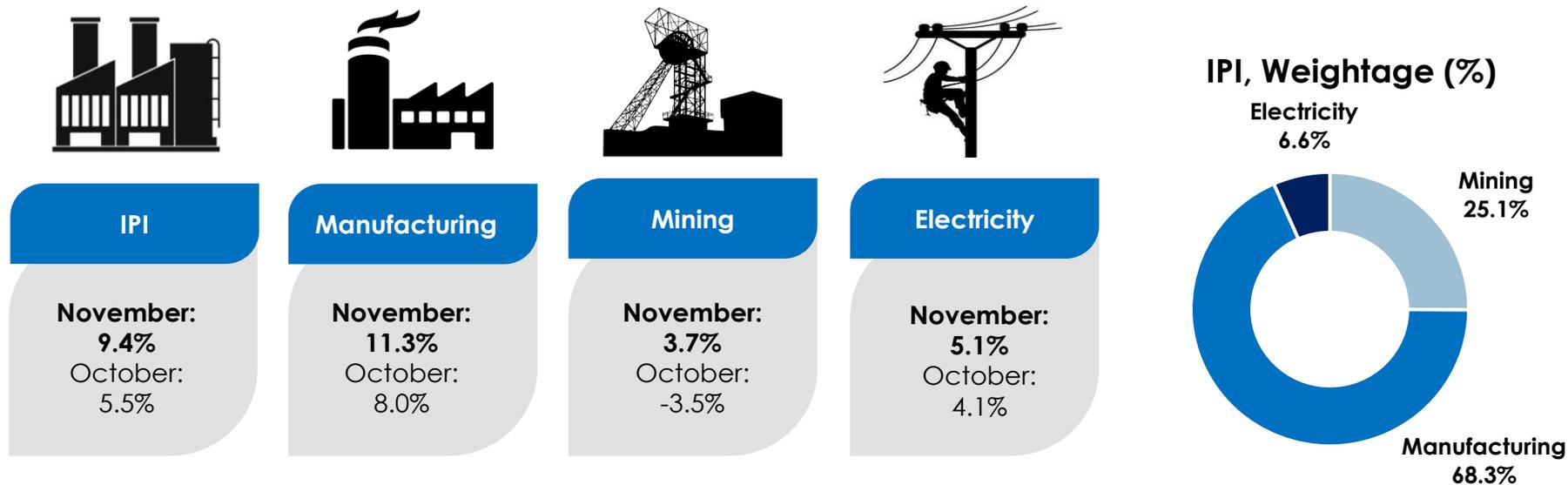
IPI JUMPED BY 9.4% DURING NOVEMBER 2021

10 JANUARY 2022

ECONOMIC RESEARCH

**DR. MOHD AFZANIZAM ABDUL RASHID
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH
RAJA ADIBAH RAJA HASNAN
FARAH SHAKIRAH ABDUL KARIM**

IPI INCREASED BY 9.4% IN NOVEMBER 2021

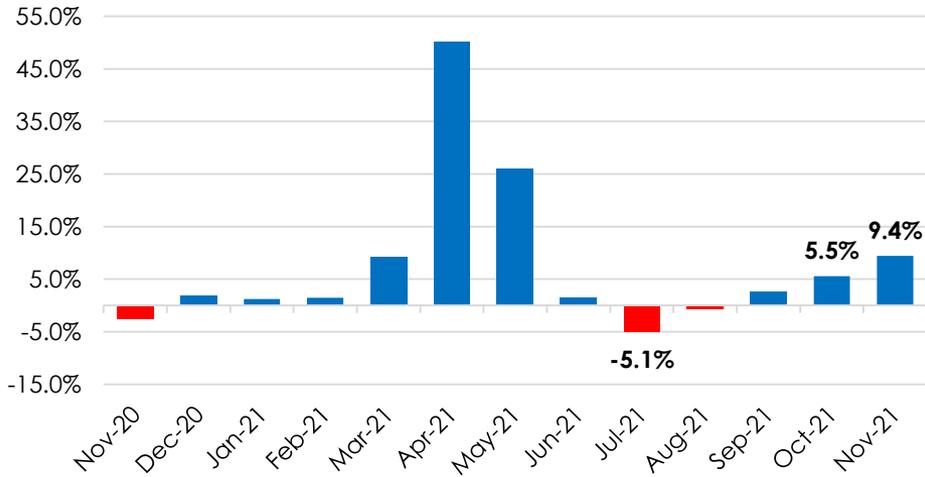


Sources: CEIC, DOSM

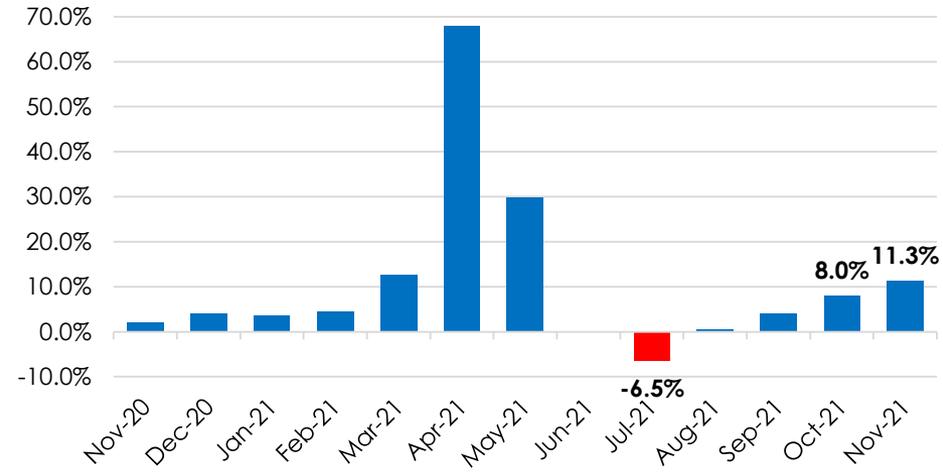
- ✓ Malaysia's Industrial Production Index (IPI) rose by 9.4% year-on-year (y-o-y) in November (October: 5.5%), marking its third straight-month of gains amid a further relaxation in Covid-19 restrictions, as well as an upturn in the vaccination rate (**Consensus: 7.3%, Bank Islam: 12.5%**).
- ✓ All sectors recorded positive growth in factory output with Manufacturing industry continued to register higher production activities (November: 11.3% vs. October: 8.0%), followed by Electricity industry which increased by 5.1% in November from a 4.1% expansion in the preceding month.
- ✓ Meanwhile, the Mining sector recovered by 3.7% during the month after contracting by 3.5% in October.

MINING SECTOR REBOUNDED DURING NOVEMBER AFTER THREE-STRAIGHT MONTHS OF CONTRACTION

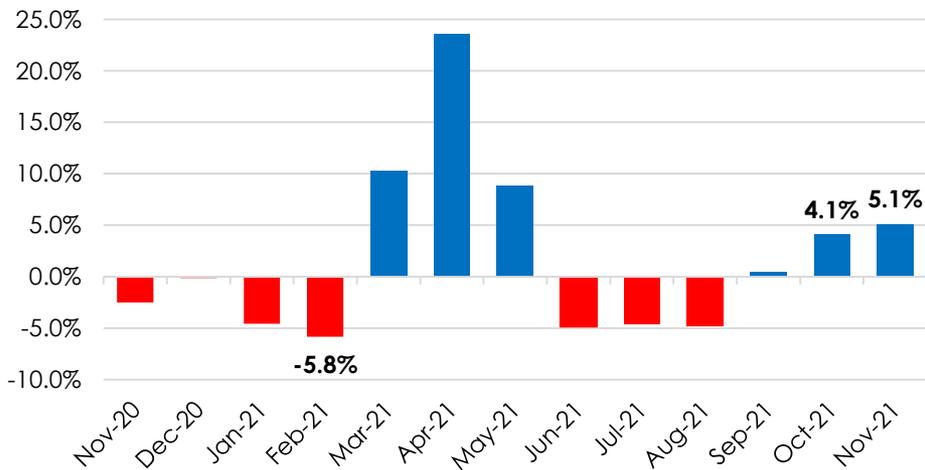
IPI, y-o-y%



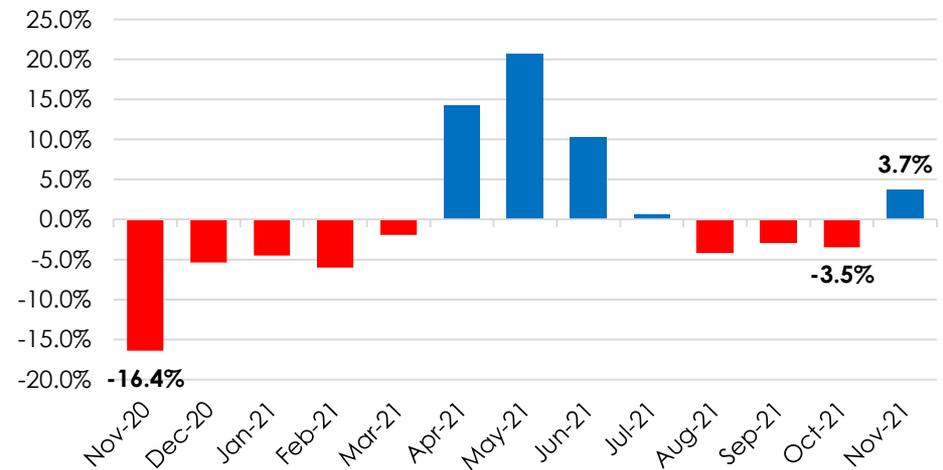
Manufacturing, y-o-y%



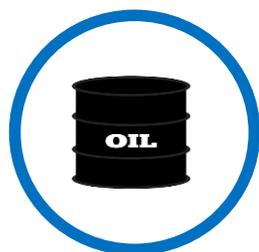
Electricity, y-o-y%



Mining, y-o-y%



Source: CEIC



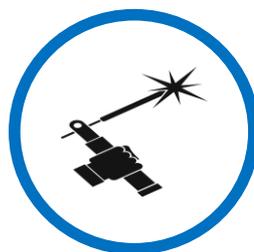
**Petroleum,
Chemical,
Rubber &
Plastic
Products**

**November:
8.5%
October:
6.3%**



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

**November:
17.8%
October:
13.6%**



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

**November:
7.6%
October:
3.5%**



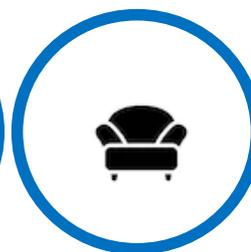
**Food,
Beverages &
Tobacco**

**November:
12.9%
October:
9.3%**



**Transport
Equipment &
Other
Manufactures**

**November:
4.5%
October:
4.4%**



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

**November:
9.4%
October:
1.4%**



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

**November:
6.0%
October:
3.1%**

Sources: CEIC, DOSM

- ✓ Within the Manufacturing sector, all sub-sectors maintained a positive growth in November.
- ✓ The production of E&E products (November: 17.8% vs. October: 13.6%), Food, Beverages & Tobacco (November: 12.9% vs. October: 9.3%) and Wood Products, Furniture, Paper Products & Printing (November: 9.4% vs. October: 1.4%) were the main sub-sectors that contributed to the Manufacturing growth during November.
- ✓ This was followed by Petroleum, Chemical, Rubber & Plastic Products (November: 8.5% vs. October: 6.3%), Non-metallic Mineral Products, Basic Metal & Fabricated Metal Products (November: 7.6% vs. October: 3.5%), Textiles, Wearing Apparel, Leather Products & Footwear (November: 6.0% vs. October: 3.1%), as well as Transport Equipment & Other Manufacturers (November: 4.5% vs. October: 4.4%).

IPI RECOVERED IN 11M2021, SUPPORTED BY THE ENCOURAGING GROWTH IN MANUFACTURING, MINING AND ELECTRICITY

	Weight	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	11M2020	11M2021
IPI	100.0%	1.2%	1.5%	9.3%	50.1%	26.1%	1.4%	-5.2%	-0.7%	2.5%	5.5%	9.4%	-5.0%	7.5%
Mining	25.1%	-4.5%	-6.0%	-1.9%	14.3%	20.7%	10.3%	0.6%	-4.2%	-3.0%	-3.5%	3.7%	-10.8%	1.9%
Extraction of Crude Petroleum Oils & Condensates	12.2%	-9.4%	-11.5%	-9.4%	2.7%	8.6%	6.3%	-3.6%	-11.0%	-7.7%	-10.2%	-4.4%	-12.5%	-4.9%
Natural Gas	12.9%	-0.5%	-1.6%	4.3%	23.9%	30.9%	13.4%	4.1%	1.6%	1.0%	2.0%	10.2%	-9.4%	7.5%
Manufacturing	68.3%	3.5%	4.5%	12.7%	68.0%	29.8%	-0.2%	-6.5%	0.6%	4.0%	8.0%	11.3%	-3.3%	9.6%
Food, Beverages & Tobacco	8.6%	0.0%	-7.4%	7.2%	12.7%	0.7%	-6.4%	-10.9%	-6.6%	2.1%	9.3%	12.9%	-0.8%	0.9%
Textiles, Wearing Apparel, Leather Products & Footwear	1.3%	-0.8%	-1.0%	9.1%	230.6%	39.9%	-14.5%	-11.5%	-3.7%	-0.6%	3.1%	6.0%	-14.2%	7.7%
Wood Products, Furniture, Paper Products & Printing	4.6%	2.4%	0.9%	11.1%	212.6%	53.0%	-18.2%	-23.7%	-11.0%	-5.2%	1.4%	9.4%	-8.2%	6.2%
Petroleum, Chemical, Rubber & Plastic Products	20.6%	4.5%	8.9%	14.1%	37.5%	34.8%	19.0%	14.3%	14.0%	6.1%	6.3%	8.5%	-1.6%	14.2%
Non-metallic Mineral Products, Basic Metal & Fabricate	9.1%	-1.0%	-2.7%	8.0%	141.0%	49.4%	-21.3%	-27.6%	-13.0%	-2.9%	3.5%	7.6%	-13.4%	3.5%
Electrical & Electronics Products	18.2%	7.9%	10.3%	13.8%	70.1%	21.6%	8.4%	-1.7%	9.7%	12.3%	13.6%	17.8%	1.7%	14.4%
Transport Equipment & Other Manufactures	5.9%	-0.2%	3.2%	20.9%	275.2%	68.9%	-42.7%	-43.8%	-34.3%	-12.7%	4.4%	4.5%	-6.9%	1.3%
Electricity	6.6%	-4.6%	-5.8%	10.3%	23.6%	8.8%	-4.8%	-4.6%	-4.8%	0.4%	4.1%	5.1%	-4.0%	2.1%

Sources: CEIC, DOSM

- ✓ As for the Mining sector, the production of Crude Oil & Condensate dropped by 4.4% in November (October: -10.2%) albeit at a slower pace as compared to previous month. Meanwhile, Natural Gas production expanded by a double-digit growth of 10.2% during the month after rising by 2.0% in October.
- ✓ Cumulatively, total IPI rebounded by 7.5% in 11M2021 from a 5.0% contraction in same corresponding period last year, anchored by a recovery seen in the Manufacturing (11M2021: 9.6% vs. 11M2020: -3.3%), Electricity (11M2021: 2.1% VS. 11M2020: -4.0%), as well as Mining (11M2021: 1.9% vs. 11M2020: -10.8%).



Crude Oil & Condensate

November:
-4.4%
October:
-10.2%

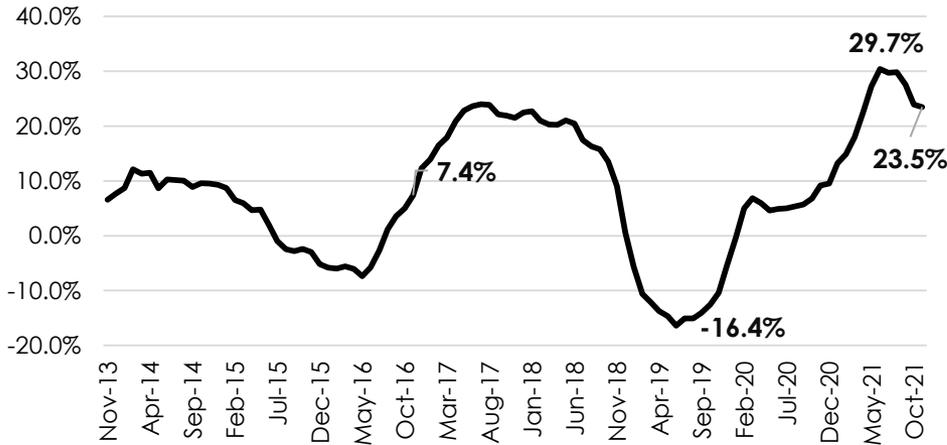


Natural Gas

November:
10.2%
October:
2.0%

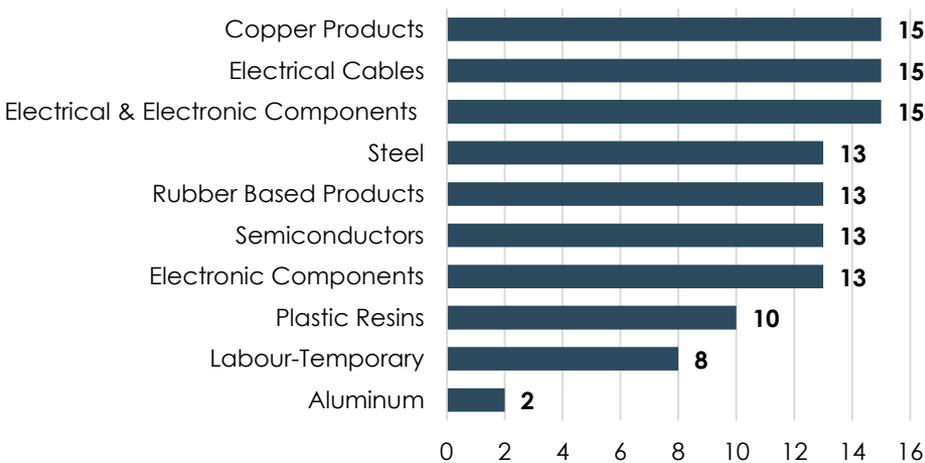
SEMICONDUCTOR INDUSTRY WILL CONTINUE TO RECORD STELLAR PERFORMANCE IN 2022

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



Source: SIA

Commodities in Short Supply, months



Source: ISM
ECONOMIC RESEARCH

- ✓ Malaysia's production of E&E products surged by 17.8% in November (October: 13.6%), marking its three consecutive months of double-digit growth.
- ✓ This was in line with GSS performance which increased by 23.5% y-o-y in November (October: 24.0%) as chipmakers have substantially ramped up production to address high demand.
- ✓ Nevertheless, the E&E products and semiconductors have been in short supply for 13-15 months. This has dampened production of automobiles, smartphones and consumer electronics globally.
- ✓ Hence, the prolong supply shortages have warranted for a more resilient and alternative semiconductor supply chain.
- ✓ Following this, the U.S. government is planning to upgrade the country's capability to design and manufacture semiconductor chips domestically. In the U.S. Innovation and Competition Act, a USD52.0 billion worth of subsidies has been set aside for investments into semiconductors.
- ✓ Hence, the needs to move up the value chain has become even more imperative.

- ✓ **The recovery prospect is gaining momentum in 2022 for manufacturing sector** – The IHS Malaysia's Manufacturing Purchasing Manager's Index (PMI) increased to 52.8 points in December from 52.3 points in the previous month. This suggests a continuous expansion in manufacturing production, predominantly driven by strong demand conditions as pandemic restrictions were gradually eased. As such, this has alleviated pressures among the manufacturers especially when they are currently facing issues such as supply chains disruptions alongside with raw material shortages in light of Covid-19 pandemic.
- ✓ **Boosters and higher vaccination rate are key to preserve Malaysia's healthcare system** – Thus far, more than 7.8 million booster doses have been administered in Malaysia in effort to prevent severe cases from worsening. As of 9 January 2022, 78.5% out of the population have been vaccinated and 79.6% have at least one vaccine shot. Already, Malaysia is ranked at number 13 out of 120 countries in the latest Nikkei Covid-19 Recovery Index. This suggests that the country is on the right track to suppress and contain the spread of Covid-19. Against such a backdrop, the reopening of the economy is expected to occur in a more sustainable manner thereby allowing economic activities to accelerate throughout the year.
- ✓ All in all, **we maintain our IPI growth projection of 7.0% for 2021 after a decline of 4.2% in 2020** - As all states have entered the final phase of the National Recovery Plan (NRP), we opine that more economic activities to pick up its pace, leading to more jobs creation and higher capital expenditure among firms. Be that as it may, downside risks to IPI growth remain highly visible such as erratic weather condition, a sudden spike in new Covid-19 cases, as well as heightened geo political concern which could easily sway the recovery momentum.

Company	Sector	Remarks
ViTrox Corporation Berhad	Manufacturing	<ul style="list-style-type: none"> ✓ A vision-inspection equipment maker. ✓ Planning to invest between RM80.0 million and RM100.0 million in a new expansion project in Batu Kawan. ✓ 447,000 sq ft of floor space would be added for production, business development, design and development, as well as shared services activities at the plant. ✓ The product is expected to grow notably in next 3 to 5 years following the swift adoption of smart automation system in factories globally.
V.S. Industry Berhad	Manufacturing	<ul style="list-style-type: none"> ✓ An integrated Electronics Manufacturing Services (EMS) provider. ✓ Allocated approximately RM150.0 million in capex. ✓ RM30 million is spent to acquire 3 parcels of adjacent land measuring 3.6 hectares in Senai, Johor.
IOI Corporation Berhad	Agriculture	<ul style="list-style-type: none"> ✓ Allocated RM220.0 million of capital expenditure as the group has commenced a construction of a new 110,000 metric tonne (MT) per year oleochemical plant in Prai, Penang, expecting to be completed by 2Q2022. ✓ The new plant is mainly operated for palm and palm kernel based fatty acids and glycerine – raw materials for personal care and cosmetic products.
Petronas	Oil & Gas	<ul style="list-style-type: none"> ✓ Petronas is allocating an average annual capex of RM20.0 billion in upstream activities in 2022 – 2027. ✓ 60% of allocation will benefit the domestic upstream space. ✓ Pipeline installation will increase in 2022.

Source: Various news

Produced and issued by BANK ISLAM MALAYSIA BERHAD (Bank Islam) for private circulation only or for distribution under circumstances permitted by applicable laws. All information, opinions and estimates contained herein have been compiled or arrived at based on sources and assumptions believed to be reliable and in good faith at the time of issue of this document. This document is for information purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. No representation or warranty, expressed or implied is made as to its adequacy, accuracy, completeness or correctness. All opinions and the content of this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Bank Islam as a result of using different assumptions and criteria. No part of this document may be used, reproduced, distributed or published in any form or for any purpose without Bank Islam's prior written permission

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.

BANK ISLAM

Assuring Trust. Delivering Value.

Thank You