News Release

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S&P Global Malaysia Manufacturing PMI®

PMI at seven-month low amid renewed moderation in new orders

Key findings

Production and new orders ease, but exports rise further

Output charges broadly stable

Confidence regarding year ahead remains solid

November saw a moderation in the Malaysian manufacturing sector as demand conditions remained muted. Slowdowns were seen in new orders, output and stocks, while employment was broadly stagnant. That said, firms pointed to firmer overseas demand conditions which resulted in a further increase in new export orders.

On the price front, the rate of input cost inflation eased further in the penultimate month of the year to reach a nine-month low, which translated to a broad stagnation in output charges.

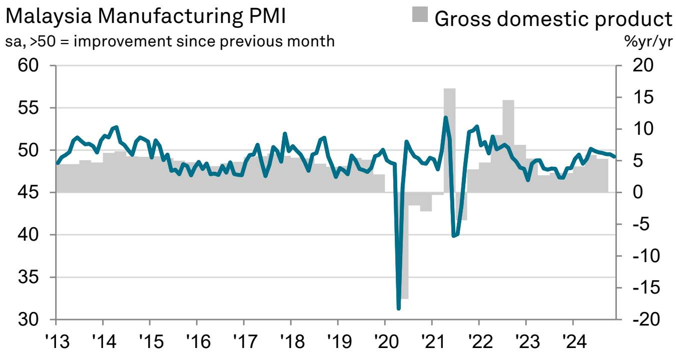
The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI®) dipped from 49.5 in October to 49.2 in November. The reading therefore signalled a marginal moderation in the health of the sector.

The historical relationship between the PMI and official GDP data indicates that the final quarter of 2024 will likely see continued growth, though the data are also consistent with a further slowing in the rate of increase in official manufacturing production on an annual basis.

New orders eased for the fourth time in five months amid subdued demand. The reduction was modest, but the most marked since April. On the other hand, international markets saw growth of new orders for the eighth consecutive month in November, which firms often attributed to demand across the Asia-Pacific region.

In line with the picture for total new orders, production softened at a modest pace, though the rate of reduction eased fractionally from the previous survey month.

Concurrently, employment was scaled back during the latest survey period as firms noted the non-replacement of voluntary leavers. Meanwhile, Malaysian manufacturers recorded a broad stabilisation in backlogs of work, with the latest reading of the respective seasonally adjusted index the highest in four months. Firms often commented that

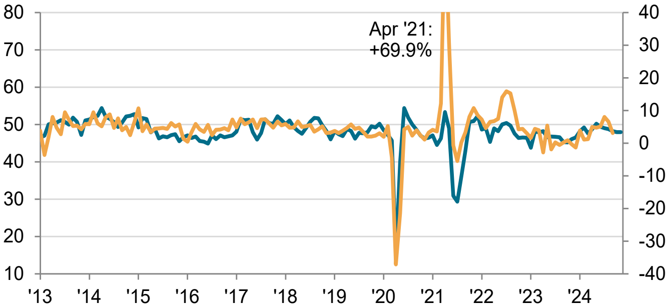


Sources: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence.
Data were collected 12-25 November 2024.

Comment

Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"Malaysian manufacturers remained under pressure in November, as the latest PMI data signalled that the sector saw a slightly steeper moderation in operating conditions. New orders, output and employment all softened, with incoming new business easing to the largest degree for seven months.



Sources: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence.

limited capacity had placed some strain on capacity.

Purchasing activity, stocks of inputs and inventories of finished goods were all scaled back in the penultimate month of 2024, though all three measures saw the respective rates of reduction ease on the month.

Despite weaker demand for inputs, firms saw longer delivery times for the seventh consecutive month during November. Lead times lengthened to the greatest degree since August amid the continuing impact of disruption in the Red Sea.

The rate of input cost inflation eased further in November to reach a nine-month low. The overall increase was solid, and often linked to higher raw material prices and a weaker exchange rate. At the same time, factory gate inflation for manufactured goods was only fractional, as firms looked to lower prices in an attempt to stimulate sales.

Hopes of an improvement in market demand were key to optimism regarding the 12-month outlook for output in the penultimate month of the year. The overall level of confidence was little-changed from October, though remained below the long-run average (56.2) amid concern regarding the timing of a domestic demand recovery.

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Survey methodology

The S&P Global Malaysia Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in July 2012.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Using PMI to estimate GDP growth

PMI data are available faster than official GDP figures and at a higher frequency, providing an accurate advance guide to economic growth. Comparing the headline Malaysia Manufacturing PMI with annual GDP growth rates shows a correlation of 60%, with the PMI acting as a coincident indicator of economic growth. Using the average of PMI Output Index for each calendar quarter lifts this correlation to 74%.

With this correlation as the basis of PMI-implied GDP growth rates, we can build a simple OLS regression model where the annual rate of change in GDP is explained by a single variable: the headline Malaysia manufacturing PMI. The model therefore allows us to estimate GDP using the following formula:

Annual % change in GDP = (PMI x 0.287) – 8.99

Using this formula, a headline PMI reading of 31.4 is comparable to a zero annual growth rate of GDP. Each index point above (below) is roughly the same as 0.3 percentage points of GDP growth (decline) such that:

PMI = 40, GDP %yr/yr = 2.5; PMI = 50, GDP%yr/yr = 5.3; PMI = 60, GDP %yr/yr = 8.2

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
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