

PMI continues to be on contraction mode

Sector outlook remains challenging for the rest of 2023

MANUFACTURING

PETALING JAYA: The outlook of the manufacturing sector for the remainder of the year looks challenging based on the latest reading of the S&P Global Malaysia Manufacturing Purchasing Managers' Index (PMI) which continues to be in contraction mode, according to economists.

With subdued global demand resulting in lower production, they said the weakness in local manufacturing activities were in line with the global manufacturing trend.

They expect the weakness in the manufacturing sector would continue into the second half of the year.

The PMI, which measures the prevailing direction of economic trends in manufacturing, remained at 47.8 in August, the same rate as the previous month.

A reading above the 50 point mark signals expansion while below 50 indicates contraction.

Notably, the average PMI stood at a modest 48 in the first eight months of the year, indicating a lack of growth, and which also marked its 12th consecutive month of decline.

Meanwhile, TA Research said for the period of July to August, the PMI averaged 47.8, slightly lower than the 48.1 recorded in the second quarter.

According to the research firm, this persistent downward trend in PMI for the third quarter is a concern, as it is likely to reflect the performance of real economic indicators, such as industrial out-

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put, exports, and the gross domestic product.

It added the challenging circumstances across the manufacturing sector have constrained demand and production at Malaysian manufacturing firms.

“Despite the ongoing challenges, there is optimism that new orders will return to growth, which in turn supports confidence in increased production over the next 12 months.

“However, due to the current subdued demand environment, this optimism remains modest and falls well below the long-run series average,” TA Research noted.

Nevertheless, the research house said the recent launch of the New Industrial Master Plan (NIMP) 2030 brings hope for a resurgence in the sector's performance.

The government's commitment to implementing NIMP 2030 involves an estimated total investment of RM95bil over seven years, aimed at propelling the country's economic growth.

This strategy encompasses various key initiatives, including increasing econom-

ic complexity, strengthening domestic industrial linkages, and elevating Malaysian industries within the global value chain.

MIDF Research opined the weakness in manufacturing sector for Malaysia was in line with the global manufacturing trend, and therefore the still weak PMI readings the sluggishness would continue in the second half of this year amid subdued global demand.

Among other countries, the manufacturing activities continued to fall as the situation in the sector remained challenging.

This was seen in PMI readings at below 50 in August for Japan (49.6), the Philippines (49.7), South Korea (48.9), Taiwan (44.3), Thailand (48.9), eurozone (43.5) and the United States (47.9).

With the exception, China Caixin Manufacturing PMI improved to 51 (July 2023: 49.2) as activities showed better growth than previous month.

Several countries like Myanmar (53), Indonesia (53.9) and India (58.6) also reported growth in their manufacturing activities.